

## PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	The price of Ketchup at a market increases by 12.5% per can, which results in a decrease in quantity purchased by 40% per week, the demand is.	A. Relatively elastic B. Relatively inelastic C. Perfectly elastic D. Perfectly inelastic
2	If there are 50 firms in a industry each selling 2% of the total sales the concentration ratio is.	A. 50% B. 2% C. 8% D. 100%
3	Given the cost data indicated in the table above the average variable cost of producing 7 units of output is	A. Rs.37 B. Rs.29 C. Rs.31 D. Greater than Rs.37
4	The Marginal cost of product W exhibiting positive externalities is $McW = 25 + 5 Q_s$ , the competitive price for each unit of W ( $P_w$ ) is Rs. 175 and the positive externality is worth Rs. 100 to society for each unit produced. Society considers product W under produced by how many units.	A. 10 Units B. 15 Units C. 20 Units D. 5 units
5	If A, B, C and D are any four market baskets, and if the consumer has ranked them so that D is preferred to C, A is not preferred to B, and B is not preferred to c then.	A. A is preferred to C B. A is preferred to D C. B is preferred to D D. D is preferred to A
6	In capitalistic economy price is determined by	A. Supply and production B. Demand and production C. Demand and consumption D. Demand and supply
7	As the opportunity cost of a good falls, ceteris paribus the substitution effect implies that people buy	A. Less of the good and more of its substitutes B. More of that good and less of its substitutes C. Less of that good and less of its substitutes D. More of that good and more of its substitutes
8	A demand curve is not related to	A. The time period B. The price of the commodity C. The price of substitution D. Any of above
9	The negative slope of the demand curve indicates that there is _____ relationship between the price and the quantity demanded.	A. A direct B. An inverse C. A positive D. No relationship
10	The expected profit from the profit distribution above is.	A. 40 units B. 60 units C. 100 units D. 20 units
11	Perfect competition implies	A. Homogeneous goods B. Inferior goods C. Superior goods D. Differential goods
12	Skills that can be transferred to other employers are called.	A. General skills B. Specific skills C. Non pecuniary skills D. All of the above
13	Suppose that the price elasticity of demand for maple syrup has been estimated at -2 if quantity demanded increased by 10 percent, price must have changed by.	A. 5 percent lower B. 5 percent higher C. 10 percent lower D. 10 percent higher
14	An entrepreneur who collects profits in the short run for a new invention is collecting.	A. The competitive rate of return on capital B. Temporary monopoly profit C. Rent D. A Ramsey surplus

15	In the short run if price falls the firm will respond by	A. Shutting down B. Equating average variable cost to marginal revenue C. Reducing output along its marginal cost curve as long as marginal revenue exceed average variable cost D. None of the above
16	The arc elasticity formula is used to estimate elasticity when	A. The product is thought to be inelastic B. The product is thought to be elastic C. The demand function is known D. There are two observations of price and quantity
17	Which of the following taxes is regressive	A. The federal income tax B. The state income tax C. The sales tax D. The Medicare tax
18	In the short run the competitive firm will produce if.	A. Price is equal to marginal cost B. Price is equal to marginal revenue C. Price is equal to total cost D. Price is equal to are greater than average variable cost.
19	The most important determinant of price elasticity is.	A. The slope of the demand curve B. The availability of substitutes C. The price of other goods D. The income of the consumer
20	When economists say that a per son is economizing they mean that the person is.	A. making choices to gain benefits at lowest possible cost B. Making a lot of money C. Purchasing goods that are generic cheap or of low quality D. Learning how to run a business more effectively