

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	Projects A,B,C,D,E cost Rs. 100, Rs, 200, Rs. 300, Rs. 400, and Rs. 500 with MEC's of 0.07, 0.06,0.09 ,0.10 and 0.11 respectively. The market rate of interest is 8% Total investment spending is	A. Rs. 1500 B. Rs.1300 C. Rs.1200 D. Rs.300
2	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
3	In monopolistic competition firm sell	A. Same goods B. Differential goods C. Inferior goods D. Superior goods
4	Average fixed cost	A. Is U shaped B. Declines over the entire output range. C. Is a long run concept only D. Is influenced by diminishing returns to production
5	The arc income elasticity of demand is approximately	A. 0.02 B. 1.9 C. 3.3 D. 0.5
6	Which of the following groups is most hurt by unexpected inflation.	A. Workers with cost of living adjustments in their labor contracts B. Home owners C. People with large debts to pay for their homes and cars D. People with large retirement savings held in savings accounts.
7	When the demand curve is vertical its shows that the demand is.	A. Less elastic B. Very high elastic C. Elastic D. Perfectly inelastic
8	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firms in the market we have.	A. A cartel B. The perfect competitive outcome C. The Nash equilibrium D. Monopolistic competition
9	An increase in the discount rate at the FED generally has the following effect on bond prices.	A. There is no demonstrated effect B. Such an increase tends to lower bond prices. C. Such an increase tends to raise bond prices D. Bond prices are related to the government purchase and sale of bonds.
10	If X , Y, and Z are willing to work for Rs. 4, Rs, 5, and Rs.6 respectively but N pays them Rs. 7 each, producers surplus is.	A. Rs. 4 B. Rs.7 C. Rs.5 D. Rs.6
11	The "compensated" demand curve is the demand curve that.	A. Shows only the income effect B. Shows only the substitution effect C. Shows both the income and substitution effects D. Shows the Geffen good demand curve
12	The method most commonly used to test the overall significance of a regression is.	A. The t test B. The F -test C. Chi square test D. R
13	When there is a surplus in a market	A. There is downward pressure on price B. There is upward pressure on price C. The market could still be in equilibrium

		equilibrium D. There are too many buyers chasing too few goods.
14	If a monopolist's demand curve is downward sloping and linear, then its total revenue curve must be.	A. Identical to the demand curve B. A ray from the origin with a slope equal to price C. negative sloped with twice the slope of the demand curve D. A rising function of output that increases at a decreasing rate , reaches a maximum, then falls.
15	In price discrimination, which section of the market is charged the higher price.	A. The section with the richest people B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most elastic demand
16	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
17	If a monopoly is unable to cover its short run variable costs, it should.	A. Shut down B. Raise price C. Lower price D. Increase output
18	In the long run a profit maximizing firm will choose to exit a market when	A. Fixed costs exceed total costs B. Total revenue from production is less than total costs C. Average fixed cost is rising. D. Marginal cost exceeds marginal revenue at the current level of production.
19	A price cross elasticity of 0.81 between X and Y shows that.	A. They are complementary goods B. They are competitive substitutes C. They are not substitutes D. a reduction in the price of one would cause an increase in the consumption of the other.
20	In monopoly the firm can	A. Price B. Output C. Either price or output D. Both a and b