

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	A drop in the price of compact disc shifts the demand curve for prerecord tapes leftward from that you know that compact discs and prerecorded tapes are.	A. Inferior goods B. Substitutes C. Complements D. Normal goods
2	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.
3	The supply curve of a perfectly competitive firm	A. Includes the upward sloping portion of the marginal cost B. Is equal to entire margin cost C. Includes the downward sloping portion of marginal cost D. None of these
4	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.
5	Which of the following concepts represents the extra revenue a firm receives from the services of an additional unit of a factor of production.	A. Total revenue B. Marginal physical product C. Marginal revenues product D. Marginal revenue
6	If the production function is $Q = 8 KL$ the marginal rate of technical substitution of labor for capital is.	A. 8 B. K/L C. L/K D. B/KL
7	Which of the following is a characteristic of monopolistic competition.	A. One seller serving the entire market B. When each firm sells an identical product C. When firms do not compete on a product quality price and marketing D. When firms are free is enter and exit the market
8	The demand for labor will be more elastic if	A. There are few substitutes for labor B. There is a short time under consideration C. Labor is a large percent of the total cost of production D. The demand for the product is relatively inelastic
9	According to Keynes, when the great depression started the government should be.	A. Done nothing B. Decreased the money supply C. Had a large increase in government spending. D. Enacted high tariffs such as the smoot Hawley tariff
10	If a firm which polluted the water of area had to pay all social cost would have	A. Small output B. Large output C. Heavy output D. B and C
11	The total utility of the third unit of product x is.	A. 10 B. 5 C. 23 D. 38
12	Firms in monopolistic competition compete on	A. Price B. Quality C. Advertising

		D. All of the above are correct
13	In the long run a profit maximizing monopoly produces an output volume that	A. Equates long run marginal cost with marginal revenue B. Equates long run average revenue C. Assures permanent positive profit D. Is correctly described by both a and c
14	Indifference curve is always.	A. Vertical B. Horizontal C. Concave D. Convex
15	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
16	Indifference curve has following characteristics except.	A. Convex to origin B. Intersect each other C. Not necessary to be parallel D. None of these
17	The downward kinked demand curve facing the individual oligopolistic implies that	A. He face price certainty B. Competitors have a tendency to follow price decreases but not price increase C. Total revenue remains same if a firm increases price D. None of these
18	If both supply and demand for a good increase at the same time which of the following must also increase	A. The equilibrium price B. The use of substitutes C. The equilibrium quantity D. All of the above
19	The fundamental reason people must choose which goods to buy and consume is because of.	A. Scarcity B. Specialization C. People engaging in exchange D. The fact there are many different economic agents
20	If the price of an apple increased from 50 to 60 the quantity demanded will decrease because of.	A. The substitution effect only B. The income effect only C. A change in income D. The substitution and income effects.