

PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	If the income elasticity of demand is +4	A. The good is an inferior good B. The good is an inelastic normal good C. The good is an elastic normal good D. the good is an elastic inferior good
2	A monopoly there is	A. No difference between firm and industry B. A few firms C. Lot of firms D. none of these
3	A monolithically competitive market is characterized by all of the following except.	A. Easy entry B. Differentiated product C. Excess capacity D. Economic profit in the long run
4	The expected profit from the profit distribution above is.	A. 40 units B. 60 units C. 100 units D. 20 units
5	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
6	If the estimated values of Y and P_y in 1987 are Rs. 30,000 and Rs. 8 respectively the marginal revenue of X is.	A. $260 - 160x$ B. $420 - 4Q_x$ C. $240 - 16P_x$ D. $80 - 4Q_x$
7	In perfect competition the transpiration cost	A. Excluded from the total cost B. Is important figure in total cost C. Is ignored D. All of these
8	The supply curve of a monopolist is always.	A. More elastic B. Less elastic C. undefined D. Steeper
9	The classical are of the view that utility can be.	A. Ranked B. Counted C. Expressed in numbers D. Not counted
10	Suppose taht an exise tax is imposed on the monopolist's product if the monopolist's marginal cost is horizontally the relevant range, which of the following statements must be true.	A. The price will increase by an amount less than the tax B. The price will increase by an amount equal to the tax C. The price will increase by a amount greater than tax D. The price may either increase or decrease
11	A firm that is a price taker faces a perfectly	A. Elastic supply curve B. Inelastic demand curve C. Elastic demand curve D. In elastic supply curve
12	Short run is a time frame where a firm can change its.,	A. Total cost B. Total production C. Plant size D. None of these
13	As long as the principle of diminishing marginal utility is operating any increased consumption of good.	A. Lowers total utility B. Produces negative total utility C. Lower marginal utility and therefore total utility D. Lowers marginal utility, but may raise total utility.

14	If the government lower taxes by \$10 billion, the Real GDP will rise by	A. More than \$10 billion B. Less than \$10 billion C. Exactly \$10 billion D. None of these
15	Disposable income is equal to.	A. National income B. National income minus taxes plus transfers C. Real GDP D. National income Minus taxes
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	In monopolistic competition, firms desire to sell more output at equilibrium because.	A. Price is greater than average cost B. Price is greater than average variable cost C. Price is greater than marginal cost D. Price is equal to marginal revenue
18	Which of the following is NOT an example of non price competition the auto industry.	A. End of the year discounts B. Zero percent auto loans C. Television advertising D. Establishing market niches
19	In Production of goods and services tradeoffs exist because.	A. Buyers and sellers often negotiate prices B. Society has only a limited amount of productive resources C. Not all production is efficient D. Human wants and needs are limited at a particular point in time
20	The demand for labor is the same as the	A. Marginal revenue product B. Marginal physical product C. Marginal cost D. Wage
21	Price elasticity at a given price is not affected by.	A. The price of complements B. The price of substitutes C. The consumer's income D. A change in supply
22	When the marginal physical product of labor is $800 - 2N$, the price of goods is Rs. 2, and the cost of labor is Rs. 4 per unit, the quantity of labor employed is.	A. 20 Units B. 800 Units C. 399 Units D. 80 units
23	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 D. There are too many buyers chasing too few goods.
24	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
25	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
26	If the price of product X falls and this change increases the demand for product Y then.	A. X and Y are complements B. X and Y are substitutes C. X is an inferior good D. Y is an inferior good
27	Labour has the following characteristics accept one.	A. It cannot be separated form labourer B. It cannot be stored C. Its supply cannot be increase at once D. Bargaining power of laborer is very strong
	Everyone's absolute income doubles family A's APC according to the simple Keynesian	A. Fall B. Double

28	Everyone's absolute income doubles family A's and C, according to the simple Keynesian consumption function is expected to.	B. Double C. Increase D. Halve
29	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
30	A monopolist who is charging high price operates on.	A. inelastic part of demand curve B. Elastic demand of part curve C. Ignore elasticity D. More elastic demand of part curve
31	Skills that embodied in a person are called.	A. Human capital B. Embodied skills C. Physical capital D. Experience skills
32	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
33	A firm's total revenue is Rs. 4,500 when it sells 15 pairs of boots compared to Rs. 4,480 when it sells 14 pairs,. The marginal revenue of the 15th pair of boots is.	A. Rs.20 B. Rs.320 C. Rs. 4,480 D. Rs.300
34	If leisure is an inferior good the individuals supply curve for labor is.	A. Back ward bending B. Completely inelastic C. Upward sloping D. Perfectly elastic
35	Holding all other things constant a higher price for ski lift tickets would.	A. Increase the number of skiers B. Increase the price of skis C. Decrease the number of skis sold D. Decrease the demand for other winter recreational activities
36	The elasticity of demand for cigarettes by a non smoker is.	A. Unitary price elastic B. Relatively price elastic C. Perfectly price elastic D. Perfectly price inelastic
37	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.
38	One of the following has more elastic demand.	A. A commodity with substitutes B. A commodity having more than one use C. A commodity commonly use D. None of these
39	As disposable income increases from Rs. 1500 to 2000 , saving increases from minus Rs. 50 to Rs.250 if the relationship between disposable income and saving is linear, the MPC obviously has a value of.	A. .6 B. .8 C. .4 D. .2
40	If A is preferred to B and B is preferred to C and there is indifference between A and D	A. D is preferred to C B. B is preferred to D C. There is indifference between C and D D. There is indifference between B and D
41	The average total cost of a wedge increases from Rs. 0.79 ro Rs. 0.83 Evidently	A. AFC exceeds AVC B. MC is between Rs. 0.79 and Rs. 0.83 C. AVC is Rs. 0.83 D. MC is greater than Rs. 0.83
42	The demand curve for labor for a monopolist when other inputs are fixed is equal to its	A. Marginal value product curve B. Marginal revenue product curve C. Horizontal summation of the firms demand curve at different output prices D. Marginal physical product curve
43	The short term interest rates on bonds over the next 5 years is 6% , 7%, 9% ,10% and 8% according to the expectations Hypothesis, the interest rates on bonds with 5 years to maturity will be.	A. 6% B. 8% C. 10% D. 9%

44	If a good is normal then the demand curve for that good must be.	A. Downward sloping B. Upward sloping C. Perfectly elastic D. Completely inelastic
45	If the price of factor A is Rs.8.00 per hour, and its marginal product is 10 units, and the price of factor B is Rs. 5.00 and its marginal product is 9, is the producer is likely to.	A. Hire more of A and less of B B. Hire more of B and less of A C. Start paying factor A more D. Try to use factor B more productively
46	If the price of both goods increase by the same percent , the budget line will.	A. shift parallel to the left B. Shift parallel to the right C. Pivot about the x axis D. Pivot about the Y axis
47	In perfect competition a firm is.	A. Price taker B. Price setter C. Independent D. Dependent
48	When the demand curve is vertical its shows that the demand is.	A. Less elastic B. Very high elastic C. Elastic D. Perfectly inelastic
49	Cross -elasticity following commodities is very high	A. Compliments B. Normal C. Goods substitutes D. Good compliments
50	A combination labour and capital where the cost of an output is minimized is called.	A. Optimum factor combination B. Good combination C. Least combination D. Substitutes combination
51	In contract to perfectly competitive markets monopolists	A. Do no have to worry about market demand B. Sell only if demand is inelastic C. Can never incur an economic loss D. Can earn an economic profit indefinitely
52	An oligopolistic industry can be characterized by all of the following except	A. May sellers B. mutual interdependence C. Economies of scale D. A homogenous product
53	If a good has a lot of substitutes, then its demand is.	A. Elastic B. Inelastic C. Unit elastic D. Elastic or inelastic depending on whether the price is increasing or decreasing
54	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
55	The "Law of demand" states that other things remaining the same the quantity demanded of any good is.	A. Directly related to its price B. Positively related to its price C. Inversely related to its price D. Directly elated to the supply of the good
56	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
57	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
58	Which of the following will not be a determinant of the price elasticity of demand for a commodity.	A. The absence of substitute for the good. B. The presence of substitutes for the good. C. The importance of the commodity in consumers budgets D. The cost of producing the commodity
59	BATA's marginal utility per dollars is .8 for both shorts and running shoes,. To attain her	A. Buy an additional pair of shorts B. Buy an additional pair of both items C. Possibly not make any adjustment

59	consumer equilibrium BATA should.	<p>C. Possibly not make any adjustment in her behavior</p> <p>D. Sell her shorts and keep her shoes</p>
60	The fundamental reason people must choose which goods to buy and consume is because of.	<p>A. Scarcity</p> <p>B. Specialization</p> <p>C. People engaging in exchange</p> <p>D. The fact there are many different economic agents</p>
61	When a tax is levied on a good.	<p>A. The market price falls because demand declines.</p> <p>B. The market price falls because supply falls.</p> <p>C. A wedge is placed between the price buyers pay and the price sellers receive</p> <p>D. The market price rises because demand falls.</p>
62	The competitive firm maximizes its profit by operating where	<p>A. Average costs are at a minimum</p> <p>B. Total revenue is at a maximum</p> <p>C. Profit per unit is at a maximum</p> <p>D. Marginal cost equals price</p>
63	Goods which can be consume directly are	<p>A. Producer goods</p> <p>B. Consumer goods</p> <p>C. Free goods</p> <p>D. Economics goods</p>
64	A monopolistically competitive firm differs from a perfectly competitive firming that unlike the perfectly competitive firm it.	<p>A. Faces a downward sloping demand curve</p> <p>B. Can change the characteristics of its product.</p> <p>C. Can vary the price of its product.</p> <p>D. All of the above</p>
65	Indifference curve approach is also called.	<p>A. Law of diminishing marginal utility</p> <p>B. Law of substitution</p> <p>C. Ordinal measure approach</p> <p>D. None of these</p>
66	The Isoquant curve shows different combinations of two factors of production which give the producer.	<p>A. Different level of output</p> <p>B. High level of output</p> <p>C. low level of output</p> <p>D. Same level of output</p>
67	Which of the following is a characteristics of monopolistic competition.	<p>A. One seller serving the entire market</p> <p>B. When each firm sells an identical product</p> <p>C. When firms do not compete on a product's quality price and marketing.</p> <p>D. When firms are free to enter and exit the market</p>
68	A firm's long run average total cost lineis	<p>A. Identical to its long run marginal cost line</p> <p>B. Also its long run supply curve</p> <p>C. In fact the average total cost curve of the optimal plant</p> <p>D. Tangent to all the curve of short run average total cost</p>
69	Which of the following does not represent a barrier to entry into a market.	<p>A. Import quotas</p> <p>B. patent laws</p> <p>C. Government franchises</p> <p>D. Anti trust legislation</p>
70	Firms entering a perfectly competitive market will cause the price of the product to	<p>A. Decrease</p> <p>B. Increase</p> <p>C. Remain constant</p> <p>D. Respond more to consumer demand than supply</p>
71	Price discrimination is possible	<p>A. Oligopoly</p> <p>B. Duopoly</p> <p>C. Perfect competition</p> <p>D. Monopoly</p>
72	A normal good can be defined as one which consumers purchase more of as.	<p>A. Price fall</p> <p>B. Price rise</p> <p>C. Income fall</p> <p>D. Incomes increase</p>
73	Law of variable proportion sis applicable in.	<p>A. Short run</p> <p>B. Long run</p> <p>C. Anytime</p>

		D. Fore ever
74	An economy that fails to realize all of its potential gains from specialization is.	<p>A. Achieving productive efficiency</p> <p>B. Operating outside its production possibilities curve</p> <p>C. Operating on its production possibilities curve in an inefficient manner</p> <p>D. Operating inside its production possibility curve</p>
75	when there is huge change in demand following method is used to measure elasticity of demand.	<p>A. Percentage method</p> <p>B. Arc method</p> <p>C. Point method</p> <p>D. Other method</p>
76	Which of the following taxes is regressive	<p>A. The federal income tax</p> <p>B. The state income tax</p> <p>C. The sales tax</p> <p>D. The Medicare tax</p>
77	If the prices of both goods increase by the same percent the budget line will	<p>A. Shift parallel to the left</p> <p>B. shift parallel to the right</p> <p>C. Pivot about the x axis</p> <p>D. Pivot about the Y axis</p>
78	"The quantity demanded increases as its price increases and falls as its price falls" is called given goods, is presented by.	<p>A. Allen</p> <p>B. Marshall</p> <p>C. Adam smith</p> <p>D. Robert griffin</p>
79	Economic growth is shown on the production possibility frontier as.	<p>A. The curvature of the PPF</p> <p>B. An inward shift in the PPF</p> <p>C. An outward shifts in the PPF</p> <p>D. A movement from one point on the PPF to another</p>
80	The price elasticity of demand is teh same thing as the negative of the	<p>A. Slope</p> <p>B. Reciprocal of slope</p> <p>C. The first derivative of the demand function</p> <p>D. Reciprocal of slope times the ratio of price to quantity</p>
81	Which of the policies in the table above an increase in social welfare according to pareto efficiency.	<p>A. Policy A</p> <p>B. Polies A and B</p> <p>C. Policies A and D</p> <p>D. Policies C a, -d D</p>
82	In perfect competition price is settled by	<p>A. Sellers</p> <p>B. Buyers</p> <p>C. Producers</p> <p>D. Both a and b</p>
83	The income elasticity of demand	<p>A. Is negative for normal goods</p> <p>B. Is positive for normal goods</p> <p>C. Equals the relative change in demand for a good divided by the relative change in the iincome of consumers all else being equal</p> <p>D. Is correctly described by all of the above</p>
84	The key feature of oligopoly is.	<p>A. Excess capacity</p> <p>B. High profitability</p> <p>C. Product differentiation</p> <p>D. Interdependence of firms</p>
85	As the opportunity cost of a good falls, ceteris paribus the substitution effect implies that people buy	<p>A. Less of the good and more of its substitutes</p> <p>B. More of that good and less of its substitutes</p> <p>C. Less of that good and less of its substitutes</p> <p>D. More of that good and more of its substitutes</p>
86	Assume a cosumer buys 25 units of good X at Rs.8 and 10 units of good Y at Rs. 6 in 1980. If $P_x = \text{Rs. } 6$ and $P_y = \text{Rs. } 4$ in 1970 the pasasche index is.	<p>A. 1.14</p> <p>B. 1.65</p> <p>C. 1.37</p> <p>D. 1.47</p>
87	Some goods are not closely related to each other and are neither substitutes nor complements for such goods the cross price elasticity of demand would be.	<p>A. Positive</p> <p>B. Negative</p> <p>C. Zero</p> <p>D. Cannot tell without more information</p>
		A. Rs.10,000

88	Firm A's annual profit is.	<p>B. Rs.20,000</p> <p>C. Rs.30,000</p> <p>D. Rs.60,000</p>
89	In an industry with a falling long term supply curve, which of the following is true.	<p>A. Industry unit cost are constant</p> <p>B. Industry unit costs are decreasing</p> <p>C. Industry unit costs are increasing</p> <p>D. Industry unit costs cannot be determined</p>
90	Which of the following is an automatic stabilizer.	<p>A. Unemployment benefits</p> <p>B. Spending on education</p> <p>C. Defense spending</p> <p>D. Net interest</p>
91	If there is no price surprise, total output is.	<p>A. 50</p> <p>B. 150</p> <p>C. 400</p> <p>D. 200</p>
92	If the monopolist maximizes profits when marginal revenue equals marginal cost equals average cost economic profits must be.	<p>A. Negative</p> <p>B. Positive</p> <p>C. Zero</p> <p>D. Either a or c</p>
93	If average variable cost is less than marginal cost then certainly.	<p>A. Per unit total cost is rising</p> <p>B. Per unit total cost is constant</p> <p>C. Per unit total cost is falling</p> <p>D. Per unit variable cost is rising</p>
94	Firms in monopolistic competition compete on	<p>A. Price</p> <p>B. Quality</p> <p>C. Advertising</p> <p>D. All of the above are correct</p>
95	Given the above demand and supply equations for widgets, the equilibrium price and quantity is.	<p>A. $P = \text{Rs. } 20, Q = 60$</p> <p>B. $PO = \text{Rs. } 60, Q, = 20$</p> <p>C. $P \text{ Rs. } 35, Q = 45$</p> <p>D. $P - \text{Rs. } 12, Q = 88$</p>
96	Suppose an individual spends all his income on only two goods, good X and good Y moreover suppose that you were asked to derive his price consumption curve for good Y Which of the following would be allowed to vary.	<p>A. Money income</p> <p>B. The tastes of the consumer</p> <p>C. The price of good X</p> <p>D. The price of good Y</p>
97	The demand curve of unitary elastic commodity is.	<p>A. Rectangular hyperbola</p> <p>B. Parabola</p> <p>C. Straight line</p> <p>D. None of these</p>
98	The conditions necessary for a firm to be able to price discriminate include.	<p>A. Segment able markets</p> <p>B. Difference in price elasticity of demand among the segments</p> <p>C. The inability of customers to transfer products</p> <p>D. All of the above</p>
99	If average fixed cost is 40 and average variable cost is 80 for a given output we the know that average total cost is.	<p>A. 40</p> <p>B. >120</p> <p>C. 80</p> <p>D. None of the above</p>
100	In the long run a profit maximizing firm will choose to exit a market when	<p>A. Fixed costs exceed total costs</p> <p>B. Total revenue from production is less than total costs</p> <p>C. Average fixed cost is rising.</p> <p>D. Marginal cost exceeds marginal revenue at the current level of production.</p>
101	A profit maximizing monopolist in two separate markets will	<p>A. Charge different price according to elasticity</p> <p>B. Charged same price</p> <p>C. Charged very high price</p> <p>D. Charged very low price</p>
102	A production function for a firm which produces a product with two or more inputs.	<p>A. Represents a physical relationship between outputs for a specified set of inputs</p> <p>B. Indicates the least cost combinations of inputs for a given output</p> <p>C. Relates revenues and costs</p> <p>D. Indicates the dollar cost for each level of output.</p>
		<p>A. More of a good the higher their incomes, ceteris paribus.</p> <p>B. Less of good the higher its price</p>

103	The "Law of demand" most directly means that consumers buy	<p><i>ceteris paribus</i></p> <p>C. Buy more of a good the less is its supply <i>ceteris paribus</i></p> <p>D. Buy less of a good the greater is its supply <i>ceteris paribus</i></p>
104	An -increase the expected future price of a good.	<p>A. <i>Increases its demand</i></p> <p>B. Decreases its demand</p> <p>C. Increases its supply</p> <p>D. Has no effect on either its demand or its supply.</p>
105	If a monopolist's demand curve is downward sloping and linear, then its total revenue curve must be.	<p>A. Identical to the demand curve</p> <p>B. A ray from the origin with a slope equal to price</p> <p>C. negative sloped with twice the slope of the demand curve</p> <p>D. <i>A rising function of output that increases at a decreasing rate , reaches a maximum, then falls.</i></p>
106	Which of the following would cause the demand curve for an input to shift.	<p>A. A change in technology</p> <p>B. A change in demand for the product being produced</p> <p>C. An increase in the number of firms in the industry</p> <p>D. <i>All of the above</i></p>
107	The marginal rate of substitution of two goods can be obtain from	<p>A. Slope of budget line</p> <p>B. Slope of demand curve</p> <p>C. <i>Slope of indifference curve</i></p> <p>D. None of these</p>
108	Which of the following correct about firms in an oligopoly.	<p>A. Each firm has complete control over its own selling price</p> <p>B. All firms independently charge monopoly prices</p> <p>C. <i>No one firm controls price but each has an influence on the price</i></p> <p>D. There is no competition in oligopoly industries</p>
109	An increase in the discount rate at the FED generally has the following effect on bond prices.	<p>A. There is no demonstrated effect</p> <p>B. <i>Such an increase tends to lower bond prices.</i></p> <p>C. Such an increase tends to raise bond prices</p> <p>D. Bond prices are related to the government purchase and sale of bonds.</p>
110	"Principles of economics" is the book of	<p>A. Robbins</p> <p>B. Adam smith</p> <p>C. Hicks</p> <p>D. <i>Marshall</i></p>
111	A price decrease and an increase in income are similar in that	<p>A. Both force the consumer to achieve a lower level of well being</p> <p>B. Both force the consumer to reach a lower indifference curve</p> <p>C. <i>Both move the budget line outward</i></p> <p>D. ^{They are not similar at all}</p>
112	What is the per unit marginal cost of increasing production from 20 to 25 units.	<p>A. Rs. 3,500</p> <p>B. <i>Rs.100</i></p> <p>C. Rs.4,000</p> <p>D. Rs.500</p>
113	Which of the following groups is most hurt by unexpected inflation.	<p>A. Workers with cost of living adjustments in their labor contracts</p> <p>B. Home owners</p> <p>C. People with large debts to pay for their homes and cars</p> <p>D. <i>People with large retirement savings held in savings accounts.</i></p>
114	Naveed purchases product M for which his income elasticity of demand is negative Apparently product M is.	<p>A. A necessity</p> <p>B. An independent good</p> <p>C. <i>An inferior good</i></p> <p>D. A luxury good</p>
115	As long as the principle of diminishing marginal utility is operating any increased consumption of a good.	<p>A. Lowers total utility</p> <p>B. Produces negative total utility</p> <p>C. Lowers marginal utility and therefore total utility</p> <p>D. <i>Lowers marginal utility, but may raise total utility.</i></p>

116	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
117	When goods are compliments the cross demand curve	A. Upward to the right B. Backward to bottom C. Inwards to the right D. Downwards to right
118	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
119	For a competitive firm the demand curve	A. A horizontal B. Coincides with the marginal revenue curve C. Coincides with the average revenue curve D. All of the above
120	Given a proportional income tax and a government budget that is currently in balance, an increase in autonomous investment ceteris paribus, Increases equilibrium income and the budget.	A. Remains is balance B. Has a surplus C. Has a deficit D. None of these
121	A utility contour shows all the alternative combinations of two consumption goods that.	A. Can be produced with a given set of resources and technology B. Yield the same total of utility C. Can be purchased with a given budget at given prices D. Equate the marginal utilities of these goods and therefore make the consumer indifferent between them.
122	In monopoly the firm can	A. Price B. Output C. Either price or output D. Both a and b
123	Extension and contraction of demand mean	A. Movement on the same demand curve B. Movement to high demand curve C. Movement to lower demand curve D. Movement to another demand curve
124	For commodities, X and Y, the possibilities are X is preferred to Y, Y is preferred to X or X and Y are equally preferred, In indifference curve analysis, this is known as the.	A. Comparability assumption B. Transitivity assumption C. Non seriation assumption D. Reflexivity assumption
125	A demand curve that is an equilateral hyperbola is.	A. Perfectly elastic B. Relatively elastic C. Unit elastic D. Relatively inelastic
126	How much will a speculator invest now if he expects to earn Rs. 144 two years from now assuming the nominal rate of interest is 20%	A. Rs.1654.29 B. Rs.100.00 C. Rs.94.00 D. Rs.68.00
127	the ouput where diminishing return to production begin is also the ouput where	A. Marginal cost is at a minimum. B. Average total cost is at a minimum C. Average variable cost is at a minimum D. Marginal and average
128	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.
129	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
130	If a simultaneous and equal percentage decrease in the use of all physical inputs leads to a larger percentage decrease in physical output a firm's production function is said to exhibit.	A. Decreasing returns to scale B. Constant returns to scale C. Increasing returns to scale D. Diseconomies of scale
131	In the neighborhood of the long run equilibrium of a monopolistically competitive firm	A. Decreasing B. Constant

131	average cost will be.	C. Increasing D. At a minimum
132	Law of demand is not applicable on	A. Daily goods B. Scarce goods C. Consumer goods D. Producer goods
133	The price elasticity of demand will increase with the length of the period to which the demand curve pertains because.	A. Consumers incomes will increase B. The demand curve will shift toward C. All prices will increase over time D. Consumers will be better able to find substitutes
134	The are price elasticity of demand is approximately	A. 0.3 B. 3.3 C. 6.0 D. 0.2
135	If the price of an apple increases.	A. Its opportunity cost decreases B. Its opportunity cost increases C. The substitution effect does not occur D. The income effect does not occur
136	A firm A's break even quantity is.	A. 10 units B. 40 units C. 50 units D. 30 units
137	In perfect competition there is.	A. Many buyers B. Many sellers C. Homogeneous product D. All of these
138	The firms average variable cost of the 150th unit is.	A. Rs.15 B. Rs.17 C. Rs.20 D. Rs.9
139	A situation in which firms choose their best strategy given the strategies chosen by the other firms in the market is called.	A. a competitive equilibrium B. An open market solution C. The Nash equilibrium D. The cartel equilibrium
140	If a firm triples all inputs and output triples as well the firm is subject to	A. Constant returns to scale B. Increasing returns to scale C. Economies of scale D. Both b and c
141	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
142	A Market situation where the number of buyers is very large and the number of sellers are very small is called.	A. Perfect competition B. Duopoly C. Oligopoly D. In perfect competition
143	Indifference curve is always.	A. Vertical B. Horizontal C. Concave D. Convex
144	The average total cost when 20 units of output are produced is	A. Rs. 2,900 B. Rs.195 C. Rs. 20 D. Rs.900
145	Elasticity of demand of luxurious goods is always more elastic	A. More elastic B. Less elastic C. Equal elastic D. None elastic
146	if a consumer is purchasing only two commodities X and Y , and the marginal utility per dollar of Y is greater than the marginal utility per dollar of X to maximize total utility with the limited income the consumer should buy.	A. Less of both commodities B. More of both commodities C. More of Y. D. None of the above
147	In perfect competition, a seller by increasing price.	A. Sell more B. Produce its revenue C. Decrease cost D. Sell nothing

148	When economists say that a person is economizing they mean that the person is.	<p>A. making choices to gain benefits at lowest possible cost</p> <p>B. Making a lot of money</p> <p>C. Purchasing goods that are generic cheap or of low quality</p> <p>D. Learning how to run a business more effectively</p>
149	The income elasticity of inferior goods is	<p>A. Zero</p> <p>B. Positive</p> <p>C. Negative</p> <p>D. Unitary</p>
150	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.	<p>A. 5 percent lower</p> <p>B. 5 percent higher</p> <p>C. 10 percent lower</p> <p>D. 10 percent higher</p>
151	A firm charges Rs. 800 for its unique word processor. If total revenue is Rs. 56,000 in July, how many word processors were sold that month.	<p>A. 70</p> <p>B. 95</p> <p>C. 700</p> <p>D. 800</p>
152	An income demand curve of an inferior good is.	<p>A. Same in slope</p> <p>B. Upward in slope</p> <p>C. Downward in slope</p> <p>D. None of these</p>
153	Perfect competition implies	<p>A. Homogeneous goods</p> <p>B. Inferior goods</p> <p>C. Superior goods</p> <p>D. Differential goods</p>
154	If a person's MPC is always two thirds and that person's break even point is Rs. 6,000, at a disposable income of Rs. 9,000 the person's consumption expenditures will be.	<p>A. Rs. 8,000</p> <p>B. Rs. 5,000</p> <p>C. Rs. 6,000</p> <p>D. Rs. 7,500</p>
155	Which of the following does not characterize monopolistic competition.	<p>A. Product differentiation</p> <p>B. Many producers</p> <p>C. Absence of advertising</p> <p>D. Some control over price</p>
156	If the demand curve for a good is downward sloping then the good must be.	<p>A. Normal</p> <p>B. Inferior</p> <p>C. Giffen</p> <p>D. Either a or b</p>
157	The most important determinant of price elasticity is.	<p>A. The slope of the demand curve</p> <p>B. The availability of substitutes</p> <p>C. The price of other goods</p> <p>D. The income of the consumer</p>
158	An indifference curve shows various combinations of goods which gives the consumer.	<p>A. Equal level of utility</p> <p>B. Low level of utility</p> <p>C. High level of utility</p> <p>D. None of these</p>
159	When the price of an inferior good falls ceteris paribus the substitution effect leads to _____ in the quantity purchased and the income effect leads to _____ in the quantity purchased.	<p>A. An increase, an increase</p> <p>B. An increase, a decrease</p> <p>C. A decrease, an increase</p> <p>D. A decrease, a decrease</p>
160	A typical demand curve cannot be	<p>A. Rising upwards to the right</p> <p>B. A straight line</p> <p>C. Concave to origin</p> <p>D. Convex to origin</p>
161	The ABC corporation.	<p>A. Is earning a pure economic profit</p> <p>B. Should produce zero units of output</p> <p>C. Is sustaining an economic loss</p> <p>D. Is breaking even</p>
162	Which of the following does not apply to Pareto efficiency.	<p>A. Consumptive efficiency</p> <p>B. Productional efficiency</p> <p>C. Allocative efficiency</p> <p>D. Equity</p>
163	Along the long run supply curve all of the following can vary except.	<p>A. The level of profits</p> <p>B. The number of firms in the industry</p> <p>C. Input prices</p> <p>D. The level of input usage</p>
164	At level of income and output of 100 in the diagram above	<p>A. APC < 1</p> <p>B. Equilibrium occurs</p> <p>C. Consumption expenditures are</p>

		<p>equal to 100</p> <p>D. MPC > APC</p>
165	If an increase in the price of gasoline increases the demand for gas hybrid cars, then	<p>A. Hybrid cars are an inferior good</p> <p>B. Gasoline and hybrid cars are complements in consumption</p> <p>C. Gasoline is an inferior good</p> <p>D. Gasoline and hybrid cars are substitutes in consumption</p>
166	The demand for labor will be more elastic if	<p>A. There are few substitutes for labor</p> <p>B. There is a short time under consideration</p> <p>C. Labor is a large percent of the total cost of production</p> <p>D. The demand for the product is relatively inelastic</p>
167	In substitution effect a consumer	<p>A. Shifts away from the commodity which price has risen</p> <p>B. shifts in favor of commodity which price has risen</p> <p>C. shifts away from the commodity which price has fallen</p> <p>D. None of these</p>
168	In monopolistic competition firm sell	<p>A. Same goods</p> <p>B. Differential goods</p> <p>C. Inferior goods</p> <p>D. Superior goods</p>
169	If consumers spend 15 million a month on CDs, regardless of whether the price they pay goes up or down that implies that their price elasticity of demand for CDs is.	<p>A. 0</p> <p>B. 1</p> <p>C. Infinite</p> <p>D. 15</p>
170	A price cross elasticity of 0.81 between X and Y shows that.	<p>A. They are complementary goods</p> <p>B. They are competitive substitutes</p> <p>C. They are not substitutes</p> <p>D. a reduction in the price of one would cause an increase in the consumption of the other.</p>
171	If there are 50 firms in a industry each selling 2% of the total sales the concentration ratio is.	<p>A. 50%</p> <p>B. 2%</p> <p>C. 8%</p> <p>D. 100%</p>
172	A production possibilities curve indicates that when resources are being used efficiently	<p>A. More of one good can be produced only if less of another good is produced</p> <p>B. More of one good can be produced only if its price is lowered</p> <p>C. Producing more of one good result in greater production of other goods</p> <p>D. More of one good can be produced without producing less of other goods</p>
173	The downward kinked demand curve facing the individual oligopolistic implies that	<p>A. He face price certainty</p> <p>B. Competitors have a tendency to follow price decreases but not price increase</p> <p>C. Total revenue remains same if a firm increases price</p> <p>D. None of these</p>
174	A long-run total cost curve can be constructed from	<p>A. An income consumption curve</p> <p>B. A price consumption curve</p> <p>C. Isoquant is cost expansion path diagram</p> <p>D. An Engel curve</p>
175	Which of the following is a function of money	<p>A. Medium of exchange</p> <p>B. Store of value</p> <p>C. Unit of accounting</p> <p>D. All of the above</p>
176	An exceptional demand curve is.	<p>A. Vertical</p> <p>B. Horizontal</p> <p>C. Downward sloping</p> <p>D. Positive slope</p>
177	When the quantity demanded is changed on the same price	<p>A. the demand curve shifts upward</p> <p>B. The demand curve shifts downward</p> <p>C. Movement on the same demand curve</p> <p>D. None of these</p>

		D. None of these
178	The tax is question 52 is	A. Progressive's B. Regressive C. Proportional D. None of these
179	Last week, Martha spend one day cleaning a house for this she was paid \$50 The rest of the week, she spend looking for a job Martha would be callsified as.	A. Employed B. Unemployed C. Not in the labor force D. None of these
180	Law of variable proportion is also called.	A. Law of non proportion returns B. Law of substitution C. Law of casts D. Law of demand
181	Oligopoly is a market structure in which	A. Many firms each produce a slightly differentiated product B. One firm produces as unique product C. A small number of firms compete D. Many firms produce an identical product
182	in monopolistic competition the firms desire to sell more output at the equilibrium because.	A. Price is more than marginal cost B. Price is less than marginal cost C. Price is less than average cost D. Price more than average cost
183	If the estimated values of Y and Py in 1987 are Rs. 20,000 and Rs. 6 respectively, what is the maximum price of X.	A. Rs.420 B. Rs.240 C. Rs.300 D. Rs.360
184	Allocative efficiency is achieved under which of the following market structures.	A. Perfect competition B. Monopolistic competition C. Oligopoly D. Monopoly
185	A linear homogenous production function would reveal.	A. Constant returns to scale B. Increasing returns to scale C. Decreasing return to scale D. Doubling all inputs would more than double output
186	The Lorenz curve shows that	A. unemployment does not affect social group B. People with low income spend more C. People with low income spend less D. the degree of income equality in the economy
187	A market demand curve can be derived by adding all the individual demand curves	A. Vertically B. Horizontally C. In parallel D. Any of the above as long as it is consistent
188	An elasticity coefficient of -1 means that	A. The demand curve is perfectly inelastic B. The demand curve is perfectly elastic C. The relative changes in price and quantity are equal D. Expenditures on the good would increase if price were reduced.
189	Which of the following is not a basic assumption of perfect competition.	A. Free entry and exit B. Many small sellers and buyers C. Perfect information D. Short run
190	If a monopolist faces a downward sloping market demand curve its.	A. Average revenue is always less than marginal revenue B. Marginal revenue is greeter than the price of the units it sells. C. Average revenue is less than the price of its product. D. Marginal revenue is always less than the price of the units it sells
191	The law of diminishing marginal returns to a factor of production is.	A. Not applicable B. Another explanation of economies of scale C. A principle of scales D. None of these

192	Skills that can be transferred to other employers are called.	<p>B. Specific skills</p> <p>C. Non pecuniary skills</p> <p>D. All of the above</p>
193	In monopoly there is.	<p>A. Single seller</p> <p>B. Single buyer</p> <p>C. Two producers</p> <p>D. Few seller</p>
194	The largest source of tax revenue for the federal government is	<p>A. The prerenal income tax</p> <p>B. The social security tax</p> <p>C. the property tax</p> <p>D. The sales tax</p>
195	Ti access internet services consumers must use a computer if computer prices fall, what is the effect on the demand for internet services.	<p>A. The demand for internet services increases.</p> <p>B. The demand for internet services decreases</p> <p>C. The demand for internet services does not change</p> <p>D. The demand for internet services could increase, decrease, or stay the same depending on other factors.</p>
196	In order to practice price discrimination which of the following is needed.	<p>A. Some degree of monopoly power</p> <p>B. An ability to separate the market</p> <p>C. An ability to prevent reselling</p> <p>D. All of the above</p>
197	In pure monopoly there is.	<p>A. A lot of firms</p> <p>B. Two firms</p> <p>C. A single firm</p> <p>D. Many firms</p>
198	In a typical cartel agreement the cartel maximizes profit when it.	<p>A. Behaves like a monopoly</p> <p>B. Behaves like a perfectly competitive firm</p> <p>C. Behaves like a duopoly</p> <p>D. Is flexible in enforcing production targets</p>
199	Micro economics is the study of.	<p>A. Economy on the whole</p> <p>B. Large units of the economy</p> <p>C. Individual units of the economy</p> <p>D. General economics</p>
200	Which of the following statements about the relationship between marginal cost and average cost is correct.	<p>A. When MC is falling AC is falling</p> <p>B. AC equals MC and MC'S lowest point</p> <p>C. When MC exceeds Ac, Ac must be rising</p> <p>D. When Ac exceed MC, MC must be rising</p>
201	Immediately after a through we would expect to have al	<p>A. Peak</p> <p>B. Recession</p> <p>C. Recovery</p> <p>D. Another trough</p>
202	In case of complimentary goods, if the price of one commodity falls there will be.	<p>A. Rise in demand of other commodity</p> <p>B. Fall in demand of other commodity</p> <p>C. Fall is demand of both commodities</p> <p>D. Nor charge</p>
203	"Treating an individual as typical of a group" in the definition of.	<p>A. Pure discrimination human capital</p> <p>B. Statistical discrimination</p> <p>C. Human capital</p> <p>D. Specific skills</p>
204	One of the difference between a perfectly competitive fir's long run equilibrium and the long run equilibrium of a monopolistically competitive firm is that	<p>A. LMS = MR under perfect competition but not under monopolistic competition</p> <p>B. SAC = LAC under perfect competition but not under monopolistic competition</p> <p>C. SMC = LMC under perfect competition but not under monopolistic competition</p> <p>D. LAC = LMC under perfect competition, but not under monopolistic competition</p>
205	Cardinal approach theory was presented by	<p>A. Marshall</p> <p>B. Adam smith</p> <p>C. Robbins</p> <p>D. Hicks</p>

206	A monopolist will discontinue production if	A. Marginal revenue is less than marginal cost B. Marginal revenue is less than average total cost C. Marginal revenue is less the average fixed cost D. Price is less than average variable cost
207	Which skills are most likely to be paid for by the employer.	A. General skills B. Specific skills C. Educational skills D. None of these
208	Which of the following is correct for the demand and supply schedules given above.	A. The demand curve is non linear B. The slope of the supply curve is 4 C. Equilibrium quantity is 40 units D. The slope of the demand curve is 0.5
209	Foundation of law of demand is.	A. Law of diminishing marginal utility B. Law of substitution C. Law of increasing return to scale D. Law of diminishing marginal rate of substitution.
210	An increase in price causes an increase in total revenue when.	A. Demand is elastic B. Demand is inelastic C. Demand is unit elastic D. All of the above are possible
211	The demand for labor slopes down and to the right because of.	A. The law of demand B. The iron law of wages C. The law of diminishing marginal returns D. Economies of scale
212	In order to constitute an oligopolistic market structure.	A. There must be a few firms in a given relevant market B. There must be a few firms selling in a national market C. There must be more than 20 firms selling in the international market D. There must be fewer than 15 firm is any given market
213	When the price of a pizza decreased from 1200 Rupees to 1000 Rupees, it is definitely the case that the.	A. Income effect means people buy less pizza B. Substitution effect means people buy more pizza C. Quantity demanded of pizza will not change D. None of the above
214	A monopsony is	A. The scale supplier of an input B. The scale supplier of an output C. The sole buyer of some type of input D. A unionized industry
215	change in quantity demanded	A. Downward shift of demand curve B. Movement on the same demand curve C. Downward shift D. None of these
216	The marginal rate of substitution for two goods can be obtained from	A. The slope of the demand curve B. The slope of the indifference curve C. The ration of first derivative of the total utility functions D. B and D both
217	In a perfectly competitive market if firms are earning an economic profit the economic profit.	A. Attracts entry by more firms, which lowers the market price B. Can be earned both in the short run and long run C. Is less than the normal profit D. Leads to a decreases in market demand
218	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

219	Price discrimination occurs when	<p>A. A commodity has different elasticity in different markets</p> <p>B. Same elasticity in different markets</p> <p>C. Unitary elasticity different markets</p> <p>D. Noe of these</p>
220	MC = MR= AR=AC = Price shows the longs run	<p>A. Monopolist firm</p> <p>B. Oligopolistic firm</p> <p>C. Competitive firm</p> <p>D. Both a and b</p>
221	Because a monopoly hires workers up to the point where their marginal revenue product equals the wage rate the monopoly will.	<p>A. Pay less than the going wage rate</p> <p>B. Pay a wage equal to the value of the marginal product of labor</p> <p>C. Pay less than the value of the marginal product of labor</p> <p>D. Pay workers what they are worth to society</p>
222	The total utility of the third unit of product x is.	<p>A. 10</p> <p>B. 5</p> <p>C. 23</p> <p>D. 38</p>
223	In the short run no firm operates with a loss unless	<p>A. Variable cost equals fixed cost</p> <p>B. Variable cost falls short of fixed cost</p> <p>C. Total revenue covers variable costs</p> <p>D. Total revenue covers fixed cost</p>
224	If Supply and demand both decrease simultaneously. Which of the following will happen.	<p>A. Price will rise</p> <p>B. Quantity sold will rise</p> <p>C. Price will fall</p> <p>D. Quantity sold will decrease</p>
225	The quantity of Y demanded increases by 6% when income changes, and income elasticity of demand is -0.9 income	<p>A. Decreased by 5.4 %</p> <p>B. Decreases by 8%</p> <p>C. Increased by 15%</p> <p>D. Decreased by 6.7 %</p>
226	If the production function is $Q = 8 KL$ the marginal rate of technical substitution of labor for capital is.	<p>A. 8</p> <p>B. K/L</p> <p>C. L/K</p> <p>D. B/KL</p>
227	The epigram "time is money" expresses , in part, the concept of.	<p>A. Opportunity cost</p> <p>B. Comparative advantage</p> <p>C. Specialization</p> <p>D. Efficiency in production</p>
228	The statement that marginal cost = marginal revenue leads to profit maximization of loss minimization is true.	<p>A. All the time</p> <p>B. Only in the long run</p> <p>C. Only if "marginal cost is rising at the point of equality.</p> <p>D. Only if average total cost is falling at the point of equality</p>
229	An entrepreneur who collects profits in the short run for a new invention is collecting.	<p>A. The competitive rate of return on capital</p> <p>B. Temporary monopoly profit</p> <p>C. Rent</p> <p>D. A Ramsey surplus</p>
230	A negatively sloped isoquant implies	<p>A. Products with negative marginal utilities</p> <p>B. Products with positive marginal utilities</p> <p>C. Inputs with negative marginal products</p> <p>D. Inputs with positive marginal products</p>
231	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firm in the market we have	<p>A. A cartel</p> <p>B. The perfect competitive outcome</p> <p>C. The Nash equilibrium</p> <p>D. Monopolistic competition</p>
232	Marginal cost is the change is cost the result from a one unit increase in.	<p>A. Price</p> <p>B. Cost</p> <p>C. Output</p> <p>D. Revenue</p>
233	Which of the following shifts the demand curve for hot dogs leftward.	<p>A. An increase in the price of a hot dog bun</p> <p>B. A decreases in the price of a hot dog bun</p> <p>C. An increased in the price of a hamburger</p>

		<p>hamburger.</p> <p>D. An increase in the price of a hot dog</p>
234	Average fixed cost	<p>A. Is U shaped</p> <p>B. Declines over the entire output range.</p> <p>C. Is a long run concept only</p> <p>D. Is influenced by diminishing returns to production</p>
235	What is the production level for public good W, if the government uses full cost pricing.	<p>A. $Q = 2$</p> <p>B. $Q = 5$</p> <p>C. $Q = 4$</p> <p>D. $Q = 6$</p>
236	Company A estimates the price elasticity of demand for its products.3.0 The price of the product is Rs. 15. If $MC = 2 + 4Q$, the profit maximizing level of output.	<p>A. 4 units</p> <p>B. 2 units</p> <p>C. 5 units</p> <p>D. 3 units</p>
237	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.	<p>A. Relatively elastic</p> <p>B. Relatively inelastic</p> <p>C. Perfectly elastic</p> <p>D. Perfectly inelastic</p>
238	The price of salsa rises, How does the increase in the price of salsa affect the supply of salsa.	<p>A. The supply of salsa increases</p> <p>B. The supply of salsa decreases</p> <p>C. There is no change to either the supply of salsa or the quantity supplied of salsa</p> <p>D. There is no change to the supply of salsa but the quantity supplied of salsa increases</p>
239	Which of the following is a characteristic of monopolistic competition.	<p>A. One seller serving the entire market</p> <p>B. When each firm sells an identical product</p> <p>C. When firms do not compete on a product quality price and marketing</p> <p>D. When firms are free to enter and exit the market</p>
240	When the demand curve is a straight line the elasticity of demand at the center point will be.	<p>A. Equal to zero</p> <p>B. infinite</p> <p>C. More than one</p> <p>D. Equal to one</p>
241	The exit of firms out of a competitive market causes the supply curve to.	<p>A. Shift leftward</p> <p>B. shift rightward</p> <p>C. None of the above for the exit of firms supply curve</p> <p>D. shift either left or right depending on the number of firms leaving the market</p>
242	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.	<p>A. Inferior goods</p> <p>B. Substitutes</p> <p>C. Complements</p> <p>D. Normal goods</p>
243	The firm under monopolistic competition is likely to produce less and set a higher price than under perfect competition because.	<p>A. The firm faces decreasing returns to scale</p> <p>B. The firm faces increasing costs</p> <p>C. The firm must incur selling expenses including advertising.</p> <p>D. The firm faces a downward sloping demand curve</p>
244	Which of the following explains why demand curves slope downward.	<p>A. Prices and income</p> <p>B. substitutes and complements</p> <p>C. Resources and technology</p> <p>D. Substitution effect and income effect</p>
245	The method most commonly used to test the overall significance of a regression is.	<p>A. The t test</p> <p>B. The F -test</p> <p>C. Chi square test</p> <p>D. R</p>
246	As long as all prices remain constant an increase in money income results in.	<p>A. An increase in the slope of the budget line</p> <p>B. A decrease in the slope of the budget line</p> <p>C. An increase in the intercept of the budget line.</p> <p>D. a decrease in the intercept of the budget line.</p>

247	Indifference curve has following characteristics except.	A. Convex to origin B. Intersect each other C. Not necessary to be parallel D. None of these
248	In monopsony there is	A. Single seller B. Two buyers C. Single buyer D. Few buyer
249	In perfect competition the industry will be in equilibrium.	A. when all the firms earning abnormal profit B. When all the firms earning normal profit C. All firms having loss D. All firms having profit
250	Economists tend to disagree primarily about.	A. The implications of scarcity for our economy B. Which resources are free C. Topics in positive economics D. Issues of normative economics
251	The market demand for a product is found by	A. Horizontally summing the individual demand curves B. Vertically summing the individual demand curves C. Both horizontally and vertically summing the individual demand curve. D. None of the above
252	If a tax of Rs. 6 per units is imposed upon the suppliers, then.	A. Tax revenue will equal Rs. 108 B. Price increases by Rs. 4 C. Quantity decreases by 4 units D. Producers pay Rs. 36
253	In long run equilibrium a monopolistically competitive firm will find.	A. Marginal cost below average total cost B. Marginal cost equal to minimum average total cost C. Both a and b D. Neither a nor b
254	When due to change in price of commodity x demand of commodity y is changed it is called.	A. Income elasticity B. Price elasticity C. More elastic D. Cross elasticity
255	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
256	Indifference curve theory is old wine in new labeled bottle is said by.	A. Marshall B. Griffin C. Ricardo D. Allen
257	The arc income elasticity of demand is approximately	A. 0.02 B. 1.9 C. 3.3 D. 0.5
258	Firm A's margin of safety is.	A. 0.10 B. 0.40 C. 0.20 D. 0.30
259	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
260	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
261	The monopolization of the competitive market results in a deadweight loss to society of	A. RSJK B. JKL C. THJ D. RSJL

A. having elastic demand

262	Finance minister tax a commodity	<p>B. ignore elasticity</p> <p>C. Having unti elastic demand</p> <p>D. Having unit elastic demand</p>
263	The long run is a time period that is.	<p>A. Five years or longer</p> <p>B. Long enough to change the level of labor hired</p> <p>C. Long enough to change the size of the firm's plant</p> <p>D. Ten years or longer</p>
264	A consumer is said to be in equilibrium when the marginla utility and price of a commodity	<p>A. More</p> <p>B. Less</p> <p>C. Irrelevant</p> <p>D. Equal</p>
265	In the short run a competitive firm's supply curve is.	<p>A. Its average variable cost cure to the right of the marginal cost curve.</p> <p>B. Its marginal cost curve above the average variable cost curve.</p> <p>C. It marginal cost curves above its average cost curve.</p> <p>D. The horizontal summation of the marginal cost curves</p>
266	To maximize revenue, an excise tax should be imposed on a product	<p>A. That has a highly elastic demand curve</p> <p>B. Such as St. Joseph's children's' aspirin.</p> <p>C. Such as salt</p> <p>D. such as Toyota automobiles</p>
267	In capitalistic economy price is determined by	<p>A. Supply and production</p> <p>B. Demand and production</p> <p>C. Demand and consumption</p> <p>D. Demand and supply</p>
268	The short run supply curve for a competitive industry is derived by.	<p>A. Horizontally summing the marginal cost curves for each firm in the industry</p> <p>B. Horizontally summing the average variable cost curves for each firming the industry</p> <p>C. Vertically summing the marginal cost curves for each firm in the industry</p> <p>D. None of the above</p>
269	The same graph shows that the firm order to maximize profits , should produce.	<p>A. 30 units charges a price of Rs. 16</p> <p>B. 20 Units and charge a price of Rs. 22</p> <p>C. 35 Units and charge a price of Rs. 12</p> <p>D. 38 units and charge a price or Rs. 10</p>
270	If the price elasticity of demand for a non giffen good is inelastic are decreased in its price result in.	<p>A. Increase in demand</p> <p>B. Decrease in demand</p> <p>C. Increase in total revenue</p> <p>D. Decrease in total revenue</p>
271	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firms in the market we have.	<p>A. A cartel</p> <p>B. The perfect competitive outcome</p> <p>C. The Nash equilibrium</p> <p>D. Monopolistic competition</p>
272	In the short run, the supply of farm commodities is.	<p>A. Inelastic</p> <p>B. Less elastic</p> <p>C. More elastic</p> <p>D. Undetermined</p>
273	When Daimler Benz maker of the Mercedes bought Chrysler the merger was	<p>A. Horizontal</p> <p>B. Vertical</p> <p>C. Conglomerate</p> <p>D. None of these</p>
274	If a monopolist's has only fixed costs and chooses that output at which marginal cost equals price. it will	<p>A. Earn positive economic profits</p> <p>B. Earn zero economic profits</p> <p>C. Incur a loss equal to its variable costs</p> <p>D. Incur a loss equal to its fixed costs</p>
275	Micro economics studies such topics as	<p>A. The factors that determine inflation</p> <p>B. The forces that influence the price of shoes</p> <p>C. The determinants of total output</p> <p>D. Whether the unemployment rate will rise or fall</p>

276	A monopolist will maximize profit.	<p>A. Where total revenue is maximized</p> <p>B. Where the slope of the total revenue function equals the slope of the total cost function</p> <p>C. Where average cost is at a minimum</p> <p>D. Where all the above are true</p>
277	Which of the following is correct with respect to the Paasche index.	<p>A. The consumer Price index is an example of the Paasche index.</p> <p>B. The Paasche index is biased upward</p> <p>C. The Passche index always exceeds 1</p> <p>D. The Paasche index uses given period quantities</p>
278	If a price floor of Rs.15 is imposed, the governments cost is.	<p>A. Rs.150</p> <p>B. Rs.300</p> <p>C. Rs.750</p> <p>D. Rs.450</p>
279	The income effect of a price change	<p>A. Is always positive</p> <p>B. Is always negative</p> <p>C. May be positive or negative</p> <p>D. Is associated with a change in nominal income</p>
280	A demand curve shows that relation between price and demand.	<p>A. Positive</p> <p>B. Negative</p> <p>C. Zero</p> <p>D. Very strong</p>
281	Under perfect competition, the price system automatically result in efficient output selection when	<p>A. $MC = MR$</p> <p>B. $MC = MU$</p> <p>C. $P = ATC$</p> <p>D. $P \geq AVC$</p>
282	Duopoly is a market situation when there is	<p>A. Single seller</p> <p>B. Many seller</p> <p>C. Two seller</p> <p>D. Few seller</p>
283	A monopoly market.	<p>A. Generally falls to maximize total economic well being.</p> <p>B. Always maximizes total economic well being.</p> <p>C. always minimizes consumers surplus</p> <p>D. Generally falls to maximum produce surplus</p>
284	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	<p>A. Rs. 1500</p> <p>B. Rs.1300</p> <p>C. Rs.1200</p> <p>D. Rs.300</p>