PPSC Economics Chapter 1 Basic Economics

Sr	Questions	Answers Choice
1	In the long run in perfect competition	A. Price = average= cost = marginal cost B. Price = average cost = total cost C. The price covers fixed cost D. total revenue = total variable cost
2	In the short run firm in perfect competition will still produce provided.	A. The price covers average variable cost B. The price covers variable cost C. The price covers average fixed cost D. The price covers fixed cost
3	In the long run in perfect competitiion	A. the price equals the total revenue B. Firm are allocatively inefficient C. Firms are productively efficient D. the price equals total cost
4	In perfect competition.	A. the products firm offer are very similar B. Products are heavily differentiated C. A few firms dominate the market D. Consumers have limited information
5	A profit maximizing firm in perfect competition produces where	A. Total revenue is maximized B. Marginal revenue equals zero C. Marginal revenue equals marginal cost D. Marginal revenue equals average cost
6	In perfect competation.	A. The price equals the marginal revenue B. The price equals the average variable cost C. The fixed cost equals the variable costs D. The price equals the total costs
7	Firms in perfect competition face a	A. Perfectly elastic demand curve B. Perfectly inelastic demand curve C. Perfectly elastic supply curve D. Perfectly inelastic supply curve
8	Price equal to.	A. Total revenue -quantity B. Total revenue/quantity sold C. total quantity sold * quantity sold D. Total revenue/total cost
9	If marginal revenue equals marginal cost	A. No profit is being made B. total revenue equals total cost C. Profits are maximized D. Producing another unit would increase profits
10	Total revenue equals	A. Price Plus quantity B. Price multiplied by quantity sold C. Price divided by the quantity sold D. Price minus quantity sold
11	The profit per scale is a measure of.	A. Profit B. Profitability C. Feasibility D. Realism
12	In the short term a firm will produce provided the revenue	A. Covers fixed costs B. Covers variable costs C. Covers total costs D. Covers revenue
13	In the long term a firm will produce provident the revenue covers.	A. Fixed costs B. Variable cost C. Total costs D. Revenue

14	If firm earn normal profits.	A. They will aim to leave the industry B. Other firms will join the industry C. The revenue equals total costs D. No profit is made in accounting terms
15	If the price is less than the average cost but higher than the average variable costs.	A. The firm is making a loss and will should own in the short term. B. The firm is making a profit. C. The firm is making a loss but will continue to produce in the short term D. The firm is making a loss and is making a negative contribution to fixed costs
16	If the marginal revenue is less than the marginal cost then to profit maximize a firm should.	A. Reduce output B. Increase output C. Leave output where it is. D. Increase costs
17	If marginal product is below average product.	A. The total product will fall B. The average product will fall C. Average variable costs will fall D. Total revenue will fall
18	If marginal cost is positive and falling.	A. Total cost is falling B. Total cost is increasing at a falling rate C. Total cost is falling at a falling rate D. Total cost is increasing at an increasing rate.
19	The average variable cost curve.	A. Is derived from the average fixed costs B. Converges with the average cost as output increases C. Equals revenue minum profits D. Equal the total costs divided by the output
20	The first level of output at which the long run average costs are minimized is called.	A. The minimum Efficient Scale B. The minimum External scale C. The Maximum External scale D. The maximum Effective scale.