

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	If the income elasticity of demand is +4	<p>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</p>
2	Holding all other things constant a higher price for ski lift tickets would.	<p>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</p>
3	An elasticity coefficient of -1 means that	<p>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.</p>
4	Micro economics studies such topics as	<p>A. The factors that determine inflation B. The forces that influence the price of shoes C. The determinants of total output D. Whether the unemployment rate will rise or fall</p>
5	Which of the following does not characterize monopolistic competition.	<p>A. Product differentiation B. Many producers C. Absence of advertising D. Some control over price</p>
6	Labour has the following characteristics accept one.	<p>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</p>
7	In the short run, the supply of farm commodities is.	<p>A. Inelastic B. Less elastic C. More elastic D. Undetermined</p>
8	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 B. Earn zero economic profits C. Incur a loss equal to its variable costs D. Incur a loss equal to its fixed costs</p>
9	A monopoly there is	<p>A. No difference between firm and industry B. A few firms C. Lot of firms D. none of these</p>
10	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.	<p>A. Comparability assumption B. Transitivity assumption C. Non seriation assumption D. Reflexivity assumption</p>
11	A linear homogenous production function would reveal.	<p>A. Constant returns to scale B. Increasing returns to scale C. Decreasing return to scale D. Doubling all inputs would more than double output</p>
12	For a competitive firm the demand curve	<p>A. A horizontal B. Coincides with the marginal revenue curve C. Coincides with the average</p>

		revenue curve D. All of the above
13	In the short run a competitive firm's supply curve is.	A. Its average variable cost curve to the right of the marginal cost curve. B. Its marginal cost curve above the average variable cost curve. C. It marginal cost curves above its average cost curve. D. The horizontal summation of the marginal cost curves
14	As long as the principle of diminishing marginal utility is operating any increased consumption of a good.	A. Lowers total utility B. Produces negative total utility C. Lowers marginal utility and therefore total utility D. Lowers marginal utility, but may raise total utility.
15	If the demand curve for a good is downward sloping then the good must be.	A. Normal B. Inferior C. Giffen D. Either a or b
16	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
17	A demand curve that is an equilateral hyperbola is.	A. Perfectly elastic B. Relatively elastic C. Unit elastic D. Relatively inelastic
18	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
19	The are price elasticity of demand is approximately	A. 0.3 B. 3.3 C. 6.0 D. 0.2
20	In perfect competition, a seller by increasing price.	A. Sell more B. Produce its revenue C. Decrease cost D. Sell nothing