

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	In the neighborhood of the long run equilibrium of a monopolistically competitive firm average cost will be.	A. Decreasing B. Constant C. Increasing D. At a minimum
2	Assume a consumer buys 25 units of good X at Rs.8 and 10 units of good Y at Rs. 6 in 1980. If $P_x = Rs. 6$ and $P_y = Rs. 4$ in 1970 the pasasche index is.	A. 1.14 B. 1.65 C. 1.37 D. 1.47
3	The firm under monopolistic competition is likely to produce less and set a higher price than under perfect competition because.	A. The firm faces decreasing returns to scale B. The firm faces increasing costs C. The firm must incur selling expenses including advertising. D. The firm faces a downward sloping demand curve
4	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
5	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
6	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.
7	What is the production level for public good W, if the government uses full cost pricing.	A. $Q = 2$ B. $Q = 5$ C. $Q = 4$ D. $Q = 6$
8	An income demanded curve of an inferior good is.	A. Same in slope B. Upward is slope C. Downward in slope D. None of these
9	Along the long run supply curve all of the following can vary except.	A. The level of profits B. The number of firms in the industry C. Input prices D. The level of input usage
10	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
11	Which of the following does not apply to pareto efficiency.	A. Consumptive efficiency B. Productional efficiency C. Allocative efficiency D. Equity
12	Which of the following would cause the demand curve for an input to shift.	A. A change in technology B. A change in demand for the product being produced C. An increase in the number of firms in the industry D. All of the above
13	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

14	The total utility of the third unit of product x is.	A. 10 B. 5 C. 23 D. 38
15	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
16	Indifference curve approach is also called.	A. Law of diminishing marginal utility B. Law of substitution C. Ordinal measure approach D. None of these
17	Immediately after a through we would expect to have al	A. Peak B. Recession C. Recovery D. Another trough
18	A production possibilities curve indicates that when resources are being used efficiently	A. More of one good can be produced only if less of another good is produced B. More of one good can be produced only if its price is lowered C. Producing more of one good result in greater production of other goods D. More of one good can be product without producing less of other goods
19	In monopoly the firm can	A. Price B. Output C. Either price or output D. Both a and b
20	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.	A. Rs. 8,000 B. Rs. 5,000 C. Rs.6,000 D. Rs.7500