

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	Everyone's absolute income doubles family A's APC, according to the simple Keynesian consumption function is expected to.	A. Fall B. Double C. Increase D. Halve
2	Which of the following statements about the relationship between marginal cost and average cost is correct.	A. When MC is falling AC is falling B. AC equals MC and MC'S lowest point C. When MC exceeds Ac, Ac must be rising D. When Ac exceed MC, MC must be rising
3	If a price floor of Rs.15 is imposed, the governments cost is.	A. Rs.150 B. Rs.300 C. Rs.750 D. Rs.450
4	An indifference curve shows various combinations to goods Which gives the consumer.	A. Equal level of utility B. Low level of utility C. High level of utility D. None of these
5	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
6	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
7	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
8	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
9	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
10	"The quantity demanded increases as its price increases and falls as its price falls" is called given goods, is presented by.	A. Allen B. Marshall C. Adam smith D. Robert griffin
11	The monopolization of the competitive market results in a deadweight loss to society of	A. RSJK B. JKL C. THJ D. RSJL
12	If there is no price surprise, total output is.	A. 50 B. 150 C. 400 D. 200
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 returns to production

A. The price will increase by an amount less than the tax

14	Suppose that an excise 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.	<p>B. The price will increase by an amount equal to the tax</p> <p>C. The price will increase by a amount greater than tax</p> <p>D. The price may either increase or decrease</p>
15	The tax in question 14 is	<p>A. Progressive</p> <p>B. Regressive</p> <p>C. Proportional</p> <p>D. None of these</p>
16	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 in different markets</p> <p>D. None of these</p>
17	A firm that is a price taker faces a perfectly	<p>A. Elastic supply curve</p> <p>B. Inelastic demand curve</p> <p>C. Elastic demand curve</p> <p>D. Inelastic supply curve</p>
18	change in quantity demanded	<p>A. Downward shift of demand curve</p> <p>B. Movement on the same demand curve</p> <p>C. Downward shift</p> <p>D. None of these</p>
19	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.	<p>A. .6</p> <p>B. .8</p> <p>C. .4</p> <p>D. .2</p>
20	In a perfectly competitive market if firms are earning an economic profit the economic profit.	<p>A. Attracts entry by more firms, which lowers the market price</p> <p>B. Can be earned both in the short run and long run</p> <p>C. Is less than the normal profit</p> <p>D. Leads to a decrease in market demand</p>