

## PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	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>
2	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>
3	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>
4	If A is preferred to B and B is preferred to C and there is indifference between A and D	<p>A. D is preferred to C</p> <p>B. B is preferred to D</p> <p>C. There is indifference between C and D</p> <p>D. There is indifference between B and D</p>
5	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. People with large retirement savings held in savings accounts.</p>
6	The are price elasticity of demand is approximately	<p>A. 0.3</p> <p>B. 3.3</p> <p>C. 6.0</p> <p>D. 0.2</p>
7	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>
8	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>
9	When the price of a pizza decreased from 1200 Rupees to 1000 Rupees, it is definitely the case that the.	<p>A. Income effect means people buy less pizza</p> <p>B. Substitution effect means people buy more pizza</p> <p>C. Quantity demanded of pizza will not change</p> <p>D. None of the above</p>
10	A situation in which firms choose their best strategy given the strategies chosen by the other firms in the market is called.	<p>A. a competitive equilibrium</p> <p>B. An open market solution</p> <p>C. The Nash equilibrium</p> <p>D. The cartel equilibrium</p>
11	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>
		<p>A. Rs.20</p> <p>B. Rs. 300</p>

12	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.	B. Rs.320 C. Rs. 4,480 D. Rs.300
13	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
14	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.
15	An entrepreneur who collects profits in the short run for a new invention is collecting.	A. The competitive rate of return on capital B. Temporary monopoly profit C. Rent D. A Ramsey surplus
16	The same graph shows that the firm order to maximize profits , should produce.	A. 30 units charges a price of Rs. 16 B. 20 Units and charge a price of Rs. 22 C. 35 Units and charge a price of Rs. 12 D. 38 units and charge a price or Rs. 10
17	In order to practice price discrimination which of the following is needed.	A. Some degree of monopoly power B. An ability to separate the market C. An ability to prevent reselling D. All of the above
18	An -increase the expected future price of a good.	A. Increases its demand B. Decreases its demand C. Increases its supply D. Has no effect on either its demand or its supply.
19	The epigram "time is money" expresses , in part, the concept of.	A. Opportunity cost B. Comparative advantage C. Specialization D. Efficiency in production
20	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