

## PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	A monolithically competitive market is characterized by all of the following except.	A. Easy entry B. Differentiated product C. Excess capacity D. Economic profit in the long run
2	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
3	The most important determinant of price elasticity is.	A. The slope of the demand curve B. The availability of substitutes C. The price of other goods D. The income of the consumer
4	Short run is a time frame where a firm can change its.,	A. Total cost B. Total production C. Plant size D. None of these
5	Indifference curve approach is also called.	A. Law of diminishing marginal utility B. Law of substitution C. Ordinal measure approach D. None of these
6	The negative slope of the demand curve indicates that there is _____ relationship between the price and the quantity demanded.	A. A direct B. An inverse C. A positive D. No relationship
7	Elasticity of demand of luxurious goods is always more elastic	A. More elastic B. Less elastic C. Equal elastic D. None elastic
8	The firms average variable cost of the 150th unit is.	A. Rs.15 B. Rs.17 C. Rs.20 D. Rs.9
9	the ouput where diminishing return to production begin is also the ouput where	A. Marginal cost is at a minimum. B. Average total cost is at a minimum C. Average variable cost is at a minimum D. Marginal and average
10	If the price of factor A is Rs.8.00 per hour, and its marginal product is 10 units, and the price of factor B is Rs. 5.00 and its marginal product is 9, is the producer is likely to.	A. Hire more of A and less of B B. Hire more of B and less of A C. Start paying factor A more D. Try to use factor B more productively
11	Firm A's margin of safety is.	A. 0.10 B. 0.40 C. 0.20 D. 0.30
12	The method most commonly used to test the overall significance of a regression is.	A. The t test B. The F -test C. Chi square test D. R
13	In monopolistic competition firm sell	A. Same goods B. Differential goods C. Inferior goods D. Superior goods
14	An economy that falls to realize all of its p9otential gains from specialization is.	A. Achieving productive efficiency B. Operating outside its production possibilities curve C. Operating on its production possibilities curve in an inefficient manner D. Operating on its production possibilities curve in an efficient manner

D. Operating inside its production possibility curve

15	Price elasticity at a given price is not affected by.	A. The price of complements B. The price of substitutes C. The consumer's income D. A change in supply
16	The income elasticity of demand	A. Is negative for normal goods B. Is positive for normal goods C. Equals the relative change in demand for a good divided by the relative change in the income of consumers all else being equal D. Is correctly described by all of the above
17	If A is preferred to B and B is preferred to C and there is indifference between A and D	A. D is preferred to C B. B is preferred to D C. There is indifference between C and D D. There is indifference between B and D
18	A firm charges Rs. 800 for its unique word processor. If total revenue is Rs. 56,000 in July, how many word processor were sold that month.	A. 70 B. 95 C. 700 D. 800
19	One of the following has more elastic demand.	A. A commodity with substitutes B. A commodity having more than one use C. A commodity commonly use D. None of these
20	Given a proportional income tax and a government budget that is currently in balance, an increase in autonomous investment ceteris paribus, Increases equilibrium income and the budget.	A. Remains is balance B. Has a surplus C. Has a deficit D. None of these