

PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	As long as all prices remain constant an increase in money income results in.	A. An increase in the slope of the budget line B. A decrease in the slope of the budget line C. An increase in the intercept of the budget line. D. a decrease in the intercept of the budget line.
2	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.
3	A situation in which firms choose their best strategy given the strategies chosen by the other firms in the market is called.	A. a competitive equilibrium B. An open market solution C. The Nash equilibrium D. The cartel equilibrium
4	Which of the following is a characteristics of monopolistic competition.	A. One seller serving the entire market B. When each firm sells an identical product C. When firms do not compete on a product's quality price and marketing. D. When firms are free to enter and exit the market
5	When Daimler Benz maker of the Mercedes bought Chrysler the merger was	A. Horizontal B. Vertical C. Conglomerate D. None of these
6	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
7	In a typical cartel agreement the cartel maximizes profit when it.	A. Behaves like a monopoly B. Behaves like a perfectly competitive firm C. Behaves like a duopoly D. Is flexible in enforcing production targets
8	Firms entering a perfectly competitive market will cause the price of the product to	A. Decrease B. Increase C. Remain constant D. Respond more to consumer demand than supply
9	In contract to perfectly competitive markets monopolists	A. Do no have to worry about market demand B. Sell only if demand is inelastic C. Can never incur an economic loss D. Can earn an economic profit indefinitely
10	If a good has a lot of substitutes, then its demand is.	A. Elastic B. Inelastic C. Unit elastic D. Elastic or inelastic depending on whether the price is increasing or decreasing
11	In Production of goods and services tradeoffs exist becasue.	A. Buyers and sellers often negotiate prices B. Society has only a limited amount of productive resources C. Not all production is efficient

		D. Human wants and needs are limited at a particular point in time
12	Firms in monopolistic competition compete on	A. Price B. Quality C. Advertising D. All of the above are correct
13	The exit of firms out of a competitive market causes the supply curve to.	A. Shift leftward B. shift rights ward C. None of the above for the exit of firms supply curve D. shift either left or right depending on the number of firms leaving the market
14	The price of salsa rises, How does the increase in the price of salsa affect the supply of salsa.	A. The supply of salsa increases B. The supply of salsa decreases C. There is no change to either the supply of salsa or the quantity supplied of salsa D. There is no change to the supply of salsa but the quantity supplied of salsa increases
15	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firm in the market we have	A. A cartel B. The perfect competitive outcome C. The Nash equilibrium D. Monopolistic competiton
16	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firms in the market we have.	A. A cartel B. The perfect competitive outcome C. The Nash equilibrium D. Monopolistic competition
17	If there are 50 firms in a industry each selling 2% of the total sales the concentration ratio is.	A. 50% B. 2% C. 8% D. 100%
18	In the long run a profit maximizing firm will choose to exit a market when	A. Fixed costs exceed total costs B. Total revenue from production is less than total costs C. Average fixed cost is rising. D. Marginal cost exceeds marginal revenue at the current level of production.
19	Economic growth is shown on the production possibility frontier as.	A. The curvature of the PPF B. An inward shift in the PPF C. An outward shifts in the PPF D. A movement from one point on the PPF to another
20	Holding all other things constant a higher price for ski lift tickets would.	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