

## PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	The exit of firms out of a competitive market causes the supply curve to.	<p>A. Shift leftward</p> <p>B. shift rights ward</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>
2	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>
3	Which skills are most likely to be paid for by the employer.	<p>A. General skills</p> <p>B. Specific skills</p> <p>C. Educational skills</p> <p>D. None of these</p>
4	In case of complimentary goods, if the price of one commodity falls there will be.	<p>A. Rise in demand of other commodity</p> <p>B. Fall in demand of other commodity</p> <p>C. Fall is demand of both commodities</p> <p>D. Nor charge</p>
5	An -increase the expected future price of a good.	<p>A. Increases its demand</p> <p>B. Decreases its demand</p> <p>C. Increases its supply</p> <p>D. Has no effect on either its demand or its supply.</p>
6	Firm A's annual profit is.	<p>A. Rs.10,000</p> <p>B. Rs.20,000</p> <p>C. Rs.30,000</p> <p>D. Rs.60,000</p>
7	the ouput where diminishing return to production begin is also the ouput where	<p>A. Marginal cost is at a minimum.</p> <p>B. Average total cost is at a minimum</p> <p>C. Average variable cost is at a minimum</p> <p>D. Marginal and average</p>
8	In perfect competition price is settled by	<p>A. Sellers</p> <p>B. Buyers</p> <p>C. Producers</p> <p>D. Both a and b</p>
9	What is the per unit marginal cost of increasing production from 20 to 25 units.	<p>A. Rs. 3,500</p> <p>B. Rs.100</p> <p>C. Rs.4,000</p> <p>D. Rs.500</p>
10	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 decreases in market demand</p>
11	Along the long run supply curve all of the following can vary except.	<p>A. The level of profits</p> <p>B. The number of firms in the industry</p> <p>C. Input prices</p> <p>D. The level of input usage</p>
12	The price of Ketchup at a market increases by 12.5% per can, which results in a decrease in quantity purchased by 40% per week, the demand is.	<p>A. Relatively elastic</p> <p>B. Relatively inelastic</p> <p>C. Perfectly elastic</p> <p>D. Perfectly iinelastic</p>
13	A monopolistically competitive firm differs from a perfectly competitive firming that unlike the perfectly competitive firm it.	<p>A. Faces a downward sloping demand curve</p> <p>B. Can change the characteristics of its product.</p>

		C. Can vary the price of its product. D. All of the above
14	If consumers spend 15 million a month on CDs, regardless of whether the price they pay goes up or down that implies that their price elasticity of demand for CDs is.	A. 0 B. 1 C. Infinite D. 15
15	An indifference curve shows various combinations of goods which gives the consumer.	A. Equal level of utility B. Low level of utility C. High level of utility D. None of these
16	The supply curve of a perfectly competitive firm	A. Includes the upward sloping portion of the marginal cost B. Is equal to entire marginal cost C. Includes the downward sloping portion of marginal cost D. None of these
17	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
18	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
19	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
20	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