

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	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
2	The conditions necessary for a firm to be able to price discriminate include.	A. Segment able markets B. Difference in price elasticity of demand among the segments C. The inability of customers to transfer products D. All of the above
3	Which of the following correct about firms in an oligopoly.	A. Each firm has complete control over its own selling price B. All firms independently charge monopoly prices C. No one firm controls price but each has an influence on the price D. There is no competition in oligopoly industries
4	The expected profit from the profit distribution above is.	A. 40 units B. 60 units C. 100 units D. 20 units
5	Perfect competition implies	A. Homogeneous goods B. Inferior goods C. Superiors goods D. Differential goods
6	When a tax is levied on a good.	A. The market price falls because demand declines. B. The market price falls because supply falls. C. A wedge is placed between the price buyers pay and the price sellers receive D. The market price rises because demand falls.
7	If the price of an apple increased from 50 to 60 the quantity demanded will decrease because of.	A. The substitution effect only B. The income effect only C. A change in income D. The substitution and income effects.
8	The long run is a time period that is.	A. Five years or longer B. Long enough to change the level of labor hired C. Long enough to change the size of the firm's plant D. Ten years or longer
9	In the short run no firm operates with a loss unless	A. Variable cost equals fixed cost B. Variable cost falls short of fixed cost C. Total revenue covers variable costs D. Total revenue covers fixed cost
10	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
11	When the price of a pizza decreased from 1200 Rupees to 1000 Rupees, it is definitely the case that the.	A. Income effect means people buy less pizza B. Substitution effect means people buy more pizza C. Quantity demanded of pizza will not change D. None of the above

12	When Daimler Benz maker of the Mercedes bought Chrysler the merger was	<p>A. Horizontal B. Vertical C. Conglomerate D. None of these</p>
13	the output where diminishing return to production begins is also the output where	<p>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</p>
14	A utility contour shows all the alternative combinations of two consumption goods that.	<p>A. Can be produced with a given set of resources and technology B. Yield the same total of utility C. Can be purchased with a given budget at given prices D. Equate the marginal utilities of these goods and therefore make the consumer indifferent between them.</p>
15	When the demand curve is a straight line the elasticity of demand at the center point will be.	<p>A. Equal to zero B. infinite C. More than one D. Equal to one</p>
16	The Lorenz curve shows that	<p>A. unemployment does not affect social group B. People with low income spend more C. People with low income spend less D. the degree of income equality in the economy</p>
17	As long as all prices remain constant an increase in money income results in.	<p>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.</p>
18	Which of the following does not characterize monopolistic competition.	<p>A. Product differentiation B. Many producers C. Absence of advertising D. Some control over price</p>
19	The market demand for a product is found by	<p>A. Horizontally summing the individual demand curves B. Vertically summing the individual demand curves C. Both horizontally and vertically summing the individual demand curve. D. None of the above</p>
20	If a good has a lot of substitutes, then its demand is.	<p>A. Elastic B. Inelastic C. Unit elastic D. Elastic or inelastic depending on whether the price is increasing or decreasing</p>