

PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	The key feature of oligopoly is.	A. Excess capacity B. High profitability C. Product differentiation D. Interdependence of firms
2	In order to constitute an oligopolistic market structure.	A. There must be a few firms in a given relevant market B. There must be a few firms selling in a national market C. There must be more than 20 firms selling in the international market D. There must be fewer than 15 firm is any given market
3	The firm under monopolistic competition is likely to produce less and set a higher price than under perfect competition because.	A. The firm faces decreasing returns to scale B. The firm faces increasing costs C. The firm must incur selling expenses including advertising. D. The firm faces a downward sloping demand curve
4	In the neighborhood of the long run equilibrium of a monopolistically competitive firm average cost will be.	A. Decreasing B. Constant C. Increasing D. At a minimum
5	One of the difference between a perfectly competitive fir's long run equilibrium and the long run equilibrium of a monopolistically competitive firm is that	A. LMS = MR under perfect competition but not under monopolistic competition B. SAC = LAC under perfect competition but not under monopolistic competition C. SMC = LMC under perfect competition but not under monopolistic competition D. LAC = LMC under perfect competition, but not under monopolistic competition
6	A monopolistically competitive firm differs from a perfectly competitive firming that unlike the perfectly competitive firm it.	A. Faces a downward sloping demand curve B. Can change the characteristics of its product. C. Can vary the price of its product. D. All of the above
7	Which of the following does not characterize monopolistic competition.	A. Product differentiation B. Many producers C. Absence of advertising D. Some control over price
8	An oligopolistic industry can be characterized by all of the following except	A. May sellers B. mutual interdependence C. Economies of scale D. A homogenous product
9	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
10	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
11	If a monopoly is unable to cover its short run variable costs, if should.	A. Shut down B. Raise price C. Lower price D. Increase output
		A. Marginal revenue is less than

12	A monopolist will discontinue production if	marginal cost B. Marginal revenue is less than average total cost C. Marginal revenue is less the average fixed cost D. Price is less than average variable cost
13	If the monopolist maximizes profits when marginal revenue equals marginal cost equals average cost economic profits must be.	A. Negative B. Positive C. Zero D. Either a or c
14	If a monopolist's has only fixed costs and chooses that output at which marginal cost equals price. it will	A. Earn positive economic profits B. Earn zero economic profits C. Incur a loss equal to its variable costs D. Incur a loss equal to its fixed costs
15	Which skills are most likely to be paid for by the employer.	A. General skills B. Specific skills C. Educational skills D. None of these
16	Suppose taht an exise tax is imposed on the monopolist's product if the monopolist's marginal cost is horizontally the relevant range, which of the following statements must be true.	A. The price will increase by an amount less than the tax B. The price will increase by an amount equal to the tax C. The price will increase by a amount greater than tax D. The price may either increase or decrease
17	If a monopolist's demand curve is downward sloping and linear, then its total revenue curve must be.	A. Identical to the demand curve B. A ray from the origin with a slope equal to price C. negative sloped with twice the slope of the demand curve D. A rising function of output that increases at a decreasing rate, reaches a maximum, then falls.
18	A monopolist will maximize profit.	A. Where total revenue is maximized B. Where the slope of the total revenue function equals the slope of the total cost function C. Where average cost is at a minimum D. Where all the above are ture
19	In the long run a profit maximizing monopoly produces an output volume that	A. Equates long run marginal cost with marginal revenue B. Equates long run average revenue C. Assures permanent positive profit D. Is correctly described by both a and c
20	If both supply and demand for a good increase at the same time which of the following must also increase	A. The equilibrium price B. The use of substitutes C. The equilibrium quantity D. All of the above