PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	The short run supply curve for a competitive industry is derived by.	A. Horizontally summing the marginal cost curves for each firm in the industry B. Horizontally summing the average variable cost curves for each firming the industry C. Vertically summing the marginal cost curves for each firm in the industry D. None of the above
2	Along the long run supply curve all of the following can vary except.	A. The level of profits B. The number of firms in the industry C. Input prices D. The level of input usage
3	Skills that can be transferred to other employers are called.	A. General skills B. Specific skills C. Non pecuniary skills D. All of the above
4	In the short run a competitive firm's supply curve is.	A. Its average variable cost cure to the right of the marginal cost curve. B. Its marginal cost curve above the average variable cost curve. C. It marginal cost curves above its average cost curve. D. The horizontal summation of the marginal cost curves
5	In the short run if price falls the firm will respond by	A. Shutting down B. Equating average variable cost to marginal revenue C. Reducing output along its marginal cost curve as long as marginal revenue exceed average variable cost D. None of the above
6	For a competitive firm the demand curve	A. A horizontal B. Coincides with the marginal revenue curve C. Coincides with the average revenue curve D. All of the above
7	The competitive firm maximizes its profit by operating where	A. Average costs are at a minimum B. Total revenue is at a maximum C. Profit per unit is at a maximum D. Marginal cost equals price
8	The statement that marginal cost = marginal revenue leads to profit maximization of loss minimization is true.	A. All the time B. Only in the long run C. Only if "marginal cost is rising at the point of equality. D. Only if average total cost is falling at the point of equality
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	The demand for labor will be more elastic if	A. There are few substitutes for labor B. There is a shor time under consideration C. Labor is a large percent of the total cost of production D. The demand for the product is relatively inelastic
[illegible]	[illegible]	A. The law of demand B. The iron law of wages [illegible]

11	The demand for labor slopes down and to the right because of.	C. The law of diminishing marginal returns D. Economies of scale
12	Which of the following statements abut the relationship between marginal cost and average cost is correct.	A. When MC is falling AC is falling B. AC equals MC and MC'S lowest point C. When MC exceeds Ac, Ac must be rising D. When Ac exceed MC, MC must be rising
13	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
14	If average fixed cost is 40 and average variable cost is 80 for a given output we the know that average total cost is.	A. 40 B. ¹²⁰ C. 80 D. None of the above
15	Average fixed cost	A. Is U shaped B. Declines over the entire output range. C. Is a long run concept only D. Is influenced by diminishing returns to production
16	A firm's long run average total cost lineis	A. Identical to its long run marginal cost line B. Also its long run supply curve C. In fact the average total cost curve of the optimal plant D. Tangent to all the curve of short run average total cost
17	If a firm triples all inputs and output triples as well the firm is subject to	A. Constant returns to scale B. Increasing returns to scale C. Economies of scale D. Both b and c
18	If a simultaneous and equal percentage decrease in the use of all physical inputs leads to a larger percentage decrease in physical output a firm's production function is said to exhibit.	A. Decreasing returns to scale B. Constant returns to scale C. Increasing returns to scale D. Diseconomies of scale
19	A negatively sloped isoquant implies	A. Products with negative marginal utilities B. Products with positive marginal utilities C. Inputs with negative marginal products D. Inputs with positive marginal products
20	The demand for labor is the same as the	A. Marginal revenue product B. Marginal physical product C. Marginal cost D. Wage