

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	When goods are compliments the cross demand curve	A. Upward to the right B. Backward to bottom C. Inwards to the right D. Downwards to right
2	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
3	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
4	If leisure is an inferior good the individuals supply curve for labor is.	A. Back ward bending B. Completely inelastic C. Upward sloping D. Perfectly elastic
5	In pure monopoly there is.	A. A lot of firms B. Two firms C. A single firm D. Many firms
6	The supply curve of a monopolist is always.	A. More elastic B. Less elastic C. undefined D. Steeper
7	When the demand curve is vertical its shows that the demand is.	A. Less elastic B. Very high elastic C. Elastic D. Perfectly inelastic
8	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
9	In capitalistic economy price is determined by	A. Supply and production B. Demand and production C. Demand and consumption D. Demand and supply
10	If a tax of Rs. 6 per units is imposed upon the suppliers, then.	A. Tax revenue will equal Rs. 108 B. Price increases by Rs. 4 C. Quantity decreases by 4 units D. Producers pay Rs. 36
11	In perfect competition the transpiration cost	A. Excluded from the total cost B. Is important figure in total cost C. Is ignored D. All of these
12	Firms in monopolistic competition compete on	A. Price B. Quality C. Advertising D. All of the above are correct
13	Which of the following statements about 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

14	If the estimated values of Y and P_y in 1987 are Rs. 30,000 and Rs. 8 respectively the marginal revenue of X is.	<p>A. $260 - 160x$ B. $420 - 4Qx$ C. $240 - 16Px$ D. $80 - 4Qx$</p>
15	Which of the following is an automatic stabilizer.	<p>A. Unemployment benefits B. Spending on education C. Defense spending D. Net interest</p>
16	A price cross elasticity of 0.81 between X and Y shows that.	<p>A. They are complementary goods B. They are competitive substitutes C. They are not substitutes D. a reduction in the price of one would cause an increase in the consumption of the other.</p>
17	If a price floor of Rs.15 is imposed, the governments cost is.	<p>A. Rs.150 B. Rs.300 C. Rs.750 D. Rs.450</p>
18	The price of salsa rises, How does the increase in the price of salsa affect the supply of salsa.	<p>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</p>
19	When the price of an inferior goods falls ceteris paribus the substitution effect leads to _____ in the quantity purchased and the income effect leads to _____ in the quantity purchased.	<p>A. An increase an increase B. An increase, a decrease C. A decrease, an increase D. A decrease, a decrease</p>
20	Which of the following would cause the demand curve for an input to shift.	<p>A. A change in technology B. A change in demand for the product being produced C. An increase in the number of firms in the industry D. All of the above</p>