

PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	The income elasticity of demand	A. Is negative for normal goods B. Is positive for normal goods C. Equals the relative change in demand for a good divided by the relative change in the iincome of consumers all else being equal D. Is correctly described by all of the above
2	If the income elasticity of demand is +4	A. The good is an inferior good B. The good is an inelastic normal good C. The good is an elastic normal good D. the good is an elastic inferior good
3	The price elasticity of demand will increase with the length of the period to which the demand curve pertains because.	A. Consumers incomes will increase B. The demand curve will shift toward C. All prices will increase over time D. Consumers will be better able to find substitutes
4	The market demand for a product is found by	A. Horizontally summing the individual demand curves B. Vertically summing the induvial demand curves C. Both horizontally and vertically summing the individual demand curve. D. None of the above
5	Which of the following will not be a determinant of the price elasticity of demand for a commodity.	A. The absence of substitute for the good. B. The presence of substitutes for the good. C. The importance of the commodity in consumers budgets D. The cost of producing the commodity
6	If consumers spend 15 million a month on CDs, regardless of whether the prrice 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
7	The most important determinant of price elasticity is.	A. The slope of the demand curve B. The availability of substitutes C. The price of other goods D. The income of the consumer
8	An elasticity coefficient of -1 means that	A. The demand curve is perfectly inelastic B. The demand curve is parfectly elastic C. The relative changes in price and quantity are equal D. Expenditures on the good would increase if price were reduced.
9	The price elasticity of demand is teh same thing as the negative of the	A. Slope B. Reciprocal of slope C. The first derivative of the demand function D. Reciprocal of slope times the ratio of price to quantity
10	The arc elasticity formula is used to estimate elasticity when	A. The product is thought to be inelastic B. The product is thought to be elastic C. The demand function is known D. There are two observations of price and quantity

A T1 ' C 1

Suppose that the price elasticity of demand for maple syrup has been estimated at 2 if quantity demanded increased by 10 precent, price must have changed by. 13 Which of the following concepts represents the extra revenue a firm neceives from the services of an additional unit of a factor of production. A Total revenue B. Marginal prevale product C. Marginal revenues product D. Marginal revenue B. Marginal revenues D. Marginal revenues D. Perfectly elastic D. Perfectly elastic D. Perfectly elastic C. Zaro D. Cannot be demand convector production of demand would be. D. Perfectly elastic C. Zaro D. Cannot ell without more information D. Segative D. C. Zaro D. Cannot ell without more information D. Segative D. Any of the above as long as it is consistent D. Any of the above as long as it is consistent D. Sange They are not similar at all Salapp D. Sange They are not similar at all Salapp D. All of the above D. All of the above D. The section with the richest D. The section with the most leastic demand D. The section with the most leastic demand D. Perfectly elastic D. Incomes increase	11	Price elasticity at a given price is not affected by.	A. The price of complementsB. The price of substitutesC. The consumer's incomeD. A change in supply
Which of the following concepts represents the extra revenue a firm neceives from the services of an additional unit of a factor of production. B. Marginal physical product D. Marginal revenue	12		B. 5 percent higher C. 10 percent lower
14	13		B. Marginal physical product C. Marginal revenues product
Some goods are not closely related to each other and are neither substitutes nor complements for such goods the cross price elasticity of demand would be. 16 A market demand curve can be derived by adding all the individual demand curves 17 A price decrease and an increase in income are similar in that 18 In order to practice price discrimination which of the following is needed. 19 In price discrimination, which section of the market is charged the higher price. 20 A normal good can be defined as one which consumers purchase more of as. 21 B. Negative C. Zero D. Cannot tell without more information A. Vertically B. Horizontally C. In parallel D. Any of the above as long as it is consistent A. Both force the consumer to achieve a lower level of well being B. Both force the consumer to achieve a lower indifference curve C. Both move the budget line outward D. sup>They are not similar at all/sup> A. Some degree of monopoly power B. An ability to separate the market C. An ability to prevent reselling D. All of the above A. The section with the richest people B. The section with the most inelastic demand D. The section with the most elastic demand	14	If leisure is an inferior good the individuals supply curve for labor is.	B. Completely inelastic C. Upward sloping
A market demand curve can be derived by adding all the individual demand curves C. In parallel D. Any of the above as long as it is consistent A. Both force the consumer to achieve a lower level of well being B. Both force the consumer to each a lower indifference curve C. Both move the budget line outward D. ^{They are not similar at all} In order to practice price discrimination which of the following is needed. A. Some degree of monopoly power B. An ability to separate the market C. An ability to prevent reselling D. All of the above A. The section with the richest people B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most inelastic demand D. The section with the most elastic demand	15		B. Negative C. Zero D. Cannot tell without more
achieve a lower level of well being B. Both force the consumer to reach a lower indifference curve C. Both move the budget line outward D. ^{They are not similar at all} In order to practice price discrimination which of the following is needed. A. Some degree of monopoly power B. An ability to separate the market C. An ability to separate the market C. An ability to prevent reselling D. All of the above A. The section with the richest people B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most elastic demand A. Price fall B. Price rise C. Income fall	16	A market demand curve can be derived by adding all the individual demand curves	B. Horizontally C. In parallel D. Any of the above as long as it is
In order to practice price discrimination which of the following is needed. B. An ability to separate the market C. An ability to prevent reselling D. All of the above A. The section with the richest people B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most elastic demand A. Price fall B. Price rise C. Income fall	17	A price decrease and an increase in income are similar in that	achieve a lower level of well being B. Both force the consumer to reach a lower indifference curve C. Both move the budget line outward D. ^{They are not similar at}
19 In price discrimination, which section of the market is charged the higher price. 20 A normal good can be defined as one which consumers purchase more of as. 20 People B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most elastic demand A. Price fall B. Price rise C. Income fall	18	In order to practice price discrimination which of the following is needed.	B. An ability to separate the marketC. An ability to prevent reselling
20 A normal good can be defined as one which consumers purchase more of as. B. Price rise C. Income fall	19	In price discrimination, which section of the market is charged the higher price.	people B. The section with the oldest people C. The section with the most inelastic demand D. The section with the most elastic
	20	A normal good can be defined as one which consumers purchase more of as.	B. Price rise C. Income fall