

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	In monopolistic competition, firms desire to sell more output at equilibrium because.	A. Price is greater than average cost B. Price is greater than average variable cost C. Price is greater than marginal cost D. Price is equal to marginal revenue
2	Marginal cost is the change in cost the result from a one unit increase in.	A. Price B. Cost C. Output D. Revenue
3	The demand curve for labor for a monopolist when other inputs are fixed is equal to its	A. Marginal value product curve B. Marginal revenue product curve C. Horizontal summation of the firms demand curve at different output prices D. Marginal physical product curve
4	The fundamental reason people must choose which goods to buy and consume is because of.	A. Scarcity B. Specialization C. People engaging in exchange D. The fact there are many different economic agents
5	When the quantity demanded is changed on the same price	A. the demand curve shifts upward B. The demand curve shifts downward C. Movement on the same demand curve D. None of these
6	The downward kinked demand curve facing the individual oligopolistic implies that	A. He face price certainty B. Competitors have a tendency to follow price decreases but not price increase C. Total revenue remains same if a firm increases price D. None of these
7	At level of income and output of 100 in the diagram above	A. $APC < 1$ B. Equilibrium occurs C. Consumption expenditures are equal to 100 D. $MPC > APC$
8	If a good has a lot of substitutes, then its demand is.	A. Elastic B. Inelastic C. Unit elastic D. Elastic or inelastic depending on whether the price is increasing or decreasing
9	The marginal rate of substitution for two goods can be obtained from	A. The slope of the demand curve B. The slope of the indifference curve C. The ration of first derivative of the total utility functions D. B and D both
10	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
11	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
12	A linear homogenous production function would reveal.	A. Constant returns to scale B. Increasing returns to scale C. Decreasing return to scale D. Doubling all inputs would more

		than double output
13	The negative slope of the demand curve indicates that there is _____ relationship between the price and the quantity demanded.	A. A direct B. An inverse C. A positive D. No relationship
14	In the short run, the supply of farm commodities is.	A. Inelastic B. Less elastic C. More elastic D. Undetermined
15	Duopoly is a market situation when there is	A. Single seller B. Many seller C. Two seller D. Few seller
16	The Isoquant curve shows different combinations of two factors of production which give the producer.	A. Different level of output B. High level of output C. low level of output D. Same level of output
17	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
18	The monopolization of the competitive market results in a deadweight loss to society of	A. RSJK B. JKL C. THJ D. RSJL
19	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
20	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