

PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	If the demand curve for a good is downward sloping then the good must be.	A. Normal B. Inferior C. Giffen D. Either a or b
2	If a good is normal then the demand curve for that good must be.	A. Downward sloping B. Upward sloping C. Perfectly elastic D. Completely inelastic
3	The income effect of a price change	A. Is always positive B. Is always negative C. May be positive or negative D. Is associated with a change in nominal income
4	The "compensated" demand curve is the demand curve that.	A. Shows only the income effect B. Shows only the substitution effect C. Shows both the income and substitution effects D. Shows the Geffen good demand curve
5	Suppose an individual spends all his income on only two goods, good X and good Y moreover suppose that you were asked to derive his price consumption curve for good Y Which of the following would be allowed to very.	A. Money income B. The tastes of the consumer C. The price of good X D. The price of good Y
6	If the price of both goods increase by the same percent , the budget line will.	A. shift parallel to the left B. Shift parallel to the right C. Pivot about the x axis D. Pivot about the Y axis
7	If A, B, C and D are any four market baskets, and if the consumer has ranked them so that D is preferred to C, A is hot preferred to B, and B is not preferred to c then.	A. A is preferred to C B. A is preferred to D C. B is preferred to D D. D is preferred to A
8	A utility contour shows all the alternative combinations of two consumption goods that.	A. Can be produced with a given set of resources and technology B. Yield the same total of utility C. Can be purchased with a given budget at given prices D. Equate the marginal utilities of these goods and therefore make the consumer indifferent between them.
9	As long as the principle of diminishing marginal utility is operating any increased consumption of good.	A. Lowers total utility B. Produces negative total utility C. Lower marginal utility and therefore total utility D. Lowers marginal utility, but may raise total utility.
10	Economists tend to disagree primarily about.	A. The implications of scarcity for our economy B. Which resources are free C. Topics in positive economics D. Issues of normative economics
11	Micro economics studies such topics as	A. The factors that determine inflation B. The forces that influence the price of shoes C. The determinants of total output D. Whether the unemployment rate will rise or fall
12	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
		A. Increases its demand

13	An -increase the expected future price of a good.	B. Decreases its demand C. Increases its supply D. Has no effect on either its demand or its supply.
14	Which of the following shifts the demand curve for hot dogs leftward.	A. An increase in the price of a hot dog bun B. A decreases in the price of a hot dog bun C. An increased in the price of a hamburger D. An increases in the price of a hot dog
15	If the price of product X falls and this change increases the demand for product Y then.	A. X and Y are complements B. X and Y are substitutes C. X is an inferior good D. Y is an inferior good
16	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
17	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.	A. An increase an increase B. An increase, a decrease C. A decrease, an increase D. A decrease, a decrease
18	If the price of an apple increased from 50 to 60 the quantity demanded will decrease because of.	A. The substitution effect only B. The income effect only C. A change in income D. The substitution and income effects.
19	When the price of a pizza decreased from 1200 Rupees to 1000 Rupees, it is definitely the case that the.	A. Income effect means people buy less pizza B. Substitution effect means people buy more pizza C. Quantity demanded of pizza will not change D. None of the above
20	If the price of an apple increases.	A. Its opportunity cost decreases B. Its opportunity cost increases C. The substitution effect does not occur D. The income effect does not occur