

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	A monopolistically competitive firm differs from a perfectly competitive firm that unlike the perfectly competitive firm it.	A. Faces a downward sloping demand curve B. Can change the characteristics of its product. C. Can vary the price of its product. D. All of the above
2	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
3	Cardinal approach theory was presented by	A. Marshall B. Adam smith C. Robbins D. Hicks
4	To maximize revenue, an excise tax should be imposed on a product	A. That has a highly elastic demand curve B. Such as St. Joseph's children's aspirin. C. Such as salt D. such as Toyota automobiles
5	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.	A. 260 - 160 x B. 420 - 4Qx C. 240 - 16 Px D. 80 - 4Qx
6	Indifference curve is always.	A. Vertical B. Horizontal C. Concave D. Convex
7	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.
8	If the government lower taxes by \$10 billion, the Real GDP will rise by	A. More than \$10 billion B. Less than \$10 billion C. Exactly \$10 billion D. None of these
9	A Market situation where the number of buyers is very large and the number of sellers are very small is called.	A. Perfect competition B. Duopoly C. Oligopoly D. In perfect competition
10	Suppose that the price elasticity of demand for maple syrup has been estimated at -2 if quantity demanded increased by 10 percent, price must have changed by.	A. 5 percent lower B. 5 percent higher C. 10 percent lower D. 10 percent higher
11	In case of complimentary goods, if the price of one commodity falls there will be.	A. Rise in demand of other commodity B. Fall in demand of other commodity C. Fall in demand of both commodities D. No change
12	Everyone's absolute income doubles family A's APC, according to the simple Keynesian consumption function is expected to.	A. Fall B. Double C. Increase D. Halve
13	In a typical cartel agreement the cartel maximizes profit when it.	A. Behaves like a monopoly B. Behaves like a perfectly competitive firm C. Behaves like a duopoly D. Is flexible in enforcing production targets

14	A production possibilities curve indicates that when resources are being used efficiently	<p>A. More of one good can be produced only if less of another good is produced</p> <p>B. More of one good can be produced only if its price is lowered</p> <p>C. Producing more of one good result in greater production of other goods</p> <p>D. More of one good can be produced without producing less of other goods</p>
15	For a competitive firm the demand curve	<p>A. A horizontal</p> <p>B. Coincides with the marginal revenue curve</p> <p>C. Coincides with the average revenue curve</p> <p>D. All of the above</p>
16	A monopolistically competitive market is characterized by all of the following except.	<p>A. Easy entry</p> <p>B. Differentiated product</p> <p>C. Excess capacity</p> <p>D. Economic profit in the long run</p>
17	Price discrimination is possible	<p>A. Oligopoly</p> <p>B. Duopoly</p> <p>C. Perfect competition</p> <p>D. Monopoly</p>
18	In a perfectly competitive market if firms are earning an economic profit the economic profit.	<p>A. Attracts entry by more firms, which lowers the market price</p> <p>B. Can be earned both in the short run and long run</p> <p>C. Is less than the normal profit</p> <p>D. Leads to a decrease in market demand</p>
19	$MC = MR = AR = AC = \text{Price}$ shows the long run	<p>A. Monopolist firm</p> <p>B. Oligopolistic firm</p> <p>C. Competitive firm</p> <p>D. Both a and b</p>
20	A demand curve is not related to	<p>A. The time period</p> <p>B. The price of the commodity</p> <p>C. The price of substitution</p> <p>D. Any of above</p>