

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	A firm that is a price taker faces a perfectly	A. Elastic supply curve B. Inelastic demand curve C. Elastic demand curve D. In elastic supply curve
2	If there is no price surprise, total output is.	A. 50 B. 150 C. 400 D. 200
3	Extension and contraction of demand mean	A. Movement on the same demand curve B. Movement to high demand curve C. Movement to lower demand curve D. Movement to another demand curve
4	An indifference curve shows various combinations to goods Which gives the consumer.	A. Equal level of utility B. Low level of utility C. High level of utility D. None of these
5	Firms entering a perfectly competitive market will cause the price of the product to	A. Decrease B. Increase C. Remain constant D. Respond more to consumer demand than supply
6	The law of diminishing marginal returns to a factor of production is.	A. Not applicable B. Another explanation of economies of scale C. A principle of scales D. None of these
7	An entrepreneur who collects profits in the short run for a new invention is collecting.	A. The competitive rate of return on capital B. Temporary monopoly profit C. Rent D. A Ramsey surplus
8	change in quantity demanded	A. Downward shift of demand curve B. Movement on the same demand curve C. Downward shift D. None of these
9	In Production of goods and services tradeoffs exist because.	A. Buyers and sellers often negotiate prices B. Society has only a limited amount of productive resources C. Not all production is efficient D. Human wants and needs are limited at a particular point in time
10	The Marginal cost of product W exhibiting positive externalities is $McW = 25 + 5 Q_s$, the competitive price for each unit of W (P_w) is Rs. 175 and the positive externality is worth Rs. 100 to society for each unit produced. Society considers product W under produced by how many units.	A. 10 Units B. 15 Units C. 20 Units D. 5 units
11	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
12	Firm A's annual profit is.	A. Rs.10,000 B. Rs.20,000 C. Rs.30,000 D. Rs.60,000
13	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

14	In monopsony there is	A. Single seller B. Two buyers C. Single buyer D. Few buyer
15	What is the per unit marginal cost of increasing production from 20 to 25 units.	A. Rs. 3,500 B. Rs.100 C. Rs.4,000 D. Rs.500
16	A firm A's break even quantity is.	A. 10 units B. 40 units C. 50 units D. 30 units
17	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.	A. Positive B. Negative C. Zero D. Cannot tell without more information
18	An income demanded curve of an inferior good is.	A. Same in slope B. Upward is slope C. Downward in slope D. None of these
19	Disposable income is equal to.	A. National income B. National income minus taxes plus transfers C. Real GDP D. National income Minus taxes
20	A consumer is said to be in equilibrium when the marginla utility and price of a commodity	A. More B. Less C. Irrelevant D. Equal