

## PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	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
2	The average total cost when 20 units of output are produced is	A. Rs. 2,900 B. Rs.195 C. Rs. 20 D. Rs.900
3	What is the production level for public good W, if the government uses full cost pricing.	A. Q = 2 B. Q = 5 C. Q= 4 D. Q = 6
4	Which of the following is not a basic assumption of perfect competition.	A. Free entry and exit     B. Many small sellers and buyers     C. Perfect information     D. Short run
5	The average total cost of a wedge increases from Rs. 0.79 ro Rs. 0.83 Evidently	A. AFC exceeds AVC B. MC is between Rs. 0.79 and Rs. 0.83 C. AVC is Rs. 0.83 D. MC is greater than Rs. 0.83
6	If X, Y, and Z are willing to work for Rs. 4, Rs, 5, and Rs.6 respectively but N pays them Rs. 7 each, producers surplus is.	A. Rs. 4 B. Rs.7 C. Rs.5 D. Rs.6
7	The Marginal cost of product W exhibiting positive externalities is McW = 25 + 5 Qs, the competitive price for each unit of W (Pw) 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
8	A firm's total revenue is Rs. 4,500 when it sells 15 pairs of boots compared to Rs. 4,480 when it sells 14 pairs,. The marginal revenue of the 15th pair of boots is.	A. Rs.20 B. Rs.320 C. Rs. 4,480 D. Rs.300
9	Naveed purchases product M for which his income elasticity of demand is negative Apparently product M is.	A. A necessity B. An independent good C. An inferior good D. A luxury good
10	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
11	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
12	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
13	Which of the policies in the table above an increase in social welfare according to pareto efficiency.	A. Policy A B. Polies A and B C. Policies A and D D. Policies C a, -d D
14	A demand curve that is an equilateral hyperbola is.	A. Perfectly elastic     B. Relatively elastic     C. Unit elastic     D. Relatively inelastic

. .

15	If the production function is $Q = 8$ KL the marginal rate of technical substitution of labor for capital is.	A. 8 B. K/L C. L/K D. B/KL
16	The ABC corporation.	A. Is earning a pure economic profit     B. Should produce zero units of     output     C. Is sustaining an economic loss     D. Is breaking even
17	BATA's marginal utility per dollars is .8 for both shorts and running shoes,. To attain her consumer equilibrium BATA should.	A. Buy an additional pair of shorts     B. Buy an additional pair of both     items     C. Possibly not make any adjustment     in her behavior     D. Sell her shorts and keep her     shoes
18	How much will a speculator invest now if he expects to earn Rs. 144 two years from now assuming the nominal rate of interest is 20%	A. Rs.1654.29 B. Rs.100.00 C. Rs.94.00 D. Rs.68.00
19	The price of Ketchup at a market increases by 12.5% per can, which results in a decrease in quantity purchased by 40% per week, the demand is.	A. Relatively elastic B. Relatively inelastic C. Perfectly elastic D. Perfectly iinelastic
20	If a tax of Rs. 6 per units is imposed upon the suppliers, then.	A. Tax revenue will equal Rs. 108 B. Price increases by Rs. 4 C. Quantity decreases by 4 units D. Producers pay Rs. 36