

## PPSC Economics Chapter 2 Micro Economics

Sr	Questions	Answers Choice
1	The same graph shows that the firm order to maximize profits, should produce.	A. 30 units charges a price of Rs. 1 B. 20 Units and charge a price of R: 22 C. 35 Units and charge a price of R: 12 D. 38 units and charge a price or R: 10
2	According to Keynes, when the great depression started the government should be.	A. Done nothing B. Decreased the money supply C. Had a large increase in government spending. D. Enacted high tariffs such as the smoot Hawley tariff
3	If the price of factor A is Rs.8.00 per hour, and its marginal product is 10 units, and the price of factor B is Rs. 5.00 and its marginal product is 9, is the producer is likely to.	A. Hire more of A and less of B B. Hire more of B and less of A C. Start paying factor A more D. Try to use factor B more productively
4	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
5	A price cross elasticity of 0.81 between X and Y shows that.	A. They are complementary goods B. They are competitive substitutes C. They are not substitutes D. a reduction in the price of one would cause an increase in the consumption of the other.
6	In an industry with a falling long term supply curve, which of the following is true.	A. Industry unit cost are constant B. Industry unit costs are decreasin C. Industry unit costs are increasin D. Industry unit costs cannot be determined
7	Which of the following is NOT an example of non price competition the auto industry.	A. End of the year discounts B. Zero percent auto loans C. Television advertising D. Establishing market niches
3	Disposable income is equal to.	A. National income B. National income minus taxes plu transfers C. Real GDP D. National income Minus taxes
9	An increase in the discount rate at the FED generally has the following effect on bond prices.	A. There is no demonstrated effect B. Such an increase tends to lower bond prices. C. Such an increase tends to raise bond prices D. Bond prices are related to the government purchase and sale of bonds.
10	A firm charges Rs. 800 for its unique word processor. If total revenue is Rs. 56,000 in July, how many word processor were sold that month.	A. 70 B. 95 C. 700 D. 800
11	Which of the following groups is most hurt by unexpected inflation.	A. Workers with cost of living adjustments in their labor contracts B. Home owners C. People with large debts to pay for their homes and cars D. People with large retirement savings held in savings accounts.
40		A. The competitive rate of return o capital

12	An entrepreneur who collects profits in the short run for a new invention is collecting.	B. Lemporary monopoly profit C. Rent D. A Ramsey surplus
13	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
14	Which of the following does not represent a barrier to entry into a market.	A. Import quotas     B. patent laws     C. Government franchleses     D. Anti trust legislation
15	Given the cost data indicated in the table above the average variable cost of producing 7 units of output is	A. Rs.37 B. Rs.29 C. Rs.31 D. Greater than Rs.37
16	If average variable cos tis less then marginal cost then certainly.	A. Per unit total cost is rising B. Per unit total cost is constant C. Per unit total cost is falling D. Per unit variable cost is rising
17	Last week, Martha spend one day cleaning a house for this she was paid \$50 The rest of the week, she spend looking for a job Martha would be callsified as.	A. Employed B. Unemployed C. Not in the labor force D. None of these
18	Immediately after a through we would expect to have al	A. Peak B. Recession C. Recovery D. Another trough
19	An economy that falls to realize all of its p9otential gains from specialization is.	A. Achieving productive efficiency B. Operating outside its production possibilities curve C. Operating on its production possibilities curve in an inefficient manner D. Operating inside its production possibility curve
20	A production possibilities curve indicates that when resources are being used efficiently	A. More of one good cna be produced only if less of another good is produced B. More of one good can be produced only if its price is lowered C. Producing more of one good result in greater production of other goods D. More of one good can be product without producing less of other goods