

PPSC Economics Topic 2 Micro Economics

Sr	Questions	Answers Choice
1	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 inelastic
2	The statement that marginal cost = marginal revenue leads to profit maximization of loss minimization is true.	A. All the time B. Only in the long run C. Only if "marginal cost is rising at the point of equality." D. Only if average total cost is falling at the point of equality
3	If a monopoly is unable to cover its short run variable costs, it should.	A. Shut down B. Raise price C. Lower price D. Increase output
4	A demand curve is not related to	A. The time period B. The price of the commodity C. The price of substitution D. Any of above
5	When due to change in price of commodity x demand of commodity y is changed it is called.	A. Income elasticity B. Price elasticity C. More elastic D. Cross elasticity
6	The expected profit from the profit distribution above is.	A. 40 units B. 60 units C. 100 units D. 20 units
7	The short term interest rates on bonds over the next 5 years is 6% , 7%, 9% ,10% and 8% according to the expectations Hypothesis, the interest rates on bonds with 5 years to maturity will be.	A. 6% B. 8% C. 10% D. 9%
8	Given a proportional income tax and a government budget that is currently in balance, an increase in autonomous investment ceteris paribus, increases equilibrium income and the budget.	A. Remains in balance B. Has a surplus C. Has a deficit D. None of these
9	An elasticity coefficient of -1 means that	A. The demand curve is perfectly inelastic B. The demand curve is perfectly elastic C. The relative changes in price and quantity are equal D. Expenditures on the good would increase if price were reduced.
10	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 vary.	A. Money income B. The tastes of the consumer C. The price of good X D. The price of good Y
11	The supply curve of a perfectly competitive firm	A. Includes the upward sloping portion of the marginal cost B. Is equal to entire margin cost C. Includes the downward sloping portion of marginal cost D. None of these
12	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
13	In perfect competition a firm is.	A. Price taker B. Price setter C. Independent D. Dependent
14	Assume a consumer buys 25 units of good X at Rs.8 and 10 units of good Y at Rs. 6 in 1980.	A. 1.14 B. 1.65

	If $P_x = \text{Rs. } 6$ and $P_y = \text{Rs. } 4$ in 1970 the pasasche index is.	C. 1.37 D. 1.47
15	A monopolist will maximize profit.	A. Where total revenue is maximized B. Where the slope of the total revenue function equals the slope of the total cost function C. Where average cost is at a minimum D. Where all the above are true
16	If consumers spend 15 million a month on CDs, regardless of whether the price they pay goes up or down that implies that their price elasticity of demand for CDs is.	A. 0 B. 1 C. Infinite D. 15
17	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
18	The "Law of demand" most directly means that consumers buy	A. More of a good the higher their incomes, ceteris paribus. B. Less of good the higher its price ceteris paribus C. Buy more of a good the less is its supply ceteris paribus D. Buy less of a good the greater is its supply ceteris paribus
19	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
20	In substitution effect a consumer	A. Shifts away from the commodity which price has risen B. shifts in favor of commodity which price has risen C. shifts away from the commodity which price has fallen D. None of these