

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	A situation in which firms choose their best strategy given the strategies chosen by the other firms in the market is called.	A. a competitive equilibrium B. An open market solution C. The Nash equilibrium D. The cartel equilibrium
2	Which of the following is a characteristics of monopolistic competition.	A. One seller serving the entire market B. When each firm sells an identical product C. When firms do not compete on a product's quality price and marketing. D. When firms are free to enter and exit the market
3	When Daimler Benz maker of the Mercedes bought Chrysler the merger was	A. Horizontal B. Vertical C. Conglomerate D. None of these
4	Oligopoly is a market structure in which	A. Many firms each produce a slightly differentiated product B. One firm produces as unique product C. A small number of firms compete D. Many firms produce an identical product
5	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
6	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
7	In contract to perfectly competitive markets monopolists	A. Do not have to worry about market demand B. Sell only if demand is inelastic C. Can never incur an economic loss D. Can earn an economic profit indefinitely
8	If a good has a lot of substitutes, then its demand is.	A. Elastic B. Inelastic C. Unit elastic D. Elastic or inelastic depending on whether the price is increasing or decreasing
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	Firms in monopolistic competition compete on	A. Price B. Quality C. Advertising D. All of the above are correct
11	The exit of firms out of a competitive market causes the supply curve to.	A. Shift leftward B. shift rights ward C. None of the above for the exit of firms supply curve D. shift either left or right depending on the number of firms leaving the market

12	The price of salsa rises, How does the increase in the price of salsa affect the supply of salsa.	A. The supply of salsa increases B. The supply of salsa decreases C. There is no change to either the supply of salsa or the quantity supplied of salsa D. There is no change to the supply of salsa but the quantity supplied of salsa increases
13	When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firm in the market we have	A. A cartel B. The perfect competitive outcome C. The Nash equilibrium D. Monopolistic competition
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15	If there are 50 firms in a industry each selling 2% of the total sales the concentration ratio is.	A. 50% B. 2% C. 8% D. 100%
16	In the long run a profit maximizing firm will choose to exit a market when	A. Fixed costs exceed total costs B. Total revenue from production is less than total costs C. Average fixed cost is rising. D. Marginal cost exceeds marginal revenue at the current level of production.
17	Economic growth is shown on the production possibility frontier as.	A. The curvature of the PPF B. An inward shift in the PPF C. An outward shifts in the PPF D. A movement from one point on the PPF to another
18	Holding all other things constant a higher price for ski lift tickets would.	A. Increase the number of skiers B. Increase the price of skis C. Decrease the number of skis sold D. Decrease the demand for other winter recreational activities
19	A monopoly market.	A. Generally falls to maximize total economic well being. B. Always maximizes total economic well being. C. always minimizes consumers surplus D. Generally falls to maximum produce surplus
20	In a perfectly competitive market if firms are earning an economic profit the economic profit.	A. Attracts entry by more firms, which lowers the market price B. Can be earned both in the short run and long run C. Is less than the normal profit D. Leads to a decreases in market demand
21	If a monopolist faces a downward sloping market demand curve its.	A. Average revenue is always less than marginal revenue B. Marginal revenue is greeter than the price of the units it sells. C. Average revenue is less than the price of its product. D. Marginal revenue is always less than the price of the units it sells
22	When a tax is levied on a good.	A. The market price falls because demand declines. B. The market price falls because supply falls. C. A wedge is placed between the price buyers pay and the price sellers receive D. The market price rises because demand falls.
23	An increase in price causes an increase in total revenue when.	A. Demand is elastic B. Demand is inelastic C. Demand is unit elastic D. All of the above are possible
24	To access internet services consumers must use a computer if computer prices fall, what is	A. The demand for internet services increases. B. The demand for internet services decreases C. The demand for internet services

24	the effect on the demand for internet services.	C. The demand for internet services does not change D. The demand for internet services could increase, decrease, or stay the same depending on other factors.
25	A drop in the price of compact disc shifts the demand curve for prerecord tapes leftward from that you know that compact discs and prerecorded tapes are.	A. Inferior goods B. Substitutes C. Complements D. Normal goods
26	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
27	The long run is a time period that is.	A. Five years or longer B. Long enough to change the level of labor hired C. Long enough to change the size of the firm's plant D. Ten years or longer
28	Which of the following correct about firms in an oligopoly.	A. Each firm has complete control over its own selling price B. All firms independently charge monopoly prices C. No one firm controls price but each has an influence on the price D. There is no competition in oligopoly industries
29	If an increase in the price of gasoline increases the demand for gas hybrid cars, then	A. Hybrid cars are an inferior good B. Gasoline and hybrid cars are complements in consumption C. Gasoline is an inferior good D. Gasoline and hybrid cars are substitutes in consumption
30	Marginal cost is the change in cost the result from a one unit increase in.	A. Price B. Cost C. Output D. Revenue