

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	When there is a surplus in a market	A. There is downward pressure on price B. There is upward pressure on price C. The market could still be in equilibrium D. There are too many buyers chasing too few goods.
2	"Treating an individual as typical of a group" in the definition of.	A. Pure discrimination human capital B. Statistical discrimination C. Human capital D. Specific skills
3	Which of the following would cause the demand curve for an input to shift.	A. A change in technology B. A change in demand for the product being produced C. An increase in the number of firms in the industry D. All of the above
4	A monopsony is	A. The scale supplier of an input B. The scale supplier of an output C. The sole buyer of some type of input D. A unionized industry
5	Because a monopoly hires workers up to the point where their marginal revenue product equals the wage rate the monopoly will.	A. Pay less than the going wage rate B. Pay a wage equal to the value of the marginal product of labor C. Pay less than the value of the marginal product of labor D. Pay workers what they are worth to society
6	The demand curve for labor for a monopolist when other inputs are fixed is equal to its	A. Marginal value product curve B. Marginal revenue product curve C. Horizontal summation of the firms demand curve at different output prices D. Marginal physical product curve
7	Skills that embodied in a person are called.	A. Human capital B. Embodied skills C. Physical capital D. Experience skills
8	In long run equilibrium a monopolistically competitive firm will find.	A. Marginal cost below average total cost B. Marginal cost equal to minimum average total cost C. Both a and b D. Neither a nor b
9	The key feature of oligopoly is.	A. Excess capacity B. High profitability C. Product differentiation D. Interdependence of firms
10	In order to constitute an oligopolistic market structure.	A. There must be a few firms in a given relevant market B. There must be a few firms selling in a national market C. There must be more than 20 firms selling in the international market D. There must be fewer than 15 firm is any given market
11	The firm under monopolistic competition is likely to produce less and set a higher price than under perfect competition because.	A. The firm faces decreasing returns to scale B. The firm faces increasing costs C. The firm must incur selling expenses including advertising. D. The firm faces a downward sloping demand curve

12	In the neighborhood of the long run equilibrium of a monopolistically competitive firm average cost will be.	A. Decreasing B. Constant C. Increasing D. At a minimum
13	One of the difference between a perfectly competitive firm's long run equilibrium and the long run equilibrium of a monopolistically competitive firm is that	A. $LMS = MR$ under perfect competition but not under monopolistic competition B. $SAC = LAC$ under perfect competition but not under monopolistic competition C. $SMC = LMC$ under perfect competition but not under monopolistic competition D. $LAC = LMC$ under perfect competition, but not under monopolistic competition
14	A monopolistically competitive firm differs from a perfectly competitive firm in that unlike the perfectly competitive firm it.	A. Faces a downward sloping demand curve B. Can change the characteristics of its product. C. Can vary the price of its product. D. All of the above
15	Which of the following does not characterize monopolistic competition.	A. Product differentiation B. Many producers C. Absence of advertising D. Some control over price
16	An oligopolistic industry can be characterized by all of the following except	A. Many sellers B. mutual interdependence C. Economies of scale D. A homogeneous product
17	A monopolistically competitive market is characterized by all of the following except.	A. Easy entry B. Differentiated product C. Excess capacity D. Economic profit in the long run
18	The conditions necessary for a firm to be able to price discriminate include.	A. Segmentable markets B. Difference in price elasticity of demand among the segments C. The inability of customers to transfer products D. All of the above
19	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
20	A monopolist will discontinue production if	A. Marginal revenue is less than marginal cost B. Marginal revenue is less than average total cost C. Marginal revenue is less than the average fixed cost D. Price is less than average variable cost
21	If the monopolist maximizes profits when marginal revenue equals marginal cost equals average cost economic profits must be.	A. Negative B. Positive C. Zero D. Either a or c
22	If a monopolist has only fixed costs and chooses that output at which marginal cost equals price, it will	A. Earn positive economic profits B. Earn zero economic profits C. Incur a loss equal to its variable costs D. Incur a loss equal to its fixed costs
23	Which skills are most likely to be paid for by the employer.	A. General skills B. Specific skills C. Educational skills D. None of these
24	Suppose that an excise tax is imposed on the monopolist's product if the monopolist's marginal cost is horizontally in the relevant range, which of the following statements must be true.	A. The price will increase by an amount less than the tax B. The price will increase by an amount equal to the tax C. The price will increase by a amount greater than tax D. The price may either increase or decrease
	If a monopolist's demand curve is downward sloping and linear, then its total revenue curve	A. Identical to the demand curve B. A ray from the origin with a slope equal to price C. Negative sloped with twice the

25	If a monopolist's demand curve is downward sloping and linear, then its total revenue curve must be.	C. Negative sloped with twice the slope of the demand curve D. A rising function of output that increases at a decreasing rate, reaches a maximum, then falls.
26	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
27	In the long run a profit maximizing monopoly produces an output volume that	A. Equates long run marginal cost with marginal revenue B. Equates long run average revenue C. Assures permanent positive profit D. Is correctly described by both a and c
28	If both supply and demand for a good increase at the same time which of the following must also increase	A. The equilibrium price B. The use of substitutes C. The equilibrium quantity D. All of the above
29	The short run supply curve for a competitive industry is derived by.	A. Horizontally summing the marginal cost curves for each firm in the industry B. Horizontally summing the average variable cost curves for each firm in the industry C. Vertically summing the marginal cost curves for each firm in the industry D. None of the above
30	Along the long run supply curve all of the following can vary except.	A. The level of profits B. The number of firms in the industry C. Input prices D. The level of input usage