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PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	Skills that can be transferred to other employers are called.	A. General skills B. Specific skills C. Non pecuniary skills D. All of the above
2	In the short run a competitive firm's supply curve is.	A. Its average variable cost cure to the right of the marginal cost curve. B. Its marginal cost curve above the average variable cost curve. C. It marginal cost curves above its average cost curve. D. The horizontal summation of the marginal cost curves
3	In the short run if price falls the firm will respond by	A. Shutting down B. Equating average variable cost to marginal revenue C. Reducing output along its marginal cost curve as long as marginal revenue exceed average variable cost D. None of the above
4	For a competitive firm the demand curve	A. A horizontal B. Coincides with the marginal revenue curve C. Coincides with the average revenue curve D. All of the above
5	The competitive firm maximizes its profit by operating where	A. Average costs are at a minimum B. Total revenue is at a maximum C. Profit per unit is at a maximum D. Marginal cost equals price
6	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
7	In the short run no firm operates with a loss unless	A. Variable cost equals fixed cost B. Variable cost falls short of fixed cost C. Total revenue covers variable costs D. Total revenue covers fixed cost
8	The demand for labor will be more elastic if	A. There are few substitutes for labor B. There is a shor time under consideration C. Labor is a large percent of the total cost of production D. The demand for the product is relatively inelastic
9	The demand for labor slopes down and to the right because of.	A. The law of demand B. The iron law of wages C. The law of diminishing marginal returns D. Economies of scale
10	Which of the following statements abut the relationship between marginal cost and average cost is correct.	A. When MC is falling AC is falling B. AC equals MC and MC'S lowest point C. When MC exceeds Ac, Ac must be rising D. When Ac exceed MC, MC must be rising
11	the ouput where diminishing return to production begin is also the ouput where	A. Marginal cost is at a minimum. B. Average total cost is at a minimum C. Average variable cost is at a minimum

		D. Marginal and average
12	If average fixed cost is 40 and average variable cost is 80 for a given output we the know that average total cost is.	A. 40 B. ¹²⁰ C. 80 D. None of the above
13	Average fixed cost	A. Is U shaped B. Declines over the entire output range. C. Is a long run concept only D. Is influenced by diminishing returns to production
14	A firm's long run average total cost lineis	A. Identical to its long run marginal cost line B. Also its long run supply curve C. In fact the average total cost curve of the optimal plant D. Tangent to all the curve of short run average total cost
15	If a firm triples all inputs and output triples as well the firm is subject to	A. Constant returns to scale B. Increasing returns to scale C. Economies of scale D. Both b and c
16	If a simultaneous and equal percentage decrease in the use of all physical inputs leads to a larger percentage decrease in physical output a firm's production function is said to exhibit.	A. Decreasing returns to scale B. Constant returns to scale C. Increasing returns to scale D. Diseconomies of scale
17	A negatively sloped isoquant implies	A. Products with negative marginal utilities B. Products with positive marginal utilities C. Inputs with negative marginal products D. Inputs with positive marginal products
18	The demand for labor is the same as the	A. Marginal revenue product B. Marginal physical product C. Marginal cost D. Wage
19	The income elasticity of demand	A. Is negative for normal goods B. Is positive for normal goods C. Equals the relative change in demand for a good divided by the relative change in the iincome of consumers all else being equal D. Is correctly described by all of the above
20	If the income elasticity of demand is +4	A. The good is an inferior good B. The good is an inelastic normal good C. The good is an elastic normal good D. the good is an elastic inferior good
21	The price elasticity of demand will increase with the length of the period to which the demand curve pertains because.	A. Consumers incomes will increase B. The demand curve will shift toward C. All prices will increase over time D. Consumers will be better able to find substitutes
22	The market demand for a product is found by	A. Horizontally summing the individual demand curves B. Vertically summing the induvial demand curves C. Both horizontally and vertically summing the individual demand curve. D. None of the above
23	Which of the following will not be a determinant of the price elasticity of demand for a commodity.	A. The absence of substitute for the good. B. The presence of substitutes for the good. C. The importance of the commodity in consumers budgets D. The cost of producing the commodity
24	If consumers spend 15 million a month on CDs, regardless of whether the prrice they pay goes up or down that implies that their price elasticity of demand for CDs is	A. 0 B. 1 C. Infinite

	goes up or down that implies that their price elasticity of demand for CDs is.	C. infinite D. 15
25	The most important determinant of price elasticity is.	A. The slope of the demand curve B. The availability of substitutes C. The price of other goods D. The income of the consumer
26	An elasticity coefficient of -1 means that	A. The demand curve is perfectly inelastic B. The demand curve is parfectly elastic C. The relative changes in price and quantity are equal D. Expenditures on the good would increase if price were reduced.
27	The price elasticity of demand is teh same thing as the negative of the	A. Slope B. Reciprocal of slope C. The first derivative of the demand function D. Reciprocal of slope times the ratio of price to quantity
28	The arc elasticity formula is used to estimate elasticity when	A. The product is thought to be inelastic B. The product is thought to be elastic C. The demand function is known D. There are two observations of price and quantity
29	Price elasticity at a given price is not affected by.	A. The price of complements B. The price of substitutes C. The consumer's income D. A change in supply
30	Suppose that the price elasticity of demand for maple syrup has been estimated at-2 if quantity demanded increased by 10 precent, price must have changed by.	A. 5 percent lower B. 5 percent higher C. 10 percent lower D. 10 percent higher