

**Question No: 1 ( Marks: 1 ) - Please choose one**

---

**Government authorities have managed to reduce the unemployment rate from 8% to 4% in a hypothetical economy. As a result:**

- ▶ The economy's production possibilities curve will shift outward.
- ▶ The economy's production possibilities curve will become steeper.
- ▶ The economy will move downward along its production possibilities curve.
- ▶ The economy will move from a point inside to a point closer to its production possibilities curve.

**Question No: 2 ( Marks: 1 ) - Please choose one**

---

**When government sets the price of a good and that price is above the equilibrium price, the result will be:**

- ▶ A surplus of the good.
- ▶ A shortage of the good.
- ▶ An equilibrium.
- ▶ None of the given options.

**Question No: 3 ( Marks: 1 ) - Please choose one**

---

**If the income elasticity of demand for boots is 0.2, a 10% increase in consumer's income will lead to a:**

- ▶ 20 percent decrease in the quantity of boots demanded.
- ▶ 2 percent increase in the quantity of boots demanded.
- ▶ 0.2 percent increase in the quantity of boots demanded.
- ▶ 20 percent increase in the quantity of boots demanded.

**Question No: 4 ( Marks: 1 ) - Please choose one**

---

**The numerical measurement of a consumer's preference is called:**

- ▶ Use.
- ▶ Pleasure.
- ▶ Utility.
- ▶ Satisfaction.

**Question No: 5 ( Marks: 1 ) - Please choose one**

---

**Marginal utility is best described as:**

- ▶ The total satisfaction gained from the total consumption of the good.
- ▶ The change in satisfaction from consuming one additional unit of the good.
- ▶ The additional satisfaction gained by consumption of the last good.
- ▶ The per unit satisfaction of the good consumed.

**Question No: 6 ( Marks: 1 ) - Please choose one**

---

**The law of diminishing marginal utility states:**

- ▶ The supply curve slopes upward.
- ▶ Your utility grows at a slower and slower rate as you consume more and more units of a good.
- ▶ The elasticity of demand is infinite.
- ▶ None of the given options.

**Question No: 7 ( Marks: 1 ) - Please choose one**

---

**Consumers will maximize satisfaction when:**

- ▶ The price of each good is exactly equal to the price of every other good consumed.
- ▶ The price of each good is exactly equal to the total utility derived from the consumption of every other good.
- ▶ The marginal utility of the last dollar spent on each good is exactly equal to the marginal utility of the last dollar spent on any other good.
- ▶ Marginal utility is equal to average utility.

**Question No: 8 ( Marks: 1 ) - Please choose one**

---

**As long as all prices remain constant, an increase in money income results in:**

- ▶ An increase in the slope of the budget line.
- ▶ A decrease in the slope of the budget line.
- ▶ An increase in the intercept of the budget line.
- ▶ A decrease in the intercept of the budget line.

**Question No: 9 ( Marks: 1 ) - Please choose one**

---

**Which of the following is TRUE about price-consumption curve for good X?**

- ▶ Nominal income falls as the price of X falls.
  - ▶ The absolute price of X falls, but the relative price between X and the composite good Y stays the same.
  - ▶ It is always downward sloping for a normal good.
  - ▶ It represents only those market baskets that are optimal for the given price ratio and preference pattern and therefore a demand curve can be plotted from it.

**Question No: 10 ( Marks: 1 ) - Please choose one**

---

\_\_\_\_\_ arises when an increase in all inputs leads to a more-than-proportional increase in the level of output. \_\_\_\_\_ means that as inputs are added to the production process, output increases proportionally.

- ▶ Economies of scale; constant returns to scale.
- ▶ Constant returns to scale; decreasing returns to scale.
- ▶ Decreasing returns to scale; economies of scale.
- ▶ Economies of scale; decreasing returns to scale.

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

The rate at which a firm can substitute capital for labour and hold output constant is the:

- ▶ Law of diminishing marginal returns.
- ▶ Marginal rate of substitution.
- ▶ Marginal rate of factor substitution.
- ▶ Marginal rate of production.

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

Fixed costs are fixed with respect to changes in:

- ▶ Output.
- ▶ Capital expenditures.
- ▶ Wages.
- ▶ Time.

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

A price taker is:

- ▶ A firm that accepts different prices from different customers.
- ▶ A monopolistically competitive firm.
- ▶ A firm that cannot influence the market price.
- ▶ An oligopolistic firm.

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

**If a firm experiences economies of scale, then the:**

- ▶ Long-run average total cost curve is equal to the economies of scope.
- ▶ Long-run average total cost curve is positively sloped.
- ▶ Long-run average total cost curve is horizontal.
- ▶ Long-run average total cost curve is negatively sloped.

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

**The break-even point occurs when:**

- ▶ Price < Average Variable Cost.
- ▶ Price < Average Total Cost.
- ▶ Price = Average Total Cost.
- ▶ Price > Average Variable Cost.

**Question No: 16 ( Marks: 1 ) - Please choose one**

---

**Compared to the equilibrium price and quantity sold in a competitive market, a monopolist will charge a \_\_\_\_\_ price and sell a \_\_\_\_\_ quantity.**

- ▶ Higher; larger.
- ▶ Lower; larger.
- ▶ Higher; smaller.
- ▶ Lower; smaller.

**Question No: 17 ( Marks: 1 ) - Please choose one**

---

**The principle economic difference between a competitive and a non-competitive market is:**

- ▶ The number of firms in the market.
- ▶ The extent to which any firm can influence the price of the product.
- ▶ The size of the firms in the market.
- ▶ The annual sales made by the largest firms in the market.

**Question No: 18 ( Marks: 1 ) - Please choose one**

---

**Usually the shape of production possibilities curve is:**

- ▶ Concave.

- ▶ Convex.
- ▶ Linear.
- ▶ Positive.

**Question No: 19 ( Marks: 1 ) - Please choose one**

---

**For price making firm, at the profit-maximizing level of output, what is TRUE of the total revenue (TR) and total cost (TC) curves?**

- ▶ They must intersect with TC cutting TR from below.
- ▶ They must intersect with TC cutting TR from above.
- ▶ They must be tangent to each other.
- ▶ They must have the same slope.

**Question No: 20 ( Marks: 1 ) - Please choose one**

---

**A person with a diminishing marginal utility of income is said to be:**

- ▶ Risk averse person.
- ▶ Risk neutral person.
- ▶ Risk loving person.
- ▶ None of the given options.

**Question No: 21 ( Marks: 1 ) - Please choose one**

---

**What questions are related with explanation? What questions are related with what ought to be?**

- ▶ Positive, negative.
- ▶ Negative, normative.
- ▶ Normative, positive.
- ▶ Positive, normative.

**Question No: 22 ( Marks: 1 ) - Please choose one**

---

**Production possibilities curve will shift upward if there is:**

- ▶ A reduction in unemployment.
- ▶ An increase in the production of capital goods.
- ▶ A reduction in discrimination.
- ▶ All of the given options.

**Question No: 23 ( Marks: 1 ) - Please choose one**

---

**What will happen to the demand for product X, if there is an increase in consumer's income?**

- ▶ It will shift to the right if X is a complementary good.
- ▶ It will shift to the right if X is a normal good.
- ▶ It will shift to the right if X is an inferior good.
- ▶ It will necessarily remain unchanged.

**Question No: 24 ( Marks: 1 ) - Please choose one**

---

**What will happen if there is an increase in the raw material costs, other things remaining the same?**

- ▶ The supply curve will shift to the left.
- ▶ The supply curve will shift to the right.
- ▶ Output will increase regardless of the market price and the supply curve will shift upward.
- ▶ Output will decrease and the market price will also decrease.

**Question No: 25 ( Marks: 1 ) - Please choose one**

---

**Suppose the total costs of first four units of an output produced are 20, 40, 60, and 80 respectively. What is the marginal cost of the second unit of output?**

- ▶ 10.
- ▶ 20.
- ▶ 30.
- ▶ 40.

**Question No: 26 ( Marks: 1 ) - Please choose one**

---

**Which of the following determines the largest amount of output that a firm can produce with a given combination of inputs?**

- ▶ Marginal product of labor.
- ▶ Gains from specialization.
- ▶ Cost function.
- ▶ Production function.

**Question No: 27 ( Marks: 1 ) - Please choose one**

---

**Suppose that 36 units of output are produced by using 12 units of labor. Which of the following is TRUE in this context?**

- ▶ The marginal product of labor is 3.
- ▶ The total product of labor is 1/3.
- ▶ The average product of labor is 3.
- ▶ None of the given options.

**Question No: 28 ( Marks: 1 ) - Please choose one**

---

**Which of the following best defines the marginal rate of technical substitution?**

- ▶ The rate at which a producer is able to exchange, without affecting the quantity of output produced, a little bit of one input for a little bit of another input.
- ▶ The rate at which a producer is able to exchange, without affecting the

total cost of inputs, a little bit of one input for a little bit of another input.

▶ The rate at which a producer is able to exchange, without affecting the total inputs used, a little bit of one output for a little bit of another output.

▶ A measure of the ease or difficulty with which a producer can substitute one technique of production for another.

**Question No: 29 ( Marks: 1 ) - Please choose one**

---

Usually, for electric sales, the electric power company uses block pricing strategy. It is an example of:

- ▶ First-degree price discrimination.
- ▶ Second-degree price discrimination.
- ▶ Third-degree price discrimination.
- ▶ Block pricing is not a type of price discrimination.

**Question No: 30 ( Marks: 1 ) - Please choose one**

---

The total cost (TC) function is given as  $TC = 500 + 30Q$ . What is the average total cost?

- ▶ 500
- ▶  $30 + (500/Q)$
- ▶  $30Q^2 + 500Q$
- ▶ 30

**Question No: 31 ( Marks: 1 ) - Please choose one**

---

If marginal cost is Rs.15,000/- and marginal revenue is Rs.20,000/-. The firm should:

- ▶ Reduce output until marginal revenue equals marginal cost.
- ▶ Do nothing without information about your fixed costs.
- ▶ Expand output until marginal revenue equals marginal cost.
- ▶ None of the given options.

**Question No: 32 ( Marks: 1 ) - Please choose one**

---

It is not possible to identify any single equilibrium in

- ▶ Perfect competition.
- ▶ Monopoly.
- ▶ Oligopoly.
- ▶ Duopoly.

**Question No: 33 ( Marks: 1 ) - Please choose one**

---

Theory of firm is not clearly discussed & established in

- ▶ Monopoly.
- ▶ Perfect competition.
- ▶ Oligopoly.
- ▶ None of the given options.

**Question No: 34 ( Marks: 1 ) - Please choose one**

---

**If you sum the marginal utilities obtained by consumption from one unit to five units of any commodity, you will get:**

- ▶ The marginal utility for the consumption of the fifth unit.
- ▶ The marginal utility for the consumption of the sixth unit.
- ▶ The total utility for the consumption of the first five units.
- ▶ The average utility for the consumption of the first five units.

**Question No: 35 ( Marks: 3 )**

---

**Assuming that supernormal profits can be made in the short run in a monopolistically competitive industry; will there be any difference in the long-run and short-run elasticity of demand?**

**Question No: 36 ( Marks: 5 )**

---

**Compare the characteristics of perfect competition and monopolistic competition with examples.**

**Question No: 37 ( Marks: 5 )**

---

- A. Derive the equation of budget line. Which part of the equation shows the slope and which part shows the intercept?**
- B. Which factors cause the shift in budget line and which cause the change in slope of budget line?**

**(Marks: 3+2)**



**Question No: 1 (Marks: 1) - Please choose one**

---

**In a free-market economy, the allocation of resources is determined by:**

- ▶ Votes taken by consumers.
- ▶ A central planning authority.
- ▶ Consumer preferences.
- ▶ The level of profits of firms.

**Question No: 2 (Marks: 1) - Please choose one**

---

**Ceteris paribus means:**

- ▶ Equal access to public transportation.
- ▶ Other things being equal.
- ▶ Other things not being equal.
- ▶ All things considered.

**Question No: 3 (Marks: 1) - Please choose one**

---

**If pen and ink are complements, then an increase in the price of pen will cause:**

- ▶ An increase in the price of ink.
- ▶ Less ink to be demanded at each price.
- ▶ A decrease in the demand for pen.
- ▶ A rightward shift in the demand curve for ink.

**Question No: 4 (Marks: 1) - Please choose one**

---

**A good for which income and quantity demanded are inversely related is known as:**

- ▶ Inferior good.
- ▶ Complementary good.
- ▶ Normal good.
- ▶ None of the given options.

**Question No: 5 (Marks: 1) - Please choose one**

---

**Which of the following is calculated as the percentage change in quantity demanded of a given good with respect to the percentage change in the price of another good?**

- ▶ Price elasticity of demand.
- ▶ Income elasticity of demand.
- ▶ Cross price elasticity of demand.
- ▶ Price elasticity of supply.

**Question No: 6 (Marks: 1) - Please choose one**

---

**In order to calculate the price elasticity of supply, you need to know:**

- ▶ Two prices and two quantities supplied.
- ▶ The slope of the supply curve.
- ▶ The equilibrium price and quantity in the market.
- ▶ The quantity supplied at two different prices, all else equal.

**Question No: 7 (Marks: 1) - Please choose one**

---

**A demand curve is price elastic when:**

- ▶ Changes in demand are proportionately greater than changes in price.
- ▶ Changes in demand are equal to changes in price.
- ▶ None of the given options.
- ▶ Changes in demand are proportionately smaller than changes in price.

**Question No: 8 (Marks: 1) - Please choose one**

---

**As more of a good is consumed, then total utility typically:**

- ▶ Increases at a decreasing rate.
- ▶ Decreases as long as marginal utility is negative.
- ▶ Decreases as long as marginal utility is positive.
- ▶ Is negative as long as marginal utility is decreasing.

**Question No: 9 (Marks: 1) - Please choose one**

---

**Which of the following is the term that economists use to describe how consumers rank different goods and services?**

- ▶ Satisfaction index.
- ▶ Goodness.
- ▶ Utility.
- ▶ None of the given options.

**Question No: 10 (Marks: 1) - Please choose one**

---

**If your demand price for one unit of a good is \$100 and the market price is \$75, your consumer's surplus is:**

- ▶ \$25.
- ▶ \$50.
- ▶ \$75.
- ▶ \$100.

**Question No: 11 (Marks: 1) - Please choose one**

---

Assume leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:

- ▶ Increase hours of work.
- ▶ Decrease hours of work.
- ▶ Not change hours of work.
- ▶ None of the given options.

**Question No: 12 (Marks: 1) - Please choose one**

---

A normal good can be defined as one which consumers purchase more of as:

- ▶ Prices fall.
- ▶ Prices rise.
- ▶ Incomes fall.
- ▶ Incomes increase.

**Question No: 13 (Marks: 1) - Please choose one**

---

Diminishing marginal returns implies:

- ▶ Decreasing marginal costs.
- ▶ Increasing marginal costs.
- ▶ Decreasing average variable costs.
- ▶ Decreasing average fixed costs.

**Question No: 14 (Marks: 1) - Please choose one**

---

If isoquants are straight lines, it means that:

- ▶ Only one combination of inputs is possible.
- ▶ There is constant returns to scale.
- ▶ Inputs have fixed costs at all use rates.
- ▶ The marginal rate of technical substitution of inputs is constant.

**Question No: 15 (Marks: 1) - Please choose one**

---

A firm maximizes profit by operating at the level of output where:

- ▶ Average revenue equals average cost.
- ▶ Average revenue equals average variable cost.
- ▶ Total costs are minimized.
- ▶ Marginal revenue equals marginal cost.

**Question No: 16 (Marks: 1) - Please choose one**

---

**Producer surplus in a perfectly competitive industry is:**

- ▶ The difference between profit at the profit-maximizing and profit-minimizing level of output.
- ▶ The difference between revenue and total cost.
- ▶ The difference between revenue and variable cost.
- ▶ The difference between revenue and fixed cost.

**Question No: 17 (Marks: 1) - Please choose one**

---

**Monopolistically competitive firms have monopoly power because they:**

- ▶ Are great in number.
- ▶ Have freedom of entry.
- ▶ Are free to advertise.
- ▶ Face downward sloping demand curves.

**Question No: 18 (Marks: 1) - Please choose one**

---

**Which of the following can be thought of as a barrier to entry?**

- ▶ Scale economies.
- ▶ Patents.
- ▶ Strategic actions by incumbent firms.
- ▶ All of the given options.

**Question No: 19 (Marks: 1) - Please choose one**

---

**The price elasticity of demand for any good must be less than or equal to zero unless:**

- ▶ The good is a necessity.
- ▶ The good is a luxury.
- ▶ The good is a Giffen good.
- ▶ None of the given options.

**Question No: 20 (Marks: 1) - Please choose one**

---

**The amount of output that a firm decides to sell has no effect on the market price in a competitive industry because:**

- ▶ The market price is determined (through regulation) by the government.

- ▶ The firm supplies a different good than its rivals.
- ▶ The firm's output is a small fraction of the entire industry's output.
- ▶ The short run market price is determined solely by the firm's technology.

**Question No: 21 (Marks: 1) - Please choose one**

---

**Because of unusual warm weather, the supply of strawberries has substantially increased. This statement indicates that:**

- ▶ The demand for strawberries will necessarily rise.
- ▶ The equilibrium quantity of strawberries will fall.
- ▶ The quantity of strawberries that will be available at various prices has increased.
- ▶ The price of strawberries will fall.

**Question No: 22 (Marks: 1) - Please choose one**

---

**Under monopoly, when the demand curve is downward sloping, marginal revenue is:**

- ▶ Equal to price.
- ▶ Equal to average cost.
- ▶ Less than price.
- ▶ More than price.

**Question No: 23 (Marks: 1) - Please choose one**

---

**Suppose the price of rail tickets decreases, what will happen to the demand for airline travel?**

- ▶ The demand curve for airline travel shifts left.
- ▶ The demand curve for airline travel shifts right.
- ▶ The supply curve of airline travel shifts left.
- ▶ The supply curve of airline travel shifts right.

**Question No: 24 (Marks: 1) - Please choose one**

---

**Which of the following will happen if two indifference curves cross each other?**

- ▶ The assumption of a diminishing marginal rate of substitution will be violated.
- ▶ The assumption of transitivity will be violated.
- ▶ The assumption of completeness will be violated.
- ▶ Consumers will minimize their satisfaction.

**Question No: 25 (Marks: 1) - Please choose one**

---

**Which of the following determines the largest amount of output that a firm can produce with a given combination of inputs?**

- ▶ Marginal product of labor.

- ▶ Gains from specialization.
- ▶ Cost function.
- ▶ Production function.

**Question No: 26 (Marks: 1) - Please choose one**

---

**Which of the following is TRUE about an isocost line?**

- ▶ It shows the cost of inputs needed to produce along an isoquant.
- ▶ It shows the cost of inputs needed to produce along an expansion path.
- ▶ It shows the input combinations that can be purchased with a given outlay of funds.
- ▶ It shows the output combinations that can be produced with a given outlay of funds.

**Question No: 27 (Marks: 1) - Please choose one**

---

**Which of the following is TRUE for the total cost of producing a given level of output?**

- ▶ It is maximized when a corner solution exists.
- ▶ It is minimized when the ratio of marginal product to input price is equal for all inputs.
- ▶ It is minimized when the marginal products of all inputs are equal.
- ▶ It is minimized when marginal product multiplied by input price is equal for all inputs.

**Question No: 28 (Marks: 1) - Please choose one**

---

**In which of the following situations, a monopoly occurs?**

- ▶ When each firm produces a product that is slightly different from the other firms.
- ▶ When one firm sells a good that has no close substitutes and a barrier blocks entry for other firms.
- ▶ When there are many firms producing the same product.
- ▶ In all of the given situations.

**Question No: 29 (Marks: 1) - Please choose one**

---

**The shape of isoquant which indicates capital and labor cannot be substituted for each other in production is**

- ▶ Concave.
- ▶ Convex.
- ▶ L-shaped.
- ▶ None of the given options.

**Question No: 30 (Marks: 1) - Please choose one**

---

**At the profit-maximizing level of output, the marginal cost is equal to:**

- ▶ Average revenue
- ▶ Total revenue
- ▶ Marginal revenue
- ▶ None of the given options

**Question No: 31 (Marks: 1) - Please choose one**

---

**Monopolistic competition is also characterized by a large number of buyers and sellers and absence of**

- ▶ Competition.
- ▶ Entry barriers.
- ▶ Price discrimination.
- ▶ All of the given options.

**Question No: 32 (Marks: 1) - Please choose one**

---

**An increase in quantity demand is shown by:**

- ▶ Shifting the demand curve to the left.
- ▶ Shifting the demand curve to the right.
- ▶ Upward movement along the demand curve.
- ▶ Downward movement along the demand curve.

**Question No: 33 (Marks: 1) - Please choose one**

---

**Since bread and butter are complements. When the price of bread goes down, the demand curve for butter:**

- ▶ Shifts to the left.
- ▶ Shifts to the right.
- ▶ Remains constant.
- ▶ Shifts to the right initially and then returns to its original position.

**Question No: 34 (Marks: 1) - Please choose one**

---

**Slope and elasticity of demand have**

- ▶ A direct relation.
- ▶ An inverse relationship.
- ▶ No relation between slope and elasticity.
- ▶ None of the given options.

**Question No: 35 (Marks: 3)**

---

Why economists believe that when firms earn zero accounting profits, they actually earn normal economic profits?

Question No: 36 ( Marks: 5 )

---

What are the two main theories of production regarding time?

Question No: 37 ( Marks: 5 )

---

Why marginal cost curve is not considered as supply curve in monopoly?



Question No: 1 ( Marks: 1 ) - Please choose one

---

Microeconomics is the branch of economics that deals with which of the following topics?

- ▶ The behavior of individual consumers.
- ▶ Unemployment and interest rates.
- ▶ The behavior of individual firms and investors.
- ▶ The behavior of individual consumers and behavior of individual firms and investors.

Question No: 2 ( Marks: 1 ) - Please choose one

---

Land is best described as:

- ▶ Produced factors of production.
- ▶ "Organizational" resources.
- ▶ Physical and mental abilities of people.
- ▶ "Naturally" occurring resources.

Question No: 3 ( Marks: 1 ) - Please choose one

---

Aslam decides to stay at home and study for his exam rather than going out with his friends to a movie. His dilemma is an example of:

- ▶ The economic perspective.
- ▶ Marginal analysis.
- ▶ Allocative efficiency.
- ▶ Opportunity cost.

Question No: 4 ( Marks: 1 ) - Please choose one

---

Price floor results in:

- ▶ All of the given options.
- ▶ Excess supply.
- ▶ Equilibrium.
- ▶ Excess demand.

Question No: 5 ( Marks: 1 ) - Please choose one

---

The price elasticity of demand measures the responsiveness of quantity demanded to:

- ▶ Quantity demanded.
- ▶ Quantity supplied.
- ▶ **Price.**
- ▶ Output.

Question No: 6 ( Marks: 1 ) - Please choose one

---

cross price elasticity of demand for complementary goods is:

The

- ▶ **Less than 0.**
- ▶ Equal to 0.
- ▶ Greater than 0.
- ▶ **Between 0 and 1.**

Question No: 7 ( Marks: 1 ) - Please choose one

---

order to calculate the price elasticity of supply, you need to know:

In

- ▶ **Two prices and two quantities supplied.**
- ▶ The slope of the supply curve.
- ▶ The equilibrium price and quantity in the market.
- ▶ The quantity supplied at two different prices, all else equal.

Question No: 8 ( Marks: 1 ) - Please choose one

---

know that the demand for a product is elastic:

We

- ▶ **When price rises, total revenue rises.**
- ▶ When price rises, total revenue falls.
- ▶ When income rises, quantity demanded rises.
- ▶ When income falls, quantity demanded rises.

Question No: 9 ( Marks: 1 ) - Please choose one

---

individual with a constant marginal utility of income will be:

An

- ▶ Risk loving.
- ▶ **Risk neutral.**
- ▶ Risk averse.
- ▶ Insufficient information for a decision.

Question No: 10 ( Marks: 1 ) - Please choose one

---

Suppose that the price of a pizza is \$10 and price of a jeans is \$30. If ratio of marginal utility of pizza to marginal utility of jeans is  $\frac{1}{4}$  then to maximize total utility, a consumer should:

- ▶ Buy more pizzas and fewer jeans.
- ▶ **Buy fewer pizzas and more jeans.**
- ▶ Continue to buy the same quantities of pizza and jeans.
- ▶ Spend more time consuming pizza.

**Question No: 11 ( Marks: 1 ) - Please choose one**

---

**Increase in pension benefits leads to income and substitution effect which:**

- ▶ Encourage workers to retire later.
- ▶ Encourage workers to work more hours.
- ▶ Have no effect on incentive to retire.
- ▶ **Encourage workers to retire earlier.**

**Question No: 12 ( Marks: 1 ) - Please choose one**

---

**Suppose you are a workaholic (like work a lot) and your friend is a leisure lover. Compared to your friend your indifference curve will be:**

- ▶ Flatter.
- ▶ **Steeper.**
- ▶ Identical.
- ▶ None of the given options.

**Question No: 13 ( Marks: 1 ) - Please choose one**

---

**Which of the following is a correct statement about the substitution effect?**

- ▶ **The substitution effect is always negative.**
- ▶ The substitution effect is positive for an inferior good.
- ▶ The substitution effect measures how demand changes when income changes.
- ▶ The substitution effect is positive for a Giffen good.

**Question No: 14 ( Marks: 1 ) - Please choose one**

---

**income effect of a price change:**

The

- ▶ Is always positive.
- ▶ Is always negative.
- ▶ **May be positive or negative.**
- ▶ Is associated with a change in nominal income.

**Question No: 15 ( Marks: 1 ) - Please choose one**

---

**Which of the following is considered to be a variable cost in the long run?**

- ▶ Expenditures for wages.
- ▶ Expenditures for research and development.
- ▶ Expenditures for raw materials.
- ▶ All of the given options.

Question No: 16 ( Marks: 1 ) - Please choose one

\_\_\_\_\_ 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:

- ▶ Decreasing returns to scale.
- ▶ Constant returns to scale.
- ▶ Increasing returns to scale.
- ▶ Diseconomies of scale.

Question No: 17 ( Marks: 1 ) - Please choose one

Graphically, marginal revenue is defined as:

- ▶ The slope of a line from the origin to a point on the total revenue curve.
- ▶ The slope of a line from the origin to the end of the total revenue curve.
- ▶ The slope of the total revenue curve at a given point.
- ▶ The vertical intercept of a line tangent to the total revenue curve at a given point.

Question No: 18 ( Marks: 1 ) - Please choose one

\_\_\_\_\_ The optimal point of production for any individual firm is where:

- ▶ Marginal Revenue = Marginal Cost.
- ▶ Marginal Revenue > Marginal Cost.
- ▶ Marginal Revenue < Marginal Cost.
- ▶ None of the given options.

Question No: 19 ( Marks: 1 ) - Please choose one

\_\_\_\_\_ The break-even point occurs when:

- ▶ Price < Average Variable Cost.
- ▶ Price < Average Total Cost.
- ▶ Price = Average Total Cost.
- ▶ Price > Average Variable Cost.

Question No: 20 ( Marks: 1 ) - Please choose one

\_\_\_\_\_ In monopoly, which of the following is TRUE at the output level, where price = marginal cost?

- ▶ **The monopolist is maximizing profit.**
- ▶ The monopolist is not maximizing profit and should increase output.
- ▶ The monopolist is not maximizing profit and should decrease output.
- ▶ The monopolist is earning a positive profit.

Question No: 21 ( Marks: 1 ) - Please choose one

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Compared to the equilibrium price and quantity sold in a competitive market, a monopolist will charge a \_\_\_\_\_ price and sell a \_\_\_\_\_ quantity.

- ▶ Higher; larger.
- ▶ Lower; larger.
- ▶ Higher; smaller.
- ▶ **Lower; smaller.**

Question No: 22 ( Marks: 1 ) - Please choose one

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As compared to existing firms, a new firm entering in monopolist market has:

- ▶ **High costs.**
- ▶ Low costs.
- ▶ Equal costs.
- ▶ None of the given options.

Question No: 23 ( Marks: 1 ) - Please choose one

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monopolistically competitive firm in short run equilibrium:

- ▶ Will make negative profit (lose money).
- ▶ Will make zero profit (break-even).
- ▶ Will make positive profit.
- ▶ **Any of the given are possible.**

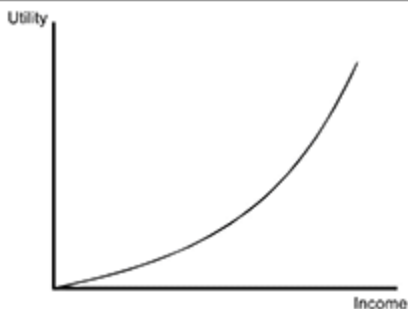
Question No: 24 ( Marks: 1 ) - Please choose one

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If a sales tax on beer leads to reduced tax revenue, this means:

- ▶ Elasticity of demand is  $< 1$ .
- ▶ **Elasticity of demand is  $> 1$ .**
- ▶ Demand is upward-sloping.
- ▶ Demand is perfectly inelastic.

Question No: 25 ( Marks: 1 ) - Please choose one



In the above figure, the marginal utility of income is:

- ▶ Increasing as income increases.
- ▶ Constant for all levels of income.
- ▶ **Diminishes as income increases.**
- ▶ None of the given options.

Question No: 26 ( Marks: 1 ) - Please choose one

Which of the following is true about supply curve under monopoly?

- ▶ It is same as the competitive market supply curve.
- ▶ It is the portion of marginal cost curve where marginal costs exceed the minimum value of average variable costs.
- ▶ It is the result of market power and production costs.
- ▶ **None of the given statements is true.**

Question No: 27 ( Marks: 1 ) - Please choose one

What is meant by freedom of enterprise in pure capitalism?

- ▶ **It means that businesses are free to produce products that consumers want.**
- ▶ It means that consumers are free to buy goods and services that they want.
- ▶ It means that resources are distributed freely to businesses.
- ▶ It means that government is free to direct the actions of businesses.

Question No: 28 ( Marks: 1 ) - Please choose one

Which of the following best describes a demand schedule?

- ▶ **It is a numerical tabulation of the quantity demanded of a good at different prices, ceteris paribus.**
- ▶ It is a graphical representation of the law of demand.

- ▶ It is a systematic listing of all the variables that might conceivably bring about a change in demand.
- ▶ It is a symbolic representation of the law of demand:  $P, Q$  and  $Q, P$ .

**Question No: 29 ( Marks: 1 ) - Please choose one**

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Suppose the total utilities for the first four units of a good consumed are 13, 23, 33, and 43 respectively. What is the marginal utility of the third unit?

- ▶ 10.
- ▶ 13.
- ▶ 20.
- ▶ 33.

**Question No: 30 ( Marks: 1 ) - Please choose one**

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Suppose all inputs are increased by 20% but output increases by less than 20% in a production process. This means that the firm experiences:

- ▶ Decreasing returns to scale.
- ▶ Constant returns to scale.
- ▶ Increasing returns to scale.
- ▶ None of the given options.

**Question No: 31 ( Marks: 1 ) - Please choose one**

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Suppose all inputs are increased by 30% and output increases by more than 30% in a production process. This means that the firm experiences:

- ▶ Decreasing returns to scale.
- ▶ Constant returns to scale.
- ▶ Increasing returns to scale.
- ▶ None of the given options.

**Question No: 32 ( Marks: 1 ) - Please choose one**

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\_\_\_\_\_ If  
marginal cost is Rs.15,000/- and marginal revenue is Rs.20,000/-. The firm should:

- ▶ Reduce output until marginal revenue equals marginal cost.
- ▶ Do nothing without information about your fixed costs.
- ▶ Expand output until marginal revenue equals marginal cost.
- ▶ None of the given options.

**Question No: 33 ( Marks: 1 ) - Please choose one**

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Rationing is needed due to the problem of

- ▶ Unemployment.
- ▶ Inflation.
- ▶ Scarcity.

- ▶ Poverty.

**Question No: 34 ( Marks: 1 ) - Please choose one**

The demand curve for eggs is downward-sloping. Suddenly the price of eggs decreases from Rs.60/- per dozen to Rs.50/- per dozen. This will cause:

- ▶ The demand curve for eggs to shift leftward.
- ▶ Quantity demanded of eggs to decrease.
- ▶ **The demand curve for eggs to shift rightward.**
- ▶ Quantity demanded of eggs to increase.

**Question No: 35 ( Marks: 3 )**

How the monopolist can maintain the high price even in the long run?

A monopolist can make super normal, profits even in long run because there is no easy entry for other firms as in the case of perfect competition therefore a monopolist can maintain her high price even in the long run.

**Question No: 36 ( Marks: 5 )**

- A. Compare the characteristics of oligopoly and monopoly market structures.
- B. Differentiate between the shape of demand curve in oligopoly and monopoly. (Marks: 3+2)

**Question No: 37 ( Marks: 5 )**

Explain engel curve for giffen commodities with the help of graph.