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## **ECO402 Microeconomic**

**Final Term Examination – Spring 2006**  
**Time Allowed: 150 Minutes**

**Question No. 1**

**Marks : 1**

Economies of scale and economies of scope are  
anonymous.  
True  
False

**Question No. 2**

**Marks : 1**

Refer to the graph below. The marginal revenue curve is represented by curve:

- True A
- True B
- True
- True D

**Question No. 3**

**Marks : 1**

Government intervention without market failure  
creates\_\_\_\_\_.

**Question No. 4****Marks : 1**

If the market supply of labor increased relative to demand (baby boomers or female entry), a surplus of labor would exist and the wage rate would:

- ☐ Fall
- ☐ Rise
- ☐ No effect
- ☐ All of the given options

**Question No. 5****Marks : 3**

State the main consequence of product differentiation? Write down the characteristic of monopolistic competition.

**Question No. 6****Marks : 1**

Diminishing returns to labor occur at the \_\_\_\_\_ unit of input:  
D

- ☐ 7<sup>th</sup>
- ☐ 2<sup>nd</sup>
- ☐ 5<sup>th</sup>
- ☐ 4<sup>th</sup>

**Question No. 7****Marks : 1**

Monopoly can charge any price that it wishes regardless to the market trend or the demand for the good.

- ☐ True
- ☐ False

**Question No. 8****Marks : 1**

The short run supply curve of a monopolist is:

- ☐ The rising portion of the MC curve,
- ☐ The rising portion of the MC curve above AVC,
- ☐ The rising portion of the MC curve above AC,

☐ None of the given option.

**Question No. 9**

**Marks : 1**

Total profit= Total revenue \_\_\_\_\_.

**Question No. 10**

**Marks : 1**

**Opportunity cost, most broadly defined,**

☐ The additional cost of producing an additional unit of output.  
☐ What we forgo, or give up, when we make a choice or a decision.  
☐ A cost that cannot be avoided, regardless of what is done in the future.  
☐ The additional cost of buying an additional unit of a product.

**Question No. 11**

**Marks : 10**

Define oligopoly. How oligopoly market equilibrium is different from perfect competition and monopolistic competition?

How is oligopoly different from?

- a) Perfect competition?
- b) Monopolistic competition?
- c) Monopoly?

**Question No. 12**

**Marks : 1**

**The MRP for firms with market power is equal to:**

☐  $MP \times W$   
☐  $MP \times MR$   
☐  $MP \times P$   
☐  $MP \times MC$

**Question No. 13**

**Marks : 3**

**Define price discrimination. Why 1<sup>st</sup> degree price discrimination is practically difficult?**

**Question No. 14**

**Marks : 1**

**Which of the following characteristics is common to both perfect competition and monopolistic competition?**

☐ Average total cost is minimized in the long run.  
☐ Marginal revenue equals price.  
☐ Economic profits are zero in the long run.  
☐ Price equals marginal cost.

**Question No. 15**

**Marks : 1**

The price of a good is \$100, and the marginal cost of the good is \$90. A competitive firm should produce that unit.

☐ True

☐ False

**Question No. 16**

**Marks : 1**

Slope of total revenue is \_\_\_\_\_.

**Question No. 17**

**Marks : 1**

**One characteristic often seen in real world oligopolies**

☐ Fluctuating prices.

☐ Zero economic profit.

☐ Low barriers to entry.

☐ Price rigidity.

**Question No. 18**

**Marks : 3**

**What type of difference is shown by economic rent?**

**Question No. 19**

**Marks : 1**

**Different combinations of labor and capital that have the same total costs can be shown by a(n):**

☐ Isoquant line

☐ Isocost line

☐ Production function.

☐ Total cost curve.

**Question No. 20**

**Marks : 1**

**In an oligopoly, there are only a few firms and a firm can control price, regardless of the actions of other firms in the industry.**

☐ True

☐ False

**Question No. 21**

**Marks : 1**

**If factor prices rise as industry output expands in the long run, we have:**

☐ A constant-cost industry,

☐ A decreasing-cost industry,

☐ An increasing cost industry,

☐ Any of the given option

**Question No. 22**

**Marks : 1**

The difference between what consumer is willing to pay for an item and what he actually pays is called \_\_\_\_\_.

**Question No. 23**

**Marks : 1**

**Demand for a product is elastic when:**

- ☐ A fall in the price of the product causes total expenditures by consumers on the product to fall
- ☐ The percentage change in quantity demanded equals the percentage change in price
- ☐ Total expenditures by consumers for the product increase when the product's price falls
- ☐ A fall in the price of the product does not affect the firm's revenue.

**Question No. 24**

**Marks : 10**

Use the table below to answer the following questions.

# of Workers per day	Total Product	Marginal Product	Average Product
0	0		
1	4		
2	10		
3	18		
4	22		
5	24		
6	22		

- a) Fill in the table above.
- b) At what point (number of workers) does the firm experience diminishing returns? Explain.

**Question No. 25**

**Marks : 1**

**The total variable costs of producing no output**

- ☐ 0
- ☐ 100
- ☐ 400
- ☐ Incalculable from the information given in this question.

**Question No. 26**

**Marks : 3**

**Differentiate between Natural monopoly and artificial monopoly?**

**Question No. 27**

**Marks : 1**

**Who lose from import quotas?**

- ☐ Consumers of imported goods
- ☐ Producers of exported goods.
- ☐ Producers of imported goods
- ☐ Firms that hold import licenses.

**Question No. 28**

**Marks : 1**

**OPEC is best example of cartel:**

- ☐ True
- ☐ false

**Question No. 29**

**Marks : 1**

\_\_\_\_\_ measures the percentage change in quantity demanded resulting from a one percent change in income.

**Question No. 30**

**Marks : 1**

**A monopsony is a situation where there is a (n):**

- ☐ Single buyer.
- ☐ Single seller.
- ☐ Oligopoly.
- ☐ Competitor with a monopolist.

**Question No. 31**

**Marks : 3**

**Differentiate between import tariff and import quotas?**

**Question No. 32**

**Marks : 1**

**The general shape of the marginal cost curve is that it \_\_\_\_\_ and then \_\_\_\_\_:**

- ☐ is horizontal, declines
- ☐ is horizontal, rises
- ☐ rises, declines
- ☐ declines, rises