

## Principles of Economics Icom Part 1 English Medium Online Test

Sr	Questions	Answers Choice
1	What can a firm do in the short run	A. Firm can increase its plants B. Firm can expand its building C. New firm can not enter the business D. New firm can enter the business
2	Firms equilibrium is at that point where	A. $MC=AR$ B. $MC=MR$ C. $MC=AVC$ D. $MC=AC$
3	If the equation is this, $MC=MR=AR(P)<AC$ then the firm	A. Earns normal profit B. Earns abnormal profit C. Bears loss D. Bears abnormal loss
4	If the equation is this, $MC=MR-AR(P)=AC$ , then the firm	A. Earns normal profit B. Earns abnormal profit C. Bears minimum loss D. Bears abnormal loss
5	If a monopolist wants to increase the sale of its product, it will have to ----- the price of its good	A. Decrease B. Increase C. Keep constant D. None of the three
6	In monopoly, when total revenue of a firm is maximum, then its marginal revenue is	A. Maximum B. Minimum C. Zero D. Negative
7	Under monopoly, in the long run a firm	A. Earns normal profit B. Earns abnormal profit C. Bears minimum loss D. Bears abnormal loss
8	If there are large number of firms in some particular industry, then situation is called	A. Perfect competition B. Imperfect competition C. Monopoly D. Monopolistic competition
9	A monopolist firm usually earns	A. Normal profit B. Abnormal profit C. Minimum loss D. Abnormal loss
10	Firm earns abnormal profit, when	A. $AC=AR$ B. $AR>AC$ C. $AR=AC$ D. $AC=MC$
11	Shut down point appears, when	A. $AVC=AR$ B. $AVC>AR$ C. $AVC=AR$ D. $AC=AR$
12	If variable costs of a firm are covered partly under perfect competition, then that firm	A. Will run with normal profit B. Will run with abnormal profit C. Will run with minimum loss D. Will not continue its business and close down
13	If the demand for commodity being produced increases, then a firm in the short run ----- its variable factors	A. Increases B. Decreases C. Keeps the same D. None of three
14	Marginal cost curve cuts average cost curve when average cost is	A. Maximum B. Minimum C. Increasing D. Decreasing
15	When average cost falls marginal cost is ----- average cost	A. More than B. Less than C. Equal to

