**QUIZ No 3 ECO401**

1. If firms in a competitive industry are experiencing losses in the short run, then:
2. **The firms will try to raise prices.**
3. Some firms will choose to shut down.
4. The industry will cease to exist.
5. New firms will enter the industry.
6. In a classical model, a rightward shift in aggregate supply keeping aggregate demand constant will:

a. Increase the price level only.

b. Increase the level of output only.

c. **Increase both the price level and the level of output.**

d. Decrease the price level and increase the level of output.

1. A monopolistically competitive firm in short run equilibrium:
2. **Will make negative profit (lose money).**
3. Will make zero profit (break-even).
4. Will make positive profit.
5. Any of the given s possible.
6. WAPDA is the only power supplier in all over Pakistan. If it earns supernormal profits in the short run, it will make:
7. Losses in the long run.
8. Supernormal losses in the long run.
9. **Only normal profits in the long run.**
10. Supernormal profits in the long run also.
11. Firms in monopolistic competition advertise their products to increase sales and thus the level of profits. From society’s point of view, which of the following is the advantage of advertising?
12. It increases human wants.
13. It uses economic resources.
14. **It encourages price competition among firms.**
15. It misleads consumers into buying a low quality product.
16. An important difference between the approaches of the Classical and Keynesian economists uses to achieve a macroeconomic equilibrium is that:
17. **Keynesian economists actively promote the use of fiscal policy; the Classical economists do not**
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19. Classical economists believe that monetary policy will certainly affect the level of output; Keynesians believe that money growth affects only prices
20. Classical economists believe that fiscal policy is an effective tool for achieving economic stability; Keynesians do not
21. Which of the following factors would shift aggregate demand curve to the right?
22. **Increase in consumption expenditures**
23. Decrease in business investment
24. Increase in taxes
25. Decrease in government expenditures
26. A Natural Monopoly is most likely to exist when there are:
27. Long term patents.
28. Large barriers to entry.
29. Government regulations.
30. **Large economies of scale.**
31. The oligopoly model that predicts that oligopoly prices will tend to be very rigid is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ model.
32. Cournot
33. Stackelberg
34. Dominant firm
35. **kinked demand curve**
36. WAPDA is the only power supply company in Pakistan. It maximizes its profits at a point where:
37. Marginal Cost < Marginal Revenue.
38. **Marginal Cost = Marginal Revenue.**
39. Marginal Cost = Average Revenue.
40. Marginal cost< Average Revenue