SHETH NKTT COLLEGE OF COMMERCE AND SHETH JTT COLLEGE OF ARTS, THANE

Department of Economics

MCQs for FYBA – Sem II

Microeconomics II

Module I – Production Analysis

1. production function refers to
    a. the input output relationship in the process of production
    b. the technological impact
    c. the technology and other resources in operation
    d. the production method

2. In the short- run production function
    a. all factors are variable
    b. there exist some fixed factors only
    c. output varies with variable factors
    d. there is short time for change

3. In long run production function
    a. Production level can be increased infinitely
    b. All factors are variable
    c. Everything can be changed
    d. Production level refers to period of 10 years above

4. In law of variable proportion, when the total production is maximum
    a. Average product is maximum
    b. Marginal product is maximum
    c. Marginal product is equal to average product
    d. Marginal product is zero

5. In law of returns to scale, increasing return to scale means:
    a. Marginal product s constant
    b. Proportion of change in output is exceeding the proportion of change in input
    c. The marginal product curve is declining
    d. Excellent management

6. The slope of an iso-quant refers to the measurement of
    a. The marginal rate of technical substitution
    b. The marginal physical product of labour

c. The efficiency of capital
d. Marginal rate of substitution

7. Short-run production function shows the functional relation between ……….for a short period.
   a. Cost and revenue
   b. Materials and matters
   c. Inputs and output
   d. Functions and equations

8. In the ....all factors or inputs become variable and no input is fixed.
   a. Short run
   b. long-run
   c. law of variable proportions
   d. law of diminishing marginal returns

9. The law of variable proportions is also called as………..
   a. Law of diminishing marginal returns
   b. Law of increasing marginal returns
   c. Law of returns
   a. Law of proportionate returns

10. The law of variable proportions depends on the assumption …………..
    a. Heterogeneity of factor
    b. Homogeneity of factor
    c. Changing technology
    d. Varied types of goods

11. In............ phase of the laws of returns to scale, TP rises at an increasing rate, also MP and AP are rising.
    a. Increasing
    b. Decreasing
    c. Constant
    d. Returning

12. In ………phase of the laws of returns to scale, TP rises as decreasing rate because MP starts diminishing, but AP rises.
    a. Increasing returns
    b. Decreasing returns
    c. Constant returns
    d. Returning

13. In this phase of the laws of returns to scale, TP and MP are falling. MP is negative

a. Increasing returns
b. Decreasing returns
c. Constant returns
d. Negative returns

14. Iso-quant measures the …………
    a. Marginal Rate of Technical Substitution between labour and capital
    b. Marginal Rate of Substitution between two goods
    c. Marginal utility of money
    d. Marginal Efficiency of capital

15. Iso-quant is always .... Sloping
    a. Downward
    b. Upward
    c. Concave
    d. Positive

16. Two iso-quants .... intersect each other
    a. Can
    b. Always
    a. Do not
    b. May

17. When IQ curve is concave, MRTS is ………..
    a. Diminishing
    b. Rising
    c. Constant
    d. Negative

18. Marginal rate of Technical Substitution is the............ of an IQ
    a. Slope
    b. Function
    c. Curve
    d. Price

19. ……….. are the lines derived by joining the points on the isoquants where marginal product of factors is zero.
    a. Iso cost lines
    b. Price lines
    c. Ridge line
    d. Bridge line

20. .... is defined as the locus or joining of the points of tangency between the isoquants

and the iso cost lines.

a. Expansion path
b. Ridge line
c. Iso cost line
d. Price line

21. ....isoquant assumes limited substitutability of capital and labor.
  a. Kinked
  b. Right angled
  c. Downward
  d. Convex

22. ....isoquant assumes perfect substitutability of capital and labor.
  a. Kinked
  b. Right angled
  c. linear
  d. Convex

23. ....isoquant assumes zero substitutability of capital and labor.
  a. Kinked
  b. Right angled
  c. linear
  d. Convex

24. Isoquant have _______slope.
  a. Negative
  b. Positive
  c. Vertical
  d. Horizontal

25. Higher the isoquant, higher will be the level of ________.
  a. Satisfaction
  b. Consumption
  c. Output
  d. Investment

26. Isoquant _______touch either axis.
  a. Can
  b. Cannot
  c. May be
  d. Always

27. ________ line shows various combinations of labour and capital that the firm could buy for a

given amount of money at the given factor prices.

a. Price
b. Budget
c. Iso-cost
d. Revenue

28. Iso-cost line shifted to left side or right side due to change in _________.
    a. Producer’s income
    b. Prices of commodities
    c. Investments
    d. Savings

29. Slope of iso-cost line changes due to change in___________.
    a. Consumer’s income
    b. Prices of factors of production
    c. Investments
    d. Savings

30. The tangency between iso-quant and iso-cost line shows _________
    a. Producer’s surplus
    b. Producer’s equilibrium
    c. Producer’s demand
    d. Producer’s budget

31. In production analysis, the necessary condition for producer’s equilibrium is _______.
    a. MRSxy = Px
    b. MRSxy = Py
    c. MRTS LK = PL / PK
    d. MRSxy = Px – Py

32. In production analysis, the sufficient condition for producer’s equilibrium is, at the point of tangency isoquant must be _______to the origin.
    a. Upward
    b. Convex
    c. Concave
    d. Horizontal

33. The total amount of output produced is called____.
    a. Total supply
    b. Total product
    c. Average product
    d. Marginal Product

34. Average Product = _____________
    a. Total Product/ Output
    b. Marginal Product / Output
    c. Total Product / Price
    d. Marginal Product / Price

35. Marginal Product = __________
    a. TUn - TUn-1
    b. TPn – TPn-1
    c. TCn – TCn-1
    d. TRn – TRn-1

Module II – Costs and Revenue Analysis

1. The fundamental difference between economic cost and accounting cost is_______.
    a. Conditional
    b. Psychological
    c. Academic
    d. Implicit and explicit

2. Fixed cost refers to
    a. Contractual payment
    b. Labour costs
    c. Out of pocket expenses
    d. Business payment

3. At zero level of output, total cost of a firm is
    a. Equal to zero
    b. Equal t variable cost
    c. Equal to total contractual payment
    d. Equal to marginal cost

4. When average cost is maximum
    a. Marginal cost minimum
    b. Marginal cost is equal to average cost
    c. Marginal cost is also maximum
    d. total is minimum

5. In long-run_________
    a. All cost are variable
    b. Costs are divided into fixed and variable cost
    c. Cost tends to constant

d. Shape of LAC is always ‘L’

6. _________is the cost that has already been incurred and which cannot be recovered.
   a. Fixed cost
   b. Sunk cost
   c. Private cost
   d. Social cost

7. Fixed cost is regarded as___ _____cost.
   a. Unavoidable
   b. Variable
   c. Avoidable
   d. Sunk

8. Electricity charges, sales tax etc. are example of ________cost.
   a. Fixed
   b. Variable
   c. Private
   d. Social

9. _____is not related to the level of output
   a. Total cost
   b. Total variable cost
   c. Total fixed cost
   d. Average cost

10. _____is obtained by dividing TC by the level of output produced:
   a. Average fixed cost
   b. Average variable
   c. Total fixed cost
   d. Average total cost

11. A firm’s _____is the sum of total fixed cost and total variable cost at each level of output:
   a. Average fixed cost
   b. Average variable cost
   c. Total cost
   d. Average total cost

12. The LAC curve is also referred as____.
   a. Envelope curve
   b. Supply curve
   c. Demand curve
   d. Utility curve

13. The rent of a factory is an example of____.
    a. Variable cost
    b. Fixed cost
    c. Total Cost
    d. Marginal Cost

14. Which of the following curves is used for the planning?
    a. SAC
    b. SMC
    c. LAC
    d. LMC

15. The reduction in cost due to increase in efficiency is referred as_____.
    a. Income effect
    b. Price effect
    c. Learning curve effect
    d. Substitution effect

16. The downward slope of LAC curve is subject to the_____.
    a. Internal economies
    b. Economies and diseconomies
    c. Internal diseconomies
    d. External diseconomies

17. _____cause LAC curve to rise
    a. Internal economies
    b. Economies and diseconomies
    c. External diseconomies
    d. External economies

18. The learning curve slopes downward showing a______ cost per unit of output:
    a. Increasing
    b. Declining
    c. constant
    d. zero

19. ___________ cost is the cost of the resources owned by the firm itself, it is incurred but not paid.
    a. Implicit
    b. Explicit
    c. Recurring
    d. Variable

20. ____________ is imputed cost or opportunity cost of resources owned by entrepreneur himself

a. Implicit
b. Explicit
c. Replacement
d. Social

21. It is the cost which is incurred by the firm which is engaged in the production.

a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

22. Negative externalities, like pollution are the examples of _______.

a. Social cost
b. Private cost
c. Multiple cost
d. Replacement cost

23. _____________ includes both explicit and implicit costs.

a. Private cost
b. Social cost
c. Original cost
d. New cost

24. When a firm incurs diseconomies of scale, the average cost ……..

a. Rises
b. Falls
c. Remains constant
d. Become zero

25. When a firm enjoys economies of scale, the average cost …………

a. Rises
b. Falls
c. Remains constant
d. Become zero

26. _________ cannot be recovered.

a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

27. ________is the additional cost in the production process.

a. Private cost
b. Social cost
c. Original cost
d. Incremental cost

28. ___________ are the examples of fixed costs.
a. Rent and interest
b. Wages and salaries
c. Raw material cost
d. Profit and perks

29. _________is/are the example of variable cost.
a. Rent
b. Interest
c. Wages
d. Land charges

30. ___________consist of both fixed and variable costs.
a. Short-run costs
b. Long-run costs
c. Rent on inputs
d. Interest on loans

31. In the long run, all costs are _______.
a. Constant
b. Fixed
c. Variable
d. Same

32. Short run Average Cost curve is _________ Shaped
a. L shaped
b. U shaped
c. V shaped
d. W shaped

33. Long-run Average Cost curve is also called as _______.
a. Planning curve
b. Expansion curve
c. Diminishing curve
d. Utility curve

34. _________refers to the receipts obtained by a firm or a seller from the sale of certain quantity of a commodity.

a. Cost
b. Revenue
c. Demand
d. Supply

35. Total Revenue = __________
    a. Price x Quantity
    b. Price x Average Cost
    c. Price/ Quantity
    d. Price + Average Cost

36. Under Perfect competition_______.
    a. AR > MR
    b. AR < MR
    c. AR = MR
    d. AR + MR

37. Under imperfect competition ________.
    a. AR > MR
    b. AR < MR
    c. AR = MR
    d. AR + MR

38. Average Revenue = ____________.
    a. Marginal revenue/ Output
    b. Total revenue / Output
    c. Total revenue / Price
    d. Marginal revenue / Price

<u>Module III – Factor Pricing</u>

1. Demand for factors of production is a ______ demand.
   a. Direct
   b. Derived
   c. Individual
   d. Market

2. The two decision making units in economy are households and _______.
   a. Firms
   b. Agriculture
   c. Banks
   d. Foreign companies

3. Demand for factors of production depends on following factors except
   a. Price of substitutes
   b. Technology
   c. Productivity
   d. Fashion

4. Demand curve for a factors of production slope ________.
   a. Upward
   b. Downward
   c. Horizontal
   d. Vertical

5. Supply curve of a factors of production slope ________.
   a. Upward
   b. Downward
   c. Horizontal
   d. Vertical

6. ________ theory of factor pricing explains how a firm pays to a factor according to its productivity.
   a. Demand
   b. Supply
   c. Marginal utility
   d. Marginal productivity

7. Marginal productivity theory assumed _______ in both commodity and factor market.
   a. Perfect competition
   b. Monopoly
   c. Monopolistic competition
   d. Oligopoly

8. Average Physical Product = ___________________.
   a. Total Output / Total number of units of fixed factors
   b. Total Output / Total number of units of variable factors
   c. Total Output / Total Cost
   d. Total Output / Marginal cost

9. According to ________ economists, rent is the price paid for the use of land.
   a. Classical
   b. Neo-classical
   c. Modern
   d. Post-Keynesian

10. _________ defined, “Rent is that portion of the produce of earth which is paid to the landlord for the use of original and indestructible powers of the soil”.
    a. Adam smith
    b. David Ricardo
    c. Alfred Marshall
    d. Joan Robinson

11. According to __________, “Rent is a surplus over minimum earnings”.
    a. Adam smith
    b. David Ricardo
    c. Alfred Marshall
    d. Joan Robinson

12. Minimum payment made to induce the factor to remain in that occupation is called ________.
    a. Minimum wages
    b. Maximum wages
    c. Transfer earnings
    d. Incentives

13. When supply of any factor is inelastic its earning is _________ rent.
    a. Less than
    b. More than
    c. Equal to
    d. Not related to

14. The supply of land is ________.
    a. More elastic
    b. Less elastic
    c. Unitary elastic
    d. Perfectly elastic

15. The concept of quasi rent is introduced by________
    a. Adam smith
    b. David Ricardo
    c. Alfred Marshall
    d. Joan Robinson

16. Quasi rent is a ________ term phenomenon.
    a. Short-term
    b. Medium-term
    c. Long-term
    d. Very-long term

17. Quasi rent is a difference between total revenue and ________.
    a. Total cost
    b. Total Fixed cost
    c. Total Variable cost
    d. Average cost

18. Demand for labour is a ______ demand.
    a. Direct
    b. Derived
    c. Individual
    d. Market

19. Supply of labour is determined by following factors except
    a. Size of population
    b. Skill and technical abilities
    c. Productivity
    d. Willingness and ability to work

20. Supply curve of a labour is ___________.
    a. Upward sloping
    b. Downward sloping
    c. Backward bending
    d. Forward bending

21. __________ is an organization of workers to fight against exploitation and work for the welfare of its members.
    a. Cartel
    b. Trade Union
    c. Custom Union
    d. Group

22. A monopsonistic labour market is one where there is/are ________employer.
    a. One
    b. Two
    c. Few
    d. Large

23. __________ monopoly is a situation where there ia one employer and single supplier.
    a. Unilateral
    b. Bilateral
    c. Trilateral
    d. Multilateral

24. __________ is the produced means of production.
  a. Land
  b. Labour
  c. Capital
  d. Entrepreneur

25. According to _________, "Interest as price paid for parting with liquidity".
  a. Adam smith
  b. David Ricardo
  c. Alfred Marshall
  d. J. M. Keynes

26. Supply of lonable fund determined by following factors except_________
  a. Saving
  b. Bank money
  c. Disinvestment
  d. Consumption

27. _________ is determined by total supply and total demand for lonable fund.
  a. Interest
  b. Cost
  c. Revenue
  d. Profit

28. Risk bearing theory of profit was explained by _______
  a. Alfred Marshall
  b. Joan Robinson
  c. Lionel Robbins
  d. F. B. Hawley

29. Uncertainty theory of profit was given by ______.
  a. Adam smith
  b. David Ricardo
  c. F.H. Knight
  d. J.M.Keynes

30. Risk arises due to changes in government policies _______ insured.
  a. Can be
  b. Cannot be
  c. Never
  d. Always

Module IV – Equilibrium in different market conditions

1. Under perfect competition there is/are _______ number of sellers.
    a. One
    b. Two
    c. Few
    d. Large

2. Following are the feature of perfect competition except
    a. Price maker
    b. Homogenous products
    c. Free entry and exit
    d. Government intervention

3. Perfect competition assumes______ commodities.
    a. Homogeneous
    b. Different
    c. Heterogeneous
    d. Variety of

4. Under perfect competition, if price will lower than average total cost there will be_____.
    a. Shut down point
    b. Equilibrium point
    c. Loss point
    d. Profit point

5. The demand curve for a firm under perfect competition is______.
    a. Vertical
    b. Horizontal
    c. Downward sloping
    d. Upward sloping

6. Under perfect competition, the firm is in equilibrium when.
    a. MR=MC
    b. MC curve should cut MR curve from below
    c. Both (a) and (b)
    d. MR > MC

7. When AR=MR=MC=AC the firm will get_____ profit.
    a. Normal
    b. Both a and b
    c. Supernormal

d. None of these

8. Under perfect competition, equilibrium in an industry is established when the______.
   a. LMC = LMR
   b. Price > LAR = LAC
   c. Long run industry demand and supply are different
   d. LAC > LMR

9. Firm's under perfect competition are:
   a. Profit seekers
   b. Price takers
   c. Price setter
   d. Price leader

10. A price taker competitive firm
    a. Accept price administered by government
    b. Can influence the market price
    c. Accepts the prevailing market price
    d. Shutdown the business when price is below the costs

11. Which of the following comes closer to economic definition of perfect competition?
    a. Mc Donald's
    b. Air Asia
    c. Stock exchange
    d. Indian railway

12. Following are the features of perfect competition except
    a. Identical goods
    b. Large number sellers
    c. Advertising
    d. Free entry

13. The demand curve for the firm under perfect competition is
    a. Relatively elastic
    b. Relatively Inelastic
    c. Perfectly elastic
    d. Perfectly inelastic

14. When TR > TC , there is ________
    a. Shut down point
    b. normal profit
    c. Super normal profit

d. Negative profit

15. _____is a situation of no profit no loss.
    a. Super normal profit
    b. Normal profit
    c. Both a and b
    d. None of the above

16. Price under perfect competition is determined by total demand and total ____.
    a. Cost
    b. Supply
    c. Revenue
    d. Income

17. In the long run, a firm under perfect competition usually earns________.
    a. Supernormal profit
    b. Normal profit
    c. Negative Profit
    d. Loss

18. A monopoly firm is a
    a. price taker
    b. price maker
    c. supply manager
    d. Demand manger

19. Under monopoly there is____ seller.
    a. Single
    b. Few
    c. Large
    d. Two

20. The demand curve of a monopolist is_____.
    a. Horizontal
    b. Downward sloping
    c. Upward sloping
    d. Vertical

21. Under____ firm and industry refer to one and the same thing.
    a. Perfect competition
    b. Oligopoly
    c. Monopolistic competition

d. Monopoly

22. In the long run a firm under monopolistic competition will get____ profit.
    a. Super normal profit
    b. Negative
    c. Normal profit
    d. Very less

23. Increase in the selling costs____ the demand for the product.
    a. Increases
    b. Decreases
    c. Equates
    d. Does not affect

24. Waste of expenditure in the form of cross-transport is found in:
    a. Perfect competition
    b. Monopoly
    c. Monopolistic competition
    d. Oligopoly

25. Under monopolistic competition, the demand curve is____.
    a. Relatively inelastic
    b. Perfectly Inelastic
    c. Perfectly elastic
    d. Relatively elastic

26. Monopolistic competition is associated with the following types of waste except ____.
    a. Excess capacity
    b. Unemployment
    c. Cross transport
    d. Full employment

27. Monopolistic competition is distinctly characterized by_____.
    a. Price discrimination
    b. Product differentiation
    c. Monopoly
    d. Large number of sellers

28. The striking difference between monopolistic competition and perfect competition is___.
    a. The degree of product differentiation
    b. The monopoly element
    c. Lesser profit
    d. Supply management

29. Selling costs has become integral part of monopolistic competition, because of_____.
    a. Stiff competition
    b. Different product
    c. Large number of firms
    d. Globalization

30. In monopolistic competition there is/are
a. Single seller
b. Few sellers
c. Many sellers
d. Two sellers

31. Product sold in monopolistic competition is
a. Homogeneous
b. Differentiated
c. Inferior
d. Superior

32. A firm in a monopolistic market require to incur which cost as promotional expenses?
a. Production cost
b. Selling cost
c. Storage cost
d. Transportation cost

33. Nature of demand curve under monopolistic competition is
a. Less elastic
b. More elastic
c. Perfectly inelastic
d. Perfectly elastic

34. Which of the following are characteristic of monopolistic competition except?
a. Many sellers
b. Firms are price takers
c. There is free entry to the market
d. Product differentiation

35. Monopolistic competition differs from perfect competition because in monopolistically competitive markets
a. There are no barriers to entry
b. All firms can earn normal profits in the long run
c. Each of the sellers offers a somewhat different product

d. Large number of sellers

36. A similarity between monopoly and monopolistic competition is that, in market structures
a. Firms are interdependent
b. There are few sellers
c. Sellers are price makers not price takers
d. Product differentiation is done

37. A firm in monopolistic competition, faces a demand curve that is
a. Negatively sloping and relatively elastic
b. Negatively sloping and relatively inelastic
c. Negatively sloping and unitary elastic
d. Upward sloping and relatively elastic

38. The profit maximizing firm in a monopolistic competition reaches equilibrium output where its
a. Marginal revenue is equal to marginal cost
b. Average total cost is equal to marginal revenue
c. Average total cost is equal to price
d. Average revenue exceeds average total cost

39. Since a firm in a monopolistically competitive market face
a. Downward sloping demand curve, it will always operate with excess capacity
b. Downward sloping demand cure, it will always operate at its efficient scale
c. Perfectly elastic demand curve, t will always operate with excess capacity
d. Perfectly inelastic demand curve, it will always operate at efficient scale

40. In the long run, a firm in monopolistic competition, will earn
a. excess profit
b. loss
c. normal profit
d. very less profit