

# ECONOMICS MCQ'S

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# MARGINAL UTILITY - MCQ's

1. An indifference curve is always
  - (a) Concave to the origin
  - (b) Convex to the origin
  - (c) L-Shaped
  - (d) A vertical Straight line
  
2. The want satisfying power of a commodity is known as-
  - (a) Demand
  - (b) Supply
  - (c) Consumption
  - (d) Utility
  
3. Utility is measured in terms of-
  - (a) Gram
  - (b) Seconds
  - (c) Centimeter
  - (d) Utils
  
4. The case of a right angled indifference curve occurs when-
  - (a) The two goods are perfect compliment
  - (b) The two goods are perfect substitutes
  - (c) The two goods are inferior
  - (d) The two goods are normal
  
5. Marginal utility curve of a consumer is also his-
  - (a) Supply
  - (b) Demand Curve
  - (c) Total Utility Curve
  - (d) None of these
  
6. Consumer's surplus is equal to-
  - (a) expected utility minus actual utility
  - (b) expected utility minus loss of utility
  - (c) Expected minus gain of utility
  - (d) Expected utility plus actual utility
  
7. Total utility is maximum when
  - (a) Marginal utility is zero
  - (b) Marginal utility is negative
  - (c) Marginal utility is positive
  - (d) Marginal utility is equal to average utility
  
8. Marginal utility is equal to
  - (a) Total utility minus average utility
  - (b) Total utility divided by number of units consumed
  - (c) Addition to total utility by consuming additional unit
  - (d) Total utility plus average utility

9. When  $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ , the consumer should buy:
- (a) More of X and less of Y
  - (b) Less of X and more of Y
  - (c) More of X and more of Y
  - (d) Less of X and less of Y
10. In the case of complementary goods, the indifference curve is a:
- (a) Downward sloping line to the right
  - (b) Horizontal line parallel to X-axis
  - (c) Concave to origin
  - (d) Upward rising line from left to right
11. In indifference curve analysis, a fall in the price of one commodity leads to-
- (a) Substitution Effect
  - (b) Income Effect Only
  - (c) A movement to a lower indifference curve
  - (d) Both income and substitution effect
12. The law of diminishing marginal utility:
- (a) Provides a measure of elasticity
  - (b) Explains why demand curve is downward sloping
  - (c) States that a rise in price of a product results in decline in its marginal utility
  - (d) None of the above
13. Indifference curves do not cut each other because:
- (a) Each curve is parallel to the other
  - (b) Each curve represents a different level of satisfaction.
  - (c) Each curve relates to different persons
  - (d) It is an assumption.
14. When will the consumer be in equilibrium:
- (a)  $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
  - (b)  $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
  - (c)  $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
  - (d) None of these
15. A consumer obtains the maximum satisfaction if he acts according to the law of:
- (a) Consumer's Surplus
  - (b) Equi-Marginal utility
  - (c) Diminishing Marginal Utility
  - (d) All of the three
16. An Indifference curve is convex to the origin because of:
- (a) Monotonic preference of consumer
  - (b) Rising Marginal Rate of Substitution
  - (c) Decreasing Marginal Rate of Substitution
  - (d) Diminishing Marginal Utility
17. According to Marshall, the basis of consumer's surplus is:
- (a) Law of Diminishing Marginal utility
  - (b) Law of Equi- Marginal

- (c) Law of Proportions  
(d) None of three
18. An indifference curve is a straight downward sloping line in case of:  
(a) The two goods are perfect compliment  
(b) The two goods are perfect substitutes  
(c) The two goods are inferior  
(d) The two goods are normal
19. Total Utility is ..... when marginal utility is zero.  
(a) Minimum  
(b) Maximum  
(c) Equal  
(d) Zero.
20. The second glass of water generally gives less utility to a thirsty person. This happen because of  
(a) law of diminishing marginal utility  
(b) law of diminishing returns  
(c) law of equi-marginal utility  
(d) law of demand
21. A consumer is in equilibrium, when his budget line is  
(a) above the indifference curve  
(b) below the indifference curve  
(c) tangent to the indifference curve  
(d) cut the indifference curve
22. Ordinal measure of utility is required in  
(a) Utility Analysis  
(b) Demand Curve Analysis  
(c) Indifference Curve Analysis  
(d) Revealed Preference Analysis
23. According to the law of diminishing marginal utility:  
(a) Total utility is at a maximum with the first unit  
(b) Increasing units of consumption increase the marginal utility  
(c) Total utility will rise at a falling rate as more units are consumed  
(d) Marginal product will fall as more units are consumed
24. \_\_\_\_\_ is also called as point of satiety:  
(a) When Marginal Utility is Maximum  
(b) When Average Utility is Maximum  
(c) When Marginal Utility is Minimum  
(d) When Total Utility is Maximum
25. A higher indifference curve shows higher level of satisfaction is because of :  
(a) Diminishing marginal utility  
(b) Equi-Marginal Utility  
(c) Monotonic Preference of Consumer  
(d) Diminishing MRS

**ANSWERS**

1. A
2. D
3. D
4. A
5. B
6. A
7. A
8. C
9. A
10. B
11. D
12. B
13. B
14. C
15. B
16. C
17. B
18. B
19. B
20. A
21. C
22. C
23. C
24. D
25. C

## COST

### MCQ's

1. With increase in output, which cost increases continuously?
  - a. Average Cost
  - b. Marginal Cost
  - c. Fixed Cost
  - d. Variable Cost
  
2. Which of the following curves is not U-shaped?
  - a. Average fixed cost curve
  - b. Average variable cost curve
  - c. Average total cost curve
  - d. Marginal cost curve
  
3. The sum of all direct expenses is generally called as:
  - a. Fixed cost
  - b. Variable cost
  - c. Prime cost
  - d. Accounting cost
  
4. A cost function determines the behavior of costs with change in.....
  - a. Demand
  - b. Supply
  - c. Isoquant
  - d. Production
  
5. The point where the total cost equals the total revenue is known as-
  - a. Expansion Point
  - b. Break-Even Point
  - c. Shut Down Point
  - d. Focal Point
  
6. At Break even point, the firm's.....
  - a. Profit are maximum
  - b. Profit are minimum
  - c. Losses are maximum
  - d. Revenue equals costs

7. Which of the following rectangular hyperbola shape-
- Total Cost curve
  - average cost curve
  - Average Variable Cost Curve
  - Average Fixed Cost Curve
8. At which point does the marginal cost curve intersect the average total cost curve?
- At equilibrium point
  - At their lowest point
  - At their optimum point
  - They don't intersect at all
9. Marginal cost curve intersects AC curve at its-
- rising portion
  - Falling Portion
  - Minimum Point
  - Any where
10. As output increases, average fixed cost-
- Remains constant
  - Starts Falling
  - Starts Rising
  - None of these
11. Which of the following curves is not U-shaped?
- The AVC curve
  - The AFC Curve
  - The AC curve
  - The MC curve
12. Fixed cost is known as-
- Social Costs
  - Real Costs
  - Accounting Cost
  - Over Head Cost
13. The rising portion of the Marginal Cost curve indicates:
- Supply curve
  - Demand curve
  - Average cost

d. None of the above

14. In which situation producer accept maximum profit:

- a.  $AR > AC$
- b.  $AR < AC$
- c.  $AR = AC$
- d.  $MR > MC$

15. Marginal cost shall be rising in situation of:

- a. Diminishing returns to factor
- b. Increasing return to factor
- c. Constant returns to factor
- d. None of the above

16. Opportunity cost refers to-

- a. Money expenses incurred on factors
- b. The imputed value of the inputs owned by the firms.
- c. The next best alternative use
- d. None of these

17. Which of the following will not indicate MC:

- a. Change in Total Cost for producing one additional unit of output
- b. Change in Total Variable Cost for producing an additional unit
- c. Change in Total Cost/Change in no. of units
- d. Change in Fixed Cost on producing one additional unit

18. Constant average cost means-

- a. Increasing returns
- b. Constant returns
- c. Diminishing returns
- d. None of the above

19. AVC curve is U shaped because of:

- a. Law of Diminishing Marginal Utility
- b. Law of Demand
- c. Law of Supply
- d. Law of Variable Proportion

20. The vertical distance between TVC and TC:

- a. Keeps on increasing



- b. Keeps on decreasing
- c. Remains constant
- d. First decreases and then increases

21. The gap between AVC and AC:

- a. Keeps on decreasing
- b. Keeps on increasing
- c. Remains constant
- d. Becomes zero on infinite production

22. Which of the following statement is correct:

- a. Accounting Cost = Economic Cost + Opportunity Cost
- b. Economic Cost = Accounting Cost - Opportunity Cost
- c. Economic Cost = Accounting Cost + Opportunity Cost
- d. Opportunity Cost = Economic Cost + Accounting Cost

ANSWERS

1. D
2. A
3. C
4. D
5. B
6. D
7. D
8. B
9. C
10. B
11. B
12. D
13. A
14. A
15. A
16. C
17. D
18. B
19. D
20. C
21. A
22. C

# DEMAND AND ELASTICITY OF DEMAND

## MCQ's

1. Giffen goods are also called as:
  - a. Superior Goods
  - b. Complimentary Goods
  - c. Inferior Goods
  - d. None of the three
  
2. A graph of relationship between the price of a goods and the quantity demanded is called:
  - a. Supply curve
  - b. Demand curve
  - c. Market curve
  - d. None of the three
  
3. The first and the most Important factor determining the demand for a commodity is
  - a. Production
  - b. Price
  - c. Distribution
  - d. Quality
  
4. According to the Law of demand, as the price of a good decrease, its demand.
  - a. Decrease
  - b. Is not affected
  - c. Increase
  - d. Remains fluctuating
  
5. Demand curve for a Giffen Good will be
  - a. Horizontal
  - b. Vertical
  - c. slopping downward to the right
  - d. slopping upward to the right
  
6. For an inferior good, income elasticity of demand is
  - a. Negative
  - b. Positive
  - c. Zero
  - d. Infinity
  
7. If regardless of changes in its price, the quantity demanded of a good remains unchanged then the demand curve will be
  - a. Horizontal
  - b. Vertical
  - c. Positively Sloped
  - d. Negatively sloped
  
8. If the price of goods increases, then

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- a. Demand for complementary goods will increase
  - b. Demand for substitute goods will increase
  - c. Demand for the good will decrease
  - d. Both (b) and (c)
9. An individual demand curve slopes downward to the right because of the
- a. Working of the law of diminishing marginal utility
  - b. Substitution effect of decrease in price
  - c. Income effect of fall in Price
  - d. All of the above
10. Price Elasticity of demand for status protecting goods(Luxury goods) will –
- a. Equal to 1
  - b. Greater than 1
  - c. Equal to zero
  - d. Less than 1
11. “Law of Demand” introduced by-
- a. Alfred Marshall
  - b. Adam Smith
  - c. J.B.Say
  - d. None of these
12. With a given change in price results in an equal and proportionate maximum change in demand, elasticity of demand is-
- a. Greater than 1
  - b. Less than 1
  - c. Equal to 1
  - d. Equal to zero
13. With the rise in demand of goods A, if the demand for good ‘B’ also rise, then the goods A and B are-
- a. Substitutes goods
  - b. Complementary Goods
  - c. Giffen Goods
  - d. Goods B is better than A
14. If the Income of the buyer increases in case of Normal goods, there will be:
- a. A rightwards movement along the demand curve
  - b. A rightwards shift in demand curve
  - c. A leftwards movement along the demand curve
  - d. A leftward shift in demand curve
15. What is the elasticity of demand below the mid point of demand curve as per Geometric method:
- a. Equal to 1
  - b. Equal to 0
  - c. Greater than 1
  - d. Less than 1
16. If the Expenditure on a particular good rises with rise in price of a good, then its demand as per expenditure method is:
- a. Inelastic
  - b. Elastic
  - c. Unitary elastic

- d. Perfectly elastic
17. The shape of demand curve in case of a Unitary elastic demand curve is:
- Horizontal
  - Vertical
  - Downward sloping straight line
  - Downward sloping rectangular hyperbola
18. The Total Expenditure on a good remains unchanged with change in price of commodity, its demand is:
- Perfectly elastic
  - Perfectly inelastic
  - Unitary elastic
  - Elastic
19. For inferior goods income effect is:
- Positive
  - Negative
  - Zero
  - Infinite
20. If the price elasticity of demand for a good is -0.5. A 10% rise in price would lead to:
- 5% rise in Qty. demanded
  - 20% rise in Qty demanded
  - 5% fall in Qty. demanded
  - 20% fall in Qty. demanded

**ANSWERS**

1. C
2. B
3. B
4. C
5. D
6. A
7. B
8. D
9. D
10. B
11. A
12. C
13. B
14. B
15. D
16. A
17. D
18. C
19. B
20. C

## FORMS OF MARKET

### MCQ's

1. When few number of sellers are found in a market, it is called-
  - a. Oligopoly
  - b. Perfect competition
  - c. Monopoly
  - d. None of the three
  
2. A market structure characterized by having only one buyer and one seller of a particular goods or service is known as:
  - a. Bilateral monopoly
  - b. Monopoly
  - c. Oligopoly
  - d. None of the three
  
3. The demand curve of a monopolist is
  - a. Parallel to X-axis
  - b. Parallel to Y-axis
  - c. Slopes downward from left to right
  - d. None of the three
  
4. In the long run, a perfectly competitive firm earns
  - a. Normal Profit
  - b. Super Profit
  - c. Loss
  - d. All of the three
  
5. Essential condition of equilibrium of a monopoly firm is-
  - a.  $MR=MC$
  - b. MC cuts MR from below
  - c.  $AR= AC$
  - d.  $MC = MR = AR = AC$
  
6. Which of the following statement related to Perfect Competition is not correct?
  - a. The price elasticity of demand is infinity
  - b. AR is equal to MR

- c. Buyers have perfect knowledge of market
  - d. Firms earn supernormal profit in the long run
7. Under Perfect Competition a firm even after incurring loss continues production till
- a. Price = AC
  - b. Price = AFC
  - c. Price = AVC
  - d. Price = FC
8. Which of the following is not a feature of oligopoly.
- a. Small number of sellers
  - b. Absence of mutual dependence of firms
  - c. Possibility of firm forming cartel,
  - d. All of the above
9. Which of the following is a characteristic of pure monopoly?
- a. Low Price Elasticity of Demand
  - b. Low Barriers of entry
  - c. Close substitute products
  - d. Perfect Information
10. In pure monopoly, what is the relation between the price and revenue ?
- a. Price is greater than the marginal revenue
  - b. Price is less than the marginal revenue
  - c. There is no relation
  - d. They are equal
11. Perfect competitive firms are:
- a. Price-Searchers
  - b. Price -makers
  - c. Price discriminators
  - d. Price taker
12. Firm under perfect competition in the short run earn only-
- a. abnormal profit
  - b. Normal Profit
  - c. A Loss
  - d. Any of the above



- 13.** The feature of perfect competition that drives a firm's profit to zero in the long run is:
- Product Differentiation
  - Price leadership
  - Market Power
  - Free entry of firms
- 14.** Pure Oligopoly means
- A few firms producing homogeneous product
  - A few industries producing homogeneous product
  - A few firm producing differentiated and identical product
  - A few industries producing differentiated and identical product.
- 15.** In a 'Kinked-demand curve' model the upper portion of the demand curve is-
- Elastic
  - Inelastic
  - Perfectly Elastic
  - Unitary Elastic
- 16.** Under perfect competition the price of the product
- can be controlled
  - Cannot be controlled
  - can be controlled within certain limit
  - None of the above
- 17.** Which of the following is not a characteristic of a perfectly competitive market-
- Large number of buyers and sellers
  - Homogeneous Product
  - Free entry and exit of firms
  - Presence of high transportation cost
- 18.** In perfect competition, in the long run-
- There are large profits for the firm
  - There are large losses of the firm
  - No profit no loss for the firm
  - There is negligible profit from the firm
- 19.** In perfect competition, since the firm is a price taker, the..... curve is a straight line-
- Marginal cost
  - Total Cost

- c. Total Revenue
  - d. Marginal Revenue
20. The demand curve for perfectly competitive firm is a-
- a. Horizontal straight line
  - b. Vertical Straight Line
  - c. Upwards sloping curve
  - d. Downward sloping Curve
21. Product-differentiation is common feature in-
- a. Perfect Competition
  - b. Monopolistic Competition
  - c. Oligopoly
  - d. Monopoly
22. In a perfectly competitive market..... helps the firm to analyse the break-even point and the shut-down point.
- a. Profit maximization
  - b. Pricing
  - c. Marginal Cost
  - d. Average Cost
23. In which of the following market structure advertising expense is least?
- a. Monopoly
  - b. Duopoly
  - c. Monopolistic Competition
  - d. Oligopoly
24. Which of the following is not a characteristic feature of monopolistic competition-
- a. Many buyers and sellers
  - b. Perfect knowledge
  - c. Easy Entry & Exit of Firm
  - d. Product differentiation
25. Under monopoly (imperfect) form of market, TR is maximum when-
- a. MR is zero
  - b. MR is maximum
  - c.  $MR > 0$
  - d.  $MR < 0$

26. Which of the following is example of perfect competition:

- a. Car Manufacturing
- b. Railways
- c. Agriculture
- d. Banking System

27. Selling Cost is a feature of:

- a. Perfect Competition
- b. Monopoly
- c. Monopolistic Competition
- d. Bilateral Monopoly

28. Which of the following is true regarding monopolistic competition

- a.  $AR=MR$
- b.  $MR=0$
- c.  $AR<MR$
- d.  $AR>MR$

29. For the monopolist, which of the following is true:

- a.  $MR = AR \left(1 - \frac{1}{e}\right)$
- b.  $MR = AR \left(1 + \frac{1}{e}\right)$
- c.  $MR = AR \left(\frac{1-e}{e}\right)$
- d.  $MR = AR \left(\frac{e}{1+e}\right)$

**ANSWERS**

1. A
2. B
3. C
4. A
5. B
6. D
7. C
8. B
9. B
- 10.A
- 11.D
- 12.D
- 13.D
- 14.A
- 15.A
- 16.B
- 17.D
- 18.C
- 19.D
- 20.A
- 21.B
- 22.D
- 23.A
- 24.B
- 25.A
- 26.C
- 27.C
- 28.D
- 29.A

## SUPPLY MCQ



1. The quantity supplied of a good or service is the amount that
  - a. is actually bought during a given time period at a given price
  - b. producers wish they could sell at a higher price.
  - c. producers plan to sell during a given time period et a given price
  - d. people are willing to buy during a given time period at a given price
  
2. Supply is the
  - a. limited resources that are available with the seller.
  - b. cost of producing a good
  - c. entire relationship between the quantity supplied and the price of good
  - d. Willingness to produce a good if the technology to produce it becomes available
  
3. In the book market the supply of books will decrease if any of the following occurs except
  - a. a decrease in the number of book publishers.
  - b. a decrease in the price of the book.
  - c. an increase in the future expected price of the book
  - d. an increase in the price of paper used.
  
4. if price of computers increases by 10% and supply increases by 25%. The elasticity of supply is
  - a. 2.5
  - b. 0.4
  - c. (-)2.5
  - d. (-)0.4
  
5. An increase in the number of sellers of bikes will increase the
  - a. the price of a bike
  - b. demand for bikes
  - c. the supply of bikes

- d. demand for helmets.
6. If the supply of bottled water decreases, other things remaining the same the equilibrium price.....and the equilibrium quantity.....
- a. increases, decreases
  - b. decreases increases
  - c. increases increases
  - d. increases, decreases
7. A decrease in the demand for cameras, other things remaining the same will.
- a. increase the number of cameras bought.
  - b. decrease the price but increase the number of cameras bought,
  - c. increase the price of cameras
  - d. decrease the price and decrease in the number of cameras bought.
8. Complements lies between
- a. inferior goods and necessities.
  - b. Luxuries and inferior goods
  - c. necessities and luxuries.
  - d. None of the above
9. In A very short period, the supply
- a. can be changed
  - b. can not be changed
  - c. can be increased
  - d. none of above
10. When supply curve moves to the left, it means
- a. Smaller supply at a given price.
  - b. Large supply at a given price
  - c. Constant supply at a lower price.
  - d. None of the above

- 11.**The elasticity of supply is defined as the
- a.** responsiveness of the quantity supplied of a good to a change in its price.
  - b.** responsiveness of the quantity supplied of a good without change in its price.
  - c.** responsiveness of the quantity demanded of a good to a change in its price
  - d.** responsiveness of the quantity demanded of a good without change in its price.
- 12.**Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by.....
- a.** Percentage change in income.
  - b.** Percentage change in quantity demanded of goods,
  - c.** Percentage change in price,
  - d.** Percentage change in taste and preference
- 13.**Elasticity of supply is zero means
- a.** perfectly inelastic supply
  - b.** perfectly elastic supply.
  - c.** Imperfectly elastic supply.
  - d.** None of the above
- 14.**Elasticity of supply is greater than one when
- a.** proportionate change in quantity supplied is more than the proportionate change in price
  - b.** proportionate change in price is greater than the proportionate change in quantity supplied.
  - c.** change in price and quantity supplied are equal.
  - d.** None of the above

15. The price of a commodity decreases from Rs.6 to Rs.4 and the quantity demanded of the good increases from 10 units to 15 units find the coefficient of price elasticity. (Use Point Elasticity Method)
- 1.5
  - 2.5
  - 1.5
  - 0.5
16. The supply function is given as  $Q = -100 + 10P$ . Find the elasticity using point method, when price is Rs.15.
- 4
  - 3
  - 5
  - 3
17. The aim of the consumer in allocating his income is to.....
- maximize his total utility,
  - maximize his marginal utility.
  - to buy the goods he wants most whatever the price.
  - to buy the goods which he expects to be short in supply.
18. At higher prices people demand more of certain goods not for their worth but for their prestige value-This is called
- veblen effect
  - giffen's paradox
  - speculative effect.
  - none of the above.
19. If the price of air-conditioner increases from Rs.30,000 to Rs.30,010 and resultant change in demand is negligible, we use the measure of.....to measure elasticity.
- Point elasticity
  - perfect elasticity
  - perfect elasticity
  - price elasticity.



- 20.**The supply curve shifts to the right because of.....
- a.** improved technology
  - b.** increased price of factors of production.
  - c.** Increased excise duty
  - d.** All of the above
- 21.**Which of the following statements is correct?
- a.** When the price falls the quantity demanded falls.
  - b.** Seasonal changes do not affect the supply of a commodity.
  - c.** Taxes and subsidies do not influence the supply of the commodity,
  - d.** With lower cost, it is profitable to supply more of the commodity.
- 22.**Supply is a:
- a.** Stock concept
  - b.** Flow concept
  - c.** Either a or b
  - d.** None

ANSWERS

1. C
2. C
3. B
4. A
5. C
6. A, D
7. D
8. C
9. B
- 10.A
- 11.A
- 12.C
- 13.A
- 14.A
- 15.A
- 16.D
- 17.A
- 18.A
- 19.A
- 20.A
- 21.D
- 22.B

# PRODUCTION FUNCTION

## MCQ's

1. Marginal Product means:
  - a. Increase in one unit of output by using additional unit of factors of production
  - b. Increase in output by using one additional unit of all the factor of production
  - c. Increase in output by using one additional unit of variable factor of production
  - d. Increase in cost by using one additional unit of input
  
2. In the theory of production the long run is defined as the period of time in which-
  - a. All factors can be varied
  - b. No factors can be varied
  - c. Some factors are fixed but other can be varied
  - d. None of these
  
3. Which of the following stages of production is known as stage of negative returns?
  - a. When AP is negative
  - b. When MP is negative
  - c. When MP is decreasing
  - d. Both a and b
  
4. Which statement is true for ISO quants-
  - a. It slopes downwards to the right
  - b. It convex to the origin
  - c. Two ISO curves cannot intersect to each other
  - d. All of these
  
5. The marginal product curve is above the average product curve when average product curve is-
  - a. is decreasing
  - b. is increasing
  - c. becomes constant
  - d. None of these
  
6. When labour and capital are increased by 10% and production increases by 20% then we have:
  - a. Constant returns to scale
  - b. Increasing returns to scale
  - c. Decreasing returns to scale
  - d. Negative return to scale
  
7. According to Ricardo rent is-
  - a. Paid by land lord to the Government

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- b.** Price paid for hiring the premises
  - c.** Paid for the original and indestructible power of the soil
  - d.** The payment made to any factor of production
  
- 8.** Production function relates-
  - a.** Cost to input
  - b.** Wages to profit
  - c.** Cost to output
  - d.** Inputs to output
  
- 9.** Production is
  - a.** Creating some new product
  - b.** Conversion of raw material into finished goods
  - c.** Creating utilities in commodity
  - d.** All of the above
  
- 10.** According to Cobb-Douglas model which are essential for production-
  - a.** Land & Labour
  - b.** Land & Capital
  - c.** Labour & Capital
  - d.** Labour & Entrepreneurship
  
- 11.** Which production factor follow Law of Diminishing production-
  - a.** Land
  - b.** Machine
  - c.** Labour
  - d.** Capital
  
- 12.** Law of variable proportion comes under-
  - a.** Short run production function
  - b.** Long run production function
  - c.** Both a and b
  - d.** None of these
  
- 13.** Which factor of production has the highest mobility:
  - a.** Land
  - b.** Labour
  - c.** Capital
  - d.** Entrepreneur
  
- 14.** During which time-period all the factors of production may be changed?
  - a.** Short run
  - b.** Very short run

- c. Long run
- d. Very long run

15. Average product is maximum when

- a. Marginal product is greater than the average product
- b. Marginal product is less than the average product
- c. Marginal product is equal to the average product
- d. Marginal product is negative

16. Producer is in stage of negative returns when:

- a. MP is decreasing
- b. MP becomes negative
- c. AP becomes negative
- d. TP becomes negative

17. Which of the following is not an assumption of law of variable proportions:

- a. Short run
- b. Technology remains constant
- c. Different proportions of variable factor can be combined with fixed factors
- d. Cost per unit of variable factor remains same

**ANSWERS**

1. C
2. A
3. B
4. D
5. B
6. B
7. C
8. D
9. C
10. C
11. C
12. A
13. B
14. C
15. C
16. B
17. D