

HERAMB PROFESSIONAL INSTITUTE

Date:02-06-2017

CA-CPT / ECONOMICS

MARKS: 50

DURATION: 1 HR

1. A production function describes.
 - (a) The amount of output one gets from a given amount of input.
 - (b) The change in input price for a change in the output.
 - (c) The level of output a firm should optimally produce at each price level.
 - (d) The relationship between quantity demanded and price

2. When Average Productivity reaches its maximum, Average Productivity is equal to _____
 - (a) Zero (b) Marginal cost
 - (c) Marginal productivity (d) Ten

3. In short run, factors of production are _____ substitutes for one another.
 - (a) Perfect (b) Imperfect (c) Powerful (d) None of these

4. Returns to a factor, is studied with reference to _____ period production function.
 - (a) Long (b) Longer (c) Short (d) Very short

5. In the first stage of production :
 - (a) Average production increases
 - (b) Average production decreases
 - (c) Average production increases and reaches its maximum point.
 - (d) Average production decreases and reaches its minimum point.

6. In which stage of production would a rational entrepreneur like to operate?
 - (a) Stage 1 where MP is maximum
 - (b) Stage 2 where both MP and AP are decreasing, but both are positive
 - (c) Stage 3 where MP is negative
 - (d) Either stage 2 or Stage 3

7. Law of returns to scale indicates the responsiveness of total product when all inputs _____
 - (a) Remain same (b) Are changed drastically
 - (c) Are changed marginally (d) Are changed proportionately

8. Increasing returns to scale occurs when a given percentage increase in all factor inputs causes proportionately _____ increase in output.
 - (a) Lesser (b) Equal (c) Greater (d) Both (a) & (c)

9. In economics production may be defined as :
 - (a) Creating utility (b) Earning profit
 - (c) Producing machines (d) Providing services

10. External economies of scale are :
 - (a) Firm specific (b) Producer specific

(c) Customer specific (d) Industry specific

11. Cost functions are derived functions. They are derived from :

- (a) Demand functions (b) Production functions
- (c) Supply functions (d) Indifference curves

12. The intersection of the Marginal Cost curve and the Average Cost curve characterizes the point of :

- (a) Maximum profit (b) Minimum marginal cost
- (c) Minimum average cost (d) Minimum profit

13. The difference between economic profit and accounting profit is :

- (a) Depreciation (b) Selling costs
- (c) Implicit costs (d) Explicit costs

14. The slopes of Total Cost Curve is directly influenced by the slope of _____ curve.

- (a) Fixed Cost (b) Total Variable Cost
- (c) Marginal Cost (d) Average Cost

15. Which of the following is correct regarding the shape of Total Fixed Cost curve?

- (a) Rectangular hyperbola (b) U-shaped
- (c) Inverted U shaped (d) Straight line parallel to horizontal axis

16. Which one of the following is also known as planning curve :

- (a) Short run Average Cost curve (b) Long run Average Cost curve
- (c) Average cost Curve (d) Marginal cost curve

17. When AC increases, MC increase _____ then AC.

- (a) Slower
- (b) Faster
- (c) Depends upon the rate of increase in AC
- (d) None of these

18. When the cost curves are sloping downwards, the firm will be deriving _____ returns.

- (a) Decreasing
- (b) Constant
- (c) Increasing
- (d) Either increasing or decreasing but never constant.

19. Which costs includes all payments paid to factors of production and opportunity cost.

- (a) Implicit costs (b) Explicit costs
- (c) Economic costs (d) Accounting costs

20. An implicit cost can be defined as :

- (a) Money payment the self-employed resources could have earned in their best alternative employment
- (b) Payment to the non-owners of the firm for the resources they supply
- (c) Costs, which do not change over a period of time.
- (d) None of these.

21. The Average Total Cost of Producing 50 units is Rs 250 and Total Fixed cost is Rs1,000. What is the Average Fixed cost of producing 100 units.
(a) Rs 10 (b) Rs 30 (c) Rs 20 (d) Rs 5
22. When AC increase as a result of an increase in output
(a) $MC = AC$ (b) $MC < AC$ (c) $MC > AC$ (d) Nothing can be said
23. Economic Cost includes
(a) Accounting Cost + Explicit Cost (b) Accounting Cost + Implicit Cost
(c) Fixed Cost + Variable Cost (d) Accounting Cost + Non-Accounting Cost
24. Fixed Costs are a function of
(a) Output (b) Time
(c) Both (a) and (b) (d) Neither (a) nor (b)
25. If variable cost per unit (i.e. AVC) is constant at all levels of output, TVC Curve will be
(a) Curve with positive slope (b) Straight Line with positive slope
(c) Rectangular Hyperbola (d) None of these
26. Which of the following is not a determinant of the Firm's Cost Function?
(a) Production Function (b) Price of Labour
(c) Rent paid for use of Building (d) Price of the Firm's output
27. The demand for a Factor of production is said to be a Derived Demand because
(a) It is a function of the profitability of an enterprise
(b) It depends on the supply of complementary factors
(c) It stems from the demand for the final product
(d) It arises out of means being scarce in relation to wants
28. Costs which do not involve any cash payment to outsiders are called
(a) Explicit Cost (b) Implicit Cost (c) Variable Cost (d) Fixed Cost
29. Marginal cost curve of a Firm shows _____ behavior when compared to Marginal production (MP) curve.
(a) Same (b) Reverse
(c) Either (a) or (b) (d) Nothing can be said
30. TVC Curve will commence from
(a) A certain point on the Quantity Axis (X Axis)
(b) A certain point on the Cost Axis (Y Axis)
(c) Origin
(d) Any of the above
31. Which of the following is the function of an entrepreneur?
(a) Risk bearing (b) Innovating
(c) Initiating a business enterprise (d) All of the above
32. Which cost increases continuously with the increase in production?

(a) Average cost (b) Marginal cost (c) fixed cost (d) Variable cost

33. Average product of a variable input is

- (a) The total product divided by the price of the product.
- (b) The same as marginal product when marginal product is maximum
- (c) The total product divided by the amount of variable input used
- (d) The same as total product when marginal product is zero

34. 'Long run' can be defined as a period of time.

- (a) Long enough to enable producers of a good to change the quantities of all the resources they employ.
- (b) Long enough to recover the cost of production of a good.
- (c) Long enough to recover fixed costs.
- (d) In which equilibrium is established.

35. Constant returns to scale refer to

- (a) The range over which there will be reduction in the average cost of producing a good as the firm expands.
- (b) The range over which there will be a reduction in the marginal cost of producing a good as the firm expands the size of its plant.
- (c) The range over which there will be an increase in the average cost of producing a good as the firm expands the size of its plant.
- (d) The range over which the long run average cost of producing a good is constant.

36. The marginal product of an input is

- (a) The extra product reduced by reducing 1 unit of input while other inputs are changing
- (b) The extra product added by reducing 1 unit of input while other inputs are held constant.
- (c) The extra product added by 1 extra unit of input while other inputs are held constant.
- (d) The extra product reduced by 1 extra unit of input while other inputs are held constant.

37. Land is subject to the law of Returns.

- (a) Diminishing (b) Increasing (c) Decreasing (d) Negative

38. In long run all costs are known _____ costs.

- (a) Fixed (b) Semi fixed
- (c) Variable (d) Both variable and fixed

39. Which of the following cost curves is never 'U' shaped?

- (a) Average cost curve (b) marginal cost curve (c) Average variable cost curve
- (d) Average fixed cost curve

40. Demand for the factor of production is known as _____

- (a) Autonomous demand (b) Derived demand
- (c) Latent demand (d) Industry demand

41. The average product decreases when marginal product is _____ than average product is

- _____.
- (a) More (b) Same as
 - (c) Less (d) Neither more nor less

42. Diminishing marginal returns for the first four units of a variable input is exhibited by the total

product sequence :

- (a) 50, 50, 50, 50 (b) 50, 40, 30, 20
- (c) 50, 110, 180, 260 (d) 50, 90, 120, 140.

43. In the third of the three stages of production :

- (a) The total product curve has an increasing slope.
- (b) The marginal product curve has a positive curve.
- (c) The marginal product curve lies completely below the average product curve.
- (d) Total product increases.

44. What is the total output when 2 hours of labour are employed?

- (a) 80 (b) 100 (c) 180 (d) 200

45. What is the marginal product of the third hour of labour?

- (a) 60 (b) 100 (c) 240 (d) 80

46. What is the average product of the first three hours of labour?

- (a) 80 (b) 60 (c) 100 (d) 240

47. Short Run can be defined as :

- (a) A sample production of a small quantity.
- (b) A period of time in which the producers of a good can change the output by varying of all resources they employ.
- (c) A period of time in which the producers of a good can change the output by varying some but not all the resources the employ.
- (d) A period of time long enough for firms to enter or leave an industry.

48. Economies of scale refer to :

- (a) The forces, which reduce the marginal cost of producing a good as the firm expands the size of its plant.
- (b) The forces, which increases the average cost of producing a good as the firm expands the size of the plant.
- (c) The forces, which increases the marginal cost of producing a good as the marginal cost of producing a good as the firm expands the size of its plant.
- (d) The forces, which reduces the average cost of producing a good as the firm expands the size of its plant.

49. Diseconomies of scale refer to:

- (a) The forces, which reduce the average cost of producing a good as the firm expands the size of its plant.
- (b) The forces, which reduce the marginal cost of producing a good as the firm expands the size of its plant.
- (c) The forces, which increase the average cost of producing a good as the firm expands

the size of its plant.

(d) The forces, which increase the marginal cost of producing a good as the firm expands the size of its plant.

50. What is the average product of the first three hours of labour?

(a) 60 (b) 80 (c) 100 (d) 240