SNS COLLEGE OF TECHNOLOGY

(*An Autonomous Institution*)

COIMBATORE-35

DEPARTMENT OF ELECTRICAL AND ELECTRONICS ENGINEERING

19MEE301 – ENGINEERING ECONOMICS & COST ANALYSIS

MUTIPLE CHOICE QUESTIONS

Q The imposition of a per-unit tax causes the

monoplist'sSAC curve alone to shift up

SMC curve alone to shift up

SAC and SMC both shift up

SAC shift up but SMC shift downward

cannot say

Q. The major difference between Monopolistic Competition and Perfect Competition is in terms of:

Number and size distribution of sellers

Number and size distribution of buyers

Product differentiation

Entry and exit of firms

The objective of the firms

Q. If a consumer's Price Consumption Curve resulting from fall in the price of a commodity (represented on X axis) is horizontal, the Price elasticity of demand for this commodity would be:

Unity

More than unity

Less than unity

Zero

Infinite

Q. When AP = MP

AP is minimum

AP is maximum

MP is minimum

MP is maximum

TP is maximum

Q. When TP is maximum

AP is zero

MP is maximum

MP is zero

AP is minimum

None of the above

Q. Production in short run should take place in stage

I

II

III

IV

None of the above

Q. As a firm moves down an isoquant, the $MRTS_{LK}$

Increases

Decreases

Remains constant

At first increases and then decreases

At first decreases and then increases

Q. The LAC curve is tangent to the lowest point on the SAC curves, when LAC is falling

Always

Sometimes

Never

Cannot say

None of the above

Q. Equilibrium of firm under perfect competition comes where

P = MC

MR = MC

AC = MC

Both (a) and (c) above

Both (a) and (b) above

Q. The demand schedule faced by the individual purely competitive firm is:

Perfectly inelastic

Relatively inelastic

Highly inelastic

Relatively elastic

Perfectly elastic

Q. Which of the following holds true where average cost per unit, AC, has reached its minimum level?

AVC(average variable cost) = FC (fixed cost)

Marginal cost (MC) = Average Cost (AC)

Price (P) = Average variable cost (AVC)

Marginal cost (MC) = Average variable Cost (AVC)

P (Price) = Marginal cost (MC)

Q. A driver wishes to buy gasoline and have his car washed. The car wash costs Rs.1 when he buys up to 19 gallons of gas at Rs.1.10 each. However if he buys 20 gallons, the car wash is free. The marginal cost of the twentieth gallon to him is

Rs.1

Rs.2.20

Rs.0.10

Rs.1.10

Can not be determined with this information

Q. Which of the following would provide the best evidence that a commodity is being produced under conditions of perfect competition?

Producer's profits are high

Producer's profits are low

The market is very large

The total supply curve is highly inelastic

The demand curve is infinitely elastic.

Q. If the monopolist could find buyers for 9 units at a price of Rs.5 (no excess quantity demanded), and if marginal revenue due to the tenth unit were Rs.2, the highest price at which this monopolist could find buyers for 10 units must be

Rs.2.00

Rs.3.00

Rs.5.70

Rs.4.70

Rs.5.20

Explanation:

Total revenue by selling 10 units is 47 and hence price is (47/10) = 4.70

Q. All but one of the following is barriers to entry that help explain the existence of monopoly. Which is not such barrier?

Economies of scale

Control of essential raw materials

Patent ownership

Highly inelastic demand

Unfair competitive practices

Q. A firm achieves least cost in production by substituting factors until:

Their factor prices are equal

Their marginal physical products are equal

Their marginal physical products are each equal to their factor prices

Their marginal physical products are each zero

The ratio of marginal physical products are equal to ratio of prices Which is equal marginal rate of technical substitution

Q. When an economy is operating maximum efficiency, the production of more of commodity A will entail the production of less of commodity B because:

Of the law of increasing real costs

Material wants are insatiable

The structure of demand is fixed at any point in time

Resources are limited

Resources are specialized and only imperfectly shiftable

Q. The basic difference between consumer goods and capital goods is that:

Consumer goods are produced in the private sector and investment goods are in the public sector

An economy that commits a relatively large proportion of its resources to capital goods must accept a lower growth rate

Consumer goods satisfy wants directly, while capital goods satisfy indirectly

Consumer goods satisfy wants indirectly and capital goods satisfy wants directly

There is no such distinction in economics

Q. A price that is said to be too high for equilibrium means that

No producer can cover his cost of production at that price

Quantity supplied exceeds quantity demanded at that price

Producers are leaving the industry

Consumers are all willing to buy all the units produced at that price

Quantity demanded exceeds quantity supplied at that price

Q. If a consumer is to maximize utility it is necessary and sufficient:

That the bundle of goods he purchases is somewhere on the budget constraint

That he purchases as many as he can

No inferior goods are purchased

The ratio of marginal utilities will be equal to the ratio of prices and which will be equal to marginal rate of substitution

There are no necessary and sufficient conditions

Q. If a change in all inputs leads to a proportional change in the output, it is a case of

Increasing returns to scale

Constant returns to scale

Diminishing returns to scale

Variable returns to scale

Inefficient returns to scale

Q. The long run cost curves are U shaped because

Economies and diseconomies of scale

Constant returns

Increasing returns

Decreasing returns

Diseconomies of scale

Q. Business cycle refers to

fluctuations in the production of goods

fluctuations in aggregate economic activity over time

fluctuations in bank credit

fluctuations in profit level

Q. Economies of scale will lead to_____in LAC curve as output rise

Rise

Fall

Constant

Zero

Q. Opportunity cost is

Direct Cost

Total cost

Next best alternative cost

Fixed Cost

Q. Short-run Cost curves are U-shaped because of
Law of returns to scale
Law of variable proportions
Rate of interest
Inflation
Q. For positive rate of interest, Future Worth is greater than the Present Worth always
True
False
Q. Suppose goods X and Y are substitutes. Which of the following is TRUE?

a) An increase in the price of X will result in a decrease in the equilibrium price of Y.
b) An decrease in the price of X will result in an increase in the equilibrium quantity of Y.
c) An increase in the price of X will result in an increase in the equilibrium quantity of Y.
d) More than one of the above is true.

Q. To say that commodity X is an inferior good means that the income elasticity
a) is definitely greater than 1.
b) is negative.
c) is positive but could be greater than or less then (or equal to) 1.
d) is definitely between 0 and 1.

Q. A firm will shut down in the short run if;
fixed costs exceed revenues.
variable costs exceed revenues.
total costs exceed revenues.
it is suffering a loss.

Q. Social costs are those costs
not borne by the firms
incurred by the society
health hazards
all of these

Q. Break Even Point is also known as Shut down Point
True
False

Q. The highest and lowest point of business cycle is known as
Peak and Contraction
Contraction and Trough
Peak and Trough
Contraction and Expansion

Q. Which of the following is not an endogenous factor of business cycle
Change in RBI rules
International Trade Dispute
Government Budget
Government Spending

Q. At Peak of business Cycle, living expenses

Fall
Rise
Constant
Indifferent

Q1. Which among the following is exact opposite of inflation?

Stagflation
Disinflation
Hyperinflation
Deflation

Q2. Which out of the following is phenomenon that leads to Demand-Pull Inflation?

It is a situation when aggregate demand in an economy outpaces aggregate supply
It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment
It is a situation caused by an increase in prices of inputs like labour, raw material etc
It is a situation when a nation experiences very high and accelerating inflation.

Q3. Which out of the following is phenomenon that leads to Cost-Push Inflation?

It is a situation when aggregate demand in an economy outpaces aggregate supply
It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment
It is a situation caused by an increase in prices of inputs like labour, raw material etc
It is a situation when a nation experiences very high and accelerating inflation.

Q7. Which out of the following is phenomenon that leads to Hyperinflation?

It is a situation when aggregate demand in an economy outpaces aggregate supply
It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment
It is a situation caused by an increase in prices of inputs like labour, raw material etc
It is a situation when a nation experiences very high and accelerating inflation.

Q8. Which out of the following is phenomenon that leads to Deflation?

It is a decrease in the rate of inflation – a slowdown in the rate of increase of the general price level of goods and services
It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment

It is the situation where prices fall continuously or have tendency to fall

It represents price rise in all goods and services but does not include articles from food and energy sector.

Q10. Which out of the following is termed as Core Inflation?

It is a decrease in the rate of inflation – a slowdown in the rate of increase of the general price level of goods and services

It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment

It is the situation where prices fall continuously or have tendency to fall

It represents price rise in all goods and services but does not include articles from food and energy sector.

<u>Old</u>

Q1. Which of the following will cause a shift in the supply of sofa beds?

A change in the rent of apartments

A change in the price of sofa beds

A 10% subsidy (paid to producers) on the sales of sofa beds

A 10% subsidy given to the consumer on the purchase of sofa beds

A 10% subsidy (paid to builders) on the sale of apartment.

Explanation:

Production subsidy makes producers willing to accept lower price from consumers and shift the supply curve down.

Q2. If the demand curve for product B shifts to the right as the price product of A declines, it can be concluded that

A and B are substitutes

A and B are complementary goods

A is an inferior good and B is a superior good

A is a superior good and B is an inferior good

Both (a) and (b) are inferior goods

Explanation:

In case of complements good if the price of one commodity decreases the other commodity demand will increases. For Ex: If the price of Brick decreases the demand for brick as well as its related increases (Cement, Steel, Construction etc.)

Q3. Any two points on a given indifference curve represent.

Two ways of consuming the same amount of each good contained in the consumption basket.

Combinations of goods a consumer can purchase which give him the same total amount of utility

The optimal points of consumption

The consumer's lack of preference among the goods he purchases

Violation of non-satiety condition

Explanation:

Indifference curve is the locus of all commodity combinations in which the consumer will get the same level of satisfaction.

Q4. Suppose the elasticity coefficients of demand are 2.1, 0.30, 1.37, 0.87 and 2.18 for demand schedules D1, D2, D3, D4 and D5 respectively. A one percent increase in price will result in an increase in total revenue for:

D1 only

D1 and D3

D2 and D4

D3 and D4

D4 and D5

Explanation:

If the elasticity is inelastic then one can increase total revenue by increasing the price.

Q5. A price that is said to be too high for equilibrium means that Quantity supplied exceeds quantity demanded at that price

Q6. If a consumer is to maximize utility it is necessary and sufficient:

That the bundle of goods he purchases is somewhere on the budget constraint

That he purchases as many as he can

No inferior goods are purchased

The ratio of marginal utilities will be equal to the ratio of prices and which will be equal to marginal rate of substitution

There are no necessary and sufficient conditions

Explanation:

At the point where indifference curve is tangent to the budget line the consumer maximizes his utility and at that point MRS will be equal to ratio of marginal utilities which will be equal to ratio of prices.

Q7. The need for study for economics arises because

The resources are scarce

The resources have alternative uses

Human wants are unlimited

Wants are of varying degree of importance

All of the above

Q8. Mr. Mohan's demand curve for commodity X is Q = 8 – P. The maximum quantity of X, that Mohan may demand is

Infinite
80
8
Zero
800

Q9. When price of a good increases and other things remain the same, there is **Movement along the demand curve**

Q10. When income of a person increases then it leads to

Rightward shift of the demand curve
Leftward shift of the demand curve
Movement along the demand curve
Increase in the quantity demanded
Decrease in the quantity demanded

Q11. Suppose the government imposes sales tax of Rs.3 per unit on a commodity then its

Supply curve will shift up

Q12. Coefficient of price elasticity of demand is always

Negative
Positive
Greater than 1
Less than 1
None of the above

Q13. When coefficient of cross elasticity of demand of X for Y is positive, that means

Goods are complements
Goods are substitutes
Goods are non related
Goods X and Y are inferior
Goods Xand Y are normal

Q14. Car of indigenous model is luxury at low levels of income. At very high levels of income it becomes

Luxury
Necessity
Inferior
All of the above
None of the above

Q15. At saturation point, the consumer's marginal utility is

Maximum

Minimum

Positive

Negative

Zero

Q16. Why is water, which is so essential for life is so cheap, while diamond, which is not so essential to life, so expensive?

Because MU from last unit of water is very low as compared to that of diamond

Q17. MRS_{XY} measures –

The amount of Y, a consumer is willing to give up to obtain one additional unit of X. Such that he is on the same level of satisfaction

The amount of X, a consumer is willing to give up to obtain one additional unit of Y. such that he is on the same level of satisfaction

Slope of the indifference curve

Both (a) and (c) above

Both (b) and (c) above

Q18. With a given supply curve, a decrease in demand causes

An overall decrease in price and a decrease in equilibrium quantity

Q19. All of the following are determinants of supply except:

Price

Income levels

Objectives of the firm

Level of technology

Price of inputs

20All of the following are determinants of demand except:

Price

Tastes

Supply

Price of other goods

Population

Q21. Whether the following statement True.

For an addicted user the elasticity of demand is likely to be less than unity

True

Q22. If the sale of an addictive substance is prohibited from wide public use, the following is/are likely to happen

The supply curve will move downward

An illegal market still exists where the illegal price will be more than the legal price

Its legal price will be more than the illegal price

The occasional users may switchover to substitutes

Both (b) and (d) above

Q23. Which of the following statements is false in relation to consumer equilibrium?

A consumer gets maximum utility at a point where the budget line is tangential to the indifference curve

The substitution ratio gives the slope of the indifference curve

Other things remaining the same, a change in the price of one good results in a new budget line will not be parallel to the previous one

In equilibrium, the marginal utilities are proportional to the price

Equi- marginal utility is achieved at the mid-point of the budget line

Q24. Which of the following statements is true with respect to the demand and consumer behavior?

The area under the triangle formed by the consumer budget line with the two axes gives the total income of the consumer

The slopes of the indifference curve and the budget line are equal at the point of maximum satisfaction

A rise in the income will move the budget line outward in a parallel fashion

Both (a) and (b) above

Both (b) and (c) above

Q25. Which of the following statement(s) is true with respect to the indifference curves and consumer behavior?

The demand curve can be formed by joining all the new equilibrium points that results due to a change in the price of one good

The demand curve can be formed by joining all new equilibrium points that result due to a change in the income of the consumer

A point on the indifference curve signifies the equally desirable combination of two goods

Both (a) and (c) above

Both (b) and (c) above

Q26. What is the meaning of ‘incidence’?

The ultimate impact of inflation on the consumers

The ultimate economic impact of a change in government expenditure on the economy

The ultimate impact of change in price on the consumers in a monopoly

The ultimate impact of a change in price on the suppliers in a monopsony

The ultimate economic impact or burden of tax

Q27. The difference between the concepts ‘ordinal ‘and ‘cardinal’ is

Cardinal is dimensionless whereas ordinal is quantifiable

Ordinal variables could be ranked while cardinals are not

Ordinal is dimensionless whereas cardinal is quantifiable

Cardinal variable a could be ranked while ordinals are not

None of the above

Q28. For a product, industry demand and supply functions are estimated to be

Qd = 500-10P

Qs = 300+10P

If government puts a price ceiling of Rs.9 for the product, there is ___________________

shortage in the industry

Q29. The cross elasticity of demand to measure the degree of monopoly power shows

value is equal to zero for the monopoly

value is equal to one for the monopoly

lower the value higher the monopoly power

the value is finite

Both (a) and (c) above

Q30. A ‘Giffen Good’ is a commodity for which an increase in its price causes its quantity demanded to:

Increase somewhat

Decrease but only marginally

Decrease substantially

Increase infinitely

Remain at the previous level

Q31. What will happen if a rise in the wages for workers in the software industry leading to an increase in the supply of software professionals?

There will be a movement along the supply curve?

Q32. If the absolute value of the price elasticity of demand is less than 1, then:

A decrease in price lowers total revenue

Q33. The demand for a product tends to be inelastic if:

A small proportion of the consumer's income is spent on the commodity