More File Visit VUAnswer.com

Question # 1 of 15 (Start time: 01:24:42 PM) Total Marks: 1

A person with a diminishing marginal utility of income:

Select correct option:

Will be risk averse.

Will be risk neutral.

Will be risk loving.

Cannot decide without more information.

We know that the demand for a product is elastic if:

Select correct option:

When price rises, revenue rises.

When price rises, revenue falls.

When price rises, quantity demanded rises.

When price falls, quantity demanded rises

The demand for chicken is downward-sloping. Suddenly the price of chicken rises from

Rs. 130 per kg to Rs. 140 per kg. This will cause:

Select correct option:

The demand curve of chicken to shift to the right.

The demand curve of chicken to shift to the left.

Quantity demanded of chicken to increase.

Quantity demanded of chicken to decrease

A Demand Curve is price inelastic when:

Select correct option:

Changes in demand are proportionately smaller than those in price.

Changes in demand are proportionately greater than those in price.

Changes in demand are equal than those in price.

None of the given options

the income elasticity of demand is 1/2, the good is:
Select correct option:
A luxury.
A normal good (but not a luxury).
An inferior good.
A Giffen good.

It is expected that the sign of cross price elasticity of demand between two
complementary goods would be:
Select correct option:
Positive.
Negative.
Zero.
Ambiguous.

A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
Resources are not perfectly shiftable between productions of the two goods.
Capital goods and consumer goods utilize the same production technology.
Resources are scarce relative to human wants.
Opportunity costs are decreasing.

we observe that the production possibilities curve becomes steeper as we move down
along the curve, then:
Select correct option:

www.virtualinspire.com

Opportunity costs are increasing.
Society's resources are limited.
Society's wants are unlimited.
Society's wants are unlimited.

The burden of a tax is shifted toward buyers if:
Select correct option:
Demand is perfectly elastic.
Demand is relatively more elastic than supply.
Demand is relatively more inelastic than supply.
Demand and supply have equal elasticities

When government sets the price of a good and that price is above the equilibrium price,
the result will be:
Select correct option:
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

Our economy is characterized by:
Select correct option:

Unlimited wants and needs.
Unlimited material resources.
No energy resources.
Abundant productive labor.

www.virtualinspire.com

Moving from left to right, the typical production possibilities curve:
Select correct option:
Is horizontal
Has a constant positive slope.
Illustrates increasing opportunity costs.
Illustrates decreasing opportunity costs

When the price elasticity of demand for a good is greater than 1, we say that the demand
is:
Select correct option:
Increasing.
Decreasing.
Elastic.
Inelastic.

Microeconomics is the branch of economics that deals with which of the following
topics?
Select correct option:
The behavior of individual consumers
Unemployment and interest rates
The behavior of individual firms and investors
The behavior of individual consumers and behavior of individual firms and investors

law of diminishing marginal utility states:
Select correct option:

www.virtualinspire.com

More File Visit VUAnswer.com

The supply curve slopes upward.
Your utility grows at a slower and slower rate as you consume more and more units of a
good.
The elasticity of demand is infinite.
None of the given options

Question # 1 of 15 (Start time: 09:41:00 PM) Total Marks: 1
Which of the following is true about the market mechanism?
Select correct option:
It is not a very efficient means of communicating consumer demand to the producers of
goods and services.
It works through central planning by government.
It eliminates market failures created by government.
It works because prices serve as a means of communication between consumers and producers.

Question # 2 of 15 (Start time: 09:42:19 PM) Total Marks: 1
Goods X and Y are complements while goods X and Z are substitutes. If the supply of
good X increases:
Select correct option:
The demand for both Y and Z will increase
The demand for Y will increase while the demand for Z will decrease

www.virtualinspire.com

The demand for Y will decrease while the demand for Z will increase
The demand for both Y and Z will decrease

Question # 3 of 15 (Start time: 09:43:27 PM) Total Marks: 1
The percentage change in quantity demanded of a given good, with respect to the
percentage change in the price of "another" good is called:
Select correct option:
Price elasticity of demand.
Income elasticity of demand.
Cross price elasticity of demand.
Supply price elasticity.

Question # 5 of 15 (Start time: 09:45:17 PM) Total Marks: 1
Marginal utility is best described as:
Select correct option:
The additional satisfaction gained by consumption of the last good.
The per unit satisfaction of the good consumed.
The total satisfaction gained from the total consumption of the good.
The change in satisfaction from consuming one additional unit of the good.

Question # 6 of 15 (Start time: 09:46:17 PM) Total Marks: 1

www.virtualinspire.com

More File Visit VUAnswer.com

The principle economic difference between a competitive and a non-competitive market
is:
Select correct option:
The number of firms in the market.
The extent to which any firm can influence the price of the product.
The size of the firms in the market.
The annual sales made by the largest firms in the market

Question # 7 of 15 (Start time: 09:47:45 PM) Total Marks: 1
Which of the following does NOT refer to macroeconomics?
Select correct option:
The study of the aggregate level of economic activity.
The study of the economic behavior of individual decision-making units such as consumers, resource owners, and business firms.
The study of the cause of unemployment.
The study of the cause of inflation.

Question # 8 of 15 (Start time: 09:48:27 PM) Total Marks: 1
The concave shape of the production possibilities curve for two goods X and Y
illustrates:
Select correct option:
Increasing opportunity costs for both goods.
Increasing opportunity cost for good X but not for good Y.
Increasing opportunity cost for good Y but not for good X.
Constant opportunity costs for both goods.

www.virtualinspire.com

More File Visit VUAnswer.com

Question # 9 of 15 (Start time: 09:49:03 PM) Total Marks: 1
While drawing a given market demand curve,---------- is not considered constant.
Select correct option:
Income.
The price of the good in question.
The prices of related goods.
Preferences.

Question # 10 of 15 (Start time: 09:50:32 PM) Total Marks: 1
A Demand Curve is price inelastic when:
Select correct option:
Changes in demand are proportionately smaller than those in price.
Changes in demand are proportionately greater than those in price.
Changes in demand are equal than those in price.
None of the given options

Question # 11 of 15 (Start time: 09:50:58 PM) Total Marks: 1
A new technology which reduces costs for firms:
Select correct option:
Shifts the supply curve to the right.
Shifts the supply curve to the left.
Reduces the equilibrium quantity.
Raises the equilibrium price.

Question # 12 of 15 (Start time: 09:52:11 PM) Total Marks: 1
The law of increasing opportunity costs states that:

www.virtualinspire.com

More File Visit VUAnswer.com

Select correct option:

The more one is willing to pay for resources, the larger will be the possible level of production.

Increasing the production of a particular good will cause the price of the good to rise.

In order to produce additional units of a particular good, it is necessary for society tosacrifice increasingly larger amounts of alternative goods.

Only by keeping production constant can rising prices be avoided.

Question # 13 of 15 (Start time: 09:53:32 PM) Total Marks: 1

A rational person does not act unless:

Select correct option:

The action is ethical.

The action produces marginal costs that exceeds marginal benefits.

The action produces marginal benefits that exceeds marginal costs.

The action makes money for the person.

Question # 14 of 15 (Start time: 09:54:58 PM) Total Marks: 1

The effect of a change in income on the quantity of the good consumed is called the:

Select correct option:

Income effect.

Budget effect.

Substitution effect.

Real income effect

www.virtualinspire.com

Question # 15 of 15 (Start time: 09:55:32 PM) Total Marks: 1
The opportunity cost of an action:
Select correct option:
Will be the same for everyone.
Is the value of the next best alternative.
Measures the undesirable aspects of that action.
Is the average amount of unhappiness experienced by everyone involved.

Question # 1 of 15 (Start time: 09:56:31 PM) Total Marks: 1
Price elasticities are measured in percentage terms because:
Select correct option:
It makes students' lives more complicated.
The resulting measure is unit free.
It gives a more accurate answer.
The answer is always negative that way

Question # 2 of 15 (Start time: 09:57:54 PM) Total Marks: 1
Other things being equal, expected income can be used as a direct measure of well-being:
Select correct option:
No matter what a person's preference to risk.
If and only if individuals are not risk-loving.
If and only if individuals are risk averse.
If and only if individuals are risk neutral.

Question # 3 of 15 (Start time: 09:59:18 PM) Total Marks: 1

www.virtualinspire.com

More File Visit VUAnswer.com

Demand is said to be ---------- when the elasticity of demand is less than 1.
Select correct option:
Increasing
Decreasing
Elastic
Inelastic

Question # 4 of 15 (Start time: 10:00:07 PM) Total Marks: 1
A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
Resources are not perfectly shiftable between productions of the two goods.
Capital goods and consumer goods utilize the same production technology.
Resources are scarce relative to human wants.
Opportunity costs are decreasing.

Question # 6 of 15 (Start time: 10:01:37 PM) Total Marks: 1
If the quantity supplied of mangoes exceeds the quantity demanded of mangoes:
Select correct option:
There is a shortage of mangoes.
Market forces will cause the price to fall.
Market forces will cause the price to rise.
The market is in equilibrium.

Question # 7 of 15 (Start time: 10:02:27 PM) Total Marks: 1

www.virtualinspire.com

More File Visit VUAnswer.com

Suppose we find that the cross-price elasticity of demand for two products is a negative
number. We know that:
Select correct option:
The two goods are normal goods.
The two goods are inferior goods.
The two goods are substitutes.
The two goods are complements

Question # 8 of 15 (Start time: 10:03:33 PM) Total Marks: 1
An individual with a constant marginal utility of income will be:
Select correct option:
Risk averse.
Risk neutral.
Risk loving.
Insufficient information for a decision

Question # 10 of 15 (Start time: 10:04:59 PM) Total Marks: 1
The numerical measurement of a consumer's preference is called:
Select correct option:
Satisfaction.
Use.
Pleasure.
Utility.

Question # 11 of 15 (Start time: 10:05:40 PM) Total Marks: 1
Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

www.virtualinspire.com

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

Question # 12 of 15 (Start time: 10:06:31 PM) Total Marks: 1
The concept of a risk premium applies to a person that is:
Select correct option:
Risk averse
Risk neutral
Risk loving
All of the given options
Question # 13 of 15 (Start time: 10:07:37 PM) Total Marks: 1
According to the law of diminishing marginal utility, as the consumption of particular
good increases:
Select correct option:
Total utility increases.
Marginal utility increases.
Total utility decreases.
Marginal utility decreases

Question # 14 of 15 (Start time: 10:08:23 PM) Total Marks: 1
The extra value that consumers receive above what they pay for that good is called:
Select correct option:
Producer surplus.
Utility.
Marginal utility.

www.virtualinspire.com

Consumer surplus.

Question # 15 of 15 (Start time: 10:09:13 PM) Total Marks: 1
The study of economics basically focuses on:
Select correct option:
For whom resources are allocated to increase efficiency.
How society spends the income of individuals.
How scarce resources are allocated to fulfill society's goals.
What scarce resources are used to produce goods and services.

Question # 1 of 15 (Start time: 10:10:44 PM) Total Marks: 1
Production possibilities analysis assumes that:
Select correct option:
Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way

Question # 4 of 15 (Start time: 10:14:28 PM) Total Marks: 1
Consider two commodities X and Y. If the cross-elasticity of demand is positive, it means
the goods are:
Select correct option:
Independent.
Complements.
Substitutes.
Inferior.

www.virtualinspire.com

Question # 5 of 15 (Start time: 10:15:42 PM) Total Marks: 1
A normative economic statement:
Select correct option:
Is a statement of fact.
Is a hypothesis used to test economic theory.
Is a statement of what ought to be, not what is.
Is a statement of what will occur if certain assumptions are true.

Question # 6 of 15 (Start time: 10:16:28 PM) Total Marks: 1
Which of the following will happen if there is an increase in the long term economic
growth?
Select correct option:
The production possibilities curve will shift outward.
The production possibilities curve will shift inward.
There will be a movement from inside the production possibilities curve to a point on the production possibilities curve.
There will be a movement from the production possibilities curve to a point inside the production possibilities curve.

Question # 8 of 15 (Start time: 10:19:24 PM) Total Marks: 1
Which of the following is a characteristic of a mixed economy?
Select correct option:
In mixed economy, resources are governed by both government and individuals.
Mixed economy utilizes the characteristics of both market economy and planned
economy to allocate goods and services.

www.virtualinspire.com

People are free to make their decisions and government controls the Defence.

All of the given options are true.

Question # 9 of 15 (Start time: 10:20:19 PM) Total Marks: 1
The cross elasticity of demand of complements goods is:
Select correct option:

Less than 0.

Equal to 0.
Greater than 0.
Between 0 and 1

Question # 10 of 15 (Start time: 10:21:07 PM) Total Marks: 1
If the cross price elasticity of demand between two products is +3.5, then:
Select correct option:
One of the products is expensive and one is relatively inexpensive.
One product is a normal good and the other is an inferior good.
The two products are complements.

The two products are substitutes.

Question # 12 of 15 (Start time: 10:23:43 PM) Total Marks: 1
The correlation between an asset's real rate of return and its risk (as measured by its
standard deviation) is usually:
Select correct option:

Positive.

Strictly linear.
Flat.

www.virtualinspire.com

Negative.

Question # 13 of 15 (Start time: 10:24:49 PM) Total Marks: 1
When government sets the price of a good and that price is above the equilibrium price,
the result will be:
Select correct option:
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

Question # 14 of 15 (Start time: 10:26:09 PM) Total Marks: 1
Economists who are concerned about the behavior of individual households, firms and
industries are studying:
Select correct option:
Microeconomics
Macroeconomics
Positive economics
Normative economics

Question # 15 of 15 (Start time: 10:27:14 PM) Total Marks: 1
The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.

www.virtualinspire.com

More File Visit VUAnswer.com
ECO401_latest solved mcqs with reference by shifa .. Mega Super File

Refers to the idea that total utility is negative

A Demand Curve is price inelastic when:
Select correct option:
Changes in demand are proportionately smaller than those in price.
Changes in demand are proportionately greater than those in price.
Changes in demand are equal than those in price.
None of the given options

The income elasticity of demand is 1/2, the good is:
Select correct option:
A luxury.
A normal good (but not a luxury).
An inferior good.
A Giffen good.

It is expected that the sign of cross price elasticity of demand between two complementary goods would be:
Select correct option:
Positive.
Negative.
Zero.
Ambiguous.

A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
Resources are not perfectly shiftable between productions of the two goods.
Capital goods and consumer goods utilize the same production technology.
Resources are scarce relative to human wants.
Opportunity costs are decreasing.

We observe that the production possibilities curve becomes steeper as we move down along the curve, then:
Select correct option:

www.virtualinspire.com

More File Visit VUAnswer.com

Opportunity costs are increasing.
Society's resources are limited.
Society's wants are unlimited.
Society's wants are unlimited.

The burden of a tax is shifted toward buyers if:
Select correct option:
Demand is perfectly elastic.
Demand is relatively more elastic than supply.
Demand is relatively more inelastic than supply.
Demand and supply have equal elasticities

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

Our economy is characterized by:
Select correct option:
Unlimited wants and needs.
Unlimited material resources.
No energy resources.
Abundant productive labor.

Moving from left to right, the typical production possibilities curve:
Select correct option:
Is horizontal.
Has a constant positive slope.
Illustrates increasing opportunity costs.
Illustrates decreasing opportunity costs

www.virtualinspire.com

More File Visit VUAnswer.com

When the price elasticity of demand for a good is greater than 1, we say that the demand is:
Select correct option:
Increasing.
Decreasing.
Elastic.
Inelastic.

Microeconomics is the branch of economics that deals with which of the following
topics?
Select correct option:
The behavior of individual consumers
Unemployment and interest rates
The behavior of individual firms and investors
The behavior of individual consumers and behavior of individual firms and investors

Law of diminishing marginal utility states:
Select correct option:
The supply curve slopes upward.
Your utility grows at a slower and slower rate as you consume more and more units of a good.
The elasticity of demand is infinite.
None of the given options.

Which of the following is true about the market mechanism?
Select correct option:
It is not a very efficient means of communicating consumer demand to the producers of goods and services.
It works through central planning by government.
It eliminates market failures created by government.
It works because prices serve as a means of communication between consumers and producers.

Goods X and Y are complements while goods X and Z are substitutes. If the supply of good X increases:
Select correct option:
The demand for both Y and Z will increase

www.virtualinspire.com

More File Visit VUAnswer.com

The demand for Y will increase while the demand for Z will decrease
The demand for Y will decrease while the demand for Z will increase
The demand for both Y and Z will decrease

The percentage change in quantity demanded of a given good, with respect to the percentage change in the price of "another" good is called:
Select correct option:
Price elasticity of demand.
Income elasticity of demand.
Cross price elasticity of demand.
Supply price elasticity.

Marginal utility is best described as:
Select correct option:
The additional satisfaction gained by consumption of the last good.
The per unit satisfaction of the good consumed.
The total satisfaction gained from the total consumption of the good.
The change in satisfaction from consuming one additional unit of the good.

The principle economic difference between a competitive and a non-competitive market is:
Select correct option:
The number of firms in the market.
The extent to which any firm can influence the price of the product.
The size of the firms in the market.
The annual sales made by the largest firms in the market

Which of the following does NOT refer to macroeconomics?
Select correct option:
The study of the aggregate level of economic activity.
The study of the economic behavior of individual decision-making units such as
consumers, resource owners, and business firms.
The study of the cause of unemployment.
The study of the cause of inflation.

The concave shape of the production possibilities curve for two goods X and Y
illustrates:

www.virtualinspire.com

More File Visit VUAnswer.com

Select correct option:
Increasing opportunity costs for both goods.
Increasing opportunity cost for good X but not for good Y.
Increasing opportunity cost for good Y but not for good X.
Constant opportunity costs for both goods.

While drawing a given market demand curve,----------is not considered constant.
Select correct option:
Income.
The price of the good in question.
The prices of related goods.
Preferences.

www.virtualinspire.com

More File Visit VUAnswer.com

A Demand Curve is price inelastic when:
Select correct option:
Changes in demand are proportionately smaller than those in price.
Changes in demand are proportionately greater than those in price.
Changes in demand are equal than those in price.
None of the given options

A new technology which reduces costs for firms:
Select correct option:
Shifts the supply curve to the right.
Shifts the supply curve to the left.
Reduces the equilibrium quantity.
Raises the equilibrium price.

The law of increasing opportunity costs states that:
Select correct option:
The more one is willing to pay for resources, the larger will be the possible level of production.
Increasing the production of a particular good will cause the price of the good to rise.
In order to produce additional units of a particular good, it is necessary for society to sacrifice increasingly larger amounts of alternative goods.
Only by keeping production constant can rising prices be avoided.

A rational person does not act unless:
Select correct option:
The action is ethical.
The action produces marginal costs that exceeds marginal benefits.
The action produces marginal benefits that exceeds marginal costs.
The action makes money for the person.

The effect of a change in income on the quantity of the good consumed is called the:
Select correct option:
Income effect.
Budget effect.
Substitution effect.
Real income effect

www.virtualinspire.com

More File Visit VUAnswer.com

The opportunity cost of an action:

Select correct option:

Will be the same for everyone.

Is the value of the next best alternative.

Measures the undesirable aspects of that action.

Is the average amount of unhappiness experienced by everyone involved.

www.virtualinspire.com

More File Visit VUAnswer.com

Price elasticities are measured in percentage terms because:
Select correct option:
It makes students' lives more complicated.
The resulting measure is unit free.
It gives a more accurate answer.
The answer is always negative that way

Other things being equal, expected income can be used as a direct measure of well-being:
Select correct option:
No matter what a person's preference to risk.
If and only if individuals are not risk-loving.
If and only if individuals are risk averse.
If and only if individuals are risk neutral.

Demand is said to be ----------when the elasticity of demand is less than 1.
Select correct option:
Increasing
Decreasing
Elastic
Inelastic

A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
Resources are not perfectly shiftable between productions of the two goods.
Capital goods and consumer goods utilize the same production technology.
Resources are scarce relative to human wants.
Opportunity costs are decreasing.

If the quantity supplied of mangoes exceeds the quantity demanded of mangoes:
Select correct option:
There is a shortage of mangoes.
Market forces will cause the price to fall.
Market forces will cause the price to rise.
The market is in equilibrium.

www.virtualinspire.com

More File Visit VUAnswer.com

Suppose we find that the cross-price elasticity of demand for two products is a negative number. We know that:
Select correct option:
The two goods are normal goods.
The two goods are inferior goods.
The two goods are substitutes.
The two goods are complements

An individual with a constant marginal utility of income will be:
Select correct option:
Risk averse.
Risk neutral.
Risk loving.
Insufficient information for a decision

The numerical measurement of a consumer's preference is called:
Select correct option:
Satisfaction.
Use.
Pleasure.
Utility.

Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:
All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

The concept of a risk premium applies to a person that is:
Select correct option:
Risk averse
Risk neutral
Risk loving
All of the given options

www.virtualinspire.com

More File Visit VUAnswer.com

According to the law of diminishing marginal utility, as the consumption of particular good increases:
Select correct option:
Total utility increases.
Marginal utility increases.
Total utility decreases.
Marginal utility decreases

The extra value that consumers receive above what they pay for that good is called:
Select correct option:
Producer surplus.
Utility.
Marginal utility.
Consumer surplus.

The study of economics basically focuses on:
Select correct option:
For whom resources are allocated to increase efficiency.
How society spends the income of individuals.
How scarce resources are allocated to fulfill society's goals.
What scarce resources are used to produce goods and services.

Production possibilities analysis assumes that:
Select correct option:
Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way

Consider two commodities X and Y. If the cross-elasticity of demand is positive, it means the goods are:
Select correct option:
Independent.
Complements.
Substitutes.
Inferior.

www.virtualinspire.com

More File Visit VUAnswer.com

A normative economic statement:
Select correct option:
Is a statement of fact.
Is a hypothesis used to test economic theory.
Is a statement of what ought to be, not what is.
Is a statement of what will occur if certain assumptions are true.

Which of the following will happen if there is an increase in the long term economic growth?
Select correct option:
The production possibilities curve will shift outward.
The production possibilities curve will shift inward.
There will be a movement from inside the production possibilities curve to a point on the production possibilities curve.
There will be a movement from the production possibilities curve to a point inside the production possibilities curve.

Which of the following is a characteristic of a mixed economy?
Select correct option:
In mixed economy, resources are governed by both government and individuals.
Mixed economy utilizes the characteristics of both market economy and planned
economy to allocate goods and services.
People are free to make their decisions and government controls the Defence.
All of the given options are true.
The cross elasticity of demand of complements goods is:
Select correct option:
Less than 0.
Equal to 0.
Greater than 0.
Between 0 and 1

If the cross price elasticity of demand between two products is +3.5, then:
Select correct option:
One of the products is expensive and one is relatively inexpensive.
One product is a normal good and the other is an inferior good.
The two products are complements.

www.virtualinspire.com

The two products are substitutes.

The correlation between an asset's real rate of return and its risk (as measured by its standard deviation) is usually:
Select correct option:
Positive.
Strictly linear.
Flat.
Negative.

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

Economists who are concerned about the behavior of individual households, firms and industries are studying:
Select correct option:
Microeconomics
Macroeconomics
Positive economics
Normative economics

The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.
Refers to the idea that total utility is negative
A partial explanation for the inverse relationship between price and quantity demanded is that a:
Select correct option:
Lower price shifts the supply curve to the left.
Higher price shifts the demand curve to the left.

www.virtualinspire.com

More File Visit VUAnswer.com

Lower price shifts the demand curve to the right.
Higher price reduces the real incomes of buyers.

We know that the demand for a good or service is inelastic if:
Select correct option:
When price rises, quantity demanded rises.
When price rises, quantity demanded falls.
When price rises, total revenue rises.
When price rises, total revenue falls.

A person with a diminishing marginal utility of income:
Select correct option:
Will be risk averse.
Will be risk neutral.
Will be risk loving.
Cannot decide without more information

More output could be produced with available resources if:
Select correct option:
Resources are allocated efficiently.
Resources are imperfectly shiftable among alternative uses.
Prices are reduced.
The economy is operating at a point inside the production possibilities curve

Which of the following is true about the point on a nation's production-possibilities
curve?
Select correct option:
It shows an undesirable combination of goods and services.
It shows the combinations of production that are unattainable, given current technology and resources.
It shows the level of production that will cause both unemployment and inflation.
It shows that resources are fully employed in producing a particular combination of goods and services.

If a decrease in price increases total revenue:
Select correct option:
Demand is elastic.

www.virtualinspire.com

More File Visit VUAnswer.com

Demand is inelastic.
Supply is elastic.
Supply is inelastic.

The law of diminishing marginal utility indicates that the demand curve is:
Select correct option:
Vertical.
U shaped.
Upward sloping.
Downward sloping.

Suppose price rises from Rs. 15 to Rs. 17 and quantity demanded decreases by 20%. We can conclude:
Select correct option:
Demand is inelastic.
The elasticity of demand is 2.
Total revenue will decrease.
Demand is unit elastic.
If the supply of a product decreases and supply curve shifts leftward, and the demand for that product simultaneously increases and demand curve shifts rightward, then equilibrium:
Select correct option:
Price must rise.
Price must fall.
Quantity must rise.
Quantity must fall.

An individual whose attitude towards risk is known as:
Select correct option:
Risk averse.
Risk loving.
Risk neutral.
None of the given is necessarily correct.

A rational person does not act unless:
Select correct option:
The action is ethical.
The action produces marginal costs that exceeds marginal benefits.
The action produces marginal benefits that exceeds marginal costs.

www.virtualinspire.com

More File Visit VUAnswer.com

The action makes money for the person.

A demand schedule is best described as:
Select correct option:
A numerical tabulation of the quantity demanded of a good at different prices, ceteris paribus.
A graphical representation of the law of demand.
A systematic listing of all the variables that might conceivably bring about a change in demand.
A symbolic representation of the law of demand: P, Q and P, Q.
When the price elasticity of demand for a good is greater than 1, we say that the demand is:
Select correct option:
Increasing.
Decreasing.
Elastic.
Inelastic.

There is a price ceiling, there will be:
Select correct option:
Shortages.
Surpluses.
Equilibrium.
None of the given options

The quantity supplied of mangoes exceeds the quantity demanded of mangoes:
Select correct option:
There is a shortage of mangoes.
Market forces will cause the price to fall.
Market forces will cause the price to rise.
The market is in equilibrium

Price floor results in:
Select correct option:
Equilibrium.
Excess demand.
Excess supply.
All of the given options

www.virtualinspire.com

More File Visit VUAnswer.com

When the price of petrol rises by 8%, the quantity of petrol purchased falls by 6%. This shows that the demand for petrol is:
Select correct option:
Perfectly elastic.
Unit elastic.
Price elastic.
Price inelastic.

Which of the following defines the opportunity cost?
Select correct option:
It is measured only in rupees.
It is the cost to society of producing the goods.
It is the difficulty associated with using one good in place of another.
It is the cost of next best alternative forgone.

www.virtualinspire.com

More File Visit VUAnswer.com

A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:
Select correct option:
Supply Scedule.
Demand Scedule.
Quantity supplied Scedule.
Quantity demanded Schedule

When government sets the price of a good and that price is below the equilibrium price, the result will be:
Select correct option: olzz
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good

At the equilibrium price:
Select correct option:
There will be a shortage.
There will be neither a shortage nor a surplus.
There will be a surplus.
There are forces that cause the price to change

If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:
Select correct option:
More bread will be produced to meet the increased demand.
There will be a shortage of bread.
The demand for bread will decrease because suppliers will reduce their supply.
A surplus of bread will emerge.

The production possibilities curve:
Select correct option:
Shows all combinations of goods that society most desires.
Indicates that any combination of goods lying outside the curve is attainable.
Shows the maximum level of output that an economy can produce with all the available resources.

www.virtualinspire.com

More File Visit VUAnswer.com

Shows only those combinations of two goods that reflect "full production".

The percentage change in quantity demanded given a percentage change in consumer's income is known as:
Select correct option:
Price elasticity of demand.
Income elasticity of demand.
Supply price elasticity.
Cross price elasticity.

If utility remains the same for original and new combination of goods consumed, the effect of a change in the price of a good on the quantities consumed will be called as:
Select correct option:
Substitution effect.
Real income effect.
Income effect.
Budget effect.

If your demand price for one unit of a good is Rs. 100 and the market price is Rs. 75, your consumer's surplus will be:
Select correct option:
Rs.25.
Rs.50.
Rs.75.
Rs.100.

Suppose the price of railway ticket decreases, what will happen in the market for airline travel?
Select correct option:
The demand curve for airline travel shifts left.
The demand curve for airline travel shifts right.
The supply curve of airline travel shifts left.
The supply curve of airline travel shifts right.

What is the reason of leftward shift in the demand curve for product A?
Select correct option:
A decrease in income if A is an inferior good.
An increase in income if A is a normal good.

www.virtualinspire.com

More File Visit VUAnswer.com

An increase in the price of a product that is a close substitute for A.
An increase in the price of a product that is complementary to A

If the price elasticity of demand for beans is estimated to be -0.4, then a 20% increase in price will decrease the quantity demanded by:
Select correct option:
14%.
8%.
16%.
20%.

In pure capitalism, freedom of enterprise means that:
Select correct option:
Businesses are free to produce products that consumers want.
Consumers are free to buy goods and services that they want.
Resources are distributed freely to businesses that want them.
Government is free to direct the actions of businesses.

In a free-market economy, the allocation of resources is determined by:
Select correct option:
Votes taken by consumers.
A central planning authority.
Consumer preferences.
The level of profits of firms.

Question # 15 of 15 (Start time: 05:00:52 PM) Total Marks: 1
The shape of production possibilities curve is:
Select correct option:
Concave.
Convex.
Linear.
Positive.

uestion # 14 of 15 (Start time: 05:00:16 PM) Total Marks: 1
At any given point on an indifference curve, the the slope is equal to:
Select correct option:
Unity.
The marginal rate of substitution.

www.virtualinspire.com

More File Visit VUAnswer.com

The consumer's marginal utility.

None of the given options.

Question # 13 of 15 (Start time: 04:58:48 PM) Total Marks: 1

Which of the following is true about the total cost curve?

Select correct option:

It relates output with total cost.

It is usually upward sloping.

Gets steeper as output rises, due to diminishing marginal product of an input.

All of the given options are true.

Question # 12 of 15 (Start time: 04:57:22 PM) Total Marks: 1

Which of the following is a correct statement about the substitution effect?

Select correct option:

The substitution effect is always negative.

The substitution effect is positive for an inferior good.

The substitution effect measures how demand changes when income changes.

The substitution effect is positive for a Giffen good.

Question # 11 of 15 (Start time: 04:56:39 PM) Total Marks: 1

The numerical measurement of a consumer's preference is called:

Select correct option:

Satisfaction.

Use.

Pleasure.

Utility.

Question # 10 of 15 (Start time: 04:55:36 PM) Total Marks: 1

Which of the following might be considered to be a characteristic of a planned economy?

www.virtualinspire.com

More File Visit VUAnswer.com

Select correct option:

All income is completely evenly distributed.

Price is relatively unimportant as a means of allocating resources.

Goods and services produced reflect consumer sovereignty.

There is no incentive for people to work hard.

Question # 9 of 15 (Start time: 04:54:59 PM) Total Marks: 1

If the price elasticity of demand for beans is estimated to be -0.4, then a 20% increase in price will decrease the quantity demanded by:

Select correct option:

14%.

8%.

16%.

20%.

Question # 8 of 15 (Start time: 04:54:24 PM) Total Marks: 1

If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:

Select correct option:

More bread will be produced to meet the increased demand.

There will be a shortage of bread.

The demand for bread will decrease because suppliers will reduce their supply.

A surplus of bread will emerge.

Question # 7 of 15 (Start time: 04:53:26 PM) Total Marks: 1

A nation's production possibilities curve is "bowed out" from the origin because:

Select correct option:

Resources are not perfectly shiftable between productions of the two goods.

Capital goods and consumer goods utilize the same production technology.

Resources are scarce relative to human wants.

Opportunity costs are decreasing

www.virtualinspire.com

Question # 6 of 15 (Start time: 04:52:40 PM) Total Marks: 1
If your demand price for one unit of a good is Rs. 100 and the market price is Rs. 75, your consumer's surplus will be:
Select correct option:
Rs.25.
Rs.50.
Rs.75.
Rs.100.

Question # 5 of 15 (Start time: 04:52:14 PM) Total Marks: 1
Which of the following statements describes the presence of diminishing returns.
Select correct option:
The marginal product of a factor is positive and rising.
The marginal product of a factor is positive but falling.
The marginal product of a factor is falling and negative.
The marginal product of a factor is constant.

Question # 4 of 15 (Start time: 04:51:05 PM) Total Marks: 1
The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.
Refers to the idea that total utility is negative.

Question # 3 of 15 (Start time: 04:50:31 PM) Total Marks: 1
At the equilibrium price:
Select correct option:
There will be a shortage.
There will be neither a shortage nor a surplus.
There will be a surplus.
There are forces that cause the price to change.

www.virtualinspire.com

Question # 2 of 15 (Start time: 04:49:02 PM) Total Marks: 1
A negatively sloped isoquant implies:
Select correct option:
- Products with negative marginal utilities.
- Products with positive marginal utilities.
- Inputs with negative marginal products.
- Inputs with positive marginal products.

uestion # 1 of 15 (Start time: 04:47:35 PM) Total Marks: 1
If a firm pays cash to buy a building so as to have office space for its workers, the monthly opportunity cost of the building is best measured as:
Select correct option:
- The price the firm paid divided by twelve.
- Zero.
- The rent the firm could earn if it rented the building to another firm.
- The monthly mortgage payment the firm would have had to pay.

A monopolistically competitive firm in short run equilibrium:

- Will make negative profit (lose money).
- Will make zero profit (break-even).
- Will make positive profit.
- Any of the given are possible.

estion # 15 of 15 (Start time: 03:37:25 PM) Total Marks: 1
A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:
Select correct option:
- Supply Scedule.
- Demand Scedule.
- Quantity supplied Scedule.
- Quantity demanded Scedule.

www.virtualinspire.com

uestion # 13 of 15 (Start time: 03:35:48 PM) Total Marks: 1
At any given point on an indifference curve, the the slope is equal to:
Select correct option:
- Unity.
- The marginal rate of substitution.
- The consumer's marginal utility.
- None of the given options.

Question # 14 of 15 (Start time: 03:36:32 PM) Total Marks: 1
In which market structure do firms exist in very large numbers, each firm produces an identical product and there is freedom of entry and exit?
Select correct option:
- Monopoly
- Oligopoly
- Perfect competition
- Monopolistic competition

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:
- A surplus of the good.
- A shortage of the good.
- An increase in the demand for the good.
- A decrease in the supply of the good.

uestion # 11 of 15 (Start time: 03:34:48 PM) Total Marks: 1
Economists who are concerned about the behavior of individual households, firms and industries are studying:
Select correct option:
- Microeconomics
- Macroeconomics
- Positive economics
- Normative economics

A new technology which reduces costs for firms:
Select correct option:
- Shifts the supply curve to the right.

www.virtualinspire.com

Shifts the supply curve to the left.
Reduces the equilibrium quantity.
Raises the equilibrium price

estion # 8 of 15 (Start time: 03:31:27 PM) Total Marks: 1
Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

estion # 9 of 15 (Start time: 03:32:37 PM) Total Marks: 1
Other things being equal, expected income can be used as a direct measure of well-being:
Select correct option:

No matter what a person's preference to risk.
If and only if individuals are not risk-loving.
If and only if individuals are risk averse.
If and only if individuals are risk neutral.

Average physical product is equal to:
Select correct option:

TPPF
TPPF/QF
QF / TPPF
TPPF * QF

www.virtualinspire.com

Question # 8 of 15 (Start time: 03:44:38 PM) Total Marks: 1
Diminishing marginal returns implies:
Select correct option:

Decreasing marginal costs.
Increasing marginal costs.

Decreasing average variable costs.
Decreasing average fixed costs.

Question # 11 of 15 (Start time: 03:48:19 PM) Total Marks: 1
The total cost (TC) function is given as: TC = 200 + 5Q. What is the variable cost?
Select correct option:

200.
5Q.
5.
5 + (200/Q).

A market is said to be in equilibrium when:
Select correct option:

Supply equals Price.
There is downward pressure on price.
The amount consumers wish to buy at the current price equals the amount producers wish to sell at that price.
All buyers are able to find sellers willing to sell to them at the current price.

Question # 14 of 15 (Start time: 03:50:25 PM) Total Marks: 1
If the income elasticity of demand for boots is 0.2, a 10% increase in consumer income will lead to a:
Select correct option:

20% increase in the quantity of boots demanded.
20% decrease in the quantity of boots demanded.
2% increase in the quantity of boots demanded.
0.2% increase in the quantity of boots demanded.

If a firm operates in a perfectly competitive market, then it will most likely:
Select correct option:

Advertise its product on television.

www.virtualinspire.com

Have difficult time obtaining information about the market price.
Settle for whatever price is offered.
Have an easy time keeping other firms out of the market.

Question # 3 of 15 (Start time: 03:55:00 PM) Total Marks: 1
Which of the following is TRUE about the production function?
Select correct option:

It relates inputs with output.
It generates a curve that is upward sloping.
It shows diminishing marginal product of an input, since it gets flatter as output rises.
All of the given options are true.

An indifference curve is:
Select correct option:

A collection of market baskets that are equally desirable to the consumer.
A collection of market baskets that the consumer can buy.
A curve whose elasticity is constant for every price.
A curve which passes through the origin and includes all of the market baskets that the consumer regards as being equivalent.

15- Which of the following best describes an inferior good?
Select correct option:

A good for which price and quantity demanded are directly related.
A good for which price and quantity demanded are inversely related.
A good for which income and quantity demanded are directly related.
A good for which income and quantity demanded are inversely related.

If the cost of computer components falls, then
Select correct option:

www.virtualinspire.com

The demand curve for computers shifts to the right.
The demand curve for computers shifts to the left.
The supply curve for computers shifts to the right.
The supply curve for computers shifts to the left.

Question # 11 of 15 (Start time: 04:02:18 PM) Total Marks: 1
The law of diminishing returns assumes:
Select correct option:

There are no fixed factors of production.
There are no variable factors of production.
Utility is maximised when marginal product falls.
Some factors of production are fixed.

Average physical product is equal to:
Select correct option:

TPPF
TPPF/QF
QF / TPPF
TPPF * QF

If two goods were perfect complements, their indifference curves would be:
Select correct option:

Straight lines
L-shaped
Rectangular hyperbolas
Parabolic

If the demand curve for a good is downward sloping, then the good:
Select correct option:

Must be normal.
Must be inferior.
Must be Giffen.
Can be normal or inferior.

www.virtualinspire.com

Question # 3 of 15 (Start time: 04:10:14 PM) Total Marks: 1
Which of the following is considered to be a variable cost in the long run?
Select correct option:
- Expenditures for wages.
- Expenditures for research and development.
- Expenditures for raw materials.
- All of the given Costs.

Question # 4 of 15 (Start time: 04:11:44 PM) Total Marks: 1
If a profit-maximizing firm finds that, at its current level of production, MR < MC, it will:
Select correct option:
- Increase output.
- Operate at a loss.
- Shut down.
- Decrease output.

Question # 5 of 15 (Start time: 04:13:00 PM) Total Marks: 1
If utility remains the same for original and new combination of goods consumed, the effect of a change in the price of a good on the quantities consumed will be called as:
Select correct option:
- Substitution effect.
- Real income effect.
- Income effect.
- Budget effect.

Question # 15 of 15 (Start time: 04:19:34 PM) Total Marks: 1
If the price elasticity of demand for beans is estimated to be -0.4, then a 20% increase in price will decrease the quantity demanded by:
Select correct option:
- 14%.
- 8%.
- 16%.
- 20%.

www.virtualinspire.com

A firm maximizes profit by operating at the level of output where:
Select correct option:

Average revenue equals average cost.
Average revenue equals average variable cost.
Total costs are minimized.
Marginal revenue equals marginal cost.

Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

Demand is elastic when the elasticity of demand is:
Select correct option:

Greater than 0.
Greater than 1.
Less than 1.
Less than 0.

Marginal Cost is defined as:
Select correct option:

The derivative of Variable Cost with respect to quantity produced.
The derivative of Average Cost with respect to quantity produced.
The derivative of Total Cost with respect to quantity produced.
The derivative of Average Variable Cost with respect to quantity produced.

difference curves that are convex to the origin reflect:
Select correct option:

An increasing marginal rate of substitution.
A decreasing marginal rate of substitution.

www.virtualinspire.com

A constant marginal rate of substitution.
A marginal rate of substitution that first decreases then increases.

n economics, the “long run” is a time period in which:
Select correct option:
All inputs are variable.
All inputs are paid for.
All outputs are determined.
All loans are repaid.

Graphically, marginal revenue is defined as:
Select correct option:
The slope of a line from the origin to a point on the total revenue curve.
The slope of a line from the origin to the end of the total revenue curve.
The slope of the total revenue curve at a given point.
The vertical intercept of a line tangent to the total revenue curve at a given point.

Question # 1 of 15 (Start time: 10:26:26 AM) Total Marks: 1
If the supply of a product decreases and supply curve shifts leftward, and the demand for that product simultaneously increases and demand curve shifts rightward, then equilibrium:
Select correct option:
Price must rise.
Price must fall.
Quantity must rise.
Quantity must fall.

Question # 2 of 15 (Start time: 10:27:21 AM) Total Marks: 1
Which of the following will happen if there is an increase in the long term economic growth?
Select correct option:
The production possibilities curve will shift outward.
The production possibilities curve will shift inward.
There will be a movement from inside the production possibilities curve to a point on the production possibilities curve.

www.virtualinspire.com

There will be a movement from the production possibilities curve to a point inside the production possibilities curve.

Question # 3 of 15 (Start time: 10:28:00 AM) Total Marks: 1
The price elasticity of demand measures the responsiveness of quantity demanded to:
Select correct option:
Quantity demanded.
Quantity supplied.
Price.
Output.

Question # 4 of 15 (Start time: 10:28:24 AM) Total Marks: 1
According the law of diminishing returns:
Select correct option:
The marginal product falls as more units of a variable factor are added to a fixed factor.
Marginal utility falls as more units of a product are consumed.
The total product falls as more units of a variable factor are added to a fixed factor.
The marginal product increases as more units of a variable factor are added to a fixed factor.

Question # 5 of 15 (Start time: 10:29:19 AM) Total Marks: 1
What is the reason of leftward shift in the demand curve for product A?
Select correct option:
A decrease in income if A is an inferior good.
An increase in income if A is a normal good.
An increase in the price of a product that is a close substitute for A.
An increase in the price of a product that is complementary to A.

Question # 6 of 15 (Start time: 10:30:27 AM) Total Marks: 1
At the equilibrium price:
Select correct option:
There will be a shortage.
There will be neither a shortage nor a surplus.

www.virtualinspire.com

There will be a surplus.
There are forces that cause the price to change.

Question # 7 of 15 (Start time: 10:31:08 AM) Total Marks: 1
Which best expresses the law of demand?
Select correct option:
A higher price reduces demand.
A lower price reduces demand.
A higher price reduces quantity demanded.
A lower price shifts the demand curve to the right.

Question # 8 of 15 (Start time: 10:31:50 AM) Total Marks: 1
The production possibilities curve:
Select correct option:
Shows all combinations of goods that society most desires.
Indicates that any combination of goods lying outside the curve is attainable.
Shows the maximum level of output that an economy can produce with all the available resources.
Shows only those combinations of two goods that reflect "full production".

Question # 9 of 15 (Start time: 10:32:48 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 10 of 15 (Start time: 10:33:29 AM) Total Marks: 1
If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:
Select correct option:
More bread will be produced to meet the increased demand.
There will be a shortage of bread.

www.virtualinspire.com

The demand for bread will decrease because suppliers will reduce their supply.

A surplus of bread will emerge.

Question # 11 of 15 (Start time: 10:34:01 AM) Total Marks: 1
Which of the following is TRUE about the production function?
Select correct option:

It relates inputs with output.

It generates a curve that is upward sloping.

It shows diminishing marginal product of an input, since it gets flatter as output rises.

All of the given options are true.

uestion # 12 of 15 (Start time: 10:34:30 AM) Total Marks: 1
The total utility curve for a risk neutral person will be:
Select correct option:

Straight line.

Convex.

Concave.

None of the given options.

Question # 13 of 15 (Start time: 10:35:08 AM) Total Marks: 1
Graphically, marginal revenue is defined as:
Select correct option:

The slope of a line from the origin to a point on the total revenue curve.

The slope of a line from the origin to the end of the total revenue curve.

The slope of the total revenue curve at a given point.

The vertical intercept of a line tangent to the total revenue curve at a given point.

Question # 14 of 15 (Start time: 10:36:07 AM) Total Marks: 1
In a perfectly competitive market:
Select correct option:

Firms can freely enter and exit.

Firms sell a differentiated product.

www.virtualinspire.com

Transaction costs are high.
All of the given options.

Question # 15 of 15 (Start time: 10:36:39 AM) Total Marks: 1
Our economy is characterized by:
Select correct option:
Unlimited wants and needs.
Unlimited material resources.
No energy resources.
Abundant productive labor.

Question # 1 of 15 (Start time: 10:37:37 AM) Total Marks: 1
When drawing demand and supply curves, economists are assuming that the primary influence on production and purchasing decisions is:
Select correct option:
Price.
Cost of production.
The overall state of the economy.
Consumer incomes.

Question # 3 of 15 (Start time: 10:39:05 AM) Total Marks: 1
If marginal product is above the average product:
Select correct option:
The total product will fall
The average product will rise
Average variable costs will fall
Total revenue will fall

Question # 4 of 15 (Start time: 10:40:14 AM) Total Marks: 1
A rational person does not act unless:
Select correct option:
The action is ethical.
The action produces marginal costs that exceeds marginal benefits.
The action produces marginal benefits that exceeds marginal costs.
The action makes money for the person.

www.virtualinspire.com

Question # 5 of 15 (Start time: 10:41:04 AM) Total Marks: 1
The shape of production possibilities curve is:
Select correct option:
Concave.
Convex.
Linear.
Positive.

Question # 6 of 15 (Start time: 10:41:56 AM) Total Marks: 1
A firm maximizes profit by operating at the level of output where:
Select correct option:
Average revenue equals average cost.
Average revenue equals average variable cost.
Total costs are minimized.
Marginal revenue equals marginal cost.

Question # 7 of 15 (Start time: 10:42:36 AM) Total Marks: 1
Which of the following shows the condition for consumer's equilibrium?
Select correct option:
It can be expressed as marginal utility per dollar spent on each good being equalized across all goods.
It can be expressed as the ratio of (marginal utility per unit of the good)/(price per unit of the good) being equalized across all goods.
It can be expressed as the ratio of marginal utilities being equated to the ratio of prices for all possible pairs of goods.
All of the given options.

Question # 9 of 15 (Start time: 10:44:41 AM) Total Marks: 1
The total cost (TC) function is given as: TC = 200 + 5Q. What is the fixed cost?
Select correct option:
200.
5Q.
5.
5 + (200/Q).

Question # 10 of 15 (Start time: 10:45:12 AM) Total Marks: 1
Production possibilities analysis assumes that:
Select correct option:

www.virtualinspire.com

Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way.

Question # 11 of 15 (Start time: 10:45:48 AM) Total Marks: 1
The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.
Refers to the idea that total utility is negative.

Question # 12 of 15 (Start time: 10:47:03 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 13 of 15 (Start time: 10:47:41 AM) Total Marks: 1
If firms in a competitive industry are experiencing losses in the short run, then:
Select correct option:
The firms will try to raise prices.
Some firms will choose to shut down.
The industry will cease to exist.
New firms will enter the industry.

Question # 14 of 15 (Start time: 10:49:05 AM) Total Marks: 1
Which of the following is true about the market mechanism?
Select correct option:

www.virtualinspire.com

It is not a very efficient means of communicating consumer demand to the producers of goods and services.

It works through central planning by government.

It eliminates market failures created by government.

It works because prices serve as a means of communication between consumers and producers.

Question # 15 of 15 (Start time: 10:49:40 AM) Total Marks: 1

If the supply of a product decreases and supply curve shifts leftward, and the demand for that product simultaneously increases and demand curve shifts rightward, then equilibrium:

Select correct option:

Price must rise.

Price must fall.

Quantity must rise.

Quantity must fall.

law of diminishing marginal utility indicates that the demand curve is:

Select correct option:

Vertical.

U shaped.

Upward sloping.

Downward sloping.

The correlation between an asset's real rate of return and its risk (as measured by its standard deviation) is usually:

Select correct option:

Positive.

Strictly linear.

Flat.

Negative.

www.virtualinspire.com

is the rate at which a firm can substitute capital for labour and hold output constant.
Select correct option:

Diminishing marginal returns.
Marginal rate of substitution.
Marginal rate of factor substitution.
Marginal rate of production.

Production possibilities analysis assumes that:
Select correct option:

Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way.

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:

A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

If we observe that the production possibilities curve becomes steeper as we move down along the curve, then:
Select correct option:

Opportunity costs are increasing.
Society's resources are limited.
Society's wants are unlimited.
Society's wants are unlimited.

Which best expresses the law of demand?
Select correct option:

www.virtualinspire.com

A higher price reduces demand.
A lower price reduces demand.
A higher price reduces quantity demanded.
A lower price shifts the demand curve to the right.

15- Which of the following best describes an inferior good?
Select correct option:

A good for which price and quantity demanded are directly related.
A good for which price and quantity demanded are inversely related.
A good for which income and quantity demanded are directly related.
A good for which income and quantity demanded are inversely related.

of the following statements describes increasing returns to scale:
Select correct option:

Doubling the inputs used leads to double the output.
Increasing the inputs by 50% leads to a 25% increase in output.
Increasing inputs by 1/4 leads to an increase in output of 1/3.
None of the given options.

If a decrease in price increases total revenue:
Select correct option:

Demand is elastic.
Demand is inelastic.
Supply is elastic.
Supply is inelastic.

If the income elasticity of demand for boots is 0.2, a 10% increase in consumer income will lead to a:
Select correct option:

20% increase in the quantity of boots demanded.
20% decrease in the quantity of boots demanded.
2% increase in the quantity of boots demanded.
0.2% increase in the quantity of boots demanded

www.virtualinspire.com

According to the law of diminishing marginal utility, as the consumption of particular good increases:
Select correct option:

Total utility increases.
Marginal utility increases.
Total utility decreases.
Marginal utility decreases.

Question # 7 of 15 (Start time: 11:23:26 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 9 of 15 (Start time: 11:25:46 AM) Total Marks: 1
Consider two commodities X and Y. If the cross-elasticity of demand is positive, it means the goods are:
Select correct option:
Independent.
Complements.
Substitutes.
Inferior.

Question # 10 of 15 (Start time: 11:26:20 AM) Total Marks: 1
The point at which AC intersects MC is where:
Select correct option:
AC is decreasing.
MC is at its minimum.
AC is at its minimum.
AC is at its maximum.

The burden of a tax is shifted toward buyers if:
Select correct option:
Demand is perfectly elastic.
Demand is relatively more elastic than supply.

www.virtualinspire.com

Demand is relatively more inelastic than supply.
Demand and supply have equal elasticities.

Question # 13 of 15 (Start time: 11:29:32 AM) Total Marks: 1
The demand curve facing a perfectly competitive firm is:
Select correct option:
The same as its average revenue curve but not the same as its marginal revenue curve.
The same as its average revenue curve and its marginal revenue curve.
The same as its marginal revenue curve but not its average revenue curve.
Not the same as either its marginal revenue curve or its average revenue curve.

Question # 14 of 15 (Start time: 11:30:45 AM) Total Marks: 1
A person with a diminishing marginal utility of income:
Select correct option:
Will be risk averse.
Will be risk neutral.
Will be risk loving.
Cannot decide without more information.

Question # 15 of 15 (Start time: 11:31:46 AM) Total Marks: 1
The opportunity cost of an action:
Select correct option:
Will be the same for everyone.
Is the value of the next best alternative.
Measures the undesirable aspects of that action.
Is the average amount of unhappiness experienced by everyone involved

Question # 15 of 15 (Start time: 05:00:52 PM) Total Marks: 1
The shape of production possibilities curve is:
Select correct option:
Concave.
Convex.
Linear.
Positive.

www.virtualinspire.com

uestion # 14 of 15 (Start time: 05:00:16 PM) Total Marks: 1
At any given point on an indifference curve, the the slope is equal to:
Select correct option:

Unity.
The marginal rate of substitution.
The consumer's marginal utility.
None of the given options.

Question # 13 of 15 (Start time: 04:58:48 PM) Total Marks: 1
Which of the following is true about the total cost curve?
Select correct option:

It relates output with total cost.
It is usually upward sloping.
Gets steeper as output rises, due to diminishing marginal product of an input.
All of the given options are true.

Question # 12 of 15 (Start time: 04:57:22 PM) Total Marks: 1
Which of the following is a correct statement about the substitution effect?
Select correct option:

The substitution effect is always negative.
The substitution effect is positive for an inferior good.
The substitution effect measures how demand changes when income changes.
The substitution effect is positive for a Giffen good.

Question # 11 of 15 (Start time: 04:56:39 PM) Total Marks: 1
The numerical measurement of a consumer's preference is called:
Select correct option:

Satisfaction.
Use.
Pleasure.
Utility.

Question # 10 of 15 (Start time: 04:55:36 PM) Total Marks: 1
Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

www.virtualinspire.com

Question # 9 of 15 (Start time: 04:54:59 PM) Total Marks: 1
If the price elasticity of demand for beans is estimated to be -0.4, then a 20% increase in price will decrease the quantity demanded by:
Select correct option:
- 14%.
- 8%.
- 16%.
- 20%.

Question # 8 of 15 (Start time: 04:54:24 PM) Total Marks: 1
If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:
Select correct option:
- More bread will be produced to meet the increased demand.
- There will be a shortage of bread.
- The demand for bread will decrease because suppliers will reduce their supply.
- A surplus of bread will emerge.

Question # 7 of 15 (Start time: 04:53:26 PM) Total Marks: 1
A nation's production possibilities curve is "bowed out" from the origin because:
Select correct option:
- Resources are not perfectly shiftable between productions of the two goods.
- Capital goods and consumer goods utilize the same production technology.
- Resources are scarce relative to human wants.
- Opportunity costs are decreasing

Question # 6 of 15 (Start time: 04:52:40 PM) Total Marks: 1
If your demand price for one unit of a good is Rs. 100 and the market price is Rs. 75, your consumer's surplus will be:
Select correct option:
- Rs.25.
- Rs.50.
- Rs.75.
- Rs.100.

Question # 5 of 15 (Start time: 04:52:14 PM) Total Marks: 1
Which of the following statements describes the presence of diminishing returns.
Select correct option:
- The marginal product of a factor is positive and rising.
- The marginal product of a factor is positive but falling.

www.virtualinspire.com

The marginal product of a factor is falling and negative.
The marginal product of a factor is constant.

Question # 4 of 15 (Start time: 04:51:05 PM) Total Marks: 1
The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.
Refers to the idea that total utility is negative.

Question # 3 of 15 (Start time: 04:50:31 PM) Total Marks: 1
At the equilibrium price:
Select correct option:
There will be a shortage.
There will be neither a shortage nor a surplus.
There will be a surplus.
There are forces that cause the price to change.

Question # 2 of 15 (Start time: 04:49:02 PM) Total Marks: 1
A negatively sloped isoquant implies:
Select correct option:
Products with negative marginal utilities.
Products with positive marginal utilities.
Inputs with negative marginal products.
Inputs with positive marginal products.

uestion # 1 of 15 (Start time: 04:47:35 PM) Total Marks: 1
If a firm pays cash to buy a building so as to have office space for its workers, the monthly opportunity cost of the building is best measured as:
Select correct option:
The price the firm paid divided by twelve.
Zero.
The rent the firm could earn if it rented the building to another firm.
The monthly mortgage payment the firm would have had to pay.

A monopolistically competitive firm in short run equilibrium:

- Will make negative profit (lose money).
- Will make zero profit (break-even).

www.virtualinspire.com

► Will make positive profit.
► Any of the given are possible.

estion # 15 of 15 (Start time: 03:37:25 PM) Total Marks: 1
A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:
Select correct option:
Supply Scedule.
Demand Scedule.
Quantity supplied Scedule.
Quantity demanded Scedule.

uestion # 13 of 15 (Start time: 03:35:48 PM) Total Marks: 1
At any given point on an indifference curve, the the slope is equal to:
Select correct option:
Unity.
The marginal rate of substitution.
The consumer's marginal utility.
None of the given options.

Question # 14 of 15 (Start time: 03:36:32 PM) Total Marks: 1
In which market structure do firms exist in very large numbers, each firm produces an identical product and there is freedom of entry and exit?
Select correct option:
Monopoly
Oligopoly
Perfect competition
Monopolistic competition

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:
A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.
uestion # 11 of 15 (Start time: 03:34:48 PM) Total Marks: 1
Economists who are concerned about the behavior of individual households, firms and industries are studying:
Select correct option:
Microeconomics

www.virtualinspire.com

Macroeconomics
Positive economics
Normative economics

A new technology which reduces costs for firms:
Select correct option:

Shifts the supply curve to the right.
Shifts the supply curve to the left.
Reduces the equilibrium quantity.
Raises the equilibrium price

estion # 8 of 15 (Start time: 03:31:27 PM) Total Marks: 1
Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

estion # 9 of 15 (Start time: 03:32:37 PM) Total Marks: 1
Other things being equal, expected income can be used as a direct measure of well-being:
Select correct option:

No matter what a person's preference to risk.
If and only if individuals are not risk-loving.
If and only if individuals are risk averse.
If and only if individuals are risk neutral.

Average physical product is equal to:
Select correct option:

TPPF
TPPF/QF
QF / TPPF
TPPF * QF

Question # 8 of 15 (Start time: 03:44:38 PM) Total Marks: 1
Diminishing marginal returns implies:
Select correct option:

Decreasing marginal costs.

www.virtualinspire.com

Increasing marginal costs.
Decreasing average variable costs.
Decreasing average fixed costs.

Question # 11 of 15 (Start time: 03:48:19 PM) Total Marks: 1
The total cost (TC) function is given as: TC = 200 + 5Q. What is the variable cost?
Select correct option:

200.
5Q.
5.
5 + (200/Q).

A market is said to be in equilibrium when:
Select correct option:

Supply equals Price.
There is downward pressure on price.
The amount consumers wish to buy at the current price equals the amount producers wish to sell at that price.
All buyers are able to find sellers willing to sell to them at the current price.

Question # 14 of 15 (Start time: 03:50:25 PM) Total Marks: 1
If the income elasticity of demand for boots is 0.2, a 10% increase in consumer income will lead to a:
Select correct option:

20% increase in the quantity of boots demanded.
20% decrease in the quantity of boots demanded.
2% increase in the quantity of boots demanded.
0.2% increase in the quantity of boots demanded.

If a firm operates in a perfectly competitive market, then it will most likely:
Select correct option:

Advertise its product on television.
Have difficult time obtaining information about the market price.
Settle for whatever price is offered.
Have an easy time keeping other firms out of the market.

www.virtualinspire.com

Question # 3 of 15 (Start time: 03:55:00 PM) Total Marks: 1
Which of the following is TRUE about the production function?
Select correct option:

It relates inputs with output.
It generates a curve that is upward sloping.
It shows diminishing marginal product of an input, since it gets flatter as output rises.
All of the given options are true.

An indifference curve is:
Select correct option:

A collection of market baskets that are equally desirable to the consumer.
A collection of market baskets that the consumer can buy.
A curve whose elasticity is constant for every price.
A curve which passes through the origin and includes all of the market baskets that the consumer regards as being equivalent.

15- Which of the following best describes an inferior good?
Select correct option:

A good for which price and quantity demanded are directly related.
A good for which price and quantity demanded are inversely related.
A good for which income and quantity demanded are directly related.
A good for which income and quantity demanded are inversely related.

If the cost of computer components falls, then
Select correct option:

The demand curve for computers shifts to the right.
The demand curve for computers shifts to the left.
The supply curve for computers shifts to the right.
The supply curve for computers shifts to the left.

Question # 11 of 15 (Start time: 04:02:18 PM) Total Marks: 1
The law of diminishing returns assumes:
Select correct option:

There are no fixed factors of production.
There are no variable factors of production.
Utility is maximised when marginal product falls.
Some factors of production are fixed.

www.virtualinspire.com

Average physical product is equal to:
Select correct option:

TPPF
TPPF/QF
QF / TPPF
TPPF * QF

If two goods were perfect complements, their indifference curves would be:
Select correct option:

Straight lines
L-shaped
Rectangular hyperbolas
Parabolic

If the demand curve for a good is downward sloping, then the good:
Select correct option:

Must be normal.
Must be inferior.
Must be Giffen.
Can be normal or inferior.

Question # 3 of 15 (Start time: 04:10:14 PM) Total Marks: 1
Which of the following is considered to be a variable cost in the long run?
Select correct option:

Expenditures for wages.
Expenditures for research and development.
Expenditures for raw materials.
All of the given Costs.

Question # 4 of 15 (Start time: 04:11:44 PM) Total Marks: 1
If a profit-maximizing firm finds that, at its current level of production, MR < MC, it will:
Select correct option:

Increase output.
Operate at a loss.
Shut down.
Decrease output.

Question # 5 of 15 (Start time: 04:13:00 PM) Total Marks: 1
If utility remains the same for original and new combination of goods consumed, the

www.virtualinspire.com

effect of a change in the price of a good on the quantities consumed will be called as:
Select correct option:

Substitution effect.
Real income effect.
Income effect.
Budget effect.

Question # 15 of 15 (Start time: 04:19:34 PM) Total Marks: 1
If the price elasticity of demand for beans is estimated to be -0.4, then a 20% increase in price will decrease the quantity demanded by:
Select correct option:

14%.
8%.
16%.
20%.

A firm maximizes profit by operating at the level of output where:
Select correct option:

Average revenue equals average cost.
Average revenue equals average variable cost.
Total costs are minimized.
Marginal revenue equals marginal cost.

Which of the following might be considered to be a characteristic of a planned economy?
Select correct option:

All income is completely evenly distributed.
Price is relatively unimportant as a means of allocating resources.
Goods and services produced reflect consumer sovereignty.
There is no incentive for people to work hard.

Demand is elastic when the elasticity of demand is:
Select correct option:

Greater than 0.
Greater than 1.
Less than 1.
Less than 0.

Marginal Cost is defined as:
Select correct option:

The derivative of Variable Cost with respect to quantity produced.
The derivative of Average Cost with respect to quantity produced.
The derivative of Total Cost with respect to quantity produced.
The derivative of Average Variable Cost with respect to quantity produced.

www.virtualinspire.com

difference curves that are convex to the origin reflect:
Select correct option:
An increasing marginal rate of substitution.
A decreasing marginal rate of substitution.
A constant marginal rate of substitution.
A marginal rate of substitution that first decreases then increases.

n economics, the "long run" is a time period in which:
Select correct option:
All inputs are variable.
All inputs are paid for.
All outputs are determined.
All loans are repaid.

Graphically, marginal revenue is defined as:
Select correct option:
The slope of a line from the origin to a point on the total revenue curve.
The slope of a line from the origin to the end of the total revenue curve.
The slope of the total revenue curve at a given point.
The vertical intercept of a line tangent to the total revenue curve at a given point.

Question # 1 of 15 (Start time: 10:26:26 AM) Total Marks: 1
If the supply of a product decreases and supply curve shifts leftward, and the demand for that product simultaneously increases and demand curve shifts rightward, then equilibrium:
Select correct option:
Price must rise.
Price must fall.
Quantity must rise.
Quantity must fall.

Question # 2 of 15 (Start time: 10:27:21 AM) Total Marks: 1
Which of the following will happen if there is an increase in the long term economic growth?
Select correct option:
The production possibilities curve will shift outward.
The production possibilities curve will shift inward.
There will be a movement from inside the production possibilities curve to a point on the production possibilities curve.
There will be a movement from the production possibilities curve to a point inside the production possibilities curve.

www.virtualinspire.com

Question # 3 of 15 (Start time: 10:28:00 AM) Total Marks: 1
The price elasticity of demand measures the responsiveness of quantity demanded to:
Select correct option:
Quantity demanded.
Quantity supplied.
Price.
Output.

Question # 4 of 15 (Start time: 10:28:24 AM) Total Marks: 1
According the law of diminishing returns:
Select correct option:
The marginal product falls as more units of a variable factor are added to a fixed factor.
Marginal utility falls as more units of a product are consumed.
The total product falls as more units of a variable factor are added to a fixed factor.
The marginal product increases as more units of a variable factor are added to a fixed factor.

Question # 5 of 15 (Start time: 10:29:19 AM) Total Marks: 1
What is the reason of leftward shift in the demand curve for product A?
Select correct option:
A decrease in income if A is an inferior good.
An increase in income if A is a normal good.
An increase in the price of a product that is a close substitute for A.
An increase in the price of a product that is complementary to A.

Question # 6 of 15 (Start time: 10:30:27 AM) Total Marks: 1
At the equilibrium price:
Select correct option:
There will be a shortage.
There will be neither a shortage nor a surplus.
There will be a surplus.
There are forces that cause the price to change.

Question # 7 of 15 (Start time: 10:31:08 AM) Total Marks: 1
Which best expresses the law of demand?
Select correct option:
A higher price reduces demand.
A lower price reduces demand.
A higher price reduces quantity demanded.
A lower price shifts the demand curve to the right.

www.virtualinspire.com

Question # 8 of 15 (Start time: 10:31:50 AM) Total Marks: 1
The production possibilities curve:
Select correct option:
Shows all combinations of goods that society most desires.
Indicates that any combination of goods lying outside the curve is attainable.
Shows the maximum level of output that an economy can produce with all the available resources.
Shows only those combinations of two goods that reflect "full production".

Question # 9 of 15 (Start time: 10:32:48 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 10 of 15 (Start time: 10:33:29 AM) Total Marks: 1
If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:
Select correct option:
More bread will be produced to meet the increased demand.
There will be a shortage of bread.
The demand for bread will decrease because suppliers will reduce their supply.
A surplus of bread will emerge.

Question # 11 of 15 (Start time: 10:34:01 AM) Total Marks: 1
Which of the following is TRUE about the production function?
Select correct option:
It relates inputs with output.
It generates a curve that is upward sloping.
It shows diminishing marginal product of an input, since it gets flatter as output rises.
All of the given options are true.

uestion # 12 of 15 (Start time: 10:34:30 AM) Total Marks: 1
The total utility curve for a risk neutral person will be:
Select correct option:
Straight line.
Convex.
Concave.
None of the given options.

www.virtualinspire.com

Question # 13 of 15 (Start time: 10:35:08 AM) Total Marks: 1
Graphically, marginal revenue is defined as:
Select correct option:
- The slope of a line from the origin to a point on the total revenue curve.
- The slope of a line from the origin to the end of the total revenue curve.
- The slope of the total revenue curve at a given point.
- The vertical intercept of a line tangent to the total revenue curve at a given point.

Question # 14 of 15 (Start time: 10:36:07 AM) Total Marks: 1
In a perfectly competitive market:
Select correct option:
- Firms can freely enter and exit.
- Firms sell a differentiated product.
- Transaction costs are high.
- All of the given options.

Question # 15 of 15 (Start time: 10:36:39 AM) Total Marks: 1
Our economy is characterized by:
Select correct option:
- Unlimited wants and needs.
- Unlimited material resources.
- No energy resources.
- Abundant productive labor.

Question # 1 of 15 (Start time: 10:37:37 AM) Total Marks: 1
When drawing demand and supply curves, economists are assuming that the primary influence on production and purchasing decisions is:
Select correct option:
- Price.
- Cost of production.
- The overall state of the economy.
- Consumer incomes.

Question # 3 of 15 (Start time: 10:39:05 AM) Total Marks: 1
If marginal product is above the average product:
Select correct option:
- The total product will fall
- The average product will rise
- Average variable costs will fall
- Total revenue will fall

www.virtualinspire.com

Question # 4 of 15 (Start time: 10:40:14 AM) Total Marks: 1
A rational person does not act unless:
Select correct option:
The action is ethical.
The action produces marginal costs that exceeds marginal benefits.
The action produces marginal benefits that exceeds marginal costs.
The action makes money for the person.

Question # 5 of 15 (Start time: 10:41:04 AM) Total Marks: 1
The shape of production possibilities curve is:
Select correct option:
Concave.
Convex.
Linear.
Positive.

Question # 6 of 15 (Start time: 10:41:56 AM) Total Marks: 1
A firm maximizes profit by operating at the level of output where:
Select correct option:
Average revenue equals average cost.
Average revenue equals average variable cost.
Total costs are minimized.
Marginal revenue equals marginal cost.

Question # 7 of 15 (Start time: 10:42:36 AM) Total Marks: 1
Which of the following shows the condition for consumer's equilibrium?
Select correct option:
It can be expressed as marginal utility per dollar spent on each good being equalized across all goods.
It can be expressed as the ratio of (marginal utility per unit of the good)/(price per unit of the good) being equalized across all goods.
It can be expressed as the ratio of marginal utilities being equated to the ratio of prices for all possible pairs of goods.
All of the given options.

Question # 9 of 15 (Start time: 10:44:41 AM) Total Marks: 1
The total cost (TC) function is given as: TC = 200 + 5Q. What is the fixed cost?
Select correct option:
200.
5Q.
5.
5 + (200/Q).

Question # 10 of 15 (Start time: 10:45:12 AM) Total Marks: 1
Production possibilities analysis assumes that:
Select correct option:

www.virtualinspire.com

Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way.

Question # 11 of 15 (Start time: 10:45:48 AM) Total Marks: 1
The law of diminishing marginal utility:
Select correct option:
Refers to the decrease in total satisfaction as more units of the good are consumed.
Refers to the fall in additional satisfaction created by consumption of more and more.
Refers to the units of a good.
Refers to the idea that total utility is negative.

Question # 12 of 15 (Start time: 10:47:03 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 13 of 15 (Start time: 10:47:41 AM) Total Marks: 1
If firms in a competitive industry are experiencing losses in the short run, then:
Select correct option:
The firms will try to raise prices.
Some firms will choose to shut down.
The industry will cease to exist.
New firms will enter the industry.

Question # 14 of 15 (Start time: 10:49:05 AM) Total Marks: 1
Which of the following is true about the market mechanism?
Select correct option:
It is not a very efficient means of communicating consumer demand to the producers of goods and services.
It works through central planning by government.
It eliminates market failures created by government.
It works because prices serve as a means of communication between consumers and producers.

Question # 15 of 15 (Start time: 10:49:40 AM) Total Marks: 1
If the supply of a product decreases and supply curve shifts leftward, and the demand for that product simultaneously increases and demand curve shifts rightward, then

www.virtualinspire.com

equilibrium:
Select correct option:

Price must rise.
Price must fall.
Quantity must rise.
Quantity must fall.

law of diminishing marginal utility indicates that the demand curve is:
Select correct option:

Vertical.
U shaped.
Upward sloping.
Downward sloping.

The correlation between an asset's real rate of return and its risk (as measured by its standard deviation) is usually:
Select correct option:

Positive.
Strictly linear.
Flat.
Negative.

is the rate at which a firm can substitute capital for labour and hold output constant.
Select correct option:

Diminishing marginal returns.
Marginal rate of substitution.
Marginal rate of factor substitution.
Marginal rate of production.

Production possibilities analysis assumes that:
Select correct option:

Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way.

When government sets the price of a good and that price is above the equilibrium price, the result will be:
Select correct option:

www.virtualinspire.com

A surplus of the good.
A shortage of the good.
An increase in the demand for the good.
A decrease in the supply of the good.

If we observe that the production possibilities curve becomes steeper as we move down along the curve, then:
Select correct option:

Opportunity costs are increasing.
Society's resources are limited.
Society's wants are unlimited.
Society's wants are unlimited.

Which best expresses the law of demand?
Select correct option:

A higher price reduces demand.
A lower price reduces demand.
A higher price reduces quantity demanded.
A lower price shifts the demand curve to the right.

15- Which of the following best describes an inferior good?
Select correct option:

A good for which price and quantity demanded are directly related.
A good for which price and quantity demanded are inversely related.
A good for which income and quantity demanded are directly related.
A good for which income and quantity demanded are inversely related.

of the following statements describes increasing returns to scale:
Select correct option:

Doubling the inputs used leads to double the output.
Increasing the inputs by 50% leads to a 25% increase in output.
Increasing inputs by 1/4 leads to an increase in output of 1/3.
None of the given options.

If a decrease in price increases total revenue:
Select correct option:
Demand is elastic.
Demand is inelastic.

www.virtualinspire.com

Supply is elastic.
Supply is inelastic.

If the income elasticity of demand for boots is 0.2, a 10% increase in consumer income will lead to a:
Select correct option:

20% increase in the quantity of boots demanded.
20% decrease in the quantity of boots demanded.
2% increase in the quantity of boots demanded.
0.2% increase in the quantity of boots demanded

According to the law of diminishing marginal utility, as the consumption of particular good increases:
Select correct option:

Total utility increases.
Marginal utility increases.
Total utility decreases.
Marginal utility decreases.

Question # 7 of 15 (Start time: 11:23:26 AM) Total Marks: 1
Assume Leisure is a normal good. If income effect equals substitution effect then a wage rate increase will lead a person to:
Select correct option:
Increase hours of work
Decrease hours of work
Not change hours of work
None of the given options

Question # 9 of 15 (Start time: 11:25:46 AM) Total Marks: 1
Consider two commodities X and Y. If the cross-elasticity of demand is positive, it means the goods are:
Select correct option:
Independent.
Complements.
Substitutes.
Inferior.

Question # 10 of 15 (Start time: 11:26:20 AM) Total Marks: 1
The point at which AC intersects MC is where:
Select correct option:
AC is decreasing.
MC is at its minimum.
AC is at its minimum.

www.virtualinspire.com

AC is at its maximum.

The burden of a tax is shifted toward buyers if:
Select correct option:
Demand is perfectly elastic.
Demand is relatively more elastic than supply.
Demand is relatively more inelastic than supply.
Demand and supply have equal elasticities.

Question # 13 of 15 (Start time: 11:29:32 AM) Total Marks: 1
The demand curve facing a perfectly competitive firm is:
Select correct option:
The same as its average revenue curve but not the same as its marginal revenue curve.
The same as its average revenue curve and its marginal revenue curve.
The same as its marginal revenue curve but not its average revenue curve.
Not the same as either its marginal revenue curve or its average revenue curve.

Question # 14 of 15 (Start time: 11:30:45 AM) Total Marks: 1
A person with a diminishing marginal utility of income:
Select correct option:
Will be risk averse.
Will be risk neutral.
Will be risk loving.
Cannot decide without more information.

Question # 15 of 15 (Start time: 11:31:46 AM) Total Marks: 1
The opportunity cost of an action:
Select correct option:
Will be the same for everyone.
Is the value of the next best alternative.
Measures the undesirable aspects of that action.
Is the average amount of unhappiness experienced by everyone involved.

www.virtualinspire.com