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ECO 401 (16---38)

MCSs

1. The cost which does not vary with the level of production is known as:
   - Fixed cost
2. Which of the following is a variable cost in production?
   - Cost of labor
3. A firm initially faces downward sloping long run average cost curve due to:
   - Economies of scale
4. When a firm increases its level of production in the short run, its average fixed cost will:
   - Decrease
5. Average total cost is defined as:
   - Cost of one unit of output produced
6. When we divide total revenue by total quantity of goods sold, we get:
   - Average revenue
7. Profit of the firm is the difference between:
   - Total revenue and total cost
8. Average revenue curve for a price taking firm is:
   - Horizontal line
9. Average revenue curve for a price making firm is:
   - Downward sloping
10. According to Marginal Revenue-Marginal Cost approach, a firm maximizes its profits by producing output at a point where:
    - Marginal revenue equals marginal cost
11. The total revenue curve for a price taking firm is:
    - Upward sloping straight line
12. Suppose AR=5-Q is the average revenue function of a firm. The slope of given average revenue function (AR) with respect to output (Q) is:
    - -1
13. All of the following are assumptions of perfect competition EXCEPT:
    - Restrictions on Entry and exit of firms
14. Which of the following markets are more likely to operate under perfect competition market structure?
    - Market for wheat
15. The demand curve faced by an individual perfectly competitive firm is:
    - Horizontal
16. Suppose a firm is getting total revenue of Rs. 15000 by selling 50 units of output. If total cost of producing these 50 units is Rs. 9500, then profit of the firm is:
    - Rs. 5500
17. In the long run, perfectly competitive firms can make:
    - Only normal profits

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18. Which of the following is a characteristic of monopoly market structure?
    - Single producer in the market
19. The demand curve faced by a monopolist firm is:
    - Inelastic
20. In the long run, a monopolist can make:
    - Super normal profit
21. A monopoly firm determines its profit maximizing level of output where:
    - Marginal revenue equals marginal cost
22. All of the following are conditions of price discrimination EXCEPT:
    - Price elasticity of demand for different customers should be same.
23. Price discrimination in which a seller charges different prices from customers according to their ability to pay is known as:
    - First degree price discrimination
24. Price discrimination in which a seller charges different prices from customers who purchase different quantities is known as:
    - Second degree price discrimination
25. Price discrimination in which a seller charges different prices to different customers in different markets is known as:
    - Third degree price discrimination
26. A seller charges different prices of used cars from customers according to their ability to pay. This is an example of:
    - First degree price discrimination
27. A shop keeper gives discount to customers who purchase goods in large quantity. This is an example of:
    - Second degree price discrimination
28. All of the following are characteristics of monopolistic competition EXCEPT:
    - Single producer in the market
29. In the long run, firms operating in monopolistic competition can make:
    - Only normal profit
30. In automobiles industry, firms take interdependent decisions. This industry operates in which market structure?
    - Oligopoly
31. Which of the following is a characteristic of oligopoly market structure?
    - Small number of firms in the market
32. In cement industry, decisions of each firm are influenced by the decisions of other firms in this industry. In which market structure, this industry is operating?
    - Oligopoly
33. Suppose four automobiles firms collude and decide the optimal quantity and price. But later on, one of these automobile firms breaks the agreement and charges lower price to increase its share. This can occur in:
    - Non- collusive oligopoly
34. Which of the following markets operates in oligopoly market structure?
    - Oil Market

35. Suppose the marginal physical product of labor is Rs. 100. If the price of good that workers produce is Rs. 40, then the value of marginal product of labor will be:
    - 4000 **The value of marginal product of labour (VMPL) = MPPL x Pi**
36. The marginal revenue product of labor is the product of:
    - Marginal physical product of labor and marginal revenue
37. The shape of supply curve for labor is:
    - Backward bending
38. The net present value of an asset can be calculated by a formula:
    - Present value minus purchase cost
39. The labor supply curve explains the relationship between ---------- and hours worked by laborers.
    - Wage rate
40. The total planned or desired spending in the economy during a given period of time is known as:
    - Aggregate demand
41. Aggregate price level through the wealth, interest rate and international purchasing power effects are inversely related to:
    - Aggregate demand
42. The total value of goods and services that all the firms in the economy would and can willingly produce in a given time period is known as:
    - Aggregate supply
43. Aggregate supply is a function of:
    - Input, technology and price level
44. Which one of the following is true according to Say's law?
    - Supply creates its own demand
45. Full employment is a state of the economy in which the productive resources of the economy are:
    - Fully employed
46. At long run market equilibrium, people are unemployed voluntarily according to which of the following school of thought?
    - Classical
47. The total final output produced inside a country during a given year is known as:
    - Gross Domestic Product
48. In de-stocking the value of stocks which is held by the businesses is tend to:
    - Fall
49. A variable that is defined for an instant in time is known as:
    - Stock variable
50. A variable that is defined for a period of time is known as:
    - Flow variable
51. Which one of the followings is a flow variable?
    - income
52. The price at which firm sells its final output to the consumers is known as:
    - Factor price
53. Factor price plus indirect taxes imposed by the government is known as:
    - Market price

54. Gross Domestic Product (GDP) at factor cost will be equal to:
55. Which one of the followings is equal to Net Domestic Product (NDP)?
    - GDP - Depreciation allowance

56. Which one of the followings is equal to Gross National Product (GNP)?
    - GDP + Net factor incomes from abroad
57. Which one of the followings is equal to Net National Product (NNP)?
    - GNP - Depreciation allowance
58. This is the government's official measure of how much income is generated by the economy.
    - Net national Income (NNI)
59. Which one of the followings formulas is used to measure the GDP deflator?
    - GDP deflator = nominal GDP / real GDP
60. Which one of the followings formulas is used to measure disposable income?
    - Total income minus net taxes
61. The amount of national income that is spent on goods and services produced by domestic firms in a given period of time is known as:
    - Consumption
62. The extra amount that people consume when they receive an extra dollar of disposable income is called:
    - Marginal propensity to consume
63. The ratio of total consumption to total disposable income is called:
    - Average propensity to consume
64. The ratio of total saving to total disposable income is called:
    - Average propensity to save
65. Marginal propensity to consume is the slope of which one of the followings?
    - Consumption function
66. Marginal propensity to save is the slope of which one of the followings?
    - Saving function
67. Autonomous part of consumption is a consumption that is independent of:
    - Income
68. Monetary policy is ineffective and fiscal policy is effective if the investment demand curve is:
    - Vertical
69. The investment demand curve shows the negative relationship between:
    - The level of investment and interest rate
70. Suppose marginal propensity to consume is 0.6 and government expenditures increase by Rs.1000. The multiplier is equal to:
    - 1/ (1-0.6)
71. Consider a closed economy where total saving equals Rs. 90000, investment is Rs. 90000 and total tax collection is Rs. 37000. What are leakages into the circular flow of income?
    - Rs.127, 000
72. Consider a closed economy where total savings equals Rs. 70000, investment is Rs. 80000 and total government spending is Rs. 60000. What are injections into the circular flow of income?
    - 140,000

73. Let consider the marginal propensity to consume equals 0.5. The value of multiplier in this case is:
    - 2
74. Multiplier effect is a principal that states the change in investment causes a magnified change in:
75. If marginal propensity to consume (MPC) decreases, then the value of multiplier will:
    - Decrease
76. The value of multiplier will increase if:
    - The value of marginal propensity to consume (MPC) increases
77. If the leakages into the circular flow of income fall and higher the marginal propensity to consume then:
    - The value of multiplier will rise
78. If the leakages into the circular flow of income rise and lower the marginal propensity to consume then:
    - The value of multiplier will fall
79. Suppose level of investment in the economy is Rs. 800,000 and the change in output equals Rs. 90, 000. The value of accelerator is:
    - 8.88
80. Which of the following shows the unemployment rate?
    - Number of unemployed people / (employed people + unemployed people)
81. Which of the following shows the unemployment state?
    - When a person is without work
    - When a person is available to work
    - When a person is currently seeking work
82. Which type of unemployment occurs when a worker moves from one job to another?
    - Frictional unemployment
83. Which type of unemployment is caused by a mismatch between the location of jobs and the location of job seekers?
    - Structural unemployment
84. Which type of unemployment occurs when there is not enough aggregate demand for the labor?
    - Cyclical unemployment
85. Cyclical unemployment is also known as:
    - Demand deficient unemployment
86. Which type of unemployment is caused by a business cycle recession?
    - Cyclical unemployment
87. Which type of unemployment is caused by the replacement of workers by machines?
    - Technological unemployment
88. A situation when the general level of prices rises is called:
    - Inflation
89. A situation when the general level of prices falls is called:
    - Deflation
90. A situation when the prices of all the goods and services in the economy are rising at the same rate is called:

- Pure inflation

91. Which of the following are true about the costs of inflation in an economy?
    - High inflation increases uncertainty for firms
    - Resource wastage is high when inflation is high
    - High inflation impacts on investment negatively

92. Which curve states the inverse relationship between unemployment and inflation rate?
    - Philips curve
93. Demand pull inflation is caused by increase in:
    - Aggregate demand
94. Cost push inflation is caused by increase in:
    - Cost of production
95. Which theory emphasizes on the positive relationship between overall prices and quantity of money?
    - Quantity theory of money
96. (Real money supply) Ã—(Velocity of money) = (Price level)Ã—(Real output). This is true about which theory?
    - Quantity theory of money
97. The basic cause of inflation according to quantity theory of money is an increase in the:
    - Money supply
98. An accounting record of a countryâ€™s transactions with the rest of the world is called:
    - Balance of payment
99. A countryâ€™s balance of payment is determined by which of the following?
    - Exports of goods and services
    - Imports of goods and services
    - Financial transfers
100. Which of the following is one of the major indicators of a country's status in international trade with net capital outflow?
    - Balance of payment
101. Which of the following describes how much one currency is worth in terms of the other currency?
    - Exchange rate
102. The act of reducing the price of one nation's currency in terms of other currencies is called:
    - Devaluation
103. The act of increasing the price of one nation's currency in terms of other currencies is called:
    - Revaluation
104. Which of following are the components of a countryâ€™s balance of payments?
    - Current account
    - Capital account

- Changes to reserves

105. If countryâ€™s exports are equal to imports, it is called:
    - Balance of trade
106. If countryâ€™s exports are greater than imports, it is called:
    - Current account surplus
107. If countryâ€™s exports are less than imports, it is called:
    - Current account deficit
108. Which indicates the countryâ€™s increasing indebtedness to the rest of the world?
    - Capital account surplus
109. Which indicates the countryâ€™s decreasing indebtedness to the rest of the world?
    - Capital account deficit
110. An increase in economy's level of production, output or income is called:
    - Economic growth
111. The aggregate capacity output of a nation is known as:
    - Potential output
112. The maximum quantity of goods and services that can be produced with available resources and a given state of technology is called:
    - Potential output
113. Which of the following measures the value of output during a given year using the prices prevailing during that year?
    - Nominal GDP
114. Which of the following measures the value of output in two or more different years by valuing the goods and services adjusted for inflation?
    - Real GDP
115. Which of the following is true?
    - Real GDP = Nominal GDP – Inflation