Question No : 1 of 27 Marks: 1 (Budgeted Time 1 Min)

"Maria is trying to decide which courses to take in next semester. She has narrowed down her choice to two courses Microeconomics and Macroeconomics. Now she is having trouble; she just cannot decide which of the two courses to take. It's not that she is indifferent between the two courses, she just cannot decide". An economist would say that this is an example of preferences that:

Answer (Please select your correct option)

- Are not transitive.
- Are incomplete.
- Violate the assumption that more is preferred to less.
- All of the given options.

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Question No : 2 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is NOT a generally accepted means of reducing risk?

Answer (Please select your correct option)

- Diversification.
- Insurance.
- Obtaining more information.
- None of the given options.

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Question No : 3 of 27 Marks: 1 (Budgeted Time 1 Min)

The slope of the total product curve is the:

Answer (Please select your correct option)

- Average product.
- Marginal product.
- Marginal rate of technical substitution.
- None of the given options.

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Question No : 4 of 27 Marks: 1 (Budgeted Time 1 Min)

An isoquant:

Answer (Please select your correct option)

- Must be linear.
- Cannot have a negative slope.
- Is a curve that shows all the combinations of inputs that yield the same total output.
- Is a curve that shows the maximum total output as a function of the level of labor input.

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Question No : 5 of 27 Marks: 1 (Budgeted Time 1 Min)

Supply curve meant for:

Answer (Please select your correct option)

- The quantity of output consumers are willing to purchase at each possible market price.
- The difference between quantity demanded and quantity supplied at each price.
- The maximum level of output an industry can produce, regardless of price.
- The quantity of output that producers are willing to produce and sell at each possible market price.

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Question No : 6 of 27 Marks: 1 (Budgeted Time 1 Min)

A risk-averse individual has:

Answer (Please select your correct option)

- An increasing marginal utility of income.
- An increasing marginal utility of risk.
- A diminishing marginal utility of income.
- A diminishing marginal utility of risk.

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Question No : 7 of 27 Marks: 1 (Budgeted Time 1 Min)

What does L-shaped isoquant indicates?

Answer (Please select your correct option)

- They indicate that the firm could not switch from one output to another.
- They indicate that capital and labor cannot be substituted for each other in production.
- They indicate that capital and labor are perfect substitutes in production.
- None of the given options are true.

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Question No : 8 of 27 Marks: 1 (Budgeted Time 1 Min)

Usually the shape of production possibilities frontier is:

Answer (Please select your correct option)

- Concave.
- Convex.
- Linear.
- Positive.

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Question No : 9 of 27 Marks: 1 (Budgeted Time 1 Min)

Suppose a student organizes a study group by reserving a room, compiling study materials and attracting fellow students. This student would most likely be which of the following factors of production?

Answer (Please select your correct option)

- Labor
- Money
- Capital
- Entrepreneurship

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Question No : 10 of 27 Marks: 1 (Budgeted Time 1 Min)

Demand is elastic when the elasticity of demand is:

Answer (Please select your correct option)

- Greater than 0 but less than 1.
- Greater than 1.
- Less than 0.
- Equal to 1.

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Question No : 11 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following situation is true regarding the given graph?



Answer (Please select your correct option)

- These consumers are willing to trade off a considerable amount of styling for some addition performance.
- These consumers are willing to trade off a considerable amount of performance for some addition styling.
- These consumers are indifferent between performance and styling.
- Sufficient information has not been provided to judge the situation.

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Question No : 12 of 27 Marks: 1 (Budgeted Time 1 Min)

Suppose the total utility which Ali gains by using the first four units of banana are 15, 27, 39, and 55 respectively. What is the marginal utility of the second unit of banana?

Answer (Please select your correct option)

- 17
- 7
- 20
- 12

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Question No : 13 of 27 Marks: 1 (Budgeted Time 1 Min)

Use the following two statements to answer this question:
I. All Giffen goods are inferior goods.
II. All inferior goods are Giffen goods.

Answer (Please select your correct option)

- I and II are true.
- I is true and II is false.
- I is false and II true.
- I and II are false.

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Question No : 14 of 27 Marks: 1 (Budgeted Time 1 Min)

If there exists snob effect, then as a result of change in price, total revenue:

Answer (Please select your correct option)

- Changes less if there were no network externalities.
- Changes more if there were no network externalities.
- Changes by the same amount as there were no network externalities.
- Does not change at all.

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Question No : 15 of 27 Marks: 1 (Budgeted Time 1 Min)

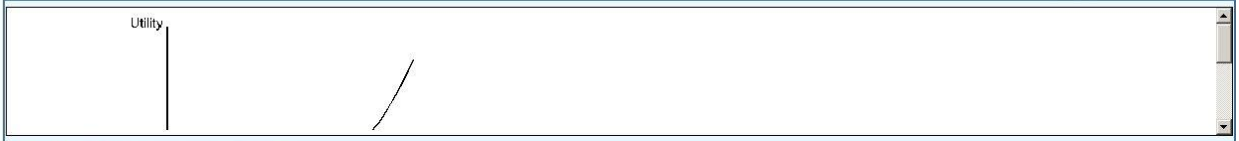
An investment opportunity has two possible outcomes, and the value of the investment opportunity is Rs.500. One outcome yields a Rs.200 payoff and has a probability of 0.35. What is the probability of the other outcome?

Answer (Please select your correct option)

- 0.25
- 0.55
- 0.75
- 0.65

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Question No : 16 of 27 Marks: 1 (Budgeted Time 1 Min)



Answer (Please select your correct option)

- Increasing as income increases.
- Constant for all levels of income.
- Diminishing as income increases.
- None of the given information is necessarily correct.

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Question No : 17 of 27 Marks: 1 (Budgeted Time 1 Min)

Marginal rate of technical substitution can be calculated as:

Answer (Please select your correct option)

- $MRTS = {}^{-\Delta K}/_{\Delta L}$ (for a variable level of Q)
- $MRTS = {}^{-\Delta L}/_{\Delta K}$ (for a fixed level of Q)
- $MRTS = {}^{-\Delta K}/_{\Delta L}$ (for a fixed level of Q)
- $MRTS = {}^{-\Delta L}/_{\Delta K}$ (for a variable level of Q)

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Question No : 18 of 27 Marks: 1 (Budgeted Time 1 Min)

If there are two automobile firms one is producing cars and other is producing trucks, can achieve a greater output than one firm producing both cars as well as trucks with the same inputs. We can conclude from the given information that the production process involves:

Answer (Please select your correct option)

- Diseconomies of scope.
- Economies of scale.
- Decreasing returns to scale.
- Increasing returns to scale.

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Question No : 19 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following features is/are significant for determining the extent of a market?

Answer (Please select your correct option)

- Its geographical boundaries.
- Technological innovations that would reduce the cost of production.
- The range of products to be included in it.
- Its geographical boundaries and the range of products to be included in it.

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Question No : 20 of 27 Marks: 1 (Budgeted Time 1 Min)

One of the assumptions of indifference curve is that "preferences are complete", it means that:

Answer (Please select your correct option)

- There may be pairs of market baskets that cannot be compared.
- Between any two market baskets of goods, the consumer can determine that either one is preferred to the other or that she is indifferent between them.
- A consumer will spend his entire income.
- More is preffered to less.

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Question No : 21 of 27 Marks: 1 (Budgeted Time 1 Min)

A production function in which we hold constant level of output while amount of capital and labor keep on changing, the curve that is traced out is known as:

Answer (Please select your correct option)

- The total product curve.
- An isoquant curve.
- The average product curve.
- The marginal product curve.

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Question No : 22 of 27 Marks: 1 (Budgeted Time 1 Min)

The Total Cost (TC) of producing compact disc (Q) is given as: TC = 400 + 5Q. What is the variable cost?

Answer (Please select your correct option)

- 400.
- 5Q.
- 5.
- 5 + (400/Q).

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Question No : 23 of 27 Marks: 3 (Budgeted Time 6 Min)

Utility can be measured by two approaches according to consumer preference theory. Briefly explain them with the help of examples.

(Marks: 1.5+1.5)

Answer (Please click here to Add Answer)

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Question No : 24 of 27 Marks: 3 (Budgeted Time 6 Min)

Consider a lottery with three possible outcomes: Rs.1000 will be received with probability 0.1, Rs.500 with probability 0.2, and Rs.2000 with probability 0.7.What is the expected value of the lottery?

(Marks: 3)

Answer (Please click here to Add Answer)

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Question No : 25 of 27 Marks: 3 (Budgeted Time 6 Min)

If a firm is producing leather bags, prices, quantities and total cost against each quantity have been given in the table below. Calculate the total revenue by the given information.

Q	P	TC
15	1099	600
17	1099	630

Answer (Please click here to Add Answer)

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Question No : 26 of 27 Marks: 5 (Budgeted Time 10 Min)

The demand for flour can be expressed as:

Q = 25560 - 1087P,

Keeping in view the given equation calculate the point elasticity of demand at P = Rs.15.00 per kilogram, and interpret the result.

(Marks: 2+3)

Answer (Please click here to Add Answer)

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Question No : 27 of 27 Marks: 5 (Budgeted Time 10 Min)

The following are some costs incurred by a garments manufacturer. Decide whether each one is a fixed cost or a variable cost.

`) Salaries of permanent employees
a) Electricity for lighting
b) Electricity for running the machines
c) Basic minimum wages agreed with the union
d) Rent of factory building.

Answer (Please click here to Add Answer)

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