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

Land is best described as:

Answer (Please select your correct option)

- Produced factors of production.
- "Organizational" resources.
- Physical and mental abilities of people.
- "Naturally" occurring resources.

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

Which of the following is NOT a factor of production?

Answer (Please select your correct option)

- Labour.
- Land.
- Capital.
- Demand.

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

The textbook for your class was not produced in a perfectly competitive industry because:

Answer (Please select your correct option)

- There are so few firms in the industry that market shares are not small and firm's decisions have an impact on the market price.
- Upper-division microeconomics texts are not all alike.
- It is not costless to enter or exit the textbook industry.
- All of the given options.

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

Which of the following assumption is true regarding people's preferences in the theory of consumer behavior?

Answer (Please select your correct option)

- Preferences are complete.
- Preferences are transitive.
- Consumers prefer more of a good to less.
- All of the given options are true.

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Question No : 5 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 : 6 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is NOT an example of economic scarcity?

Answer (Please select your correct option)

- If Umer goes to buy pizza, he will not be able to afford buying ice cream.
- If Asif studies for his physics quiz this evening, he will not have time for outing.
- If a hardware company increases its production of computer this year, it will have to spend more on advertising.
- If Naila studies for her Math quiz this evening, she will not have enough time for outing.

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

When movie ticket prices increase, families tend to spend more time at home instead at cinema. This best reflects:

Answer (Please select your correct option)

- Diminishing marginal utility.
- The income effect.
- The rationing function of markets.
- The substitution effect.

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

The nominal price of a product was Rs.0.29 in 1970 and Rs.0.99 in 1993. Consumer Price Index (CPI) was 38.8 in 1970 and 144 in 1993. The 1993 real price of that product in 1970 rupees is:

Answer (Please select your correct option)

- Rs.0.08.
- Rs.0.27.
- Rs.0.34.
- Rs.3.67.

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

Hina goes to market and prefers two goods apple and oranges, her preferences are shown in the diagram below.



Answer (Please select your correct option)

- Diminishing marginal rate of substitution
- Transitivity of preferences
- More is preferred to less
- Completeness

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Question No : 10 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 : 11 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is TRUE regarding utility?

Answer (Please select your correct option)

- It changes only for normal goods along a price consumption curve.
- It is constant along a price consumption curve.
- It changes from point to point along a price consumption curve.
- It changes only if income changes along a price consumption curve.

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

Hina and Naila are shopping for new cars (one each). Hina expects to pay Rs.15,000 with 1/5 probability and Rs.20,000 with 4/5 probability. Nails expects to pay Rs.12,000 with 1/4 probability and Rs.20,000 with 3/4 probability.
Refer to the above scenario, which of the following statements is TRUE?

Answer (Please select your correct option)

- Hina has a higher expected expense than Naila for the car.
- Hina has a lower expected expense than Naila for the car.
- Hina and Naila have the same expected expense for the car, and it is somewhat less than Rs.20,000.
- It is not possible to calculate the expected expense for the car until the true probabilities are known.

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

Assume that two investment opportunities have identical expected values of Rs.200,000. Investment A has a variance of 20,000, while investment B's variance is 10,000. We would expect most investors (who dislike risk) to prefer investment opportunity:

Answer (Please select your correct option)

- A because it has less risk.
- A because it provides higher potential earnings.
- B because it has less risk.
- B because of its higher potential earnings.

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



Answer (Please select your correct option)

- Risk averse.
- Risk loving.
- Risk neutral.
- None of the given information is necessarily correct.

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

The following table describes the choices for new graduates. The outcomes are given as:

	Outcome 1		Outcome 2	
Job Choice	**Probability**	**Income**	**Probability**	**Income**
Work for college	0.95	Rs.100,000	0.05	Rs60,000

Answer (Please select your correct option)

- 0.4 u(Rs.500,000) + 0.8u(Rs.50,000).
- 0.8 u(Rs.500,000) + 0.4u(Rs.50,000).
- u (Rs.95,000).
- [u (Rs.500,000) + u(Rs.50,000)]/2.

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

The following table describes the choices for new graduates. The outcomes are given as:

	Outcome 1		Outcome 2	
Job Choice	Probability	Income	Probability	Income
Work for college	0.95	Rs.100,000	0.05	Rs60,000

Answer (Please select your correct option)

- 0.8 u (Rs.60,000) + 0.4u(Rs.100,000).
- u(Rs.100,000).
- [u(Rs.250,000) + u(Rs.30,000)]/2.
- 0.95 u (Rs.100, 000) + 0.05u (Rs.60,000).

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



Answer (Please select your correct option)

- Both short run and long run.
- Short run
- Intermediate run
- Long run

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

The average total cost to produce 200 cookies is Rs.0.50 per cookie. The marginal cost is constant at Rs.0.10 for all cookies produced. Refer to this scenario, the total cost to produce 200 cookies is:

Answer (Please select your correct option)

- Rs.100.00.
- Rs.50.00.
- Rs.0.10.
- Rs. 0.25.

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

Suppose that the price of labor (P_L) is Rs.300 and the price of capital (P_K) is Rs.400. What is the equation of the isocost line corresponding to a total cost of Rs.1000?

Answer (Please select your correct option)

- $P_L + 300P_K$
- 1000 = 300L + 400K
- 1000 = 300(L+K)
- 1000 = 300L/400K

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

Yasir Burgers has discovered that there are economies of scope available to the restaurant. Which of the following is most likely to be a response to this discovery?

Answer (Please select your correct option)

- Yasir expands burger production, focusing on that one good.
- Yasir contracts burger production.
- Yasir adds grilled chicken sandwiches to the menu.
- Yasir cuts back on the diversity of the menu.

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

A firm produces leather handbags and leather shoes. If there are economies of scope, the product transformation curve between handbags and shoes will be:

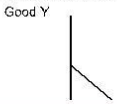
Answer (Please select your correct option)

- A straight line.
- Bowed outward (concave).
- Bowed inward (convex).
- A rectangle.

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

Mohsin goes to market and prefers two goods X and Y. His preferences are shown for two goods in the diagram below.



Answer (Please select your correct option)

- Mohsin regards good X and good Y as perfect complements.
- Mohsin will never purchase any of good Y.
- Mohsin regards good X and good Y as perfect substitutes.
- Mohsin will never purchase any of good X.

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

Differentiate between the law of diminishing marginal utility and the law of equi-marginal utility.

(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)

A. How do we calculate the user cost of capital?
B. Why isocost lines are straight lines?

(Marks: 1+2)

Answer (Please click here to Add Answer)

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

What will be the effect of decrease in price on consumer expenditures in the given cases?

`. The goods in which demand is inelastic.

a. The goods in which demand is elastic.

b. The goods in which demand is unitary elastic.

(Marks: 1+1+1)

Answer (Please click here to Add Answer)

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

Find out the missing figures in the following table.

Quantity of Variable Input	Total Output	Marginal Product of Variable Input	Average Product of Variable Input
0	0	------	------

Answer (Please click here to Add Answer)

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

Complete the following table:

Output	Total Cost	Variable Cost	Fixed Cost	Marginal Cost
0	50	0	50	–
1	60	?	?	?
2	75	?	?	?

Answer (Please click here to Add Answer)

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