Unit: 1 Cost and Revenue Analysis

Q:1) If the marginal revenue is less than the marginal cost then to profit maximize a firm should:

Sol:

A:)Reduce output

B:)Increase output

C:)Leave output where it is

D:)Increase costs

Correct: A

Q:2) If the price is less than the average costs but higher than the average variable costs:

Sol:

A:)The firm is making a loss and will shut down in the short term

B:)The firm is making a profit

C:)The firm is making a loss but will continue to produce in the short term

D:)The firm is making a loss and is making a negative contribution to fixed costs

Correct: C

Q:3) If firms earn normal profits:

Sol:

A:)They will aim to leave the industry

B:)Other firms will join the industry

C:) The total revenue equals total costs

D:)No profit is made in accounting terms

Correct: A

Q:4) In the long term a firm will produce provided the revenue covers:

Sol:

A:)Fixed costs

B:)Variable costs

C:)Total costs

D:)Sales

Correct: C

Q:5) In the short term a firm will produce provided the revenue:

Sol:

A:)Covers fixed costs

B:)Covers variable costs

C:)Covers total costs

D:)Covers sales

Correct: B

Q:6) The profit per sale is a measure of:

Sol:

A:)Cash flow

B:) Profitability

C:)Feasibility

D:) Liquidity

Correct: B

Q:7) The total costs are £200 and 10 units are produced. The marginal cost of an 11th unit is £130.

Which of the following is true?

Sol:

A:)The average cost increases from £20 to £30

B:)The total costs for 11 units are £70

C:)The average cost for 10 units is £130

D:)The average cost for 11 units is £130

Correct: A

Q:8) Total revenue equals:

Sol:

A:)Price plus the quantity

B:)Price multiplied by the quantity sold

C:)Price divided by the quantity sold

D:)Price minus the quantity sold

Correct: B

Q:9) If marginal revenue equals marginal cost:

Sol:

A:)No economic profit is being made

B:)Total revenue equals total cost

C:)Profits are maximized

D:)Producing another unit would increase profits

Correct: A

Q:10) Price equals:

Sol:

A:)Total revenue – quantity

B:)Total revenue / quantity sold

C:)Total quantity sold * quantity sold

D:)Total revenue / total cost

Correct: B

Q:11) Cost in the short-run can be classified into ____ and variable cost

Sol:

A:)Fixed cost

B:)Asset

C:)Both (a) and (b)

D:)None of these

Correct: A

Q:12) Marginal cost is the change in total cost resulting from unit change in

Sol:

A:) Output

B:)Input

C:)Both (a) and (b)

D:)None of the above

Correct: A

Q:13) Which of the following are used in calculating opportunity costs?

Sol:

A:)Monetary costs

B:)The cost of time

C:)Preference

D:)All of the above

Correct:D

Q:14) A cost incurred in the past that cannot be changed by any future action

Sol:

A:)Opportunity cost

B:)Sunk cost

C:)Relevant cost

D:)Avoidable cost

Correct: B

Q:15) Which of the following costs can be ignored when making a decision?

Sol:

A:)Opportunity costs

B:)Differential costs

C:)Sunk costs

D:)Relevant costs

Correct: C

Q:16) The cost of inventory currently owned by a firm is an example of

Sol:

A:)Opportunity cost

B:)Differential cost

C:)Sunk cost

D:)Relevant cost

Correct: C

Q:17) The short run cost function of an organization is C= 190+53 Q, here C is total cost and Q is quantity of Output. What is fixed cost in above cost function?

Sol:

A:)53

B:)190

C:)0

D:)243

Correct: B

Q:18) When Marginal revenue is zero (0) then Total Revenue:

Sol:

A:)Maximum

B:)Minimum

C:)Zero

D:)Decreasing

Correct: A

Q:19) Marginal cost _________ .

Sol:

A:)Is less than average cost when average cost is decreasing.

B:)Measures how total cost changes when one more unit of output is produced

C:)Measures how total cost changes when input prices change.

D:)Both a & b.

Correct: B

Q:20) The average total cost (ATC) =

Sol:

A:)Total Fixed Cost (TFC) / Number of output produced (Q)

B:)Total Variable Cost (TVC) / Number of output produced (Q)

C:)Total Cost (TC) / Number of output produced (Q)

D:)Total Cost (TC) X Number of output produced (Q)

Correct: C

Q:21) Long run average cost (LAC) is the least when (where LMC = Long run marginal cost)

Sol:

A:)LMC > LAC

B:)LMC < LAC

C:)LMC = LAC

D:) None of the above

Correct: C

Q:22) A larger plant will lead to lower per unit cost in the long run, is the concept of

Sol:

A:)Economies of Scale

B:)Economies of Scope

(C) both (A) and (B)

(D) None of the above

Correct: A

Q:23) The following cost will remain same whatever the level of activity.

Sol:

A:)Incremental cost

B:)Sunk cost

C:)Both (A) and (B)

D:)None of the above

Correct: B

Q:24) The cost of plant, equipment and materials at the price paid originally for them.

Sol:

A:)Replacement Cost

B:)Historical cost

C:)Implicit cost

D:)None of the above

Correct: B

Q:25) The following costs relate to functioning of a firm as a production unit.

Sol:

A:)micro-level economic cost

B:)macro-level economic cost

C:)both (A) and (B)

D:)none of the above

Correct: A

Q:26) Which of the following is (are) fixed cost(s)?

Sol:

A:)contractual rent

B:)insurance fee

C:)interest on capital investment

D:)all of the above

Correct: D

Q:27) Which of the following is (are) variable cost(s)?

Sol:

A:)wages of labor

B:)price of raw material

C:)cost on fuel and power used

D:)all of the above

Correct: D

Q:28) The output can be increased in short run by increasing

Sol:

A:)fixed cost

B:)variable cost

C:)both (A) and (B)

D:)none of the above

Correct: B

Q:29) Average Fixed Cost (AFC) =

Sol:

A:)Total Fixed Cost (TFC) / Number of output produced (Q)

B:)Total Variable Cost (TVC) / Number of output produced (Q)

C:)Total Fixed Cost (TFC) X Number of output produced (Q)

D:)Total Variable Cost (TVC) X Number of output produced (Q)

Correct: A

Q:30) Average Variable Cost (AVC) =

Sol:

A:)Total Fixed Cost (TFC) / Number of output produced (Q)

B:)Total Variable Cost (TVC) / Number of output produced (Q)

C:)Total Fixed Cost (TFC) X Number of output produced (Q)

D:)Total Variable Cost (TVC) X Number of output produced (Q)

Correct: B

Q:31) The average total cost (ATC) =

Sol:

A:)Total Fixed Cost (TFC) / Number of output produced (Q)

B:)Total Variable Cost (TVC) / Number of output produced (Q)

C:)Total Cost (TC) / Number of output produced (Q)

D:)Total Cost (TC) X Number of output produced (Q)

Correct: C

Q:32) The difference between total revenue and total cost at any level of output represents the total __ that will be realised.

Sol:

A:)profit

B:)loss

C:)profit or loss

D:)None of the above

Correct: C

Q:33) The short run cost function of an organization is C= 100+53 Q, here C is total cost and Q is quantity of Output. If the organization produce 100 units, what is the Average variable cost?

Sol:

A:)100

B:)53

C:)153

D:)54

Correct: D

Q:34) The short run cost function of an organization is C= 100+53 Q, here C is total cost and Q is quantity of Output. What is its Average fixed cost if 10 units are produced?

Sol:

A:)10

B:)100

C:)0.53

D:)53

Correct: A

Unit: 2 Pricing under perfect market condition

Q:1) Firms in perfect competition face a:

Sol:

A:)Perfectly elastic demand curve

B:)Perfectly inelastic demand curve

C:)Perfectly elastic supply curve

D:)Perfectly inelastic supply curve

Correct: A

Q:2) In perfect competition:

Sol:

A:)The price charged by a firm equals the marginal revenue

B:)The price charged by a firm equals the average variable cost

C:)The fixed cost equals the variable costs

D:)The price charged by a firm equals the total costs

Correct: A

Q:3) A profit maximizing firm in perfect competition produces where:

Sol:

A:)Total revenue is maximized

B:)Marginal revenue equals zero

C:)Marginal revenue equals marginal cost

D:)Marginal revenue equals average cost

Correct: C

Q:4) In perfect competition:

Sol:

A:)The products firms offer are very similar

B:)Products are heavily differentiated

C:)A few firms dominate the market

D:)Consumers have limited information

Correct: A

Q:5) In the long run in perfect competition:

Sol:

A:)The price equals the total revenue

B:)Firms are allocatively inefficient

C:)Firms are productively efficient

D:)The price equals total cost

Correct: C

Q:6) In perfect competition:

Sol:

A:)Short run abnormal profits are competed away by firms leaving the industry

B:)Short run abnormal profits are competed away by firms entering the industry

C:)Short run abnormal profits are competed away by the government

D:)Short run abnormal profits are competed away by greater advertising

Correct: B

Q:7) In perfect competition:

Sol:

A:)few firms dominate the industry

B:)Firms are price makers

C:)There are many buyers but few sellers

D:)There are many buyers and many sellers

Correct: D

Q:8) In the short run firms in perfect competition will still produce provided:

Sol:

A:)The price covers average variable cost

B:)The price covers variable costs

C:)The price covers average fixed cost

D:)The price covers fixed costs

Correct: A

Q:9) In the long run equilibrium in perfect competition:

Sol:

A:)Price = average cost = marginal cost

B:)Price = average cost = total cost

C:)Price = marginal revenue = total cost

D:) Total revenue = total variable cost

Correct: A

Q:10) For a perfectly competitive firm:

Sol:

A:)Total revenue is a straight line

B:)Price is greater than marginal revenue

C:)Price equals total revenue

D:)Price equals total cost

Correct: A

Q:11) In perfect competition, restrictions on entry into an industry

Sol:

A:)do not exist.

B:)apply to labour but not to capital.

C:)apply to both capital and labour.

D:)apply to capital but not to labour.

Correct: A

Q:12) In perfect competition,

Sol:

A:)there are significant restrictions on entry.

B:)each firm can influence the price of the good.

C:)there are few buyers.

D:)all firms in the market sell their product at the same price.

Correct: D

Q:13) The price elasticity of demand for any perfectly competitive firm's output is

Sol:

A:)less than 1.

B:)equal to zero.

C:)infinite.

D:)1.

Correct: C

Q:14) The demand for wheat from farm A is perfectly elastic because wheat from farm A is a(n)

Sol:

A:)perfect complement to wheat from farm B.

B:)perfect substitute for wheat from farm B.

C:)normal good.

D:)inferior good.

Correct: B

Q:15) A perfectly competitive firm's demand curve is

Sol:

A:)perfectly inelastic.

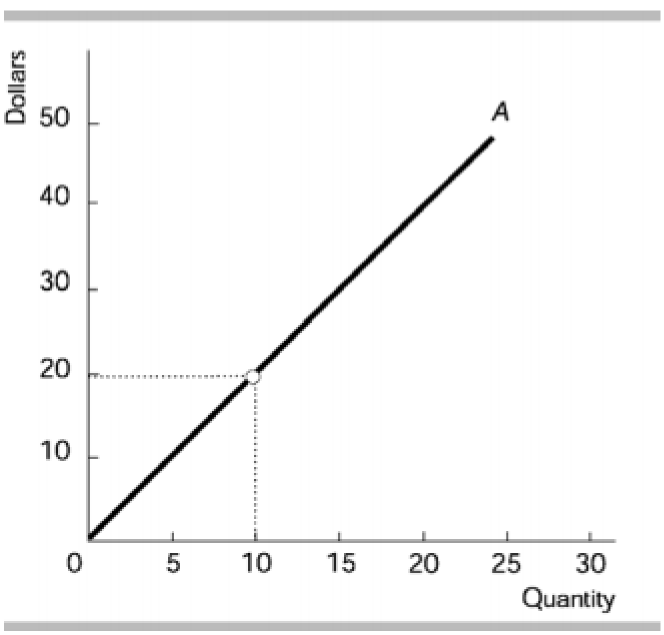
B:)the same as the market demand curve.

C:)downward sloping.

D:)the same as the firm's marginal revenue curve.

Correct: D

Q:16) The below figure shows a firm's total revenue line. The firm must be in a market with



Sol:

A:)monopolistic competition.

B:)monopoly.

C:)perfect competition.

D:)Oligopoly

Correct: C

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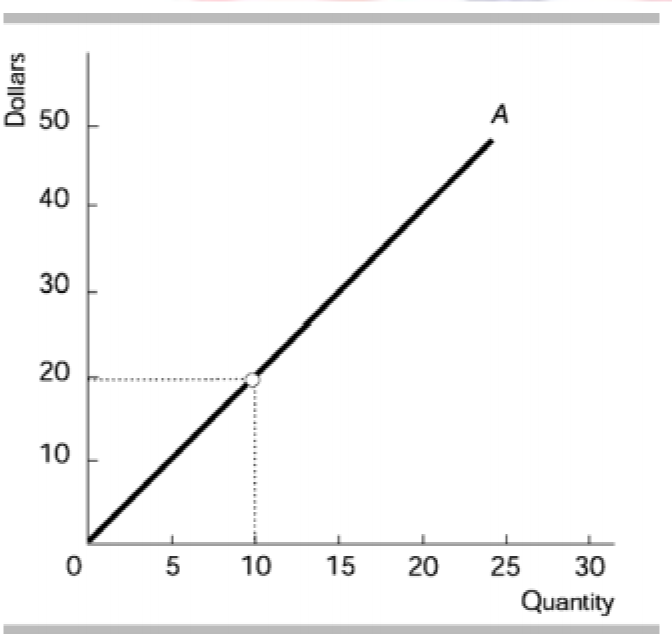
Q:17) The figure below portrays a total revenue curve for a perfectly competitive firm. Curve A is straight because the firm



Sol:

A:)has perfect information.

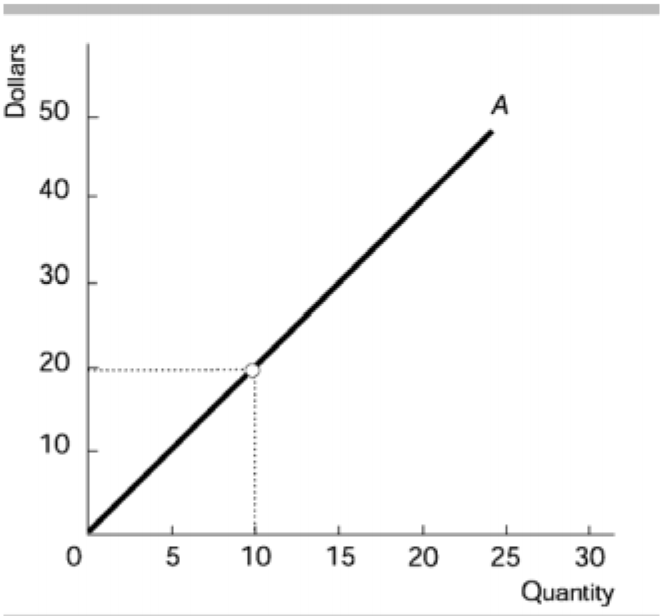
B:)wants to maximize its profits.

C:)is a price taker.

D:)faces constant returns to scale.

Correct: C

Q:18) In the below figure showing a perfectly competitive firm's total revenue line, the firm's marginal revenue



Sol:

A:)does not change as output increases.

B:)falls as output increases.

C:)rises as output increases.

D:)cannot be determined.

Correct: C

Q:19) In the below table, if the firm sells 5 units of output, its total revenue is

Quantity	Price
5	Rs.15
6	Rs.15
7	Rs. 15

Sol:

A:)Rs.30.

B:)Rs. 15.

C:)Rs.75.

D:)Rs. 90.

Correct: C

Q:20) In the below table, if the quantity sold by the firm rises from 5 to 6, its marginal revenue is

Quantity	Price
5	Rs.15
6	Rs.15
7	Rs. 15

Sol:

A:)Rs.15.

B:)Rs. 75.

C:)Rs. 90.

D:)Rs. 30.

Correct: A

Q:21) In perfect competition, the marginal revenue of an individual firm

Sol:

A:)equals the price of the product.

B:)is positive but less than the price of the product.

C:)exceeds the price of the product.

D:)is zero.

Correct: A

Q:22) In the above table, the price of the product is

Sol:

A:)$30.

B:)50.

C:)$147.

D:)$180

Correct: A

Q:23) In the below table, the firm

Output	Total Revenue	Total Cost
0	$0	$25
1	$30	$49
2	$60	$69
3	$90	$91
4	$120	$117
5	$150	$147
6	$180	$180

Sol:

A:)must be in a perfectly competitive industry, because its marginal revenue is constant.

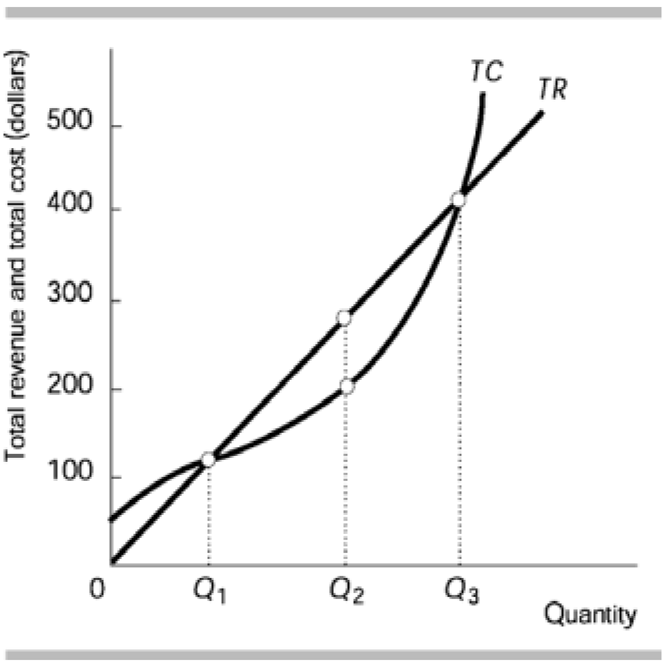
B:)cannot be in a perfectly competitive industry, because its short-run economic profits are greater than zero.

C:)cannot be in a perfectly competitive industry, because its long-run economic profits are greater than zero.

D:)must be in a perfectly competitive industry, because its marginal cost curve eventually rises.

Correct: A

24) In the below figure, by increasing its output from Q1 toQ2, the firm



Sol:

A:)increases its profit.

B:)increases its marginal revenue.

C:)reduces its marginal revenue.

D:)decreases its profit.

Correct: D

Q:25) In the above figure, by increasing its output from Q2 to Q3, the firm

Sol:

A:)increases its marginal revenue.

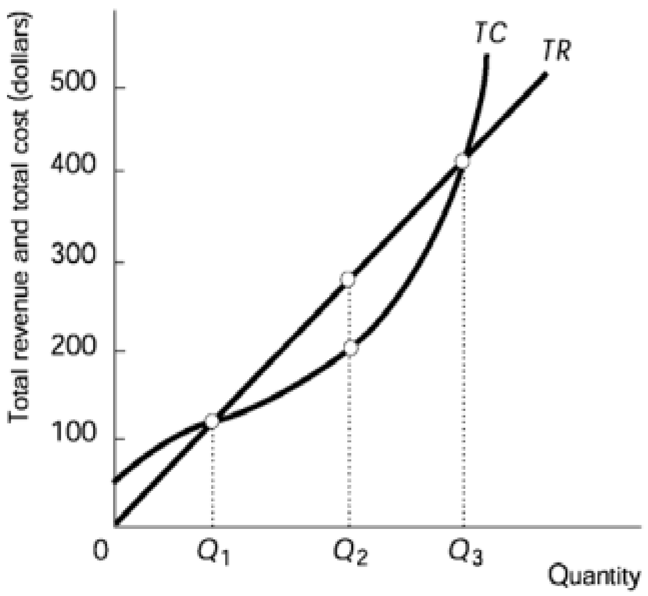
B:)reduces its marginal revenue.

C:)No profit

D:)increases its profit.

Correct: D

Q:26) The feature of the below figure that indicates that the firm is a perfectly competitive firm is the



Sol:

A:)fact that the total cost and total revenue curves are farthest apart at output is

B:)shape of the total revenue curve.

C:)fact that the total cost and total revenue curves cross twice.

D:)shape of the total cost curve.

Correct: B

Q:27) Based on the table below which shows Chip's costs, if rice sells for $600 a ton, Chip's profit-maximizing output is

Output (tons of rice per year)	Total cost (dollars per ton)
0	$1,000
1	$1,200
2	$1,600
3	$2,200
4	$3,000
5	$4,000

Sol:

A:)less than one ton.

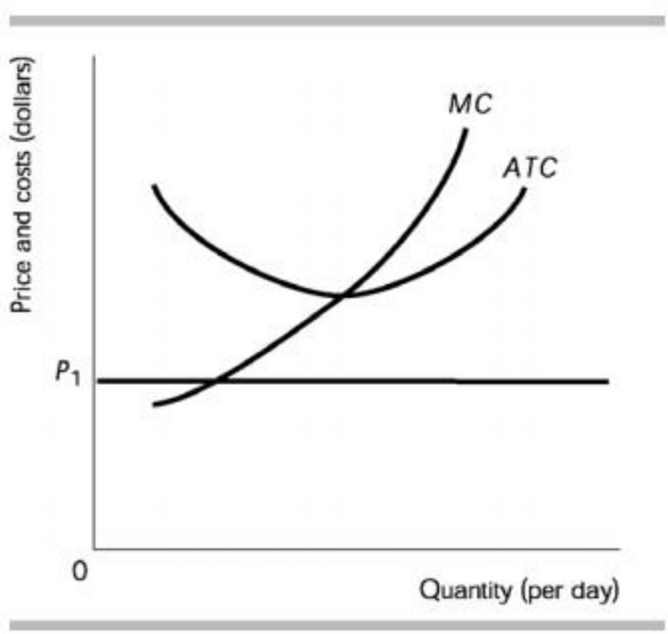
B:)between one and two tons.

C:)between two and three tons.

D:)between three and four tons.

Correct: C

Q:28) In the below figure, if the price is P1, the firm is



Sol:

A:) earning a normal profit.

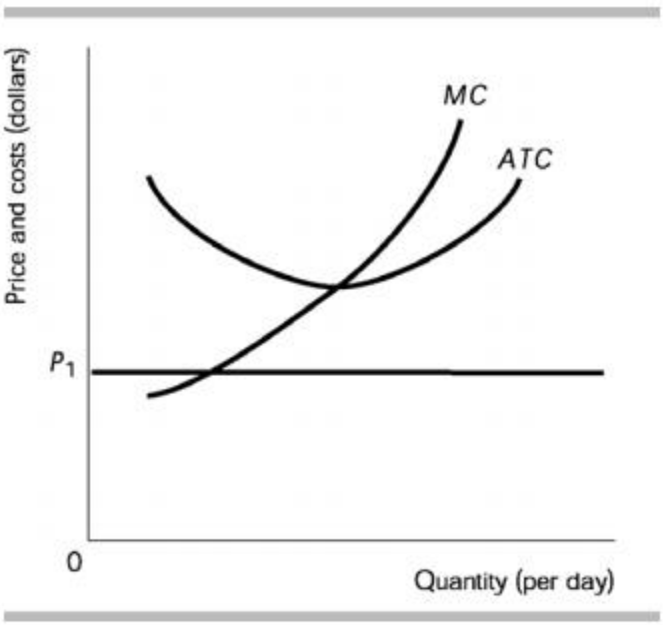
B:) incurring an economic loss.

C:)earning enough revenue to pay all of its opportunity costs.

D:)making an economic profit.

Correct: B

Q:29) Suppose the cost curves in the below figure apply to all firms in the industry. Then, if the initial price is P1, in the long run the market



Sol:

A:)supply will decrease.

B:)supply will increase.

C:)demand will decrease.

D:)demand will increase.

Correct: A

Q:30) New reports indicate that eating ginger helps people remain healthy. The news shifts the demand curve for ginger rightward. In response, new farms enter the ginger industry. During the period in which the new farms are entering, the price of a ginger ________ and the profit of each existing firm ________.

Sol:

A:)falls; rises

B:)rises; falls

C:)rises; rises

D:)falls; falls

Correct: D

Q:31) If firms exit an industry, the

Sol:

A:)profits of the remaining firms decrease.

B:)industry supply curve shifts leftward.

C:)price of the product falls.

D:)output of the industry increases.

Correct: B

Q:32) Paul runs a shop that sells printers. Paul is a perfect competitor and can sell each printer for a price of $300. The marginal cost of selling one printer a day is $200; the marginal cost of selling a second printer is $250; and the marginal cost of selling a third printer is $350. To maximize his profit, Paul should sell

Sol:

A:)two printers a day.

B:)more than three printers a day.

C:)three printers a day.

D:)one printer a day.

Correct: A

Q:33) In the long run, a perfectly competitive firm can

Sol:

A:)earn an economic profit, earn a normal profit, or incur an economic loss.

B:)earn an economic profit.

C:)incur an economic loss.

D:)earn a normal profit.

Correct: D

Unit 3: Pricing under imperfect market condition

Q:1) The following are key features of a monopoly EXCEPT

Sol:

A:)diseconomies of scale.

B:)no close substitutes.

C:)influence over price.

D:)barriers to entry.

Correct: A

Q:2) Which of the following statements about a monopoly is FALSE?

Sol:

A:)A monopoly is the only supplier of the good.

B:)Monopolies have no barriers to entry or exit.

C:)The good produced by a monopoly has no close substitutes.

D:)None of the above; that is, all of the above answers are true statements about a monopoly.

Correct: B

Q:3) Which of the following is LEAST likely to be a monopoly?

Sol:

A:)the sole owner of an occupational license

B:)a pharmaceutical company with a patent on a drug

C:)a store in a large shopping mall

D:)the holder of a public franchise

Correct: C

Q:4) Patents create monopolies by restricting

Sol:

A:)prices.

B:)profit.

C:)entry.

D:)demand

Correct: C

Q:5) All of the following are examples of price discrimination EXCEPT

Sol:

A:)lower ticket prices for matinee performances.

B:)buy-one-get-one-free offers.

C:)"early bird specials" at a restaurant.

D:)"buy now, pay later" payment options.

Correct: D

Q:6) Total revenue equals

Sol:

A:)total cost minus profit.

B:)price times quantity sold.

C:)marginal revenue times quantity sold.

D:)the area between the demand curve and the marginal revenue curve

Correct: B

Q:7) For a monopoly, the industry demand curve is the firm's

Sol:

A:)profit function.

B:)marginal revenue curve.

C:)supply curve.

D:)demand curve.

Correct: D

Q:8) Monopolists

Sol:

A:)face downward sloping demand curves.

B:)are price takers.

C:)have no short-run fixed costs.

D:)maximize revenue, not profits.

Correct: A

Q:9) The marginal revenue curve for a single-price monopoly

Sol:

A:) lies below its demand curve.

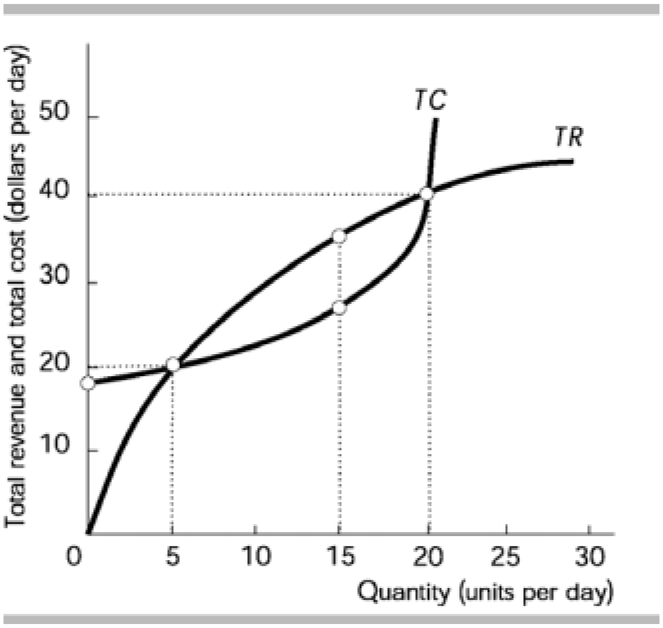
B:) is horizontal.

C:) lies above its demand curve.

D:) coincides with its demand curve

Correct: A

Q:10) The figure below shows a monopoly's total revenue and total cost curves. The monopoly's economic profit is positive if it produces between



Sol:

A:)0 and 20 units.

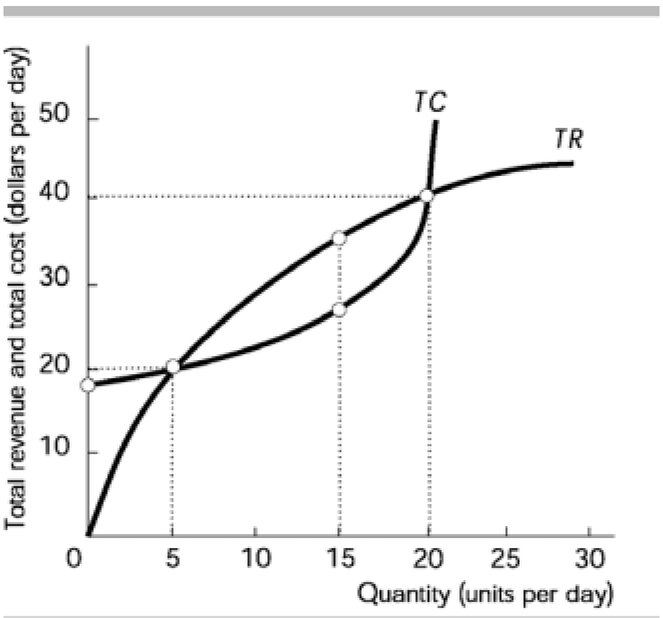
B:)5 and 20 units.

C:)0 and 15 units.

D:)0 and 5 units.

Correct: B

Q:11) The figure below shows a monopoly's total revenue and total cost curves. The monopoly's economic profit is zero if it produces



Sol:

A:)15 units of output.

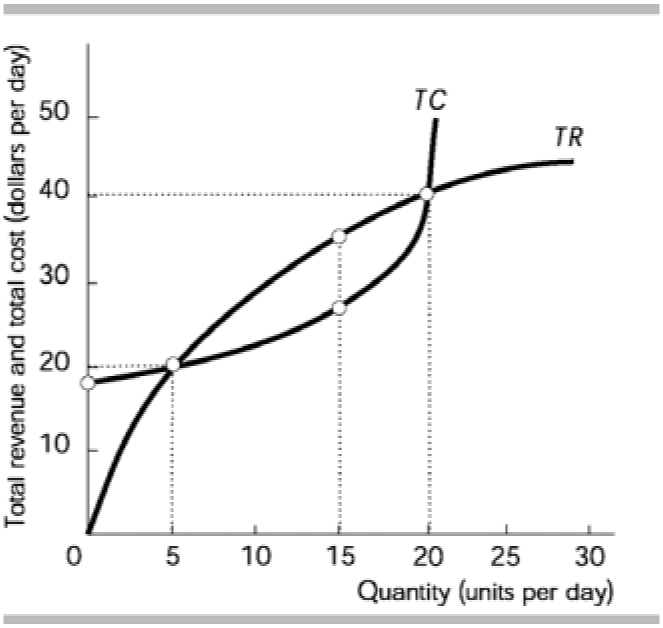
B:)5 or 20 units of output.

C:)0 units of output.

D:)none of the above

Correct: B

Q:12) The figure below shows a monopoly's total revenue and total cost curves. The monopoly's economic profit is maximized when it produces



Sol:

A:)5 units of output.

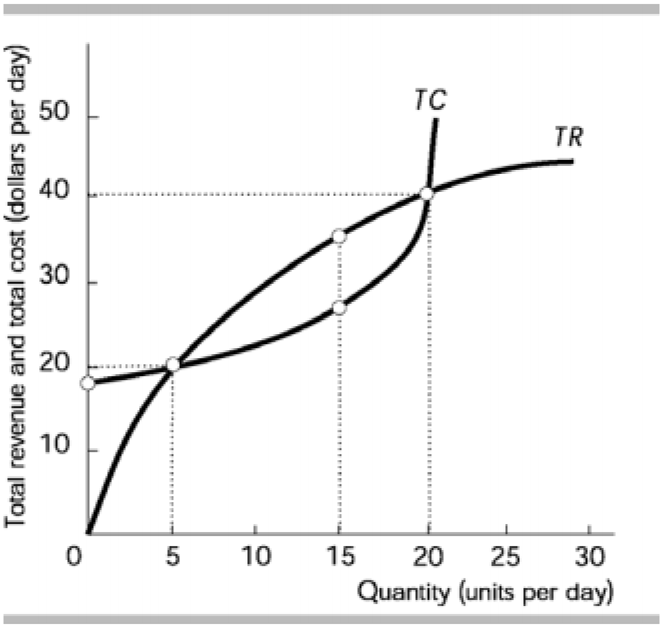
B:)20 units of output.

C:)0 units of output.

D:)15 units of output.

Correct: D

Q:13) The monopoly with the TR and TC curves shown in the figure above will produce



Sol:

A:)5 units of output.

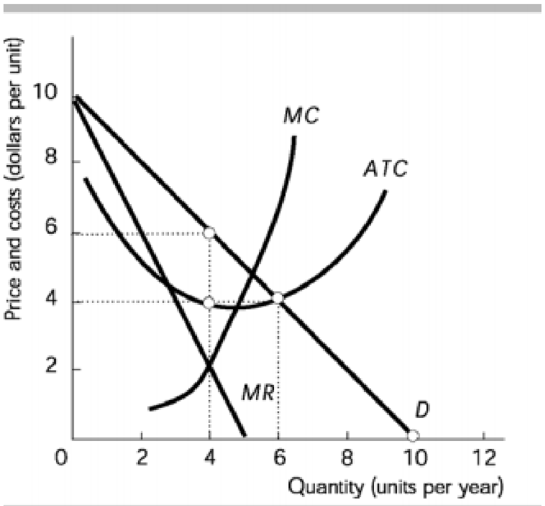
B:)20 units of output.

C:)15 units of output.

D:)0 units of output.

Correct: C

Q:14) For the unregulated, single-price monopoly shown in the figure below, when its profit is maximized, output will be



Sol:

A:)4 units per year and the price will be $6.

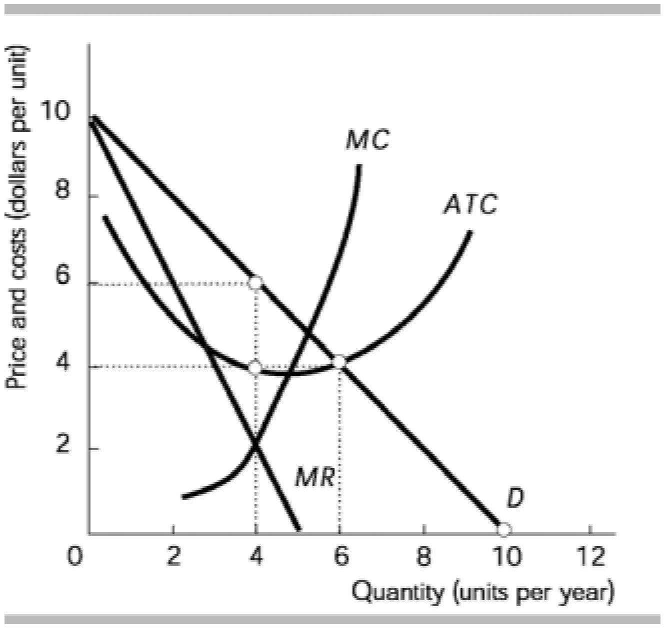
B:) 6 units per year and the price will be $4.

C:) 4 units per year and the price will be $4.

D:) None of the above answers is correct.

Correct: A

Q:15) The unregulated, single-price monopoly shown in the figure below will produce where its demand



Sol:

A:)equals its ATC curve.

B:)is inelastic.

C:)is elastic.

D:)equals its MC curve.

Correct: C

Q:16) The unregulated, single-price monopoly shown in the figure above has a total economic profit of

Sol:

A:) $4.

B:) $16.

C:) $24.

D:) $8

Correct: D

Q:17) A price discriminating monopolist charges lower prices to customers with

Sol:

A:)higher average willingness-to-pay.

B:)lower average willingness-to-pay.

C:)lower supply elasticities.

D:)higher supply elasticities.

Correct:B

Q:18) Using the demand schedule in the above table, if the firm's marginal cost is constant at $3.00, output for a perfect price discriminating monopolist is

Demand Schedule Facing a Perfectly Price Discriminating Firm

Price (dollars)	Quantity Sold
8	0
7	1
6	2
5	3
4	4
3	5
2	6
1	7

Sol:

A:)2 units.

B:)4 units.

C:)5 units.

D:)3 units.

Correct: C

Q:19) Using the demand schedule in the above table, the marginal revenue for the perfectly price discriminating monopolist from the sale of the third unit of output is

Sol:

A:) $6.

B:) $5.

C:) $4.

D:) $3.

Correct: D

Q:20) Using the demand schedule in the table above, the total revenue a perfectly price discriminating monopolist receives from selling 5 units of output is

Sol:

A:) $18.

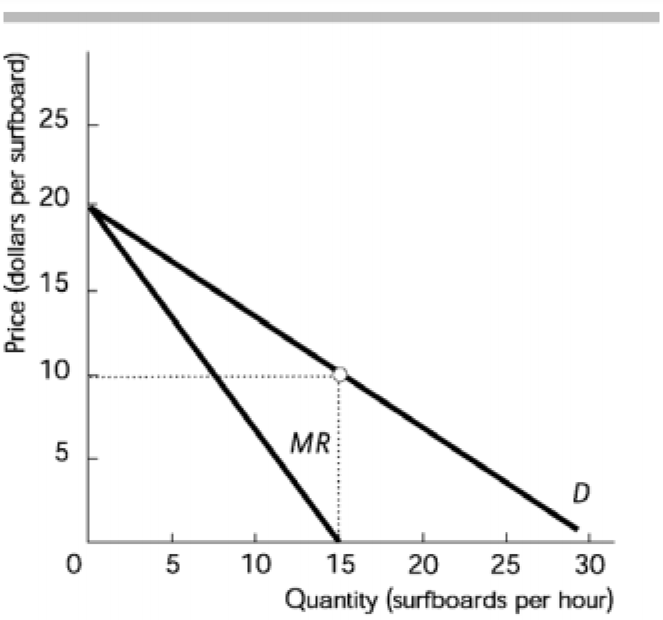
B:) $5.

C:) $15.

D:) $25

Correct: C

Q:21) The figure above shows the demand curve facing Sue's Surfboards, the sole renter of surfboards on Big Wave Island. Sue's Surfboards currently rents 15 surfboards an hour. Sue's total revenue from the 15 surfboards is



Sol:

A:) $10.

B:) $225.

C:) $300.

D:) $150.

Correct: D

Q:22) A price and Quantity fixing agreement of oligopoly is known as

Sol:

A:)Collusion

B:)Game theory

C:)Price leadership

D:)Price discrimination

Correct: A

Q:23) Which of the following market structure is same as monopoly?

Sol:

A:)Pure competition

B:)Duopoly

C:)Oligopoly

D:)Monopolistic

Correct: B

Unit 4: Factor pricing

Q:1) The factor of production does not includes:

Sol:

A:)Land

B:)Labour

C:)Technology

D:)Enterprise

Correct:C

Q:2) "The value of marginal product of a variable factor is equal to multiplied by the market price of commodity" was said by:

Sol:

A:)L M. Keynes

B:)McConell

C:)Ferguson

D:)Robinson

Correct: D

Q:3) The additional payment for those agents of production the supply of which though alterable in a long period, is fixed in short Period is technically called as.

Sol:

A:)Less-Rent

B:)QuasisRent

C:)Excess-Rent

D:)Entity Rent

Correct: B

Q:4) When demand curve passes through the minimum of average variable cost Curve then quasi rent is equal to:

Sol:

A:)Zero

B:)One

C:)Two

D:)Three

Correct: A

Q:5) The wage must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the workers is called:

Sol:

A:)Fair wages

B:)Minimum Wages

C:)Money wages

D:)Real wages

Correct: B

Q:6) The theory of factor pricing is also called:

Sol:

A:)Theory of contribution

B:)Theory of interest

C:)Theory of distribution

D:)Theory of wages

Correct: C

Q:7) The total quantity of units produced of the goods from the given quantity of various input factors of production is known as:

Sol:

A:)Total mental productivity

B:)Total physical productivity

C:)Total machine productivity

D:)Total factors productivity

Correct: B

Q:8) "The portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil" Is theory of?

Sol:

A:)Ricardian Theory of Rent

B:)Joseph Schumpeter Theory of Rent

C:)McConell Theory of Rent

D:)J. M, Keynes Theory of Rent

Correct: A

Q:9) Modern theory of rent is also called:

Sol:

A:)Scarcity Theory of cost

B:)Scarcity Theory of Rent

C:)Scarcity Theory of profit

D:)Scarcity Theory of expense

Correct: B

Q:10) Loanable fund theory of interest is also called:

Sol:

A:)Classical Theory of Interest

B:)Neo Classical Theory of interest

C:)Modern Theory of Interest

D:)Liquidity Preference Theory of Interest

Correct: B

Q:11) The difference between the marginal land and intra-marginal land is known as:

Sol:

A:)Quasi-rent

B:)Differential rent

C:)Modern Theory of rent

D:)Entity-Rent

Correct: B

Q:12) When actual wage rate is fixed at the subsistence wage rate, it is termed as:

Sol:

A:)Money Law of wages

B:)Real Law of wages

C:)Iron Law of Wages

D:)Fair Law of wages

Correct: C

Q:13) The term used to describe the way a nation provides for the needs and wants of its people

Sol:

A:)resources

B:0economy

C:)factors of production

D:)Infrastructure

Correct: C

Q:14) The classical theory of interest was proposed by:

Sol:

A:)McConell

B:)J. M. Keynes

C:)Joseph Schumpeter

D:)Robinson

Correct: B

Q:15) Innovation Theory of Profit is given by

Sol:

A:)Joseph Schumpeter

B:)Mc conell

C:)J.M Keynes

D:)Robinson

Correct: A

Q:16) Which of the following is a not assumption of marginal productivity theory?

Sol:

A:)Factor Identical

B:)Factors can be Substitute

C:)Application of Law of Diminishing Return

D:)Monopolistic Competition

Correct: D

Q:17) Which of the following is a not criticisms of Marginal Productivity Theory?

Sol:

A:)Theory is based on Unrealistic Assumptions

B:)Factors are Perfect Substitutes

C:)Law of Proportionate Return

D:)Wage Cuts do not Determine Demand

Correct: B

Q:18) The modern theory of factor pricing which is called:

Sol:

A:)Demand and supply theory of contribution

B:)Demand and supply theory of distribution

C:)Demand and supply theory of profit

D:)Demand and supply theory of cost

Correct: B

Q:19) Iron, minerals, coal and plants are examples of which productive resource?

Sol:

A:)land

B:)labor

C:)entrepreneurship

D:)capital

Correct: A

Q:20) Which factor of production would you consider a lawn mower?

Sol:

A:)Land

B:)Labor

C:)Capital

D:)Entrepreneur

Correct: C

Q:21). Everything contained in the earth or found in the sea ex: coal and crude oil

Sol:

A:) Land

B:)Labor

C:)Resources

D:)Infrastructure

Correct: A

Q:22). The goods used in the production process such as factories, machinery and equipment

Sol:

A:)Land

B:)Labor

C:)Resources

D:)Capital

Correct: D