

Examrace

Competitive Exams: Economics MCQs (Practice_Test 73 of 122)

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1. In the theory of production with one variable input, which one of the following will not hold when the Average Product (AP) is at its peak?
 - a. Declining Total Product (TP) curve
 - b. Increasing Total Product (TP) curve
 - c. Declining Marginal Product (MP)
 - d. $MP = AP$
2. Which one of the following is represented by the diagram given above (where, L = labour, K = capital, X = output)?
 - a. Laws of production
 - b. Decreasing returns to scale
 - c. Diminishing returns to variable factor, labour
 - d. All of the above
3. Which one of the following statements is correct?
 - a. A firm's long run average cost curve is derived from a series of short run average cost curves
 - b. There is no relationship between shortrun and long-run average cost curves
 - c. A firm's short-run average cost curve is derived from its long-run average costcurve
 - d. Long-run total cost is the sum of longrun fixed and long-run average costs
4. Which one of the following is represented by a rectangular hyperbola?
 - a. Average fixed cost curve
 - b. Average variable cost curve
 - c. Production possibility curve
 - d. Expansion path
5. Consider the following statements:

- a. Explicit and implicit costs are not included in opportunity cost.
- b. Explicit and implicit costs are included in opportunity cost.
- c. The economic costs include both explicit and implicit costs
- d. The imputed value of the entrepreneur's own resources and services is called explicit costs.

Which of the statements given above are correct?

- a. 1 and 2
- b. 2 and 3
- c. 1 and 3
- d. 2 and 4

6. Match List-I (Type of Isoquant) with List II (Factor Substitutability) and select the correct answer using the code given below the Lists:

List-I	List-II
A. Linear isoquant	1. Zero substitutability
B. Leontief isoquant	2. Continuous substitutability
C. Kinked isoquant	3. Perfect substitutability
D. Smooth, convex isoquant	4. Limited substitutability

A B C D

- a. 3 2 4 1
- b. 4 1 3 2
- c. 3 1 4 2
- d. 4 2 3 1

7. In the Cobb-Douglas production function of the form, $X = b_0 L^{b_1} K^{b_2}$, which one of the following is correct (X = output, L = labour and K = capital)?

- a. Elasticity of substitution is equal to unity
- b. Factor-intensity is measured by the ratio, b_1/b_2

- c. Organisational and entrepreneurial efficiency is measured by bo
 - d. All the above
8. Suppose a consumer is consuming two somewhat substitutable goods X and Y and the price of X increases. What is the nature of consumer's demand for X if he decreases his expenditure on X?
- a. Unitary elastic
 - b. Perfectly inelastic
 - c. Elastic
 - d. Inelastic
9. Which one of the following is not the basic assumption of indifference curve approach of consumer theory?
- a. Consumer is able to set up preference ranking of the combination of goods and services.
 - b. Consumer is able to measure the utility.
 - c. The ranking is consistent.
 - d. Consumer prefers more to less of a commodity.
- o. Consider the following statements:
- a. Cross elasticity of demand for petrol with respect to price of diesel is close to zero in the short-run but it may increase in the long run if the price differential between these two products remains high for long.
 - b. Cross elasticity of demand of X with respect to Y would be negative if X and Y are substitutes.
 - c. Cross elasticity of demand of X with respect to Y would be positive if X and Y are complements.
 - d. Cross elasticity of demand of X with respect to Y would be close to zero if X and Y are unrelated products.

Which of the statements given above are correct?

- a. 1, 3 and 4, only
 - b. 2 and 3, only
 - c. 1 and 4, only
 - d. 1, 2, 3 and 4
11. Which one of the following is the correct statement? In the case of Giffen goods

- a. substitution effect is negative
 - b. income effect is negative
 - c. income effect is stronger than the substitution effect
 - d. All the above three
12. Which one of the following is the correct statement? Given two parallel straight-line demand curves, the price-elasticity of demand in case of each curve is equal
- a. at each price level
 - b. at each demand level
 - c. only at points on these demand curves which fall on a straight line emanating from the origin
 - d. in none of the above cases
13. Which of the following are the characteristics of the kinked demand curve?
- a. Equilibrium is defined by the point of kink.
 - b. Price rigidity under oligopoly.
 - c. The upper portion of the kinked demand curve is highly elastic.
 - d. To the point right of kink, marginal cost is larger than marginal revenue.

Select the correct answer using the code given below:

- a. 1, 2 and 3, only
 - b. 1 and 4, only
 - c. 2, 3 and 4, only
 - d. 1, 2, 3 and 4
14. Consider the following statements regarding determination of factor prices:
- a. The mechanism of determination of factor prices does not differ fundamentally from that of prices of commodities.
 - b. Factor prices are determined by the forces of demand and supply.
 - c. The difference lies in the determinants of the demand and supply of productive resources.

Which of the statements given above are correct?

- a. 1, 2 and 3

b. 1 and 2, only

c. 2 and 3, only

d. 1 and 3, only

15. Which one of the following is the correct statement? The demand for labour is a derived demand because it depends on

a. the elasticity of labour supply

b. the demand for other factors of production

c. the wage rate

d. the demand for goods and services produced by labour

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