ECO404 Quiz # 4 SOLVED Fall 2012

Solved and attempted by: MSBA_124, Abdul Saboor, Ulfat Jafery, Sweet Poison, Khurram Saeed, Usman Alvi, Haroon Rafiq, Muhammad Ali

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Re-Checked File with 100% sure Answers

Question # 1 of 20 (Start time: 07:46:59 PM) Total Marks: 1

Current cost is the cost which is paid according to the:

Market conditions

Firm's conditions

Demand conditions

Supply conditions

Question # 2 of 20 (Start time: 07:47:28 PM) Total Marks: 1

Cournot oligopoly model was developed in:

1830

1838

1840

1845

Question # 3 of 20 (Start time: 07:48:19 PM) Total Marks: 1

The total cost (TC) function is given as: TC = 300 + 20Q. What is the average total cost?

300

20Q

20 + (300/Q)

20/Q + 300

Question # 4 of 20 (Start time: 07:48:56 PM) Total Marks: 1

Firms are price makers in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Question # 5 of 20 (Start time: 07:49:33 PM) Total Marks: 1

Which of the following is a behavioral equation?

GNP = C + I + G

St = b0 + bt Rt + u1

Profit = TR – TC

None of the given options

Question # 6 of 20 (Start time: 07:49:53 PM) Total Marks: 1
In the satisfying model, the goal of the firm that there must be a satisfactory size of market share, is known as:

Production goal

Inventory goal

Market share goal

Profit goal

Market share Goal: A goal indicating a satisfactory size of market share as a measure of comparative success as well as of the growth of the firm.

Question # 7 of 20 (Start time: 07:50:18 PM) Total Marks: 1

What will happen if there is an increase in wage rate?

Short run cost curve will shift upward

Short run cost curve will shift downward

There is movement along the short run cost curve

No change will happen in the cost curve

Any change in the operating environment leads to a *shift* in short-run cost curves. For example, a general rise in wage rates leads to an upward shift; a fall in wage rates leads to a downward shift.

Question # 8 of 20 (Start time: 07:51:29 PM) Total Marks: 1

If inputs are perfect compliments, it means that Isoquants are:

Straight lines

L-shaped

Positively sloped

Negatively sloped

Question # 9 of 20 (Start time: 07:51:54 PM) Total Marks: 1

In which of the following situation, firm can extract all the consumers' surplus?

First degree price discrimination

Second degree price discrimination

Third degree price discrimination

Perfect competition

Question # 10 of 20 (Start time: 07:52:23 PM) Total Marks: 1

Optimal allocation of limited resources can be determined by using the tools and concepts of:

Managerial economics

Financial economics

Mathematical economics

Development economics

Question # 11 of 20 (Start time: 07:52:44 PM) Total Marks: 1

Participants are in the actual market situation in which of the following marketing research approach to demand estimation?

Consumer Interviews

Consumer Clinics

Market Experiments

None of the given options

Question # 12 of 20 (Start time: 07:53:08 PM) Total Marks: 1

If marginal rate of technical substitution between two inputs is constant, it means that:

Inputs are perfect substitutes

Inputs are perfect compliments

Inputs are not sufficient

Inputs are more than sufficient

Question # 13 of 20 (Start time: 07:53:48 PM) Total Marks: 1

Y = a + bX + e *"b"* shows ----------------- in this regression equation.

Intercept

Slope

Elasticity

Power

Question # 14 of 20 (Start time: 07:54:16 PM) Total Marks: 1

In which of the following cases, cost elasticity will be less than one?

When percentage change in cost is less than the percentage change in output

---

When percentage change in cost is greater than the percentage change in output

When percentage change in cost is equal to the percentage change in output

When percentage change in cost is less than the percentage change in input

Percentage change in TC < Percentage change in Q $\varepsilon_C < 1$

Question # 15 of 20 (Start time: 07:55:11 PM) Total Marks: 1

Average variable cost curves are usually:

L-shaped

U-shaped

Horizontal

Vertical

Question # 16 of 20 (Start time: 07:56:38 PM) Total Marks: 1

Operating leverage for a firm can be calculated as:

Total fixed costs / Total variable costs

Total fixed costs / Average variable costs

Total fixed costs / Marginal costs

Total fixed costs + Total variable costs

Question # 17 of 20 (Start time: 07:57:58 PM) Total Marks: 1

Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

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Question # 18 of 20 (Start time: 07:58:48 PM) Total Marks: 1

In perfect competition, which of the following is the short run supply curve?

Average cost curve

Marginal cost curve

Average revenue curve

Marginal revenue curve

Question # 19 of 20 (Start time: 07:59:54 PM) Total Marks: 1

We can estimate cost functions of the firm by using which of the following method?

Regression analysis

Cost analysis

Demand analysis

Supply analysis

Question # 20 of 20 (Start time: 08:00:24 PM) Total Marks: 1

Income elasticity of demand measures the:

Percentage change in quantity demanded given a percentage change in the price of the product

Percentage change in quantity demanded given a percentage change in the income of consumers

Percentage change in quantity demanded of product A given a percentage change in the price of product B

Percentage change in quantity supplied given a percentage change in the price of the product

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Question # 1 of 20 (Start time: 07:29:26 PM)

Which of the following assumes constant percentage change in economic variable over different periods of time?

Growth trend analysis

Seasonal trend analysis

Linear trend analysis

Regression analysis

Question # 2 of 20 (Start time: 07:30:21 PM)

In the Marris model, the rate of growth is financed from internal and external sources. External source of finance may include:

Issue of new bonds

Cost advantages of the firm

Profits of the firm

Loans from other firms

The rate of growth is financed from internal and external sources. The source of internal finance for growth is profits. External finance may be obtained by the issue of new bonds or from bank loans.

Question # 3 of 20 (Start time: 07:30:44 PM)

Cigarettes are an example of which type of market structure?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Monopolistic competition is defined as the form of market organization in which there are many sellers of a differentiated product and entry into and exit from the industry are rather easy in the long run. Differentiated products are those that are similar but not identical and satisfy the same basic need. Examples are the numerous brands of breakfast cereals, toothpaste, cigarettes.

Question # 4 of 20 (Start time: 07:31:42 PM)

If price elasticity of demand for any product is constant, the demand curve of that product will be:

Horizontal

Vertical

Rectangular hyperbola

Positively sloped

Question # 5 of 20 (Start time: 07:32:16 PM)

Given the marginal cost function: MC = 430 + 25Q. What is the slope of this marginal cost curve?

25

25Q

430

430+Q

Question # 6 of 20 (Start time: 07:32:41 PM)

Y = a + bX + e "e" shows ----------------- in this regression equation.

Intercept

Slope

Elasticity

Error term

Question # 7 of 20 (Start time: 07:33:01 PM)

In the regression equation, Y_t = 6.60 + 2.63Xt, the intercept of the line is:

6.60

2.63

9.23

3.97

Question # 8 of 20 (Start time: 07:33:21 PM)

Which economist introduced the theory of duality?

Leonid Kantorovich

George B Dantzig

John von Neumann

Joel Dean

Question # 9 of 20 (Start time: 07:34:35 PM)

Managerial economics uses which of the following tools to estimate the decision models?

Mathematical economics only

Econometrics only

Mathematics and Statistics

Mathematical economics and econometrics

Question # 10 of 20 (Start time: 07:35:17 PM)

Given the total revenue equation: TR = 26Q, marginal revenue is:

Q

26Q

26

26 + Q

Question # 11 of 20 (Start time: 07:35:39 PM)

The Isoquants have a shape of curvature for the inputs which are:

Perfect substitutes

Imperfect substitutes

Perfect compliments

Imperfect compliments

- **Isoquant shape shows input substitutability.**
  - **Straight line isoquants depict perfect substitutes.**
  - **C-shaped isoquants depict imperfect substitutes.**
  - **L-shaped isoquants imply no substitutability**

Question # 12 of 20 (Start time: 07:36:58 PM)

For two joint products A and B, which are produced in variable proportions, which of the following is TRUE? (Here MR stands for marginal revenue and MC stands for marginal cost)

MRA> MCA and MRB= MCB

MRA= MCA and MRB= MCB

MRA< MCA and MRB= MCB

MRA< MCA and MRB> MCB

Question # 13 of 20 (Start time: 07:37:28 PM)

Firms are price makers in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Question # 14 of 20 (Start time: 07:37:54 PM)

Total revenue – Total cost shows:

Value of the firm

Future value of the firm

Cost of the firm

Total profit of the firm

Question # 15 of 20 (Start time: 07:38:23 PM)

Which of the following is an economic interpretation of zero value of Lambda in the Lagrangian function?

Output can be increased by relaxing the cost constraint

Constraint is not binding

Constraint is binding

It can not be interpret economically

Question # 16 of 20 (Start time: 07:38:49 PM)

Decreasing part of marginal product of labor curve shows which of the following law?

Law of diminishing returns

Law of diminishing marginal utility

Law of demand

Law of supply

Question # 17 of 20 (Start time: 07:39:48 PM)

The concept of derivative is closely related to:

Total analysis

Average analysis

Marginal analysis

Regression analysis

Question # 18 of 20 (Start time: 07:40:08 PM)

St = S0 + bt is an example of:

Linear trend analysis

Growth trend analysis

Non linear trend analysis

Qualitative analysis

Question # 19 of 20 (Start time: 07:41:16 PM)

Which of the following is a behavioral equation?

GNP = C + I + G

St = b0 + bt Rt + u1

Profit = TR – TC

None of the given options

Question # 20 of 20 (Start time: 07:41:44 PM)

Which of the following deals with the study of economic behavior of individual firms and units?

Microeconomics

Macroeconomics

Financial economics

Mathematical economics

Question # 1 of 20 (Start time: 03:38:39 PM)

The goal of the firm is the maximization of the balanced rate of growth of the firm in which of the following models?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Question # 2 of 20 (Start time: 03:39:42 PM)

Implicit costs of a firm include:

Non cash costs

Explicit costs

Total costs

Fixed costs

Question # 3 of 20 (Start time: 03:40:08 PM)

Stochastic disturbance term arises in:

Identity

Behavioral equation

Simultaneous equation

Regression equation

Question # 4 of 20 (Start time: 03:41:02 PM)

Which of the following is a non-price determinant of supply?

Costs

Technology

Future expectations

All of the given options

NON-PRICE DETERMINANTS OF SUPPLY
- **Costs and technology**
- **Prices of other goods or services offered by the seller**
- **Future expectations**
- **Number of sellers**
- **input prices**
- **Weather conditions** **Page 21**

Question # 5 of 20 (Start time: 03:42:24 PM)

Y = a + bX + e In this regression equation, "X" is:

Dependent variable

Independent variable

Slack variable

Random variable

Question # 6 of 20 (Start time: 03:43:47 PM)

If the proportionate change in output is more than the change in input, it shows:

Constant returns to scale

Increasing returns to scale

Decreasing returns to scale

Economies of scale

Question # 7 of 20 (Start time: 03:44:40 PM)

Which of the following costs show actual cash expenditures to produce goods and services?

Historical cost

Current cost

Replacement cost

Sunk cost

Question # 8 of 20 (Start time: 03:45:42 PM)

In the regression equation, Yt = 6.60 + 2.63Xt, the intercept of the line is:

6.60

2.63

9.23

3.97

Question # 9 of 20 (Start time: 03:46:04 PM)

The questionnaire which allows the respondents to answer according to their own choice is called:

Open ended questionnaire

Closed questionnaire

Bad questionnaire

Good questionnaire

Question # 10 of 20 (Start time: 03:46:35 PM)

In which of the following situations, one company controls various links in the production chain from basic inputs to final output?

Vertical integration

Price discrimination

Dumping

Prisoner's dilemma

Question # 11 of 20 (Start time: 03:47:17 PM)

Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Question # 12 of 20 (Start time: 03:48:05 PM)

Under perfect competition, profit is maximized at the point where:

Marginal Cost = Marginal Revenue

Marginal cost = Average revenue

Average cost = marginal revenue

Average cost = Average revenue

Question # 13 of 20 (Start time: 03:49:04 PM)

Given the marginal cost function: MC = 430 + 25Q. What is the slope of this marginal cost curve?

25

25Q

430

430+Q

Question # 14 of 20 (Start time: 03:50:29 PM)

The firm is a price taker in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Question # 15 of 20 (Start time: 03:51:11 PM)

Given the marginal cost function, MC = 5Q2 – 10Q + 50, what is dMC/dQ?

5Q + 50

10Q - 10

10Q + 50

5Q – 10Q

Question # 16 of 20 (Start time: 03:52:30 PM)

In which of the following cases, cost elasticity will be more than one?

When percentage change in cost is less than the percentage change in output

When percentage change in cost is greater than the percentage change in output

When percentage change in cost is equal to the percentage change in output

When percentage change in cost is less than the percentage change in input

---

Percentage change in TC > Percentage change in Q $\varepsilon_C > 1$

Question # 17 of 20 (Start time: 03:53:41 PM)

The solution which satisfies all the constraints is known as the:

Feasible solution

Corner solution

Non feasible solution

Wrong solution

Question # 18 of 20 (Start time: 03:54:48 PM)

If oligopoly firm is producing homogenous product, it is known as:

Pure oligopoly

Differentiated oligopoly

Triopoly

Monopoly

Question # 19 of 20 (Start time: 03:55:51 PM)

A statistical relation can be defined as the relation which is:

Not known with certainty

Known with certainty

Mathematical in nature

Graphical in nature

Question # 20 of 20

A regular fluctuation in economic activity during each year is called:

Secular trend

Cyclical variation

Seasonal variation

Irregular variation

Question # 1 of 20 (Start time: 04:44:55 PM) Total Marks: 1

Long run cost curves are also known as:

Planning curves

Operating curves

Indifference curves

Investment curves

Question # 2 of 20 (Start time: 04:45:41 PM) Total Marks: 1

Question # 3 of 20 (Start time: 04:47:07 PM) Total Marks: 1

A function that relates inputs with outputs is called:

Select correct option:

Production function

Consumption function

Investment function

Demand function

Question # 5 of 20 (Start time: 04:50:37 PM) Total Marks: 1

Which economist introduced the simplex method?

Select correct option:

Leonid Kantorovich

George B Dantzig

John von Neumann

Joel Dean

Question # 7 of 20 (Start time: 04:52:35 PM) Total Marks: 1

Smoothing techniques will be more beneficial if:

Smaller number of time periods is used

Greater number of time periods is used

No time period is used

Two time periods are used

Question # 8 of 20 (Start time: 04:53:51 PM) Total Marks: 1

Which of the following assumes that there is a single owner entrepreneur?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Question # 9 of 20 (Start time: 04:54:52 PM) Total Marks: 1

Ceteris paribus means:

Select correct option:

Equal access to public transportation

Holding all other things constant

Holding all other things variable

Equal information of all public

Question # 10 of 20 (Start time: 04:55:30 PM) Total Marks: 1

Collectively slack variables and surplus variables are called as:

Dummy Variable

Dependent variable

Independent variable

Explanatory variable

Question # 11 of 20 (Start time: 04:57:00 PM) Total Marks: 1

In the Marris model, the rate of growth is financed from internal and external sources. External source of finance may include:

Issue of new bonds

Cost advantages of the firm

Profits of the firm

Loans from other firms

Question # 12 of 20 (Start time: 04:58:03 PM) Total Marks: 1

Participants are in an artificial situation in which of the following marketing research approach to demand estimation?

Consumer Interviews

Consumer Clinics

Market Experiments

None of the given options

Question # 3 of 20 (Start time: 06:23:34 PM) Total Marks: 1

The practice of charging different prices for different quanti¬ties of a good is known as:

Price discrimination

Monopoly power

Monoposony power

Cartel

Question # 4 of 20 (Start time: 06:24:48 PM) Total Marks: 1

Change in output due to change in input is shown by:

Returns to scale

Economies of scale

Diseconomies of scale

Marginal rate of substitution

Question # 5 of 20 (Start time: 06:25:35 PM) Total Marks: 1

Which of the following theories do not deal with the industry equilibrium?

Baumol's static theory

Traditional theory of the firm

Behavioral theory of the firm

Sweezy theory

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Question # 6 of 20 (Start time: 06:26:25 PM) Total Marks: 1

Decreasing returns to scale refers to:

Increasing costs

Decreasing costs

Constant costs

No costs

Question # 7 of 20 (Start time: 06:27:55 PM) Total Marks: 1

A lower Isoquant shows which of the following in the map of Isoquants?

Lower level of output

Lower level of satisfaction

Lower level of price

Higher level of satisfaction

Question # 9 of 20 (Start time: 06:30:09 PM) Total Marks: 1

What will happen if there is an increase in wage rate?

Short run cost curve will shift upward

Short run cost curve will shift downward

There is movement along the short run cost curve

No change will happen in the cost curve

Question # 10 of 20 (Start time: 06:30:33 PM) Total Marks: 1

Given the Cobb Douglas production function: Q = A La Kb There will be increasing returns to scale if:

a + b > 1

a + b < 1

a + b = 1

a + b = 0

Question # 11 of 20 (Start time: 06:31:27 PM) Total Marks: 1

The amount of investment left from the reported profit after subtracting the minimum profit and tax is known as:

Discretionary investment

Fixed investment

Inventory investment

Gross investment

Question # 12 of 20 (Start time: 06:32:43 PM) Total Marks: 1

Forecasting analysis which is based on the data and equation is known as:

Qualitative forecasting

Quantitative forecasting

Regression analysis

Time series analysis

Question # 13 of 20 (Start time: 06:33:24 PM) Total Marks: 1

If the proportionate change in output is less than the change in input, it shows:

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Decreasing returns to scale

Economies of scale

Question # 14 of 20 (Start time: 06:34:02 PM) Total Marks: 1

Consider the following equation of time series data: Yt = f (Tt, Ct, St, Rt) ------------ shows seasonal component at time t.

Tt

Ct

St

Rt

Question # 15 of 20 (Start time: 06:34:25 PM) Total Marks: 1

The firm is a price taker in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Question # 16 of 20 (Start time: 06:34:48 PM) Total Marks: 1

Which of the following is TRUE for the law of supply?

There is inverse relationship between the price of a good and quantity demanded of that good

There is positive relationship between the price of a good and quantity demanded of that good

There is positive relationship between the price of a good and quantity supplied of that good

There is inverse relationship between income and quantity supplied of a good

Question # 17 of 20 (Start time: 06:35:33 PM) Total Marks: 1

The quantity of a good or service that producers are willing and able to sell during a certain period of time is known as:

Demand

Supply

Market demand

Market supply

Question # 18 of 20 (Start time: 06:36:29 PM) Total Marks: 1

If oligopoly firm is producing homogenous product, it is known as:

Pure oligopoly

Differentiated oligopoly

Triopoly

Monopoly

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No time period is used

Two time periods are used

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Marris's model

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A lower Isoquant shows which of the following in the map of Isoquants?

Lower level of output

Lower level of satisfaction

Lower level of price

Higher level of satisfaction

Higher Isoquant refers to a larger output, while a lower Isoquants refers to a smaller output. Page 83

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Question # 10 of 20 (Start time: 06:30:33 PM) Total Marks: 1

Given the Cobb Douglas production function: Q = A La Kb There will be increasing returns to scale if:

a + b > 1

a + b < 1

a + b = 1

a + b = 0

The results showed that the Management variable was found statistically significant.
Given Cobb-Douglas function: $Q = AL_{\alpha}K_{\beta}$
if $\alpha + \beta > 1$, IRTS
if $\alpha + \beta = 1$, CRTS
if $\alpha + \beta < 1$, DRTS Page 95

Question # 11 of 20 (Start time: 06:31:27 PM) Total Marks: 1

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Fixed investment

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St

Rt

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Supply

Market demand

Market supply

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If oligopoly firm is producing homogenous product, it is known as:

Pure oligopoly

Differentiated oligopoly

Triopoly

Monopoly

Question # 19 of 20 (Start time: 06:36:49 PM) Total Marks: 1

There is ----------------- relationship between the real value of income and the prices of goods.

Positive

Negative

Strong

Weak

Question # 20 of 20 (Start time: 06:37:50 PM) Total Marks: 1

The relationship between markup and demand elasticity is:

Negative

Positive

Indeterminate

Strong

Markup and Demand Elasticity
There is an inverse relationship between markup and demand elasticity. For example, if Ep = -2 then:
m = 100%
If Ep = -5 then m = 25%
 More elastic the demand, lower markup.
 Less elastic the demand, higher markup. Page 233

Question # 6 of 20 (Start time: 04:51:17 PM) Total Marks: 1

For two joint products A and B, which are produced in fixed proportions, which of the following is TRUE?
(Here MR stands for marginal revenue and MC stands for marginal cost)

If Q = QA= QB, then MRQ= MRA- MRB = MCQ

If Q = QA= QB, then MRQ= MRA+ MRB = MCQ

If Q = QA= QB, then MRQ= MRA / MRB = MCQ

If Q = QA= QB, then MRQ= MRA × MRB = MCQ

Question # 4 of 20 (Start time: 04:48:38 PM) Total Marks: 1

We get the following regression line after trend projection of time series data:

St = 10.20 + 0.852t. In this equation, the estimated value of the time series in the base period is:

10.20

0.852

11.052

9.348

St = S0 + bt (Where St is the value of the time series to be forecasted for period t, *S_0 is the estimated value of the time series in the base period*)

Questions: Two inputs cannot be substituted with each other in the production process. It shows that:

Inputs are perfect substitutes

Inputs are perfect compliments

Inputs are not sufficient

Inputs are more than sufficient

Question # 13 of 20 (Start time: 04:58:51 PM) Total Marks: 1

If cross price elasticity of demand between two goods is zero, it means that:

Goods are Independent

Goods are complements

Goods are substitutes

Goods are inferior

Question # 8 of 20 (Start time: 06:28:49 PM) Total Marks: 1

ECO404 Quiz # 4 SOLVED Fall 2012

Solved and attempted by: MSBA_124, Abdul Saboor, Ulfat Jafery, Sweet Poison, Khurram Saeed, Usman Alvi, Haroon Rafiq, Muhammad Ali

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A linear programming problem has an optimal solution if it occurs at which of the following points?

Corner point of the feasible space

Mid point of the feasible space

Corner point of the non feasible space

Mid point of the non feasible space

Question # 18 of 20
Suppose Y = f(X), if Y = 80 – 100X then what will be dY/dX according to rules of differentiation?

-100
80
80X
180

Question: The linear Programming model consists of the following components:
- A set of decision variables.
- An objective function.
- A set of constraints.

All of above

ECO404 FINAL TERM MCQS SOLVED

By DR ABDUL SABOOR

Mb120400120@vu.edu.pk

Dr7wb@yahoo.com

www.vchowk.com

www.vchowk.com

1. Which one of the following types of government regulation does limit competition and create artificial market power?

   a. Licensing regulations
   b. Patents
   c. Copyrights
   d. All of the above limit competition and create artificial market power.

2. Which of the following is a law designed to protect the consumers of products?

   a. Warranty Act of 1975
   b. Federal Trade Commission Act of 1914
   c. 1990 Nutrition Labeling Act
   d. All of the above are designed to protect the consumers of products.

3. If an increase in output by a firm imposes uncompensated costs on other firms, these costs are referred to as

   a. external diseconomies of production.
   b. external economies of production.
   c. external diseconomies of consumption.
   d. external economies of consumption.

4. If an increase in output by a firm confers uncompensated benefits to other firms, these benefits are referred to as

- a. external diseconomies of production.
- b. external economies of production.
- c. external diseconomies of consumption.
- d. external economies of consumption.

5. If the consumption expenditures of some individuals impose uncompensated costs on other individuals, these costs are referred to as

- a. external diseconomies of production.
- b. external economies of production.
- c. external diseconomies of consumption.
- d. external economies of consumption.

6. If the consumption expenditures of some individuals confer uncompensated benefits on other individuals, these benefits are referred to as

- a. external diseconomies of production.
- b. external economies of production.
- c. external diseconomies of consumption.
- d. external economies of consumption.

7. Government regulation of natural monopolies typically sets the market price so that the level of output corresponds to the point of intersection between long-run

- a. marginal cost and marginal revenue.
- b. marginal cost and demand.
- c. average cost and marginal revenue.
- d. average cost and demand.

8. Natural monopolies will produce a socially optimal level of output if government subsidies ensure an economic profit of zero and the market price is set by regulators at the point of intersection between long-run

- a. marginal cost and marginal revenue.
- b. marginal cost and demand.
- c. average cost and marginal revenue.
- d. average cost and demand.

9. Which of the following is a complication encountered by public utility regulatory commissions when they set rates?

a. It is difficult to determine the economic value of a public utility's fixed assets.

b. Public utilities typically engage in price discrimination, so many different rates must be determined.

c. The services provided by public utilities are typically jointly produced, so the allocation of costs among different services is difficult or impossible.

d. All of the above are problems that are encountered when regulatory commissions set rates.

10. The Averch-Johnson effect refers to

a. the inefficiencies that result when regulators set public utility rates too high or too low.

b. the tendency toward natural monopoly in firms that have downward-sloping long-run average cost curves.

c. the 9 to 12 month time lag between recognition of a need for rate revision and action by regulatory commissions.

d. All of the above are correct.

11. Which of the following made monopolization and restraint of trade illegal?

a. Robinson-Patman Act

b. Sherman Act

c. Clayton Act

d. None of the above is correct.

12. Which of the following prohibits tying contracts?

a. Robinson-Patman Act

b. Sherman Act

c. Clayton Act

d. None of the above is correct.

13. Which of the following made it illegal to charge unreasonably low prices with the intention of destroying competition or eliminating competitors?

a. Robinson-Patman Act

b. Sherman Act

c. Clayton Act

d. None of the above is correct.

14. Which of the following stated that "unfair methods of competition" are unlawful?

- a. Robinson-Patman Act
- b. Sherman Act
- c. Clayton Act
- d. None of the above is correct.

15. The Wheeler-Lea Act was designed to protect consumers from

- a. monopoly.
- b. unfair methods of competition.
- c. false or deceptive advertising.
- d. None of the above is correct.

16. Most antitrust actions have been settled by means of

- a. dissolution and divestiture.
- b. an injunction.
- c. a consent decree.
- d. fines and jail sentences.

17. Which of the following is illegal?

- a. Price discrimination
- b. Collusion
- c. Monopoly
- d. Interlocking directorates

18. Which of the following industries was deregulated during the 1970s and 1980s?

- a. Airlines
- b. Electricity generation and distribution
- c. Telecommunications
- d. Banking

19. Which of the following protect domestic producers from foreign competition?

- a. Import tariffs
- b. Import quotas
- c. Voluntary export restrictions
- d. All of the above protect domestic producers from foreign competition.

20. Which of the following will result from the imposition of an import tariff on a commodity?

- a. The supply of the commodity will increase.
- b. The price of the commodity will increase.
- c. Domestic production of the commodity will increase.
- d. All of the above will result from an import tariff.

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DATED 24 FEB 2013 TIME 4.30 PM

TOTAT MARKS 84

52 Mcqs, 4 questions of 5 Marks and 4 Questions of 3 Marks

Which of the following is a behavioral equation?

GNP = C + I + G

St = b0 + bt Rt + u1

Profit = TR – TC

None of the given options

In the satisfying model, the goal of the firm that there must be a satisfactory size of market share, is known as:

Production goal

Inventory goal

Market share goal

Profit goa

In which of the following situation, firm can extract all the consumers' surplus?

First degree price discrimination

Second degree price discrimination

Third degree price discrimination

Perfect competition

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DATED 24 FEB 2013 TIME 4.30 PM

Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Question # 2 of 20 (Start time: 07:30:21 PM)

In the Marris model, the rate of growth is financed from internal and external sources. External source of finance may include:

Issue of new bonds

Cost advantages of the firm

Profits of the firm

Loans from other firms

If price elasticity of demand for any product is constant, the demand curve of that product will be:

Horizontal

Vertical

Rectangular hyperbola

Positively sloped

In the regression equation, $Y_t = 6.60 + 2.63Xt$, the intercept of the line is:

6.60

2.63

9.23

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3.97

Which economist introduced the theory of duality?

Leonid Kantorovich

George B Dantzig

John von Neumann

Joel Dean

Managerial economics uses which of the following tools to estimate the decision models?

Mathematical economics only

Econometrics only

Mathematics and Statistics

Mathematical economics and econometrics

For two joint products A and B, which are produced in <u>variable proportions</u>, which of the following is TRUE? (Here MR stands for marginal revenue and MC stands for marginal cost)

MRA> MCA and MRB= MCB

MRA= MCA and MRB= MCB

MRA< MCA and MRB= MCB

MRA< MCA and MRB> MCB

Firms are price makers in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

The goal of the firm is the maximization of the balanced rate of growth of the firm in which of the following models?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Implicit costs of a firm include:

Non cash costs

Explicit costs

Total costs

Fixed costs

Under perfect competition, profit is maximized at the point where:

Marginal Cost = Marginal Revenue

Marginal cost = Average revenue

Average cost = marginal revenue

Average cost = Average revenue

The firm is a price taker in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Given the marginal cost function, MC = 5Q2 – 10Q + 50, what is dMC/dQ?

5Q + 50

10Q - 10

10Q + 50

5Q – 10Q

The solution which satisfies all the constraints is known as the:

Feasible solution

Corner solution

Non feasible solution

Wrong solution

A statistical relation can be defined as the relation which is:

Not known with certainty

Known with certainty

Mathematical in nature

Graphical in nature

A regular fluctuation in economic activity during each year is called:

Secular trend

Cyclical variation

Seasonal variation

Irregular variation

Which of the following assumes that there is a single owner entrepreneur?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Ceteris paribus means:

Select correct option:

Equal access to public transportation

Holding all other things constant

Holding all other things variable

Equal information of all public

Participants are in an artificial situation in which of the following marketing research approach to demand estimation?

Consumer Interviews

Consumer Clinics

Market Experiments

None of the given options

Forecasting analysis which is based on the data and equation is known as:

Qualitative forecasting

Quantitative forecasting

Regression analysis

Time series analysis

According to Williamson's model, manager's self interest focuses on the achievement of goals in which of the following areas?

Staff expenditures

Managerial emoluments

Discretionary investment

All of the given areas

Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Public utilities are an example of:

Select correct option:

Perfect competition

Natural monopoly

Monopolistic competition

Oligopoly

What is by-product?? Give example. (3 marks)

A by-product is any output that is usually produced as a direct result of an increase in the production of some other output.

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The cost and availability of any single by-product depends on the demand for others. By-products are also sometimes the unintended or unavoidable results of producing certain goods. For example pollution can be thought of as the necessary by-product of many production processes.

.Differentiate and discuss Risk and Uncertainty? (3 Marks)

<u>RISK</u> refers to a situation in which there is more than one possible outcome to a decision and the probability of each specific outcome is known or can be estimated. Thus, risk requires that the decision maker knows all the possible outcomes of the decision and have some idea of the probability of each outcome's occurrence.

<u>UNCERTAINTY</u> is the case when there is more than one possible outcome to a decision and where the probability of each specific outcome occurring is not known or even meaningful. This may be due to insufficient past information or instability in the structure of the variables. In extreme forms of uncertainty not even the outcomes themselves are known

-Differentiate between pure oligopoly and differentiated oligopoly? 3 Marks

. If the product is homogenous, it is called pure oligopoly. If the product is differentiated, it is called differentiated oligopoly.

How Behavioral Theories contribute for the firms. Discuss
5 Marks

BEHAVIORALTHEORY: **CONTRIBUTIONS**
The behavioral theory has contributed to the development of the theory of the firm in several respects. Its main contributions are:

• Insight into the process of goal-formation and the internal resource allocation: an aspect neglected in traditional theory.
• Cyert and March's definition of 'slack' shows that this concept is equivalent to the 'economic rent' of factors of production of the traditional theory of the firm. The contribution of the behavioral school lies in the analysis of the stabilizing role of 'slack' on the activity of the firm.

Define price discrimination give example of situation of price discriminations 5 (marks)

Price discrimination refers to the charging of different prices for different quantities of a product, at different times, to different customer groups or in different markets, when these price differences are not justified by cost differences.

Relevant examples of price discrimination are:

(1) power (i.e., electrical and gas) companies charging lower prices to residential than to commercial users;
(2) medical and legal professions charging lower fees to low-income than to high-income people;
(3) companies charging lower prices abroad than at home for a variety of products and services, ranging from books and medicines to movies;
(4) entertainment companies charging lower prices for afternoon than for evening performances of movies, theaters, and sports events;
(5) service industries charging lower prices for children and the elderly for public transportation, and airline tickets;
(6) hotels charging lower rates for seminars, workshops and conventions.

Q6. Data was provided: (5 Marks)

Boom	0.25	500
Normal	0.50	400
Recession	0.25	300

a.) Find Expected Value of Firm?

Boom 0.25 *500 = 125
Normal 0.50 *400 = 200
Recession 0.25 *300 =75
Expected profit from Project = 400

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b.) Find Standard Deviation?

St. Dev. = **SQRT** [(500-400)^2*(0.25)+(400-400)^2(0.50)+(300-400)^2*(0.25)]

St. Dev. = 70.71

Question: Why firms use forecasting techniques for macroeconomics. Discuss (5 marks)

MACROECONOMIC APPLICATIONS

Predictions of economic activity at the national or international level, e.g., inflation or employment, involves predicting aggregate measures of economic activity at the international, national, regional, or state level. Predictions of gross domestic product (GDP), unemployment, and interest rates by “blue chip” business economists capture the attention of national media, business, government, and the general public on a daily basis.