

**National management college-Perundurai****CA-Foundation – Business Economics****Max.Time: 60 minutes****Total Marks : 50****Answer all the questions**

1. Which of the following is the best definition of “production function”?
  - (a) The relationship between market price and quantity supplied.
  - (b) The relationship between the firm's total revenue and the cost of production.
  - (c) The relationship between the quantities of inputs needed to produce a given level of output.
  - (d) The relationship between the quantity of inputs and the firm's marginal cost of production.
2. Which of the following is a function of an entrepreneur?
  - (a) Initiating a business enterprise. (b) Risk bearing. (c) Innovating.
  - (d) All of the above
3. Which of the following statements describes increasing returns to scale?
  - (a) Doubling of all inputs used leads to doubling of the output.
  - (b) Increasing the inputs by 50% leads to a 25% increase in output.
  - (c) Increasing inputs by  $1/4$  leads to an increase in output of  $1/3$ .
  - (d) None of the above.
4. In the third of the three stages of production:
  - (a) the marginal product curve has a positive slope.
  - (b) the marginal product curve lies completely below the average product curve. (c) total product increases. (d) marginal product is positive
5. Average product is defined as
  - (a) total product divided by the total cost.
  - (b) total product divided by marginal product.
  - (c) total product divided by the number of units of variable input.
  - (d) marginal product divided by the number of units of variable input.
6. A fixed input is defined as

(a) That input whose quantity can be quickly changed in the short run, in response to the desire of the company to change its production.

(b) That input whose quantity cannot be quickly changed in the short run, in response to the desire of the company to change its production.

(c) That input whose quantities can be easily changed in response to the desire to increase or reduce the level of production.

(d) That input whose demand can be easily changed in response to the desire to increase or reduce the level of production

7. Which of the following is a variable cost in the short run?

(a) rent of the factory. (b) wages paid to the factory labour.

(c) interest payments on borrowed financial capital.

(d) payment on the lease for factory equipment.

8. The production process described below exhibits

No.of.workers	Output
0	0
1	23
2	40
3	50

(a) constant marginal product of labour. (b) diminishing marginal product of labour. (c) increasing return to scale. (d) increasing marginal product of labour

9. An iso quant shows

(a) All the alternative combinations of two inputs that can be produced by using a given set of output fully and in the best possible way.

(b) All the alternative combinations of two products among which a producer is indifferent because they yield the same profit.

(c) All the alternative combinations of two inputs that yield the same total product. (d) Both (b) and (c)

10. Laws of production does not include .....

(a) returns to scale. (b) law of diminishing returns to a factor.

(c) law of variable proportions. (d) least cost combination of factors.

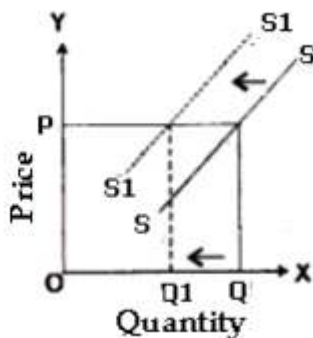
11. The average product of labour is maximized when marginal product of labour:

- (a) equals the average product of labour.
- (b) equals zero.
- (c) is maximized.
- (d) none of the above

12. Which of the following statements is true?

- (a) The services of a doctor are considered production.
- (b) Man can create matter.
- (c) The services of a housewife are considered production.
- (d) When a man creates a table, he creates matter.

13. Which of the following alternatives would be true if the event presented in the following diagram occurs?



- (a) A fall in wage costs of the firm along with a fall in consumer incomes
- (b) A shortage of raw materials and consequent increase in raw material price.
- (c) An increase in subsidy by the government and a reduction in taxes
- (d) Decrease in the market price of the commodity in question

14. Isoquant is also called as \_\_\_\_\_

- (a) production indifference curve
- (b) is-product curve
- (c) equal-product curve
- (d) all the above

15. The slope is iso-product curve show- (a)  $MRS_{xy}$  (b)  $MRTS_{xy}$   
 (c) elasticity of an iso-product curve (d) none of the above

16. Which one of the following is not a determinant of the firm's cost function?

- (a) Price of firm's output
- (b) Production function
- (c) Price of labour
- (d) Rent paid for use of building

17. From the following find out AP and MP of 4th unit of Labour.

Labour	0	1	2	3	4	5
TP of Labour	0	15	35	50	40	48

- (a) 15 ; 15    (b) 10 ; 15    (c) 10 ; -15    (d) 10 ; -10

18. The production function of a firm is-  $Q = 2L^2K^2$  Find the output the firm can produce with 5 units of L and 2 units of K.

- (a) 100    (b) 200    (c) 300    (d) 150

19. At equilibrium point, a particular isoquant \_\_\_\_\_ to isocost line

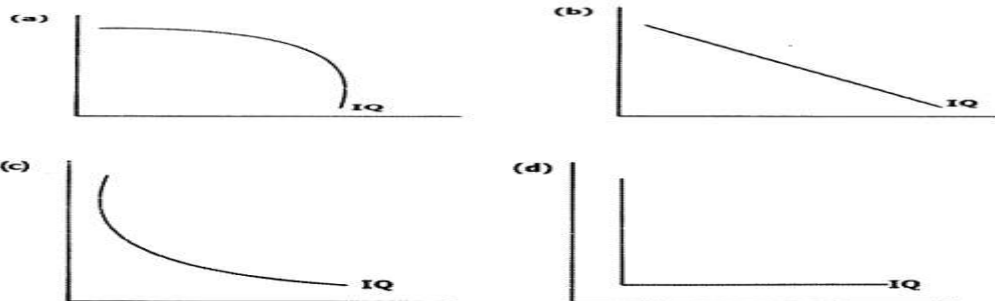
- (a) tangent    (b) perpendicular    (c) parallel    (d) concave

20. At a point near the right hand below the corner of isoquant curve, the  $MRTS_{xy}$  of factor 'X' for factor 'Y' is – (a) very high    (b) very low    (c) zero    (d) neither high nor low

21. Supply is the-

- (a) limited resources that are available with the seller  
 (b) cost of producing a good    (c) entire relationship between the quantity supplied and the price of good  
 (d) willingness to produce

22. Which of the following isoquant indicates that the two factors 'X' and 'Y' are imperfect substitutes of each other?



Refer the following supply function to answer Q. Nos. 23 to 25

$$Q_s = -10 + 2p$$

23. How much quantity is supplied at a price of Rs 10?

- (a) 10 units    (b) 8 units    (c) 12 unit    (d) 6 units

24. At which price, the supply would be zero?

- (a) Rs. 1    (b) Rs. 3    (c) Rs.4    (d) Rs.5

25. Calculate the price at which, the firm is willing to supply 100 units

- (a) Rs. 55    (b) Rs.50    (c) Rs.45    (d) Rs.40

26. Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by \_\_\_\_\_

- (a) Percentage change in income      (b) Percentage change in quantity demanded of goods  
 (c) Percentage change in price      (d) Percentage change in taste and preference

27. The Slope of Indifference Curve indicates

- (a) Marginal Rate of Substitution of x for y      (b) Prices of x and y      (c) Slope of the budget line  
 (d) Change in prices

28. Yesterday, seller A supplied 400 units of a good X at Rs.10 per unit. Today, seller A supplies the same quantity of units at Rs. 5 per unit. Based on this evidence, seller A has experienced a (an)

- (a) Decrease in supply.      (b) Increase in supply.      (c) Increase in the quantity supplied.  
 (d) Decrease in the quantity supplied.

29. If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is \_\_\_\_\_.

- (a) zero.      (b) infinite.      (c) one.      (d) unable to be determined from this information

30. The consumer is in equilibrium when the following condition is satisfied:

- (a)  $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$       (b)  $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$   
 (c)  $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$       (d) None of the above

31. Which of the following cost curves is never 'U' shaped?

- (a) Average cost curve      (b) Marginal cost curve      (c) Average variable cost curve  
 (d) Average fixed cost curve

32. According to ordinal approach of consumer's behaviour

(A) Consumer is able to indicate the exact amounts of utilities that he derives from commodity or any combinations of them.

(B) Utility being psychological feeling is not quantifiable.

(C) The consumer is capable of simply comparing the different levels of satisfaction.

(D) Both (B) and (C)

33. Luxuries are goods that are

(A) Enjoyable and essential (B) Enjoyable but not essential (C) Essential but not enjoyable (D) Neither enjoyable nor essential

34. While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be-

[Where,  $P_p$  – Price of Pepsi,  $P_N$  - Price of Nachos &  $M$  – Money income of consumer]

- (A)  $\frac{P_p}{P_N}$  (B)  $\frac{P_N}{P_p}$  (C)  $\frac{M}{P_N}$  (D)  $\frac{M}{P_p}$

35. Relationship between slope of supply curve and elasticity of supply can be defined as –

- (A) Product of slope of supply curve and ratio of quantity supply to price  
 (B) Elasticity of supply is equal to the slope of supply curve.  
 (C) Product of reciprocal of supply curve and ratio of price to quantity supplied  
 (D) Elasticity of supply is equal to reciprocal of slope of supply curve

36. Elasticity of demand and supply are \_\_\_\_\_ concepts.

- (A) Relative (B) Absolute (C) Both (A) and (B) (D) Neither (A) and (B)

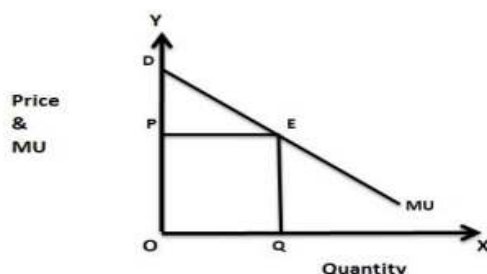
37. Condition of equilibrium using utility analysis of demand can be expressed as

- (A)  $MU_x/P_x = Q_x$  (B)  $P_x Q_x = MU_M$  (C)  $MU_x/P_x = MU_y/P_y = MU_M$  (D)  $MU_x = MU_M$

38. MU curve will be below X-axis when

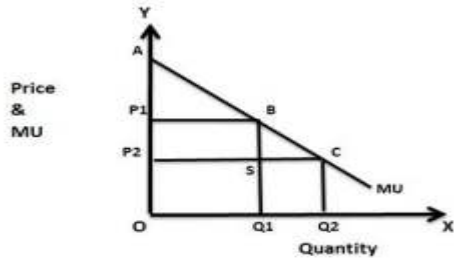
- (A) MU is zero (B) TU is falling (C) MU is negative (D) Both (B) and (C)

39. In the following diagram, consumer's surplus is shown by-



- (A) OPEQ (B) ODEQ (C) PDE (D) None of these

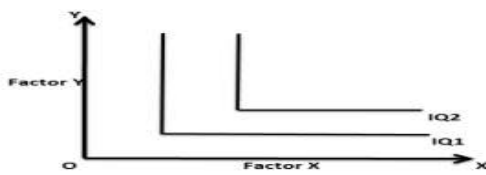
40. In the following diagram, when the price of the commodity decreases from  $P_1$  to  $P_2$ , the gain in consumer's surplus is equal to-



- (A) AP1B (B) AP2C (C) P1P2CB (D) BSC

41. In the long run which factor of production is fixed?

- (A) Labour (B) Capital (C) Building (D) None of these



42.

Iso-Quants shown in the above figure exhibits

1. Perfect substitutability of factors 2. Perfect complementarity of factors  
3. Fixed proportion production function 4. Variable proportion production function

- (A) 1 & 2 only (B) 1 & 3 only (C) 3 & 4 only (D) 2 & 3 only

43. Which one of the following cost curve is rectangular hyperbola in shape?

- (A) TFC (B) MC (C) AFC (D) AVC

44. Which one of the following is not an assumption of law of variable proportion?

- (A) Technology of production remains unchanged.  
(B) Only physical inputs & output are considered.  
(C) All units of variable factors are different.  
(D) There must be some inputs whose quantity is kept fixed

45. After identifying the market, the enterprise has to make decision regarding 4 Ps. Which one of the following is not one of these 4 Ps.

- (A) Promotion (B) Place (C) People (D) Product

46. Which of the following is not a problem of an enterprise?

- (A) Problem relating to location & size. (B) Problem of making huge profit.

(C) Problem relating to finance. (D) Problem relating to organizational structure.

47. Which one of the following is not a national objective of an enterprise?

(A) To provide fair deal to the employees at different levels.

(B) To remove inequality of opportunities & provide fair opportunity to all to work and to progress.

(C) To produce according to national priorities.

(D) To help the country become self reliant & avoid dependence on other nations

48. **Assertion (A):** An iso-cost line is a straight line.

**Reason (R):** The market rate of exchange between the two inputs is constant.

(A) (A) is true and (R) is false

(B) Both (A) and (R) are true & (R) is the correct explanation of (A)

(C) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(D) (A) is false and (R) is true

49. Law of diminishing marginal rate of substitution is associated with

(A) Marshall (B) Hicks (C) Slutsky (D) Keynes

50. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has \_\_\_\_\_

(A) more of one of the goods (B) less of at least one of the goods

(C) more of at least one of the goods and less of the other good.

(D) more of at least one of the goods and no less of the other good



