Economics

Revision Test
CLASS 11 - ECONOMICS

Time Allowed: 30 minutes **Maximum Marks :** 70

Section A

1) Which of the following is the variable cost for a firm? **[1]**
   a) Interest on loan b) Wages to employees
   c) Monthly rent d) Insurance premium

2) What happens to ATC when MC > ATC? **[1]**
   a) ATC will decrease
   b) ATC will rise
   c) ATC will remain constan
   d) ATC will fall

3) The average fixed cost at 4 units of output is ₹20. Average variable cost at 5 units of output is 40. Average cost of producing 5 units is: **[1]**
   a) ₹60 b) ₹56
   c) ₹20 d) ₹40

4) Money costs mean **[1]**
   a) Money expenditure of a producer in the production process
   b) Money expenditure on purchase of goods from the factory
   c) Money spent by the consumers
   d) Money expenditure on output

5) TC increases at an increasing rate when MC is: **[1]**
   a) Negative b) Constant
   c) Increasing d) Decreasing

6) The costs which vary as the level of output varies are called: **[1]**
   a) Prime costs b) Real costs
   c) Implicit cost d) Indirect costs

7) Average cost is derived by **[1]**
   a) Dividing Total Cost by units of output
   b) Subtracting Total Cost by units of output
   c) Adding Total Cost by units of output
   d) Multiplying Total Cost by units of output

8) Explicit costs are paid to **[1]**
   a) The government
   b) Internal owners of factors
   c) External owners of factors
   d) The tax authorities

9) Cost of production is **[1]**
   a) Price of the output
   b) Expenditure on inputs to produce output
   c) Price of per unit of output
   d) Price of per unit of input

10) What happens when production is shut down? **[1]**
   a) Variable Costs Decline
   b) Fixed Costs become zero
   c) Fixed Cost Increases
   d) Variable Costs become zero

11) The shape of the AFC curve is **[1]**
   a) V shaped
   b) Horizontal straight line
   c) U shaped
   d) Rectangular hyperbola

12) Variable costs vary with output because **[1]**
   a) It changes on its own
   b) It is impossible to keep them fixed
   c) It varies as it is the expenditure on the variable factors which can be changed in the short run
   d) It does not remain constant in the long run

13) The average cost is ₹20 and it is minimum when 4 units are produced. The marginal cost of producing 4 units is: **[1]**
   a) ₹24 b) ₹20
   c) ₹80 d) ₹5

14) With the increase in production the difference between total cost and total fixed cost: **[1]**
   a) Decreases
   b) Both Increases or Decreases
   c) Increases
   d) Remains Constant

15) AVC and AFC always lie below AC because **[1]**
   a) Their sum is equal to AC
   b) They are convex
   c) They are concave
   d) They are always downward sloping

16) A firm is operating with a Total Variable Cost of ₹500 when 5 units of the given output are produced and the Total Fixed Costs are ₹200 What will be the Average Total Cost of producing 5 units of output? **[1]**
   a) ₹100 b) ₹300
   c) ₹120 d) ₹140

17) Per unit cost of a good is called: **[1]**
   a) Marginal cost b) Fixed cost
   c) Variable cost d) Average cost

18) Total cost is the vertical summation of: **[1]**
   a) TFC and TVC b) AFC and AC
   c) AVC and ATC d) AFC and AVC

19) If a firm's production department data says that the total variable cost for producing 8 units and 10 units of output is ₹2,500 and ₹3,000 respectively, marginal cost of 10 th unit will be : **[1]**
   a) ₹500 b) ₹100
   c) ₹250 d) ₹150

20) Cost function shows **[1]**
   a) Technological relationship between cost and price
   b) Inverse relationship between inputs and cost
   c) Functional relationship between cost and output
   d) Economic relationship between inputs and cost

21) AR is same as MR in perfect competition as **[1]**

a) Price remains fixed
b) Price can rise
c) Price does not remain fixed
d) Price may fall

22) Average Revenue(AR) is **[1]**

a) Sum of Total Revenue and price
b) Total Revenue per unit of output
c) Total cost per unit produced
d) Total revenue per unit of inputs used

23) AR curve is more elastic under monopolistic competition than under monopoly due to: **[1]**

a) Availability of close substitutes
b) High degree of government control
c) Low degree of government control
d) Lack of close substitutes

24) When a firm is able to sell more quantity of output at the same price, then: **[1]**

a) AR≠ MR
b) AR = MR
c) AR > MR
d) AR< MR

25) Revenue for a firm is **[1]**

a) Addition to Total revenue after a good is sold
b) Average price of a product sold
c) Money receipts from the sale of output
d) Money spent on producing output

26) If TR is ₹1,00,000 when ₹20,000 units are sold, then AR is equal to: **[1]**

a) ₹5
b) ₹20,000
c) ₹1,00,000
d) ₹1,20,000

27) What happens to TR when MR is decreasing but remains positive **[1]**

a) Increases at decreasing rate
b) Decreases at increasing rate
c) Decreases at decreasing rate
d) Increases at increasing rate

28) If the Marginal Revenue curve is parallel to the X - axis, the price of the commodity would be _____. (Choose the correct alternative) **[1]**

a) More than Marginal Revenue
b) Equal to Marginal Revenue
c) Less than Marginal Revenue
d) Zero

29) What happens to AR when MR is increasing **[1]**

a) Increases
b) Decreases and becomes negative
c) Decreases at increasing rate
d) Decreases at decreasing rate

30) Marginal Revenue is **[1]**

a) Additional cost involved in production
b) Same as total revenue
c) Addition to the total revenue on the production of an additional unit of Output
d) Addition to the total revenue on the sale of an additional unit of Output

31) The relationship between TR and MR when price is constant. **[1]**

a) MR will be constant but TR is a positively sloped straight line
b) The values are same
c) The values decrease
d) The values increase

32) What happens to AR when MR is zero **[1]**

a) Decreases and remain positive
b) Decreases at increasing rate
c) Decreases and becomes negative
d) Decreases at decreasing rate

33) In which market form the Average revenue is more elastic than the marginal Revenue? **[1]**

a) Oligopoly
b) Monopoly
c) Perfect competition
d) Monopolistic competition

34) What happens to TR when MR is zero **[1]**

a) TR is Constant
b) Increases at decreasing rate
c) Decreases at decreasing rate
d) Decreases at increasing rate

35) Which of the following statements is appropriate in case of monopoly? **[1]**

a) Slope of both AR and MR curves is upwards
b) Slope of both AR and MR curves is downwards and MR curve is below AR
c) Slope of both AR and MR curves is downwards and MR curve is above AR curve
d) AR curve slopes upward while MR curve slopes downward

36) The situation of 'abnormal profits' arise for a firm when **[1]**

a) TC is less than TR
b) MR is greater than MC
c) MR = MC = 0
d) MR = MC

37) Which condition among these is necessary for achieving Producers's equilibrium? **[1]**

a) MC curve intersects MR curve from below
b) MR curve intersects MR curve from above
c) MR curve intersects MC curve from below
d) MC curve intersects MR curve from above

38) Under which market conditions firms make only Normal profit in the long run **[1]**

a) Monopolistic Competition
b) Duopoly
c) Monopoly
d) Oligopoly

39) A firm reaches a shut - down point when: **[1]**

a) TR = TVC
b) TR = TC
c) MC = AC
d) TC = AVC

40) TR - TVC = **[1]**

a) Abnormal profit
b) Net profit
c) Normal profit
d) Gross profit

41) If the firm increases its output even after MR = MC and equilibrium is struck, then: **[1]**

a) MC becomes greater than MR
b) MR becomes greater than MC
c) MR stays equal to MC
d) MC less then MR

42) At producer's equilibrium when MR=MC and then **[1]**
a) MC≠ MR b) MC< MR
c) MC> MR d) MC> but < MR

43) If MR is more than MC at a particular level of output, then the producer will: **[1]**
a) Increase production
b) Keep the production at reducing level
c) Reduce production
d) Keep the production at current level

44) In case of break - even point, a firm covers: **[1]**
a) Both fixed costs and variable costs
b) Average fixed cost only
c) Average variable cost only
d) Variable cost only

45) A producer's equilibrium is a situation when **[1]**
a) AR=AC b) MR=MC
c) TR=TC d) AR=MR

46) There can be a Break - even point with AR = AC as **[1]**
a) No b) May be always
c) Not always d) Yes

47) Condition for producer equilibrium is: **[1]**
a) TC=TSC b) TR=TVC
c) None of above d) MC=MR

48) Normal profit is a part of: **[1]**
a) Total cost b) Total revenue
c) Average revenue d) Marginal revenue

49) The break - even point is where MR=MC **[1]**
a) No b) May be
c) Can't say d) Yes

50) The break - even point is where TR=TC **[1]**
a) Conditional b) Can't say
c) Yes d) No

51) Accounting Profits = **[1]**
a) TR - TVC b) TR - Implicit Costs
c) TR - TC d) TR - Explicit Costs

52) Producer's equilibrium under MR - MC approach is achieved when: **[1]**
a) MC > MR after equality between MR and MC
b) MC < MR after equality between MR and MC
c) MR = MC
d) Both MR = MC and MC > MR after equality between MR and MC

53) Under perfect competition, for the producer to be in equilibrium: **[1]**
a) AR = MR = MC and MC must be falling
b) AR = MR = AC and AC must be rising
c) AR = MR = TC and TC must be rising
d) AR = MR = MC and MC must be rising

54) A firm maximizes its profits only when MR=MC **[1]**
a) Can't say b) FALSE
c) May be d) TRUE

55) The situation of 'normal profits' arise for a firm when **[1]**
a) TC = TR or AC= AR b) MR = MC = 0
c) MR greater than MC d) MR is less than MC

56) **Assertion (A):** Average Cost will rise only when Marginal Cost rises.
Reason (R): Rise in AC takes place when MC is greater than AC and not necessarily when MC rises. **[1]**
a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

57) **Assertion (A):** The difference between AC and AVC is due to AFC.
Reason (R): As output increases AFC decreases, so the difference between AC and AVC decreases. **[1]**
a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

58) **Assertion (A):** After a short equilibrium level of output, the Marginal Cost of a firm is above its Marginal Revenue.
Reason (R): At the equilibrium level of output, the Marginal Cost is equal to the Marginal Revenue. **[1]**
a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

59) **Assertion (A):** MC should cut MR from below.
Reason (R): After equilibrium point, MC should be greater than MR or MC is rising. **[1]**
a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

60) **Assertion (A):** Profit is maximised when MC = MR
Reason (R): Along with MC = MR, another necessary condition is that MC should be rising. **[1]**
a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

61) Match the following & choose the correct option:

(a) Marginal Revenue MR	(i) TR_{n+1} - TR_n
(b) Average Revenue	(ii) $\frac{TR}{Q}$
	(iii) $\frac{\Delta TR}{\Delta Q}$

[1]
a) (a) - (i) & (iii), (b) - (ii)
b) (a) - (i) & (ii), (b) - (iii)
c) (a) - (iii), (b) - (i) & (ii)

d) (a) - (i), (b) - (ii) & (iii)

62) Choose the correct match: **[1]**

a) MR = AR→ AR remain constant
b) MR < AR→ AR increases
c) MR ≠ AR→ AR is zero
d) MR > AR→ AR decreases

63) Choose the correct match: - **[1]**

a) All of these
b) TR increases at diminishing rate⇒ MR increases
c) TR maximum⇒ MR maximum
d) TR increases at constant rate⇒ MR constant

64) Which of the following statement is true about the Producer's equilibrium?

i. It refers to the stage where the producer is getting minimum profit or minimum uses with a given cost and he has no incentive to increase or decrease the level of output.
ii. It refers to the stage where the producer is getting maximum profit or minimum uses with a given cost and he has no incentive to increase 'or decrease the level of output.
iii. It refers to the stage where the consumer is getting maximum profit or minimum uses with a given cost and he has no incentive to increase or decrease the level of output.
iv. It refers to the stage where the producer is getting maximum profit or maximum uses with a given cost and he has no incentive to increase or decrease the level of output.

[1]

a) Only iv
b) Only i
c) Only ii
d) Only iii

Section B

65) **State True or False:** **[6]**

(a) Total fixed cost is indicated by a vertical straight line. **[1]**

(b) The distance between AC and AVC curves tends to increase at higher levels of output. **[1]**

(c) Following a cut in the level of output, the difference between average total cost and average variable cost decreases. **[1]**

(d) A producer cannot suffer loss in short period. **[1]**

(e) Shut - down point occurs when a firm is just covering its fixed costs only. **[1]**

(f) Equality between MR and MC is a sufficient condition for profit maximisation. **[1]**