SIXTH SEMESTER B.A ECONOMICS PROGRAMMME

Choice Based Course - <u>BUSINESS ECONOMICS</u> Course code : (EC6CBT02)

I. Choose the correct answer from the following.

1. The business economics is concerned with the management of technique to achieve :
   A. Maxmisation of revenue from sales. B. Minimisation of cost of production
   C. Maxmisation of profit. D. All of the above.
2. Demand is a function of :
   A. Income. B. Price. C. Advertisement. D. Consumers.
3. The demand for a good is highly inelastic if :
   A. The price elasticity of the good is zero. B. Income elasticity of the good is less than one. C. Price elasticity of the good is less than one. D. Both A & C.
4. A positive cross elasticity of demand indicates that :
   A. The products are inferior goods. B. The products are normal goods. C. The products are substitutes. D. The products are complementary goods.
5. In relatively elastic demand, E_d is :
   A. E= 1 B. E= 0 C. E> 1 D. E< 1
6. Which of the following is not an assumption of law of demand :
   A. The income is constant. B. Tastes and preferences are given. C. Cost of production is given. D. Prices of related goods are constant.
7. Marginal cost is defined as :
   A. Total cost divided by output. B. Change in total cost due to change in output. C. Total product divided by inputs. D. None of these.
8. When the output increases in the same proportion as the increase in inputs, the returns are called as
   A. Increasing returns. B. Constant returns. C. Diminishing returns. D. Average returns.
9. Which of the following is correct ?
   A. TC= TFC + TVC. B. TVC= TC- TFC. C. TFC= TC- TVC. D. All of the above.
10. Which of the following is not a U- Shaped curve?
    A. AFC. B. AVC. C. AC. D. MC
11. Opportunity cost is also known as :
    A. Outlay costs. B. Sunk costs. C. Alternative costs. D. Fixed costs.
12. The law of variable proportions explain:
    A. Short run production function. B. Long run production function. C. Both A& B D. None of these.
13. The rate at which a firm can substitute capital for labour is called as :
    A. Marginal rate of production. B. Marginal rate of factor substitution. C. Marginal product of the factor. D. Iso-quant.
14. Which of the following cost continuously falls with the rise in output?
    A. Total fixed cost. B. Total variable cost. C. Average fixed cost. D. Average variable cost.

15. Implicit costs are :
   A. Only variable costs. B. Only fixed costs. C. Payments for self employed resources. D. Payments for factors purchase from outside.
16. In law of variable proportions when TP is maximum, the MP is :
   A. MP= 1 B. MP= 0 C. MP is negative D. MP is constant.
17. Which of the following costs, which do not involve any cash payments, but a provision is made to include in accounts :
   A. Private cost. B. Accounting cost. C. Out of pocket cost. D. Book cost.
18. The vertical distance between TVC and TC is called :
   A. TFC. B. MC. C. AVC. D. AC.
19. The Cobb-Duglas production function shows
   A. Constant returns to scale. B. Increasing returns to scale. C. Diminishing returns to scale. D. All of these.
20. The payments for raw materials is an example of
   A. Fixed costs. B. Variable costs. C. Incremental costs. D. Sunk costs.
21. In the case of an inferior good, the income elasticity of demand is :
   A. Positive. B. Negative. C. Zero. D. Infinite.
22. The law of equi-marginal utility considers the price of money as :
   A. Zero. B. Less than one. C. More than one. D. One.
23. According to Robbins 'means' are
   A. Unlimited. B. Limited. C. un-defined. D. All of these.
24. The method of measuring cost on the basis of cost at time of purchase is called
   A. Replacement cost. B. Historical cost. C. Sunk cost. D. Accounting cost.
25. In operating a vehicle, the parking fee, tolls are the examples of :
   A. Variable cost. B. Operating cost. C. Out of pocket cost. D. Sunk cost.
26. The short run is a time period in which:
   A. all resources are fixed B. the level of output is fixed. C. the size of the production plant is variable. D. some resources are fixed and others are variable.
27. If the short-run average variable costs of production for a firm are rising, then this indicates that:
   A. average total costs are at a maximum. B) average fixed costs are constant. C) marginal costs are above average variable costs. D) average variable costs are below average fixed costs.
28. When the total product curve is falling, the:
   A. Marginal product of labor is zero. B) Marginal product of labor is negative. C) Average product of labor is increasing. D) Average product of labor must be negative.
29. Which would be an implicit cost for a firm? The cost :
   A. Of worker wages and salaries for the firm. B) Paid for leasing a building for the firm. C) Paid for production supplies for the firm. D) Of wages foregone by the owner of the firm.
30. Which of the following is a variable cost?

A. Interest payments. B. Raw material costs. C. Property taxes. D. All of these.

31. Short-run average variable cost is equal to

A. Total variable cost divided by output. B. The cost per unit of the variable input divided by the average product of the variable input. C. Average total cost minus average fixed cost. D. All of the above.

32. If an input is owned and used by a firm, then its :

A. Explicit cost is zero. B. Implicit cost is zero. C. Opportunity cost is zero.

D. Economic cost is zero.

33. If a firm purchases a machinery, which is not used in production, the cost of which is :

A. Sunk cost. B. Opportunity cost. C. Out of pocket cost. D. Replacement cost.

34. The long-run average cost curve is at a minimum at a level of output where :

A. The firm is experiencing constant returns to scale. B. It is equal to long-run marginal cost. C. The long-run average cost curve is tangent to the lowest point on a short-run average total cost curve. D. All of the above.

35. Which of the following curve is an upward sloping curve?

A. TFC. B. TVC. C. AVC. D. AC.

36. Which of the following is not an assumption of linear breakeven analysis?

A. Output price is constant. B. Average variable cost is constant. C. Average fixed cost is constant. D. All of these.

37. Cross elasticity of demand between tea and sugar is

A. Positive. B. Zero. C. Infinity. D. Negative.

38. Demand for a commodity is elastic when :

A. Change in price does not change the demand. B. Change in price cause greater change in demand. C. Change in price cause less change in demand. D. Change in demand does not change the price.

39. All money costs can be regarded as :

A. Opportunity costs. B. Implicit costs. C. Explicit costs. D. Social costs.

40. Fixed costs are known as :

A. Special costs. B. Direct costs. C. Overhead costs. D. Replacement costs.

41. The marginal cost curve intersects average cost curve, when average cost is

A. Minimum B. Maximum C. Rising D. Falling

42. The pressure and pain suffered by a producer in organizing production is called

A. Social cost. B. Opportunity cost. C. Real cost. D. None of these.

43. The horizontal demand curve shows that the demand is

A. Perfectly elastic. B. Perfectly inelastic. C. Unit elastic. D. Less elastic.

44. The law of diminishing returns are applicable only in the :

A. Long period. B. Short period. C. Both short and long periods. D. None of these.

45. Which of the following is an objective of a firm?

A. Profit maximization. B. Sales maximization. C. To build a business empire.

D. All of these.

46. Law of demand states that when :

A. Income rises demand rises. B. Price rises demand rises.

C. Price falls demand rises. D. Price falls demand falls.

47. Production has been defined as :

A. Providing services. B. Utility creation. C. Business operation. D. All of these.

48. In long run which factor of production is fixed ?

A. Capital. B. Labour. C. Both capital and labour. D. None of these.

49. In the case of Giften goods, demand curves will be.

A. Vertical. B. Horizontal. C. Upward sloping. D. Downward sloping.

50. If the income elasticity of demand is greater than unity, the commodity is a

A. Normal good. B. Luxury good. C. Inferior good. D. None of these.

51. The law of equi-marginal utility was stated by

A. Alfred Marshall. B. Lionel Robbins. C. Adam Smith. D. Pigou.

52. When the demand curve is rectangular hyperbola, it represents :

A. Perfectly elastic. B. Perfectly inelastic. C. Unit elastic. D. Less elastic.

53. Which of the following is an exception of law of demand?

A. Inferior goods. B. Giften Goods. C. Ignorance. D. All of these.

54. The rising part of LAC is due to

A. Economies of scale. B. Diseconomies of scale. C. Diminishing returns

D. All of these.

55. Accounting cost include :

A. Explicit costs. B. Implicit costs. C. Both A & B D. Opportunity costs.

56. The cross elasticity of demand for complementary goods are

A. Positive. B. Negative. C. Zero. D. Unity.

57. Which of the following is not a method of demand forecasting?

A. Trend projection method. B. Consumer surveys. C. Opinion polls. D. None of these.

58. Demand for a commodity is elastic, when it has

A. Only one use. B. Many uses C. Uses can't be postponed. D. No use.

59. The change in demand brought about by factors other than price is called

A. Extension of demand. B. Contraction of demand. C. Shift in demand. D. None of these.

60. In law of demand, the quantity demand of a good :

A. Varies inversely with the price. B. Varies directly with the price.

C. Varies proportionately with the price. D. Is independent of price.

61. Unitary elastic demand is :

A. Equal to one. B. Greater than one. C. Less than one. D. Zero.

62. The formula for average fixed cost is

A. TFC/Q B. Q/TFC C. TFC- Q D. TC/Q

63. The incremental costs are called as :

A. Average cost. B. Marginal cost. C. Total cost. D. Money cost.

64. The break even point measures :

A. TC= TR. B. AC= AR C. MC= MR D. None of these.

65. The condition of normal profit is

A. MC= MR B. TC= TR C. AC= AR D. AR= MR

66. Business economics is the practical application of :

A. Micro Economics. B. Macro Economics. C. All of these. D. None of these.

67. Utility is defined as :

A. The desire for a commodity. B. Want satisfying power of a commodity.

C. The demand for a commodity. D. The price of a commodity.

68. The cross elasticity of demand for two perfect substitutes will be

A. Negative. B. Positive. C. Zero. D. Infinite.

69. A rightward shift of demand curve indicates :

A. Increase in demand. B. Extension of demand. C. Decrease in demand.

D. Contraction of demand.

70. Opportunity costs are also known as :

A. Spill-over costs. B. Money costs. C. Alternative costs. D. Social costs.

71. The law of equi-marginal utility tells that, if the price of a commodity falls

A. More units of it will be bought. B. Less units of it will be bought.

C. Same units of it will be bought. D. Nothing will be bought.

72. Which of the following cost curve is a rectangular hyperbola?

A. TFC B. AFC C. AVC D. TVC

73. All money costs are regarded as :

A. Explicit costs. B. Opportunity cots. C. Social costs. D. Real costs.

74. Which of the following is a fixed cost?

A. Labour costs. B. Payments to raw materials. C. Transportation charges. D. Insurance premium.

75. The difference between average cost and average fixed cost is :

A. TC. B. AVC. C. TVC. D. MC

76. The fundamental problem of Economics is

A. Scarcity. B. Pricing C. Distribution. D. Wants.

77. The cost functions are derived from:

A. Demand function. B. Supply function. C. Production function D. None of these.

78. Which of the following is a determinant of demand?

A. Price. B. Income. C. Tastes and preferences. D. All of these.

79. If a change in price has no effect on quantity demanded, then elasticity of demand is

A. Greater than one. B. Less than one. C. Zero. D. Infinite.

80. The profit maximizing condition of a firm is

A. TC= TR B. AC= AR C. MC= MR D. AR= MR

81. Which of the following is not a demand determinant of durable goods?

A. Income. B. Availability of credit. C. Wealth. D. Tastes and preferences.

82. Which of the following is a non-durable good?

A. Car. B. Cloth. C. Washing machine. D. None of these.

83. The discounting principle defines the value received in:

A. Past. B. Present. C. Future. D. All of these.

84. The resource allocation is done on the basis of

A. Use of the good. B. Price of the good. C. Supply of the good. D. Demand of the good.

85. Who defined Economics as a science of scarcity and choice?

A. Lionel Robbins. B. Adam Smith. C. Alfred Marshall. D. Robbinson.

86. Which of the following is a demand determinant of non-durable goods?

A. Price. B. Income. C. Fashion. D. All of these.

87. The change in demand brought about by change in price is called

A. Shift in demand. B. Fall in demand. C. Extension of demand. D. Rise in demand.

88. Which of the following is a factor of production?

A. Land. B. Labour. C. Capital. D. All of these.

89. If the demand curve of a good is vertical, it indicates that the elasticity is:

A. Zero. B. Unity. C. Less than one. D. Infinity.

90. The income elasticity of demand of a normal good is:

A. Unity. B. Infinity. C. More than unity. D. Less than unity.

91. Which of the following is always equals to price?

A. Total revenue. B. Average revenue. C. Marginal revenue. D. Average cost.

92. In the case of car and petrol, the cross elasticity of demand is:

A. Zero. B. Positive. C. One. D. Negative.

93. The price that a consumer is willing to pay for a commodity is equal to:

A. Total utility. B. Average utility. C. Marginal utility. D. None of these.

94. The demand for electricity is usually,

A. More elastic. B. Less elastic. C. Unit elastic. D. Inelastic.

95. A high value of cross elasticity indicates that the two goods are:

A. Very good substitutes. B. Poor substitutes. C. Good complements. D. Poor complements.

96. In the case of a Giften good, a fall in price leads to:

A. No effect on demand. B. Reduce demand. C. Increase demand. D. None of these.

97. The demand curve is not related to:

A. The price of the good. B. The time period. C. The price of substitutes.

D. A given market.

98. The law of demand operates the demand curve,

A. Slopes downward from right to left. B. Slopes upward from right to left.

C. Slopes downward from left to right. D. Slopes upward from left to right.

99. The market demand is:

A. The sum of individual demands. B. The sum of household demands.

C. The sum of demand of all consumers in the market. D. All of these.

100. The income elasticity of demand measures the change in demand for a commodity due to the change in :

A. Both price and Income. B. Income. C. Price of other goods. D. All of these.

101. The pricing policy at which a firm initially set a higher price, then reduces it gradually is known as :

A. Pick up price. B. Skimming price. C. Penetrating price. D. Transfer price.

102. The price fixation by the govt. is an example of :

A. Administered price. B. Transfer price. C. Peak load price. D. None of these.

103. Which of the following is a benefit of administered price?

A. Reduce monopolies. B. Prevent black marketing. C . Improve the standard of living. D. All of these.

104. Which of the following is an example of cost based pricing?

A. Penetrating price. B. Mark up pricing. C. Skimming pricing. D. Transfer pricing.

105. The pricing policy at which a firm initially set a lower price, then gradually increase it is known as :

A. Penetrating price. B. Skimming price. C. Peak load price. D. Pick up price.

106. The difference between total revenue and explicit cost measure :

A. Average profit. B. Gross profit. C. Net profit. D. Total profit.

107. Windfall profit is an example of :

A. Gross profit. B. Normal profit. C. Super normal profit. D. Economic profit.

108. Which of the following profit measures opportunity costs?

A. Economic profit B. Accounting profit. C. Gross profit. D. All of these.

109. Accounting profit calculates only :

A. Explicit costs. B. Implicit costs. C. Total cost. D. Opportunity costs.

110. Gross profit minus implicit cost measures:

A. Normal profit. B. Net profit. C. Accounting profit. D. Economic profit.

111. The risk bearing theory of profit was developed by :

A. Schum Peter. B. Knight. C. Hawley. D. Marshall.

112. Which of the following is an example of innovation?

A. Introduction of a new product. B. Introduction of a new method of production.

C. Opening up of a new market. D. All of these.

113. The profit is the reward for innovations- this statement is given by :

A. Marshall B. Knight. C. Adam Smith. D. Schum Peter.

114. Which of the following is a market uncertainty?

A. The reaction of rival firms. B. Unexpected change in fashion.

C. A sudden fall in demand. D. Both B & C.

115. Monopoly profit is an example of :

A. Normal profit. B. Super normal profit. C. Economic profit. D. Net profit.

116. The pricing policy at which a high price is charged, when there is high demand is called as :

A. Peak load pricing. B. Skimming pricing. C. Dual pricing. D. High pricing.

117. If an Airline charges a low price to early customer, and a higher price to a customer who book tickets at the last minute, is an example of :

A. Transfer pricing. B. Peak load pricing. C. Dual pricing. D. Mark up pricing.

118. Which of the following is a pricing method for new products?

A. Penetrating pricing. B. Skimming pricing. C. Premium pricing. D. All of these.

119. The process by which setting price on the basis on competition in the market is called as :

A. Competition based pricing. B. Cost based pricing. C. Mark up pricing.

D. None of these.

120. The process by which the same product or service charges different prices in different markets is called as :

A. Transfer pricing. B. Dual pricing. C. Peak load pricing. D. Premium pricing.

121. Which of the following is a benefit of price Skimming?

A. A high quality image. B. High profitability. C. Speedy recovery of costs.

D. All of these.

122. Which of the following is not a benefit of penetrating price?

A. Economies of scale. B. Increased good will. C. Speedy recovery of costs.

D. None of these.

123. The price system followed by electricity distribution is an example of :

A. Penetrating pricing. B. Dual pricing. C. Administered pricing.

D. Peak load pricing.

124. The prices charged for transactions within the units of an enterprise is called:

A. Penetrating pricing. B. Transfer pricing. C. Dual pricing. D. Premium pricing.

125. Which of the following is an advantage of dual pricing?

A. Used to protect domestic business. B. Meet higher demand levels.

C. Counter distribution costs. D. All of these.

126. The span of time within which the investment made for the project will be recovered by the net returns of the project is known as :

A. Period of return. B. Pay back period. C. Span of return. D. None of these.

127. What is called as cost of capital?

A. Lower expected return on capital. B. Normal expected return on capital.

C. Higher expected return on capital. D. None of these.

128. Under net present value criterion , a project is approved if :

A. Its net present value is positive. B. The funds are unlimited.

C. Both A& B D. None of the above.

129. Which of the following criterion is often preferred?

A. Net present value. B. Profitability index. C. Internal rate of return. D. Any of these.

130. Usually the projects which have which pay back period is preferred?

A. Lower. B. Higher. C. Normal. D. Infinite.

131. A project is accepted when :

A. Net present value is greater than zero. B. Internal rate of return will be greater than the cost of capital. C. Profitability index is greater than unity. D. Any of the above.

132. The decisions taken by a firm regarding the long term investments is called as:

A. Capital planning. B. Capital budgeting. C. Cost benefit analysis. D. Investment plan.

133. Pricing which is based on how much cost to produce the product is called

A. Demand pricing. B. Penetration pricing. C. Dual pricing. D. Cost plus pricing.

134. The pricing strategy which help the firm to increase profit, without sacrificing the market share is called as :

A. Penetration pricing. B. Dual pricing. C. Multi-product pricing. D. Skimming pricing.

135. The method of setting price which is higher than the competitors is called as :

A. Competition pricing. B. Premium pricing. C. Dual pricing. D. Penetration pricing.

136. Which of the following is a disadvantage of transfer pricing?

A. Un-necessary competition. B. Suffering of loss. C. Reduce profit.

D. Customer dislike.

137. Which of the following is an example of price discrimination?

A. Dual pricing. B. Peak load pricing. C. Both A & B. D. None of these.

138. Support pricing is an example of

A. Transfer pricing. B. Administered pricing. C. Dual pricing. D. Peak load pricing.

139. Which of the following is an advantage of cost based pricing?

A. Help to cover costs. B. Protection from loss. C. Increase profits. D. All of these.

140. The different fairs charged in a movie theatre for different shows is an example of

A. Dual pricing. B. Peak load pricing. C. Premium pricing. D. None of these.

141. If the product is an inferior good :

A. Demand is inversely related to price. B. Demand is inversely related to income.

C. Demand is directly related to price. D. Demand is directly related to price of substitutes.

142. Demand for a normal product may shift outwards if:

A. Price decreases. B. The price of a substitute rises. C. The price of a complement rises. D. Income falls.

143. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is:

A. Zero. B. Infinite. C. Equal to one. D. Greater than zero but less than infinity.

144. In the short run, when the output of a firm increases, its average fixed cost:

A. Remains constant. B. Decreases. C. Increases. D. First decreases then rise.

145. Scarcity guarantees that

A. Wants will exceed demands. B. Demands will be equal to wants.

C. Demands will exceed wants. D. Most demands will be satisfied.

146. Which of the following influences people's buying plans and varies moving along a demand curve?

A. Preferences. B. The price of the good. C. Income. D. The price of related goods.

147. People may buy more of good 1 when the price of good 2 rises. These goods are

A. Normal goods B. Substitutes. C. Inferior goods D. Complements

148. As the opportunity cost of a good decreases, people buy

A. More of that good but less of its complements. B. Less of that good and also less of its complements. C. Less of that good but more of its complements. D. More of that good and also more of its complements.

149. The demand curve for a normal good shifts leftward if income ------ or the expected future price ------.

A. Decreases; falls B. Increases; rises C. Increases; falls D. Decreases; rises

150. If income increases or the price of a complement falls

A. The supply curve of a normal good shifts leftward. B. The supply curve of a normal good shifts rightward. C. The demand curve for a normal good shifts rightward D. The demand curve for a normal good shifts leftward.

151. A normal good is a good for which demand

A. Increases when income increases. B. Decreases when population increases. C. Increases when population increases. D. Decreases when income increases .

152. Inferior goods are those for which demand increases as

A. Income decreases. B. Income increases. C. The price of substitute rises. D. The price of a substitute falls.

153. By definition, an inferior good is a

A. Normal substitute good. B. Good for which demand decreases when its prices rises C. Want that is not express by demand. D. Good for which demand decreases when income increases.

154. Because of increasing marginal cost, most supply curves

A. Are horizontal. B. Have a negative slope. C. Are vertical. D. Have a positive slope.

155. A supply curve shows the relation between the quantity of a good supplied and

A. The price of the good. Usually a supply curve has negative slope. B. Income. Usually a supply curve has positive slope C. Income. Usually a supply curve has negative slope. D. The price of the good. Usually a supply curve has positive slope.

156. Which of the following is not held constant while moving along a supply curve?

A. Prices of resources used in production. B. Expected future prices. C. The number of sellers D. The price of the good itself .

157. The returns to scale measures:

A. Short run production function. B. Long run production function.

C. Both A & B. D. Economies of scale.

158. In Cobb-Duglas production function, elasticity of factor substitution is :

A. Greater than one. B. Less than one. C. One. D. Infinity.

159. If the total product increases, the marginal product will be :

A. Falls. B. Rises at an increasing rate. C. Rises at a diminishing rate. D. Constant.

160. If production under increasing returns, the average cost curve is :

A. Increases. B. Falls. C. Minimum. D. All of these.

161. Which of the following is a practical method of pricing?

A. Average cost pricing. B. Mark up pricing. C. Skimming pricing

D. Peak load pricing.

162. Profit is the reward of :

A. Entrepreneurship. B. Capital. C. Labour. D. All of these.

163. Which of the following is a feature of an imperfect market?

A. High barriers to entry and exit. B. Super normal profit. C. Imperfect information

D. All of these.

164. In an imperfect market, the profits will be :

A . Normal. B. Minimum. C. Abnormal. D. Maximum.

165. Which of the following is an indirect cost?

A. Cost of labour. B. Insurance charges. C. Cost of raw materials. D. Commissions.

166. The cost which is directly tied to the production is called as :

A. Direct cost. B. Indirect cost. C. Real cost. D. None of these.

167. The pressure and pain of the producer in organizing production is called as :

A. Direct cost. B. Opportunity cost. C. Real cost. D. Implicit cost.

168. Which of the following is a direct cost?

A. Quality control cost. B. Insurance charges. C. Wages. D. All of these.

169. The actual cost incurred to replace an item is called as :

A. Maintenance cost. B. Replacement cost. C. Indirect cost. D. Out of pocket cost.

170. The sales revenue maximization model was developed by :

A. Williamson. B. Marris. C. Baumol. D. Pigou.

171. Which of the following is an assumption of sales maximization model?

A. Firm tries to maximize its sales. B. Firms faces no competition in the market.

C. The demand for the product is permanent. D. All of these.

172. The advertisement expenditure of a sales maximiser will be:

A. Minimum. B. Less. C. High. D. Moderate.

173. The price charged by the sales maximiser will be------.profit maximiser.

A. Higher. B. Lower. C. Equal. D. Varies.

174. Engineering production functions are characterized by :

A. Limited methods of production. B. Unlimited methods of production.

C. Superior methods of production. D. All of these.

175. An engineering cost considers :

A. Fixed costs only. B. Variable costs only. C. Recurring cots only.

D. All of these.

176. The engineering cost measures costs in :

A. At time of production. B. Each stages of production. C. Final stages of production.

D. At the time of sales.

177. The firm which produces at the lowest point of LAC Curve is called as :

A. Optimum firm. B. Large firm. C. Small firm. D. All of these.

178. The long run production functions are graphically shown by :

A. Cost curves. B. Indifference curves. C. Iso-quants. D. Scale lines.

179. The main reason for diminishing returns are :

A. Managerial problems. B. High price of factors. C. Labour problems.

D. All of these.

180. When AC and MC curves falls the MC will be ------- than AC.

A. Higher. B. Lower. C. Either A or B. D. None of these.

181. At breakeven point there is

A. Profit. B. Loss. C. No profit or loss. D. None of these.

182. The following assumptions are made in case of break even analysis, except

A. All fixed costs are fixed. B. All variable costs are fixed. C. The prices of input factors are constant. D. Volume of production and volumes of sales are equal.

183. The breakeven point is obtained at intersection of

A. TR=TC. B. TR=TVC. C. TVC=TFC. D. TFC=TC.

184. Margin of safety is equal to

A. Actual sales- Sales at breakeven point. B. Actual sales+ Sales at breakeven point.

C. Actual sales× Sales at breakeven point. C. Actual sales/ Sales at Breakeven point.

185. Determine margin of safety if profit is Rs 15000/- and P/V ratio is 40%

A. Rs 37,500 B. 33,000. C. Rs 38,000. D. None of the above.

186. If a more efficient technology was discovered by a firm, there would be:

A. An upward shift in the AVC curve. B. An upward shift in the AFC curve.

C. A downward shift in the AFC curve. D. A downward shift in the MC curve

187. The firm's short – run marginal – cost curve is increasing when:

A. Marginal product is increasing. B. Marginal product is decreasing

C. Total fixed cost is increasing. D. Average fixed cost is decreasing.

188. Which would be an implicit cost for a firm? The cost:

A. Of weaker wages and salaries for the firm. B. Paid for leasing a building for the firm. C. Paid for production supplies for the firm. D. Of wages foregone by the owner of the firm.

189. If a firm's revenues just cover all its opportunity costs, then:

A. Normal profit is zero. B. Economic profit is zero. C. Total revenues equal its explicit costs. D. Total revenues equal its implicit costs.

190. An Iso-quant represents

A. Increasing MRTS. B. Decreasing MRTS. C. Constant MRTS. D. None of these.

191. Which of the following is not a method of capital budgeting?

A. Average rate of return method. B. Discounted cash flows method.

C. Net present value method. D. None of these.

192. The required return necessary to make a capital investment project is called

A. Average rate of return. B. Total returns of a project. C. Cost of capital.

D. Cost of investment.

193. The difference between the present value of expected cash inflows and the present value of expected cash outflows is called :

A. Gross present value. B. Net present value. C. Cost of capital. D. Net capital.

194. Which of the following is not a fundamental principle of business economics?

A. Discounting principle. B. Incremental principle. C. Opportunity cost principle.

D. Market principle.

195. Which of the following is not a factor influence the demand?

A. Income. B. Advertisement. C. Tastes and preferences. D. Technology.

196. Which of the following is a criteria for demand forecasting?

A. Accuracy. B. Flexibility. C. Acceptability. D. All of these.

197. Which of the following is not a method of demand forecasting?

A. Controlled experiments. B. Expert opinion. C. Market division.

D. Trend Projection .

198. Which of the following is a disadvantage of Expert opinion method?

A. Very expensive. B. Estimates of market segment are not possible.

C. Not much accurate. D. No past data is available.

199. The process by the resources are divided into different uses is called as :

A. Resource allocation. B. Resource division. C. Resource management.

D. None of these.

200. Which of the following is a pricing method of new products?

A. Dual pricing. B. Cost plus pricing. C. Competition pricing. D. All of these.

SIXTH SEMESTER B.A ECONOMICS PROGRAMMME

BUSINESSS ECONOMICS **Course Code EC6CBT02**

ANSWER KEY

1. D.
2. B.
3. A.
4. C.
5. C.
6. C.
7. B.
8. B.
9. D.
10. A.
11. C.
12. A.
13. B.
14. C.
15. C.
16. B.
17. D.
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31. A.
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34. C.
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185. A.
186. D.
187. B.
188. D.
189. B.
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191. D.
192. C.
193. B.
194. D.
195. D.
196. D.
197. C.
198. B.
199. A.
200. D.