

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

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

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Monopolistic competition

Oligopoly

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

Which of the following is a behavioral equation?

$GNP = C + I + G$

$St = b_0 + b_t R_t + u_1$

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

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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

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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

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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 $\epsilon_c < 1$

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

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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, $Y_t = 6.60 + 2.63X_t$, the intercept of the line is:

6.60

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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

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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

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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

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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

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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)

$S_t = S_0 + bt$ 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?

$GNP = C + I + G$

$S_t = b_0 + bt R_t + u_1$

Profit = TR – TC

None of the given options

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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)

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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

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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)

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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, $Y_t = 6.60 + 2.63X_t$, 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

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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)

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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, $MC = 5Q^2 - 10Q + 50$, 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

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

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:

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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:

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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

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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

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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 quantities 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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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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Decreasing costs

Constant costs

No costs

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Gross investment

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- shows seasonal component at time t.**

T_t

C_t

S_t

R_t

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

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Monopoly

Monopolistic competition

Oligopoly

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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

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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

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

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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

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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:

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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 quantities of a good is known as:

Price discrimination

Monopoly power

Monoposony power

Cartel

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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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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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$a + b < 1$

$a + b = 1$

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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

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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 $E_p = -2$ then:

$m = 100\%$

If $E_p = -5$ then $m = 25\%$

- ☐ More elastic the demand, lower markup.
- ☐ Less elastic the demand, higher markup.

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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 $Q = Q_A = Q_B$, then $MR_Q = MRA - MRB = MC_Q$

If $Q = Q_A = Q_B$, then $MR_Q = MRA + MRB = MC_Q$

If $Q = Q_A = Q_B$, then $MR_Q = MRA / MRB = MC_Q$

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If $Q = Q_A = Q_B$, then $MR_Q = MRA \times MR_B = MC_Q$

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:

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

10.20

0.852

11.052

9.348

$S_t = S_0 + bt$ (Where S_t 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

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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

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