

M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE  : WWW.MKGEDUCATION.COM

EMAIL  : MKGCAEDUCATION@GMAIL.COM

Youtube channel  : MKG CA EDUCATION

Facebook Page  : <https://www.facebook.com/mkgcaeducation/>

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TEST-2

QUESTION BOOKLET CODE: MKG

QUESTION PAPER BOOKLET NO. 2022022

CA FOUNDATION

(20-02-2022 3:00 P.M. TO 5:00 P.M.)

Business Economics and Business and Commercial Knowledge

Topics covered:

1. Introduction

2. Demand

3. Consumer Theory

4. Production and cost

Time allowed: 2 hours

Maximum Marks: 100

Instructions:

1. Answer to be given in OMR sheet
2. Negative Marking Applies

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1. Economists regard decision making as important because:
 - (a) The resources required to satisfy our unlimited wants and needs are finite, or scarce.
 - (b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs.
 - (c) Resources have alternative uses.
 - (d) All the above
 2. In Economics, we use the term scarcity to mean;
 - (a) Absolute scarcity and lack of resources in less developed countries.
 - (b) Relative scarcity i.e. scarcity in relation to the wants of the society.

- (c) Scarcity during times of business failure and natural calamities.
- (d) Scarcity caused on account of excessive consumption by the rich.
3. Which of the following is a normative statement?
- (a) Planned economies allocate resources via government departments.
- (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade.
- (c) There is a greater degree of consumer sovereignty in market economies than planned economies.
- (d) Reducing inequality should be a major priority for mixed economies.
4. In every economic system, scarcity imposes limitations on
- (a) households, business firms, governments, and the nation as a whole.
- (b) households and business firms, but not the governments.
- (c) local and state governments, but not the federal government.
- (d) households and governments, but not business firms.
5. Macroeconomics is also called——— economics.
- (a) applied
- (b) aggregate
- (c) experimental
- (d) none of the above
6. An example of ‘positive’ economic analysis would be:
- (a) an analysis of the relationship between the price of food and the quantity purchased.
- (b) determining how much income each person should be guaranteed.
- (c) determining the ‘fair’ price for food.
- (d) deciding how to distribute the output of the economy.
7. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
- (a) Macro-Economics.
- (b) Descriptive Economics.
- (c) Micro-economics.
- (d) Normative economics.
8. Ram: My corn harvest this year is poor.
- Krishan: Don’t worry. Price increases will compensate for the fall in quantity supplied.
- Vinod: Climate affects crop yields. Some years are bad, others are good.
- Madhu: The Government ought to guarantee that our income will not fall.
- In this conversation, the normative statement is made by
- (a) Ram
- (b) Krishan

- (c) Vinod
 - (d) Madhu
9. The branch of economic theory that deals with the problem of allocation of resources is
- (a) Micro-Economic theory.
 - (b) Macro-economic theory.
 - (c) Econometrics.
 - (d) none of the above.
10. In a free market economy the allocation of resources is determined by
- (a) voting done by consumers
 - (b) a central planning authority.
 - (c) consumer preferences.
 - (d) the level of profits of firms.
11. A capitalist economy uses _____ as the principal means of allocating resources.
- (a) demand
 - (b) supply
 - (c) efficiency
 - (d) prices
12. Which of the following is considered as a disadvantage of allocating resources using the market system?
- (a) Income will tend to be unevenly distributed
 - (b) People do not get goods of their choice.
 - (c) Men of Initiative and enterprise are not rewarded.
 - (d) Profits will tend to be low.
13. Which of the following is not one of the four central questions that the study of economics is supposed to answer?
- (a) Who produces what?
 - (b) When are goods produced?
 - (c) Who consumes what?
 - (d) How are goods produced?
14. Larger production of ____ goods would lead to higher production in future.
- (a) consumer goods
 - (b) capital goods
 - (c) agricultural goods
 - (d) public goods
15. Administered prices refer to:
- (a) Prices determined by forces of demand and supply
 - (b) Prices determined by sellers in the market

- (c) Prices determined by an external authority which is usually the government
 - (d) None of the above
16. In Economics, the central economic problem means:
- (a) Output is restricted to the limited availability of resources
 - (b) Consumer do not have as much money as they would wish
 - (c) There will always be certain level of unemployment
 - (d) Resources are not always allocated in an optimum way
17. Scarcity definition of Economics is given by-
- (a) Alfred Marshall
 - (b) Samuelson
 - (c) Robinson
 - (d) Adam Smith
18. The definition "Science which deals with wealth of Nation" was given by:
- (a) Alfred Marshall
 - (b) A C Pigou
 - (c) Adam Smith
 - (d) J B Say
19. Which of the following is not one of the features of capitalist economy?
- (a) Right of private property
 - (b) Freedom of choice by the consumers
 - (c) No profit, No Loss motive
 - (d) Competition
20. Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using?
- (a) Micro economics
 - (b) Macro economics
 - (c) None of the above
 - (d) Both a and b
21. Contraction of demand is the result of:
- (a) decrease in the number of consumers.
 - (b) increase in the price of the good concerned.
 - (c) increase in the prices of other goods.
 - (d) decrease in the income of purchasers.
22. All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?

- (a) The preference of the individual.
 - (b) His monetary income.
 - (c) Price of the commodity
 - (d) Price of related goods.
23. The Law of Demand, assuming other things to remain constant, establishes the relationship between:
- (a) income of the consumer and the quantity of a good demanded by him.
 - (b) price of a good and the quantity demanded.
 - (c) price of a good and the demand for its substitute.
 - (d) quantity demanded of a good and the relative prices of its complementary goods.
24. Identify the factor which generally keeps the price-elasticity of demand for a good low:
- (a) Variety of uses for that good.
 - (b) Very low price of a commodity
 - (c) Close substitutes for that good.
 - (d) High proportion of the consumer's income spent on it.
25. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price:
- (a) Equal to one.
 - (b) Greater than one.
 - (c) Less than one.
 - (d) Zero.
26. In the case of an inferior good, the income elasticity of demand is:
- (a) positive.
 - (b) Zero.
 - (c) Negative.
 - (d) infinite.
27. If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be:
- (a) horizontal.
 - (b) Vertical.
 - (c) positively sloped.
 - (d) negatively sloped.
28. A movement along the demand curve for soft drinks is best described as :
- (a) An increase in demand.
 - (b) A decrease in demand.
 - (c) A change in quantity demanded.
 - (d) A change in demand.

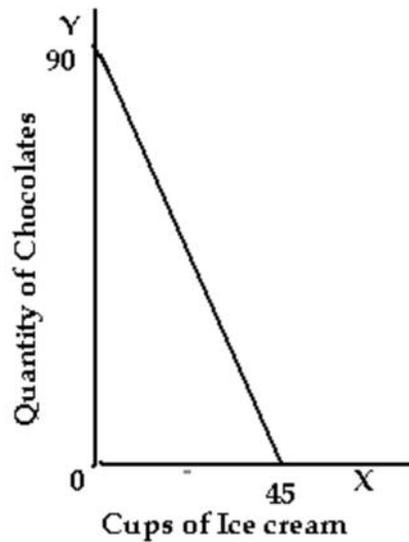
29. If a good is a luxury, its income elasticity of demand is:
- (a) Positive and less than 1.
 - (b) Negative but greater than -1.
 - (c) Positive and greater than 1.
 - (d) Zero.
30. The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is:
- (a) Elastic.
 - (b) Inelastic.
 - (c) Unitarily elastic.
 - (d) Perfectly elastic.
31. If the quantity demanded of mutton increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between mutton and chicken is
- (a) -0.25
 - (b) 0.25
 - (c) -4
 - (d) 4
32. Given the following four possibilities, which one results in an increase in total consumer expenditure?
- (a) Demand is unitary elastic and price falls.
 - (b) Demand is elastic and price rises.
 - (c) Demand is inelastic and price falls.
 - (d) Demand is inelastic and prices rises.
33. Suppose the price of movies seen at a theatre rises from Rs 120 per person to Rs 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movies? (Use Arc Elasticity Method)
- (a) .5
 - (b) .8
 - (c) 1.0
 - (d) 1.2
34. If electricity demand is inelastic, and electricity charges increase, which of the following is likely to occur?
- (a) Quantity demanded will fall by a relatively large amount.
 - (b) Quantity demanded will fall by a relatively small amount.
 - (c) Quantity demanded will rise in the short run, but fall in the long run.
 - (d) Quantity demanded will fall in the short run, but rise in the long run.

35. Point elasticity is useful for which of the following situations?
- (a) The bookstore is considering doubling the price of notebooks.
 - (b) A restaurant is considering lowering the price of its most expensive dishes by 50 percent.
 - (c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by Rs 100.
 - (d) None of the above.
36. A decrease in price will result in an increase in total revenue if :
- (a) The percentage change in quantity demanded is less than the percentage change in price.
 - (b) The percentage change in quantity demanded is greater than the percentage change in price.
 - (c) Demand is inelastic.
 - (d) The consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.
37. An increase in price will result in an increase in total revenue if :
- (a) The percentage change in quantity demanded is less than the percentage change in price.
 - (b) The percentage change in quantity demanded is greater than the percentage change in price.
 - (c) Demand is elastic.
 - (d) The consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low.
38. Demand for a good will tend to be more elastic if it exhibits which of the following characteristics?
- (a) It represents a small part of the consumer's income.
 - (b) The good has many substitutes available.
 - (c) It is a necessity (as opposed to a luxury).
 - (d) There is little time for the consumer to adjust to the price change.
39. Suppose a consumer's income increases from Rs 30,000 to Rs ₹ 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs? (Use Arc Elasticity Method)
- (a) 0.5
 - (b) 1.0
 - (c) 1.5
 - (d) 2.0
40. Total utility is maximum when :
- (a) Marginal utility is zero.
 - (b) Marginal utility is at its highest point.
 - (c) Marginal utility is negative
 - (d) None of the above

41. Which one is not an assumption of the theory of demand based on analysis of indifference curves?
- (a) Given scale of preferences as between different combinations of two goods.
 - (b) Diminishing marginal rate of substitution.
 - (c) Diminishing marginal utility of money
 - (d) Consumers would always prefer more of a particular good to less of it, other things remaining the same.
42. An indifference curve slopes down towards right since more of one commodity and less of another result in:
- (a) Same level of satisfaction.
 - (b) Greater satisfaction.
 - (c) Maximum satisfaction.
 - (d) Any of the above
43. Which of the following statements is incorrect?
- (a) An indifference curve must be downward-sloping to the right.
 - (b) Convexity of a curve implies that the slope of the curve diminishes as one moves from left to right.
 - (c) The income elasticity for inferior goods to a consumer is positive
 - (d) The total effect of a change in the price of a good on its quantity demanded is called the price effect.
44. The successive units of stamps collected by a little boy give him greater and greater satisfaction. This is a clear case of
- (a) Operation of the law of demand.
 - (b) Consumer surplus enjoyed in hobbies and rare collections
 - (c) Exception to the law of diminishing utility.
 - (d) None of the above
45. In the case of a Giffen good, the demand curve will usually be :
- (a) horizontal.
 - (b) downward-sloping to the right.
 - (c) vertical.
 - (d) upward-sloping to the right.
46. By consumer surplus, economists mean
- (a) The area inside the budget line above the price of the commodity
 - (b) The area between the average revenue and marginal revenue curves.
 - (c) The difference between the maximum amount a person is willing to pay for a good and its market price.
 - (d) The difference between the market price and the supply curve

47. Which of the following is a property of an indifference curve?
- (a) It is convex to the origin due to diminishing marginal rate of substitution
 - (b) The marginal rate of substitution is constant as you move along an indifference curve.
 - (c) Marginal utility is constant as you move along an indifference curve.
 - (d) Total utility is greatest where the budget line line cuts the indifference curve.
48. When economists speak of the utility of a certain good, they are referring to
- (a) The demand for the good.
 - (b) The usefulness of the good in consumption.
 - (c) The expected satisfaction derived from consuming the good.
 - (d) The rate at which consumers are willing to exchange one good for another.
49. When income increases the money spent on necessities of life may not increase in the same proportion, This means
- (a) income elasticity of demand is zero
 - (b) income elasticity of demand is one
 - (c) income elasticity of demand is greater than one
 - (d) income elasticity of demand is less than one
50. A good which cannot be consumed more than once is known as
- (a) Durable good
 - (b) Non-durable good
 - (c) Producer good
 - (d) None of the above
51. A point below the budget line of a consumer
- (a) Represents a combination of goods which costs the whole of consumer's income
 - (b) Represents a combination of goods which costs less than the consumer's income
 - (c) Represents a combination of goods which is unattainable to the consumer given his/her money income
 - (d) Represents a combination of goods which costs more than the consumers' income
52. Comforts lie between
- (a) inferior goods and necessities
 - (b) luxuries and inferior goods
 - (c) necessities and luxuries
 - (d) none of the above

53. The figure below shows the budget constraint of a consumer with an income of Rs. 900/- to spend on two commodities, namely ice cream and chocolates.



The prices of these two commodities respectively are:

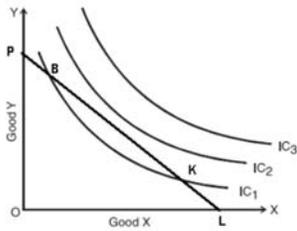
- (a) Rs. 10 and Rs 20
 - (b) Rs 20 and Rs. 10
 - (c) Rs. 10 and Rs 5
 - (d) Any of the above
54. If the organizers of an upcoming cricket match decide to increase the ticket price in order to raise its revenues, what they have learned from past experience is;
- (a) The percentage increase in ticket rates will be always equal the percentage decrease in tickets sold
 - (b) The percentage increase in ticket rates will be always greater than the percentage decrease in tickets sold
 - (c) The percentage increase in ticket rates will be less than the percentage decrease in tickets sold
 - (d) (a) and (c) above are true
55. The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is ;



- (a) Good X and Good Y are perfect complements
- (b) Good X and Good Y are perfect substitutes

- (c) Good X and Good Y are remote substitutes
- (d) Good X and Good Y are close substitutes

56. If this consumer is spending her entire income and consuming at point B , what advise will you her ?

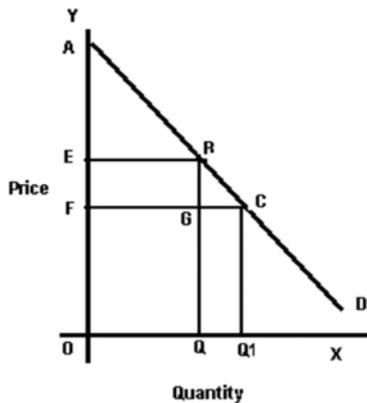


- (a) No advise needed, as she is maximizing her utility at B
- (b) Consume more of Good X and less of Good Y
- (c) Consume more of X and less of Y and reach point K
- (d) Consumer same quantity of Good Y and more of Good X

57. Which of the following statements is true about this consumer?

- (a) The consumer is not maximizing her utility at point K
- (b) The consumer is spending her entire income on both goods
- (c) The consumer gets equal pleasure at points B and K
- (d) All the above

58. The effect on consumer surplus of a fall in price from E to F is



- (a) A decrease in consumer surplus by EFGR
- (b) A decrease in consumer surplus by AER
- (c) A decrease in consumer surplus by EFCR
- (d) None of the above

59. When price rises from F to E, the increase in revenue earned by the seller is

- (a) Equivalent to area EFGR
- (b) Equivalent to area EFCR
- (c) Equivalent to area AER
- (d) None of the above

60. How would that budget line be affected if the price of both goods fell?
- (a) The budget line would not shift.
 - (b) The new budget line must be parallel to the old budget line.
 - (c) The budget line must be shifting to the left
 - (d) The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion.
61. Which of the following is considered production in Economics?
- (a) Tilling of soil.
 - (b) Singing a song before friends.
 - (c) Preventing a child from falling into a manhole on the road.
 - (d) Painting a picture for pleasure.
62. Which of the following is not a characteristic of land?
- (a) Its supply for the economy is limited.
 - (b) It is immobile.
 - (c) Its usefulness depends on human efforts.
 - (d) It is produced by our forefathers.
63. Which of the following statements is true?
- (a) Accumulation of capital depends solely on income of individuals.
 - (b) Savings can be influenced by government policies.
 - (c) External economies go with size and internal economies with location.
 - (d) The supply curve of labour is an upward slopping curve.
64. In the production of wheat, all of the following are variable factors that are used by the farmer except:
- (a) the seed and fertilizer used when the crop is planted.
 - (b) the field that has been cleared of trees and in which the crop is planted.
 - (c) the tractor used by the farmer in planting and cultivating not only wheat but also corn and barley.
 - (d) the number of hours that the farmer spends in cultivating the wheat fields.
65. Diminishing marginal returns implies:
- (a) decreasing average variable costs.
 - (b) decreasing marginal costs.
 - (c) increasing marginal costs.
 - (d) decreasing average fixed costs.
66. The short run, as economists use the phrase, is characterized by:
- (a) at least one fixed factor of production and firms neither leaving nor entering the industry.
 - (b) generally a period which is shorter than one year.
 - (c) all factors of production are fixed and no variable inputs.
 - (d) all inputs are variable and production is done in less than one year.

67. The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except:
- (a) when total product is rising, average and marginal product may be either rising or falling.
 - (b) when marginal product is negative, total product and average product are falling.
 - (c) when average product is at a maximum, marginal product equals average product, and total product is rising.
 - (d) when marginal product is at a maximum, average product equals marginal product, and total product is rising.
68. To economists, the main difference between the short run and the long run is that:
- (a) In the short run all inputs are fixed, while in the long run all inputs are variable.
 - (b) In the short run the firm varies all of its inputs to find the least-cost combination of inputs.
 - (c) In the short run, at least one of the firm's input levels is fixed.
 - (d) In the long run, the firm is making a constrained decision about how to use existing plant and equipment efficiently.
69. 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.
70. Which cost increases continuously with the increase in production?
- (a) Average cost.
 - (b) Marginal cost.
 - (c) Fixed cost.
 - (d) Variable cost.
71. 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.
72. Total cost in the short run is classified into fixed costs and variable costs. Which one of the following is a variable cost?
- (a) Cost of raw materials.
 - (b) Cost of equipment.
 - (c) Interest payment on past borrowings.
 - (d) Payment of rent on building.

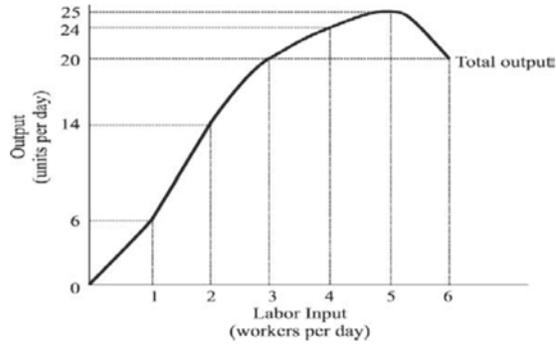
73. In the short run, when the output of a firm increases, its average fixed cost:
- (a) increases.
 - (b) decreases.
 - (c) remains constant.
 - (d) first declines and then rises.
74. Which one of the following is also known as planning curve?
- (a) Long run average cost curve.
 - (b) Short run average cost curve.
 - (c) Average variable cost curve.
 - (d) Average total cost curve.
75. If a firm moves from one point on a production isoquant to another, which of the following will not happen.
- (a) A change in the ratio in which the inputs are combined to produce output.
 - (b) A change in the ratio of marginal products of the inputs.
 - (c) A change in the marginal rate of technical substitution.
 - (d) A change in the level of output.
76. With which of the following is the concept of marginal cost closely related?
- (a) Variable cost.
 - (b) Fixed cost.
 - (c) Opportunity cost.
 - (d) Economic cost.
77. Which of the following statements is correct?
- (a) When the average cost is rising, the marginal cost must also be rising.
 - (b) When the average cost is rising, the marginal cost must be falling.
 - (c) When the average cost is rising, the marginal cost is above the average cost.
 - (d) When the average cost is falling, the marginal cost must be rising.
78. Which of the following is an example of “explicit cost”?
- (a) The wages a proprietor could have made by working as an employee of a large firm.
 - (b) The income that could have been earned in alternative uses by the resources owned by the firm.
 - (c) The payment of wages by the firm.
 - (d) The normal profit earned by a firm.
79. Which of the following is an example of an “implicit cost”?
- (a) Interest that could have been earned on retained earnings used by the firm to finance expansion.
 - (b) The payment of rent by the firm for the building in which it is housed.
 - (c) The interest payment made by the firm for funds borrowed from a bank.
 - (d) The payment of wages by the firm.

80. Marginal cost is defined as:
- (a) the change in total cost due to a one unit change in output.
 - (b) total cost divided by output.
 - (c) the change in output due to a one unit change in an input.
 - (d) total product divided by the quantity of input.
81. Which of the following is true of the relationship between the marginal cost function and the average cost function?
- (a) If MC is greater than ATC, then ATC is falling.
 - (b) The ATC curve intersects the MC curve at minimum MC.
 - (c) The MC curve intersects the ATC curve at minimum ATC.
 - (d) If MC is less than ATC, then ATC is increasing.
82. Which of the following statements is true of the relationship among the average cost functions?
- (a) $ATC = AFC - AVC$.
 - (b) $AVC = AFC + ATC$.
 - (c) $AFC = ATC + AVC$.
 - (d) $AFC = ATC - AVC$.
83. Which of the following is not a determinant of the firm's cost function?
- (a) The production function.
 - (b) The price of labour.
 - (c) Taxes.
 - (d) The price of the firm's output.
84. Which of the following statements is correct concerning the relationships among the firm's cost functions?
- (a) $TC = TFC - TVC$.
 - (b) $TVC = TFC - TC$.
 - (c) $TFC = TC - TVC$.
 - (d) $TC = TVC - TFC$.
85. Suppose output increases in the short run. Total cost will:
- (a) increase due to an increase in fixed costs only.
 - (b) increase due to an increase in variable costs only.
 - (c) increase due to an increase in both fixed and variable costs.
 - (d) decrease if the firm is in the region of diminishing returns.
86. Which of the following statements concerning the long-run average cost curve is false?
- (a) It represents the least-cost input combination for producing each level of output.
 - (b) It is derived from a series of short-run average cost curves.
 - (c) The short-run cost curve at the minimum point of the long-run average cost curve represents the least-cost plant size for all levels of output.

- (d) As output increases, the amount of capital employed by the firm increases along the curve.
87. The negatively-sloped (i.e. falling) part of the long-run average total cost curve is due to which of the following?
- (a) Diseconomies of scale.
 - (b) Diminishing returns.
 - (c) The difficulties encountered in coordinating the many activities of a large firm.
 - (d) The increase in productivity that results from specialization.
88. 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.
89. 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.
90. If decreasing returns to scale are present, then if all inputs are increased by 10% then:
- (a) output will also decrease by 10%.
 - (b) output will increase by 10%.
 - (c) output will increase by less than 10%.
 - (d) output will increase by more than 10%.
91. The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that:
- (a) the technology is changing.
 - (b) there must be some inputs whose quantity is kept fixed.
 - (c) we consider only physical inputs and not economic profitability in monetary terms.
 - (d) the technology is given and stable.
92. 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).

93. 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.
94. The efficient scale of production is the quantity of output that minimizes
- (a) average fixed cost.
 - (b) average total cost.
 - (c) average variable cost.
 - (d) marginal cost.
95. 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.
96. Which of the following statements is true?
- (a) After the inflection point of the production function, a greater use of the variable input induces a reduction in the marginal product.
 - (b) Before reaching the inevitable point of decreasing marginal returns, the quantity of output obtained can increase at an increasing rate.
 - (c) The first stage corresponds to the range in which the AP is increasing as a result of utilizing increasing quantities of variable inputs.
 - (d) All the above.
97. Marginal product, mathematically, is the slope of the
- (a) total product curve.
 - (b) average product curve.
 - (c) marginal product curve.
 - (d) implicit product curve.
98. Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence:
- (a) 50, 50, 50, 50
 - (b) 50, 110, 180, 260
 - (c) 50, 100, 150, 200
 - (d) 50, 90, 120, 140

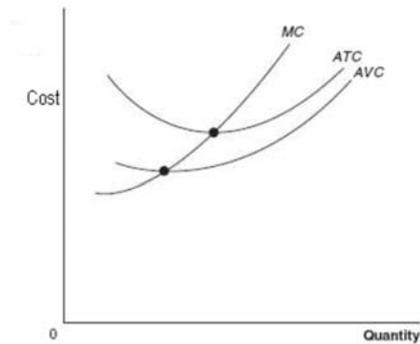
99. Use the following diagram to answer the question given below it



The marginal physical product of the third unit of labour is _____, the MP of the _____ labour is Negative

- (a) Six; fourth
- (b) Six; third
- (c) Six ; fifth
- (d) Six; sixth

100. In figure below, possible reason why the average variable cost curve approaches the average total cost curve as output rises is:



- (a) Fixed costs are falling while total costs are rising at rising output.
- (b) Total costs are rising and average costs are also rising.
- (c) Marginal costs are above average variable costs as output rises.
- (d) Average fixed costs are falling as output rises.

SPACE FOR ROUGH WORK

