

BUSINESS ECONOMICS

Multiple Choice Questions & Answers

1. Reasons for increasing returns in Stage I of law of variable proportion is _____
 - A. Indivisibility
 - B. Specialisation
 - C. Both (a) and (b)
 - D. None of the above**ANSWER: C**
2. _____ Economies views on reducing the Production costs
 - A. Internal
 - B. Inventory
 - C. Pecuniary
 - D. External**ANSWER: D**
3. Which of the following are not related with factors of production (FOP)
 - A. Land
 - B. Capital
 - C. Raw material
 - D. Labour**ANSWER: C**
4. When the output increases in the same proportion as the increase in input it is -----
Returns
 - A. Constant
 - B. Average
 - C. Decreasing
 - D. Increasing**ANSWER: A**
5. Cobb Douglas production function mainly studies -----?
 - A. Capital & labour
 - B. Labour & Entrepreneur
 - C. Land & Labour
 - D. Land & capital**ANSWER: A**
6. Marginal cost is defined as
 - A. Total cost divided by output
 - B. Change in total cost due change in output
 - C. change in output due to a one unit change in an input
 - D. Total product divided by the quantity of input**ANSWER: B**
7. The rate at which a firm can substitute capital for labour and hold output constant is the _____.
 - A. marginal rate of production
 - B. law of diminishing marginal returns
 - C. marginal rate of factor substitution
 - D. isoquant.**ANSWER: C**
8. A graph showing all the combinations of capital and labour available for a given total cost is the _____.
 - A. isoquant
 - B. budget constraint
 - C. isocost line

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D. expenditure set

ANSWER: A

9. The formula for average fixed costs is _____.

A. TFC/Q

B. DQ/DFC .

C. Q/TFC .

D. $TFC \cdot Q$

ANSWER: A

10. When the output increases in the same proportion as the increase in input it is _____ Returns.

A. Constant

B. Average

C. Decreasing

D. Increasing

ANSWER: A

11. Cobb Douglas production function mainly studies _____?

A. Capital and Labour

B. Labour and Entrepreneur

C. Land and Labour

D. Land and Capital

ANSWER: A

12. Opportunity Cost is also Known as _____

A. outlay cost

B. Sunk Cost

C. Alternative cost

D. Total cost

ANSWER: C