

CPT Eco: Theory of Production

Marks: 60

Timing: 1hrs.

1. **In short period production function,**
 - a) Two factors are variable
 - b) One factor is variable
 - c) No factors are variable
 - d) None of the above
2. **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.
3. **In the long-run, some firms will exit the market if the price of the good offered for sale is less than**
 - a) marginal revenue
 - b) marginal cost
 - c) average total cost
 - d) average revenue
4. **When there is de-centralisation of decision making, it is a case of**
 - a) Technical economy
 - b) Marketing economy
 - c) Managerial economy
 - d) Managerial diseconomy
5. **In return to scale, the factors of production are assumed to be _____**
 - a) Substitutable
 - b) Efficient
 - c) Good quality
 - d) All of the above
6. **Corporate savings depend upon**
 - a) profit level
 - b) income level
 - c) production level
 - d) loans level
7. **If the marginal product of labour is below the average product of labour, it must be true that:**
 - a) the marginal product of labour is negative.
 - b) the marginal product of labour is zero.
 - c) the average product of labour is falling.
 - d) the average product of labour is negative.
8. **Internal economies of scale are the economies, which are _____ specific**
 - a) Labour
 - b) Society
 - c) Firm
 - d) Industry
9. **According to _____ law of diminishing return applies to agriculture.**
 - a) Alfred Marshall
 - b) A.C. Pigou
 - c) Adam Smith
 - d) Ricardo
10. **The production function is a relationship between a given combination of inputs and:**
 - a) another combination that yields the same output.
 - b) the highest resulting output.
 - c) the increase in output generated by one-unit increase in one output.
 - d) all levels of output that can be generated by those inputs.
11. **The term "innovation" was introduced by**
 - a) Hawtrey
 - b) Samuelson
 - c) Schumpeter
 - d) Knight
12. **When AP is maximum, MP is equal to**
 - a) AP
 - b) TP
 - c) zero
 - d) one
13. **Which capital includes education, training and skill of the worker ?**
 - a) Physical capital
 - b) Human capital
 - c) External capital
 - d) Floating capital
14. **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.
15. **As the proportion of one factor is increased, while other factors are kept constant, after a point, the law of operates.**
 - a) Increasing returns
 - b) Decreasing returns
 - c) Constant returns
 - d) None of the above

16. **The economies and diseconomies of large scale production is determined by**
- The short run MC
 - The short run AC
 - The long run TC
 - The long run AC
17. **As we increase the quantity of one input which is combined with other fixed input _____ of the variable input must eventually decline.**
- Total physical productivity
 - Average physical productivity
 - Marginal physical productivity
 - None of the above
18. **Economic rent refers to:**
- Return paid to any factor in fixed supply
 - Rent paid for using economic goods
 - Average rent paid by the tenant to the landlord
 - None of the above
19. **Labour refers to**
- Physical exertion alone
 - Mental or physical exertion with a view to get satisfaction
 - Mental or physical exertion with a view to get monetary reward
 - None of the above
20. **Each additional unit of output will be more pensive to produce, the firm is subjected to**
- Increasing returns
 - Increasing returns to scale
 - Constant returns
 - Decreasing returns
21. **If there is fixed and variable factor the law should be**
- Law of variable proportion
 - Law of diminishing marginal utility
 - Law equi-marginal utility
 - Law of increasing returns to scale
22. **Production is a function of _____**
- Cost of fixed factors
 - Quantity of factors
 - Both a and b
 - None of the above
23. **For mobilising savings, we require:**
- capital markets
 - investment institutions
 - banks and financial institutions
 - none of the above
24. **Increasing return to scale can be explained in terms of:**
- Labour productivity
 - Economies of scale
 - Fixed scale of plant
 - None of the above
25. **Produced means of production' refers to:**
- Capital
 - Land
 - Labour
 - Entrepreneur
26. **Law of variable proportion is valid when**
- All factors are kept constant
 - All inputs are varied in same proportion
 - Only one input made variable and others are kept constant
 - None of the above
27. **Movement of labour from one occupation to another occupation of same kind of job is known as _____**
- Horizontal movement
 - Backward movement
 - Vertical movement
 - Upward movement
28. **The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except:**
- when total product is rising, average and marginal product may be either rising or falling.
 - when marginal product is negative, total product and average product are falling.
 - when average product is at a maximum, marginal product equals average product, and total product is rising.
 - when marginal product is at a maximum, average product equals marginal product, and total product is rising.
29. **Mobility of labour means**
- In ability of one from moving from one job to another
 - Its ability and willingness to move from one trade or occupation to another
 - Its lack of knowledge and education in mobility of labour
 - None of the above
30. **Law of Return to scale assumes _____ in the market.**
- Monopoly
 - Imperfect competition
 - Monopsony

- d) Perfect competition
31. **Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is:**
- 50
 - 100
 - 150
 - 200
32. **Law of returns to scale applies when.....**
- All inputs cost are variable
 - All input cost are fixed
 - All cost are partly fixed and partly variable
 - None
33. **Individual's saving level depends upon**
- income
 - inflation
 - ability and willingness to save
 - government policy
34. **If labour is an active factor, land is**
- secondary factor
 - also active factor
 - passive factor
 - none of the above
35. **Capital which yields a periodical income is _____ concept.**
- Flow
 - Stock
 - Both (a) and (b)
 - None of the above
36. **Economies of scale refer to**
- The forces, which reduce the marginal cost of producing goods as the firm expands the size of its plant
 - The forces, which increases the average cost of producing a good as the firm expands the size of the plant
 - The forces, which increases the marginal cost of producing a good as the firm expands the size of its plant
 - The forces, which reduces the average cost of producing a good as the firm expands the size of its plant
37. **In describing a given production technology, the short run is best described as lasting:**
- up to six months from now.
 - up to five years from now.
 - as long as all inputs are fixed.
 - as long as at least one input is fixed.
38. **Decreasing returns to scale is a stage of:**
- law of variable proportion
 - return to scale
 - law of diminishing marginal utility
 - none of the above
39. **Demand for factor of production is known as _____**
- Industry demand
 - Derived demand
 - Autonomous demand
 - None of the above
40. **When labour and capital are increased by 10% and also increases by 10%, then we have**
- Increasing returns to scale
 - Decreasing returns to scale
 - Constant returns to scale
 - Negative returns to scale
41. **A rational producer will always operate in which stage of law of variable proportion ?**
- increasing returns
 - diminishing returns
 - constant returns
 - negative returns
42. **Slope of Budget line is equal to.....**
- Marginal rate of substitution between the factor inputs
 - Ratio of price of factor inputs
 - Demand of each factor input
 - Supply of each factor input
43. **An isoquant joins all factor inputs which.....**
- Yield same level of output
 - Give same marginal utility
 - Have same marginal cost
 - Have same Average cost
44. **The concept of division of labour was given by**
- Alfred Marshall
 - Adam Smith
 - Pigou
 - Robertson
45. **The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that:**
- the technology is changing.
 - there must be some inputs whose quantity is kept fixed.
 - we consider only physical inputs and not economically profitability in monetary terms.
 - the technology is given and stable.

46. **First stage of law of variable proportion ranges from origin till the point where:**
- AP is maximum
 - MP is maximum
 - TP is maximum
 - Point of inflexion
47. **If as a result of 50 percent increase in all input the output rises by 75 per cent, this is a cases of**
- increasing returns to a factor
 - increasing returns to scale
 - constant returns to a factor
 - constant returns to scale
48. **An essential quality of entrepreneur is _____**
- That he should take decisions with long run perspective
 - He must have a general organizational skill
 - He must possess foresight, judgment, business ability to the proper men and so on
 - All the above
49. **In the long run**
- all inputs are fixed
 - all inputs are variable
 - at least one input is variable and one input is fixed
 - at most one input is variable and one input is fixed
50. **'Short run' can be defined as a period of time**
- Which lasts up to 6 months
 - In which all factor inputs are fixed
 - Fixed factor cannot be altered (D*S)
 - Up to 5 years
51. **Which of these types of labour will not be regarded as economic activity of labour under economics**
- A person ironing his own cloth at his home
 - A person working in any factory
 - Railway porter carrying luggage on payment of his labour charges
 - A person working as waiter in a Restaurant
52. **In long run all costs are known as _____ costs**
- Variable
 - Fixed
 - Semi fixed
 - Both fixed and variable
53. **If all inputs are trebled and the resultant output is doubled, this is a case of:**
- constant returns to scale
 - increasing returns to scale
 - diminishing returns to scale
 - negative returns to scale
54. **Short-run production function is based on**
- fixed factors
 - variable factors
 - fixed and variable factors
 - None of these
55. **Marginal cost changes due to changes in —**
- Total cost
 - Average cost
 - Variable cost
 - Quantity of output
56. **What is a production process?**
- technical relationship between physical inputs and physical output.
 - relationship between fixed factors of production and variable factors of production.
 - relationship between a factor of production and the utility created by it.
 - relationship between quantity of output produced and time taken to produce the output.
57. **_____ enunciated the law of returns in the theory of production**
- JR Hicks
 - Alfred Marshall
 - Samulson
 - Recardo
58. **At higher levels of wage labourer prefers leisure than to work and earn more money results in**
- Vertical supply curve
 - Forward bending supply curve
 - Backward bending supply curve
 - Horizontal supply curve
59. **Tea and Milk are _____**
- Close substitute products
 - Complementary to each other
 - Unrelated products
 - Alternative Products
60. **Constant returns to scale is said to be operational when**
- Output increases more than proportionately to increase in inputs
 - Output increases equal to proportionate increase in inputs
 - Output fails to increase to any change in input
 - None of the above