

## Revenue +Cost Test

**Time:-1 ½ hr**

**Marks;-40**

1. Variable cost is also known as; be AFC at 4 units of output?  
(a) Prime cost a) 20  
(b) Direct cost b) 30  
(c) Avoidable cost c) 40  
(d) All of the above d) 50

2. Read the following statement given below and choose the correct alternative.

Assertion- TC and TVC curves are parallel to each other and the vertical distance between them remains the same at all levels of output.

Reason- The gap between TC and TFC represents TVC

(a) Both Assertion and Reason are true. The reason is the correct explanation of the assertion  
(b) Both Assertion and reason are not true. The reason is not the correct explanation of assertion.  
(c) Assertion is true but the reason is not.  
(d) Reason is true but the assertion is not

3. A firm's AFC is 20 at 6 units of output. What will

4. A firm has a TVC of 1000 at 5 units of output. If fixed costs are 400 what will be ATC at 5 units of output?  
a) 280  
b) 80  
c) 200  
d) 1400

5. If average revenue curve is a horizontal straight line, then marginal revenue curve will be :  
(a) Downward sloping  
(b) Horizontal Straight line  
(c) Upward Sloping  
(d) Inversely S-shaped

6. What happens to TR when MR is positive ?  
(a) TR increases  
(b) TR decreases  
(c) TR is maximum

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(d) TR remains same (c) Implicit cost

7. At any given level of a firm's output, marginal revenue is the revenue earned by selling" (d) Inputs

(a) Entire output (11. price falls with rise in output , TR is \_\_\_ when MR is Zero.

(b) Additional unit of output (a) Maximum

(c) Both (a) and (b) (b) Minimum

(d) Neither (a) nor (b) (c) Zero

8. AR curve is downward sloping: (d) None of these

(a) When price falls with rise in output

(b) When price initially rises at an increasing rate , then at a diminishing rate

(c) When price remains same at all levels of output

(d) In case of imperfect Competition

12. If TR curve is a horizontal straight line parallel to the x-axis , then MR curve will : (a) Coincide with X-axis

(b) Slope downwards

(c) Slope upwards

(d) Horizontal straight line parallel to the X-axis

9. When MR remains same , TR increases at a : (13. Fixed cost is also known as;

(a) Constant rate (a) Supplementary cost

(b) Decreasing rate (b) Overhead cost

(c) Increasing rate (c) Indirect cost

(d) None of these (d) All of the above

10. \_\_\_ is the actual money expenditure on inputs. (14. \_\_\_ is the expenditure incurred by a firm on the factors of production.

(a) Explicit cost

(b) Cost

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(a) Variable Cost

reason is not the correct explanation of assertion.

(b) Explicit cost

(c) Assertion is true but the reason is not.

(c) Fixed cost

(d) Reason is true but the assertion is not

(d) Total cost

15. Read the following statement given below and choose the correct alternative.

Assertion- AFC can never touch the X-Axis.

Reason- TFC can never be zero

(a) Both Assertion and Reason are true. The reason is the correct explanation of the assertion

(b) Both Assertion and reason are not true. The

16. AC and MC curves are U-Shaped due to;

(a) Law of Diminishing returns

(b) Law of marginal utility

(c) Law of utils

(d) Law of variable proportions

### Questions

1. Given that fixed costs is Rs 20, calculate : (a) Total Variable Cost and (b) Total Cost from the following . (3)

Output (units)	1	2	3
Marginal Cost ( Rs)	10	15	25

2. State whether the following statements are true or false. Give reasons for your answer. (3)

(a) AVC can fall even when MC is rising.

(b) The difference between TC and TVC falls with increase in output .

(c) As soon as MC starts rising ,AVC also starts rising.

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3. What will be the effect on marginal revenue when: (3)

(i) Total revenue increases at a decreasing rate.

(ii) Total revenue increases at a constant rate.

4. Find MC from the following data : (3)

Output (units)	1	2	3	4	5	6
AC (Rs)	60	40	30	26.25	28	35

5. Complete the following table:

(4)

Units of a Good	Price or AR (Rs)	MR (Rs)	TR (Rs)
1	—	10	—
2	9	—	—
3	—	—	24
4	—	4	—

6. Distinguish between: (4)

(a) Fixed Costs and Variable Costs

(b) Average cost and Marginal Cost

7. Find out the missing figure from the table given below:

(4)

Output (Units)	1	2	3	4	5	6
TC (Rs)	—	100	—	—	—	—
AC (Rs)	—	—	—	—	27	—
MC (Rs)	30	—	5	10	—	45