Revenue +Cost Test

Time:-1 ½ hr   **Marks:-40**
MCQ   **(16)**

1. 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

2. AR curve is downward sloping:

    (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

3. When MR remains same , TR increases at a :

    (a) Constant rate

    (b) Decreasing rate

    (c) Increasing rate

    (d) None of these

4. When price falls with rise in output , TR is ____ when MR is Zero.

    (a) Maximum

    (b) Minimum

    (c) Zero

    (d) None of these

5. What happens to TR when MR is positive ?

    (a) TR increases

    (b) TR decreases

    (c) TR is maximum

    (d) TR remains same

6. 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

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

    (a) Entire output

    (b) Additional unit of output

    (c) Both (a) and (b)

    (d) Neither (a) nor (b)

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8.   _____ is the actual money expenditure on inputs.

(a) Explicit cost

(b) Cost

(c) Implicit cost

(d) Inputs

9.   Fixed cost is also known as;

(a) Supplementary cost

(b) Overhead cost

(c) Indirect cost

(d) All of the above

10.   Variable cost is also known as;

(a) Prime cost

(b) Direct cost

(c) Avoidable cost

(d) All of the above

11. _____ is the expenditure incurred by a firm on the factors of production.

(a) Variable Cost

(b) Explicit cost

(c) Fixed cost

(d) Total cost

12.   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

13.   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

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(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

14.   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

15.   A firm's AFC is 20 at 6 units of output. What will be AFC at 4 units of output?

a) 20

b) 30

c) 40

d) 50

16.   A firm has a TVC of 1000 at 5 units of output. If fixed costs are 400 what will be ATC at 5 unitsof output?

a) 280

b) 80

c) 200

d) 1400

Questions

1.   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.

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

Output (units)	1	2	3	4	5	6

AC (Rs)	60	40	30	26.25	28	35

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.   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

5.   Distinguish between: (4)

(a) Fixed Costs and Variable Costs

(b) Average cost and Marginal Cost

6.   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	__

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