AJA Commerce Academy
CA - Foundation
Test Series – Economics

1) What is the main objective of production in an economy?
a) Maximizing profits
b) Maximizing output
c) Minimizing costs
d) Maximizing revenue

2) What is the difference between short-run and long-run production?
a) Short-run production involves fixed costs while long-run production involves variable costs.
b) Short-run production involves variable costs while long-run production involves fixed costs.
c) Short-run production involves at least one fixed input while long-run production involves all inputs as variable.
d) Short-run production involves all inputs as variable while long-run production involves at least one fixed input.

3) Which of the following is an example of a fixed factor of production?
a) Labor
b) Land
c) Capital
d) Raw materials

4) Which of the following is an example of a variable factor of production?
a) Machinery
b) Plant building
c) Labor
d) Land

5) What is the law of diminishing returns?
a) As more and more units of a variable input are added to a fixed input, the additional output produced will eventually decrease.
b) As more and more units of a fixed input are added to a production process, the additional output produced will eventually decrease.
c) As the price of inputs increases, the quantity demanded of that input will decrease.
d) As the price of goods produced by a firm increases, the quantity demanded of that good will decrease.

6) What is the shape of the short-run production function when total output is plotted against the variable input?
a) Straight line
b) Parabolic curve
c) Exponential curve
d) S-shaped curve

7) When does the average product of labor start to fall in the short run production process?
a) When the marginal product of labor starts to fall.
b) When the marginal cost of labor starts to rise.
c) After the production process has reached the point of diminishing returns.
d) After the production process has reached the point of optimal output.

8) What is the difference between marginal cost and average total cost?
a) Marginal cost is the cost of producing one more unit of output while average total cost is the total cost of production divided by the number of units produced.
b) Marginal cost is the total cost of production divided by the number of units produced while average total cost is the cost of producing one more unit of output.
c) Marginal cost is the cost of producing one unit of output while average total cost is the total cost of production.
d) Marginal cost is the additional cost of producing one more unit of output while average total cost is the total cost of production divided by the number of units produced.

9) What is the shape of the long-run average cost curve?
a) U-shaped
b) L-shaped
c) S-shaped
d) Straight line

10) What is the difference between economies of scale and diseconomies of scale?
a) Economies of scale refer to a situation where a firm's cost per unit of output decreases as output level increases, while diseconomies of scale refer to a situation where the firm's costs increase as output level decreases.
b) Economies of scale refer to a situation where a firm's cost per unit of output increases as output level increases, while diseconomies of scale refer to a situation where the firm's costs increase as output level decreases.
c) Economies of scale refer to a situation where a firm's cost per unit of output decreases as output level decreases, while diseconomies of scale refer to a situation where the firm's costs increase as output level increases.
d) Economies of scale refer to a situation where a firm's cost per unit of output increases as output level decreases, while diseconomies of scale refer to a situation where the firm's costs decrease as output level increases.

11) What is meant by the concept of minimum efficient scale?
a) The minimum level of output at which a firm can cover all of its fixed costs.
b) The minimum level of output at which a firm can cover all of its variable costs.
c) The minimum level of output at which a firm can cover both its fixed and variable costs and achieve the lowest cost per unit of output.
d) The minimum level of output at which a firm can maximize its profits.

12) What is the difference between accounting profit and economic profit?

a) Accounting profit includes only explicit costs while economic profit includes both explicit and implicit costs.
b) Accounting profit includes only implicit costs while economic profit includes both explicit and implicit costs.
c) Accounting profit includes both explicit and implicit costs while economic profit includes only explicit costs.
d) Accounting profit includes both explicit and implicit costs while economic profit includes only implicit costs.

13) What is the main objective of cost minimization for a firm?
a) Maximizing profits
b) Maximizing output
c) Minimizing costs
d) Maximizing revenue

14) What is meant by the concept of cost elasticity of output?
a) The responsiveness of output quantity to changes in factor prices.
b) The responsiveness of cost per unit of output to changes in factor prices.
c) The responsiveness of total cost to changes in output quantity.
d) The responsiveness of marginal product to changes in factor inputs.

15) What is the difference between a fixed cost and a sunk cost?
a) Fixed costs are those costs that are incurred only once and cannot be changed, while sunk costs are costs that have already been incurred and cannot be recovered.
b) Fixed costs are those costs that are incurred over a specific period of time and cannot be changed, while sunk costs are costs that can be changed over time.
c) Fixed costs are those costs that can be easily decreased by the firm, while sunk costs are costs that cannot be easily decreased by the firm.
d) Fixed costs are those costs that are incurred by the firm on a regular basis, while sunk costs are costs that are incurred only during peak periods.

16) How does technological progress affect a firm's production process?
a) It reduces the firm's fixed costs.
b) It increases the firm's variable costs.
c) It increases the firm's production capacity.
d) It has no effect on the firm's costs.

17) What is meant by the concept of profit maximization?
a) The process of increasing output until marginal cost equals marginal revenue.
b) The process of increasing output until average cost equals average revenue.
c) The process of increasing output until average revenue equals marginal cost.
d) The process of increasing output until marginal revenue equals average cost.

18) What is the difference between a normal profit and an economic profit?

a) A normal profit is the minimum level of profit required for a firm to stay in business while an economic profit is the profit over and above the minimum required to stay in business.
b) A normal profit is the maximum level of profit a firm can earn while an economic profit is the maximum level of profit a firm can earn if it operates at minimum efficient scale.
c) A normal profit is the profit earned by a firm in a competitive market while an economic profit is the profit earned by a firm in a monopolistic market.
d) A normal profit is the profit earned by a firm when total revenue equals total cost while an economic profit is the profit earned by a firm when total revenue exceeds total cost.

19) What is the difference between explicit and implicit costs?
a) Explicit costs are the actual out-of-pocket expenses incurred by the firm, while implicit costs are the opportunity costs of the resources used by the firm.
b) Explicit costs are the opportunity costs of the resources used by the firm, while implicit costs are the actual out-of-pocket expenses incurred by the firm.
c) Explicit costs are the costs incurred by the firm in order to keep its operations running efficiently, while implicit costs are the lost opportunities for the firm caused by external factors such as government regulation.
d) Explicit costs are the variable costs incurred by the firm, while implicit costs are the fixed costs incurred by the firm.

20) What is the difference between a production function and a cost function?
a) A production function describes the relationship between inputs and outputs while a cost function describes the relationship between costs and outputs.
b) A production function describes the relationship between costs and outputs while a cost function describes the relationship between inputs and outputs.
c) A production function describes the relationship between inputs and costs while a cost function describes the relationship between costs and inputs.
d) A production function describes the relationship between outputs and profits while a cost function describes the relationship between inputs and profits.

21) What is the difference between a short-run and a long-run cost function?
a) A short-run cost function includes only variable costs while a long-run cost function includes both fixed and variable costs.
b) A short-run cost function includes both fixed and variable costs while a long-run cost function includes only variable costs.
c) A short-run cost function includes all costs incurred by the firm while a long-run cost function includes only the costs incurred in the long run.
d) A short-run cost function includes only the costs incurred in the short run while a long-run cost function includes all costs incurred by the firm.

22) What is meant by the concept of returns to scale?
a) The increase in output that results from a proportionate increase in the use of all inputs.
b) The increase in output that results from a proportionate increase in the use of only one input.

c) The increase in output that results from a proportionate increase in the use of fixed inputs.
d) The increase in output that results from a proportionate increase in the use of variable inputs.

23) What is the difference between a total variable cost function and a total fixed cost function?
a) A total variable cost function includes only variable costs while a total fixed cost function includes only fixed costs.
b) A total variable cost function includes both fixed and variable costs while a total fixed cost function includes only fixed costs.
c) A total variable cost function includes all costs incurred by the firm while a total fixed cost function includes only the costs incurred in the short run.
d) A total variable cost function includes only the costs incurred in the short run while a total fixed cost function includes all costs incurred by the firm.

24) What is the difference between an explicit and an implicit cost?
a) An explicit cost is a cost that can be easily and accurately quantified while an implicit cost cannot.
b) An explicit cost is a cost that must be paid in cash while an implicit cost is an opportunity cost.
c) An explicit cost is a cost that has been incurred while an implicit cost is a cost that has not yet been incurred.
d) An explicit cost is a cost that can be avoided while an implicit cost cannot.

25) What is meant by the concept of an isoquant?
a) A curve that shows the relationship between output and price.
b) A curve that shows the relationship between inputs and technology.
c) A curve that shows the relationship between output and inputs.
d) A curve that shows the relationship between inputs and costs.

26) What is meant by the concept of a marginal product of labor?
a) The additional output that results from adding another unit of capital.
b) The additional output that results from adding another unit of labor.
c) The additional cost that results from producing another unit of output.
d) The additional revenue that results from selling another unit of output.

27) What is meant by the concept of a marginal product of capital?
a) The additional output that results from adding another unit of capital.
b) The additional output that results from adding another unit of labor.
c) The additional cost that results from producing another unit of output.
d) The additional revenue that results from selling another unit of output.

28) What is the difference between a fixed and a variable input?

a) A fixed input is an input that can be changed easily while a variable input cannot be changed easily.
b) A fixed input is an input that cannot be changed easily while a variable input can be changed easily.
c) A fixed input is an input that is used only in the short run while a variable input is used only in the long run.
d) A fixed input is an input that has a constant cost while a variable input has a fluctuating cost.

29) What is meant by the concept of a total product curve?
a) A curve that shows the relationship between output and price.
b) A curve that shows the relationship between inputs and technology.
c) A curve that shows the relationship between output and inputs.
d) A curve that shows the relationship between inputs and costs.

30) What is meant by the concept of a marginal cost curve?
a) A curve that shows the relationship between output and price.
b) A curve that shows the relationship between inputs and technology.
c) A curve that shows the relationship between output and inputs.
d) A curve that shows the relationship between output and cost.

31) What is meant by the concept of a total cost curve?
a) A curve that shows the relationship between output and price.
b) A curve that shows the relationship between inputs and technology.
c) A curve that shows the relationship between output and inputs.
d) A curve that shows the relationship between cost and output.

32) What is meant by the concept of a fixed cost curve?
a) A curve that shows the relationship between output and fixed costs.
b) A curve that shows the relationship between inputs and fixed costs.
c) A curve that shows the relationship between cost and output in the short run.
d) A curve that shows the relationship between cost and output in the long run.

33) What is meant by the concept of a variable cost curve?
a) A curve that shows the relationship between output and variable costs.
b) A curve that shows the relationship between inputs and variable costs.
c) A curve that shows the relationship between cost and output in the short run.
d) A curve that shows the relationship between cost and output in the long run.

34) What is the difference between total product and marginal product?
a) Total product is the total amount of output produced while marginal product is the output produced per unit of input.
b) Total product is the output produced per unit of input while marginal product is the total amount of output produced.

c) Total product is the total amount of input used while marginal product is the input used per unit of output.
d) Total product is the input used per unit of output while marginal product is the total amount of input used.

35) What is the difference between average product and marginal product?
a) Average product is the output produced per unit of input while marginal product is the total amount of output produced.
b) Average product is the total amount of output produced while marginal product is the output produced per unit of input.
c) Average product is the total amount of input used per unit of output while marginal product is the input used per unit of output.
d) Average product is the input used per unit of output while marginal product is the total amount of input used.

36) What is meant by the concept of a short-run production function?
a) A function that shows the relationship between inputs and costs in the short run.
b) A function that shows the relationship between inputs and output in the short run.
c) A function that shows the relationship between prices and output in the short run.
d) A function that shows the relationship between prices and inputs in the short run.

37) What is meant by the concept of a long-run production function?
a) A function that shows the relationship between inputs and costs in the long run.
b) A function that shows the relationship between inputs and output in the long run.
c) A function that shows the relationship between prices and output in the long run.
d) A function that shows the relationship between prices and inputs in the long run.

38) What is the difference between total cost and variable cost?
a) Total cost is the total amount of input used while variable cost is the quantity of output produced.
b) Total cost is the total amount of output produced while variable cost is the total amount of input used.
c) Total cost is the sum of fixed cost and variable cost while variable cost is the cost of variable inputs only.
d) Total cost is the cost of all inputs while variable cost is the cost of fixed inputs only.

39) What is meant by the concept of a sunk cost?
a) A cost that has already been incurred and cannot be changed.
b) A cost that can be easily avoided by the firm.
c) A cost that is incurred only during peak periods.
d) A cost that can be easily recovered by the firm.

40) What is the difference between total cost and marginal cost?
a) Total cost is the cost of all inputs while marginal cost is the cost of variable inputs only.

b) Total cost is the cost of all inputs while marginal cost is the cost of producing one additional unit of output.
c) Total cost is the cost of all inputs while marginal cost is the additional cost of producing one unit of output.
d) Total cost is the cost of all inputs while marginal cost is the additional cost of producing one additional unit of output.

41) What is meant by the concept of a short-run cost function?
a) A function that shows the relationship between inputs and costs in the short run.
b) A function that shows the relationship between inputs and output in the short run.
c) A function that shows the relationship between prices and output in the short run.
d) A function that shows the relationship between prices and inputs in the short run.

42) What is meant by the concept of a long-run cost function?
a) A function that shows the relationship between inputs and costs in the long run.
b) A function that shows the relationship between inputs and output in the long run.
c) A function that shows the relationship between prices and output in the long run.
d) A function that shows the relationship between prices and inputs in the long run.

43) What is meant by the concept of a total cost curve?
a) A curve that shows the relationship between inputs and costs.
b) A curve that shows the relationship between prices and costs.
c) A curve that shows the relationship between costs and output.
d) A curve that shows the relationship between output and inputs.

44) What is meant by the concept of a fixed cost curve?
a) A curve that shows the relationship between inputs and fixed costs.
b) A curve that shows the relationship between output and fixed costs.
c) A curve that shows the relationship between price and fixed costs.
d) A curve that shows the relationship between output and variable costs.

45) What is meant by the concept of a variable cost curve?
a) A curve that shows the relationship between inputs and variable costs.
b) A curve that shows the relationship between output and variable costs.
c) A curve that shows the relationship between price and variable costs.
d) A curve that shows the relationship between output and fixed costs.

46) What is meant by the concept of an average cost curve?
a) A curve that shows the relationship between price and output.
b) A curve that shows the relationship between inputs and costs.
c) A curve that shows the relationship between price and costs.
d) A curve that shows the relationship between output and costs.

47) What is meant by the concept of a marginal cost curve?

a) A curve that shows the relationship between price and output.
b) A curve that shows the relationship between inputs and costs.
c) A curve that shows the relationship between price and costs.
d) A curve that shows the relationship between output and costs.

48) How does economies of scope differ from economies of scale?
a) Economies of scope refers to the reduction in average cost when many goods and services are produced together, while economies of scale refers to the reduction in average cost when one good or service is produced in large quantities.
b) Economies of scope refers to the reduction in total cost when many goods and services are produced together, while economies of scale refers to the reduction in total cost when one good or service is produced in large quantities.
c) Economies of scope refers to the difficulty in producing many goods and services together, while economies of scale refers to the benefits of producing one good or service in large quantities.
d) Economies of scope refers to the difficulty in producing one good or service in large quantities, while economies of scale refers to the benefits of producing many goods and services together.

49) What is meant by the concept of a total revenue curve?
a) A curve that shows the relationship between output and revenue.
b) A curve that shows the relationship between inputs and revenue.
c) A curve that shows the relationship between revenue and fixed costs.
d) A curve that shows the relationship between revenue and variable costs.

50) What is meant by the concept of a marginal revenue curve?
a) A curve that shows the relationship between output and revenue.
b) A curve that shows the relationship between inputs and revenue.
c) A curve that shows the relationship between revenue and fixed costs.
d) A curve that shows the relationship between revenue and variable costs.

51) What is the difference between average cost and marginal cost?
a) Average cost is the cost per unit of output while marginal cost is the additional cost of producing one more unit of output.
b) Average cost is the additional cost of producing one more unit of output while marginal cost is the cost per unit of output.
c) Average cost is the sum of fixed and variable costs while marginal cost is the cost of variable inputs only.
d) Average cost is the cost of fixed inputs only while marginal cost is the additional cost of producing one more unit of output.

52) What is the difference between total revenue and marginal revenue?
a) Total revenue is the total amount earned from sales while marginal revenue is the additional revenue earned from selling one more unit of output.

b) Total revenue is the revenue earned from selling one unit of output while marginal revenue is the total amount earned from sales.
c) Total revenue is the revenue earned from selling all units of output while marginal revenue is the revenue earned from selling one unit of output.
d) Total revenue is the revenue earned from selling one more unit of output while marginal revenue is the revenue earned from selling all units of output.

53) What is meant by the concept of a profit function?
a) A function that shows the relationship between output and revenue.
b) A function that shows the relationship between inputs and cost.
c) A function that shows the relationship between revenue and cost.
d) A function that shows the relationship between profit and cost.

54) What is meant by the concept of a break-even point?
a) The point at which a firm earns zero economic profit.
b) The point at which a firm earns zero accounting profit.
c) The point at which a firm stops earning economic profit.
d) The point at which a firm stops earning accounting profit.

55) What is meant by the concept of a shutdown point?
a) The point at which a firm ceases to produce any output.
b) The point at which a firm cannot cover its variable costs.
c) The point at which a firm cannot cover its fixed costs.
d) The point at which a firm cannot cover its total costs.

56) What is the difference between a perfectly competitive firm and a monopolistic firm?
a) A perfectly competitive firm faces many competitors while a monopolistic firm faces only one.
b) A perfectly competitive firm sets its own price while a monopolistic firm has no control over the price it charges.
c) A perfectly competitive firm has many substitutes for its product while a monopolistic firm has few.
d) A perfectly competitive firm produces a unique product while a monopolistic firm produces many different products.

57) What is meant by the concept of a price-taker?
a) A firm that sets its own price.
b) A firm that has no control over the price it charges.
c) A firm that produces a unique product.
d) A firm that produces many different products.

58) What is meant by the concept of a price-maker?
a) A firm that sets its own price.
b) A firm that has no control over the price it charges.

c) A firm that produces a unique product.
d) A firm that produces many different products.

59) What is the difference between a short-run and a long-run supply curve?
a) A short-run supply curve is vertical while a long-run supply curve is horizontal.
b) A short-run supply curve is horizontal while a long-run supply curve is vertical.
c) A short-run supply curve is upward sloping while a long-run supply curve is downward sloping.
d) A short-run supply curve is downward sloping while a long-run supply curve is upward sloping.

60) What is meant by the concept of a perfectly elastic supply curve?
a) A supply curve that is horizontal.
b) A supply curve that is vertical.
c) A supply curve that is upward sloping.
d) A supply curve that is downward sloping.

61) What is meant by the concept of a perfectly inelastic supply curve?
a) A supply curve that is horizontal.
b) A supply curve that is vertical.
c) A supply curve that is upward sloping.
d) A supply curve that is downward sloping.

62) What is meant by the concept of a perfectly elastic demand curve?
a) A demand curve that is horizontal.
b) A demand curve that is vertical.
c) A demand curve that is upward sloping.
d) A demand curve that is downward sloping.

63) What is meant by the concept of a perfectly inelastic demand curve?
a) A demand curve that is horizontal.
b) A demand curve that is vertical.
c) A demand curve that is upward sloping.
d) A demand curve that is downward sloping.

64) What is meant by the concept of an oligopoly?
a) A market structure where there are many small firms but no dominant firm.
b) A market structure where there are many firms producing identical products.
c) A market structure where there are only a few large firms producing similar products.
d) A market structure where there are only a few large firms producing identical products.

65) What is meant by the concept of a price discrimination?
a) A situation where a firm charges different prices for the same product to different customers.

b) A situation where a firm charges the same price for the same product to all customers.
c) A situation where a firm charges different prices for different products to different customers.
d) A situation where a firm charges the same price for different products to all customers.

66) What is meant by the concept of a monopoly?
a) A market structure where there are many small firms but no dominant firm.
b) A market structure where there are many firms producing identical products.
c) A market structure where there are only a few large firms producing similar products.
d) A market structure where there is a single firm producing a unique product.

67) What is the difference between an explicit and an implicit cost?
a) An explicit cost is a cost that can be easily and accurately quantified while an implicit cost cannot.
b) An explicit cost is a cost that must be paid in cash while an implicit cost is an opportunity cost.
c) An explicit cost is a cost that has been incurred while an implicit cost is a cost that has not yet been incurred.
d) An explicit cost is a cost that can be avoided while an implicit cost cannot.

68) What is meant by the concept of a natural monopoly?
a) A monopoly that is the result of government regulation.
b) A monopoly that results from the ownership of natural resources.
c) A monopoly that results from the economies of scale associated with production.
d) A monopoly that exists only in the absence of competition.

69) What is meant by the concept of a price ceiling?
a) A maximum price that can be charged for a good or service.
b) A minimum price that must be charged for a good or service.
c) A price that is set by the market.
d) A price that is set by the government.

70) What is meant by the concept of a price floor?
a) A maximum price that can be charged for a good or service.
b) A minimum price that must be charged for a good or service.
c) A price that is set by the market.
d) A price that is set by the government.

71) What is meant by the concept of a deadweight loss?
a) The loss of consumer surplus that occurs as a result of a price ceiling or price floor.
b) The loss of producer surplus that occurs as a result of a price ceiling or price floor.
c) The loss of total surplus that occurs as a result of a price ceiling or price floor.
d) The loss of consumer and producer surplus that occurs as a result of a price ceiling or price floor.

72) What is the difference between a horizontal and a downward sloping demand curve?
a) A horizontal demand curve implies infinite elasticity while a downward sloping demand curve implies finite elasticity.
b) A horizontal demand curve implies zero elasticity while a downward sloping demand curve implies perfect inelasticity.
c) A horizontal demand curve implies perfect elasticity while a downward sloping demand curve implies various degrees of inelasticity.
d) A horizontal demand curve implies various degrees of inelasticity while a downward sloping demand curve implies perfect elasticity.

73) What is the difference between a normal good and an inferior good?
a) A normal good is a good for which the quantity demanded increases as income increases while an inferior good is a good for which the quantity demanded decreases as income increases.
b) A normal good is a good for which the quantity demanded increases as income increases while an inferior good is a good for which the quantity demanded increases as income decreases.
c) A normal good is a good for which the quantity demanded decreases as income decreases while an inferior good is a good for which the quantity demanded increases as income decreases.
d) A normal good is a good for which the quantity demanded decreases as income decreases while an inferior good is a good for which the quantity demanded decreases as income increases.

74) What is the difference between price elasticity of demand and income elasticity of demand?
a) Price elasticity of demand measures the responsiveness of quantity demanded to changes in price while income elasticity of demand measures the responsiveness of quantity demanded to changes in income.
b) Price elasticity of demand measures the responsiveness of quantity demanded to changes in income while income elasticity of demand measures the responsiveness of quantity demanded to changes in price.
c) Price elasticity of demand measures the responsiveness of price to changes in quantity demanded while income elasticity of demand measures the responsiveness of price to changes in income.
d) Price elasticity of demand measures the responsiveness of income to changes in quantity demanded while income elasticity of demand measures the responsiveness of income to changes in price.

75) What is meant by the concept of cross elasticity of demand?
a) The responsiveness of quantity demanded of one good to changes in the price of a different good.
b) The responsiveness of income to changes in the price of one good.
c) The responsiveness of price to changes in the quantity demanded of one good.

d) The responsiveness of quantity demanded to changes in the price of a related good.

76) What is meant by the concept of a market equilibrium?
a) A situation where the quantity demanded equals the quantity supplied.
b) A situation where the quantity demanded is greater than the quantity supplied.
c) A situation where the quantity demanded is less than the quantity supplied.
d) A situation where the price of a good or service is set by the government.

77) What is the difference between a surplus and a shortage in a market?
a) A surplus occurs when the quantity demanded is greater than the quantity supplied while a shortage occurs when the quantity demanded is less than the quantity supplied.
b) A surplus occurs when the quantity supplied is greater than the quantity demanded while a shortage occurs when the quantity demanded is greater than the quantity supplied.
c) A surplus occurs when the price of a good or service is too high while a shortage occurs when the price is too low.
d) A surplus occurs when the quantity of a good or service available is greater than the quantity desired while a shortage occurs when the quantity of a good or service available is less than the quantity desired.

78) What is meant by the concept of a price elasticity of supply?
a) The responsiveness of quantity supplied to changes in price.
b) The responsiveness of price to changes in quantity supplied.
c) The responsiveness of income to changes in price.
d) The responsiveness of quantity supplied to changes in income.

79) What is the difference between a normal and a Giffen good?
a) A normal good is a good for which the quantity demanded increases as income increases while a Giffen good is a good for which the quantity demanded decreases as price increases.
b) A normal good is a good for which the quantity demanded increases as income increases while a Giffen good is a good for which the quantity demanded increases as price increases.
c) A normal good is a good for which the quantity demanded decreases as price decreases while a Giffen good is a good for which the quantity demanded increases as price increases.
d) A normal good is a good for which the quantity demanded decreases as income decreases while a Giffen good is a good for which the quantity demanded increases as price increases.

80) What is meant by the concept of a supply shock?
a) An unexpected increase or decrease in the cost of producing a good or service.
b) An unexpected increase or decrease in the quantity supplied of a good or service.
c) A government policy that affects the supply of a good or service.
d) A natural disaster that affects the supply of a good or service.

81) What is the difference between a tariff and a quota?

a) A tariff is a tax on imported goods while a quota limits the quantity of imported goods.
b) A tariff is a limit on the quantity of imported goods while a quota is a tax on imported goods.
c) A tariff is a policy that affects the price of imported goods while a quota affects the supply of imported goods.
d) A tariff is a policy that affects the supply of imported goods while a quota affects the price of imported goods.

82) What is meant by the concept of a deadweight loss?
a) The loss of producer surplus that occurs as a result of a tariff or quota.
b) The loss of consumer surplus that occurs as a result of a tariff or quota.
c) The loss of total surplus that occurs as a result of a tariff or quota.
d) The loss of consumer and producer surplus that occurs as a result of a tariff or quota.

83) What is meant by the concept of a tax incidence?
a) The way in which the burden of a tax is shared between buyers and sellers in a market.
b) The way in which the government uses tax revenue.
c) The way in which the government determines the size of tax payments.
d) The way in which the government spends tax revenue.

84) What is meant by the concept of a transfer payment?
a) A payment made by the government to individuals for which no goods or services are exchanged.
b) A payment made by the government to individuals in exchange for their labor.
c) A payment made by individuals to the government in exchange for goods or services.
d) A payment made by individuals to other individuals in exchange for goods or services.

85) What is meant by the concept of a public good?
a) A good that is both excludable and rival in consumption.
b) A good that is nonexcludable and nonrival in consumption.
c) A good that is nonexcludable and rival in consumption.
d) A good that is excludable and nonrival in consumption.

86) What is meant by the concept of a common resource?
a) A resource that is both excludable and rival in consumption.
b) A resource that is nonexcludable and nonrival in consumption.
c) A resource that is nonexcludable and rival in consumption.
d) A resource that is excludable and nonrival in consumption.

87) What is meant by the concept of a public good?
a) A good that is both excludable and rival in consumption.
b) A good that is nonexcludable and nonrival in consumption.
c) A good that is nonexcludable and rival in consumption.
d) A good that is excludable and nonrival in consumption.

88) What is meant by the concept of a positive externality?
a) A beneficial effect or spillover benefit that is created by a transaction for which no compensation is paid.
b) A detrimental effect or spillover cost that is created by a transaction for which no compensation is paid.
c) A beneficial effect or spillover benefit that is created by a transaction for which compensation is paid.
d) A detrimental effect or spillover cost that is created by a transaction for which compensation is paid.

89) What is meant by the concept of a negative externality?
a) A beneficial effect or spillover benefit that is created by a transaction for which no compensation is paid.
b) A detrimental effect or spillover cost that is created by a transaction for which no compensation is paid.
c) A beneficial effect or spillover benefit that is created by a transaction for which compensation is paid.
d) A detrimental effect or spillover cost that is created by a transaction for which compensation is paid.

90) What is meant by the concept of a public choice?
a) The study of how government policies are made.
b) The study of how market economies function.
c) The study of how firms make production decisions.
d) The study of how consumers make purchasing decisions.

91) What is meant by the concept of a market failure?
a) A situation in which the market fails to allocate resources efficiently.
b) A situation in which the market fails to provide enough goods and services.
c) A situation in which the government fails to regulate the market effectively.
d) A situation in which the government fails to provide enough public goods.

92) What is meant by the concept of an externality?
a) A benefit or cost that spills over to third parties who are not part of the transaction that produced it.
b) A benefit or cost that is limited to the parties in a transaction.
c) A benefit or cost associated with producing a good or service.
d) A benefit or cost associated with consuming a good or service.

93) What is meant by the concept of a public good?
a) A good that is both excludable and rival in consumption.
b) A good that is nonexcludable and nonrival in consumption.
c) A good that is nonexcludable and rival in consumption.

d) A good that is excludable and nonrival in consumption.

94) What is meant by the concept of common property resources?
a) Resources that are neither excludable nor rival in consumption.
b) Resources that are excludable but not rival in consumption.
c) Resources that are rival in consumption but not excludable.
d) Resources that are both excludable and rival in consumption.

95) What is meant by the tragedy of the commons?
a) The depletion of a common property resource due to overuse.
b) The misallocation of resources in a market economy.
c) The failure of government policies to address market failures.
d) The inability of firms to make profits in a competitive market.

96) Which of the following statement is correct?
a) Fixed costs vary with change in output.
b) If we add TVC and TFC we get average cost.
c) MC is the result of TC divided by no. of units produced.
d) FC + TVC = TC.

97) Which of the statement is incorrect?
a) LAC curve is also called planning curve of the firm.
b) TR = price per unit x no. of units sold.
c) Opportunity cost is also called alternative cost.
d) MR = TR / no. of units sold.

98) The vertical difference between TVC and TC is equal to
a) MC.
b) AVC.
c) TFC.
d) None of the above.

99) The falling part of long run average cost curve is tangent to __ of corresponding short run average cost curve(s).
a) falling part
b) rising part
c) minimum point
d) none of the above.

100) Which of these is the external economies of scale in long run?
a) Risk bearing economies
b) Financial economies
c) Development of skill labour
d) None of the above.