PREVIEW QUESTION BANK

Module Name : imb24-mg10 Introduction to Managerial Economics-ENG
Exam Date : 18-May-2024 Batch : 15:00-18:00

Sr. No.	Client Question ID	Question Body and Alternatives	Marks	Negative Marks
Objective Question				
1	13702001	Which of the following represents the relationship between inputs and output in the short run? 1. Total product curve 2. Marginal cost curve 3. Average variable cost curve 4. Total cost curve A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
2	13702002	If a firm's production exhibits increasing returns to scale, what happens to its average cost as output increases? 1. It decreases. 2. It increases. 3. It remains constant. 4. It fluctuates A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
3	13702003	The slope of the total cost curve represents 1. Marginal cost. 2. Average total cost. 3. Average variable cost. 4. Average fixed cost. A1 : 1 A2 : 2	2.0	0.00

A3 : 3

A4 : 4

Objective Question

4	13702004	If an economy is operating efficiently on its production possibility frontier (PPF), what does this indicate? 1. Resources are underutilized 2. The economy is producing at full capacity. 3. There is an increase in technological efficiency 4. There is a decrease in opportunity cost. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

5	13702005	When a society moves from a point inside its PPF to a point on the frontier, what does this imply? 1. Resources are being used inefficiently 2. The society is experiencing economic growth. 3. The society is experiencing economic contraction. 4. There is no change in economic output A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

6	13702006	What does a bowed-outward PPF curve indicate? 1. Constant opportunity cost 2. Increasing opportunity cost. 3. Decreasing opportunity cost. 4. No opportunity cost. A1 : 1 A2 : 2 A3 : 3	2.0	0.00

A4 : 4

Objective Question

7	13702007	If the price of a good decreases, what happens to the quantity demanded, ceteris paribus? 1. It decreases. 2. It increases. 3. It remains constant. 4. It fluctuates. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

8	13702008	Which of the following would most likely lead to a decrease in the supply of a product? 1. Technological advancement in production 2. Increase in the number of firms entering the market 3. Decrease in the price of inputs. 4. Government subsidies for production A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

9	13702009	What is the effect of an increase in the price of a complementary good on the demand curve of another good? 1. Shift to the left. 2. Shift to the right 3. Movement along the demand curve. 4. No effect A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

10	13702010	In game theory, a Nash equilibrium occurs when 1. One player dominates the other. 2. Each player is making the best decision given the other player's decision 3. One player makes a move that benefits both players 4. There is only one possible outcome A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

11	13702011	In the prisoner's dilemma, what is the dominant strategy for each player? 1. To confess. 2. To remain silent. 3. It depends on the situation 4. There is no dominant strategy A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

12	13702012	What does a zero-sum game imply in game theory? 1. One player's gain is another player's loss. 2. Both players gain from cooperation. 3. Players' payoffs are not fixed. 4. The outcome is determined by random chance A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

13	13702013	Economies of scale occur when: 1. Average total cost decreases as output increases 2. Marginal cost increases as output increases 3. Average variable cost remains constant regardless of output 4. Fixed costs decrease with an increase in output A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
14	13702014	Diseconomies of scale are likely to occur when: 1. Average total cost decreases as output increases. 2. Marginal cost remains constant regardless of output 3. Average total cost increases as output increases 4. Fixed costs increase with an increase in output A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
15	13702015	In the short run, which of the following costs is NOT considered variable? 1. Raw material costs 2. Labor costs 3. Rent for factory space 4. Electricity bills A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
16	13702016		2.0	0.00

The law of diminishing marginal returns states that:

1. As output increases, marginal cost decreases
2. As more units of a variable input are added to fixed inputs, the marginal product of the variable input eventually decreases
3. Total cost is constant regardless of the level of output.
4. Total fixed costs increase proportionally with output

A1 : 1

A2 : 2

A3 : 3

A4 : 4

Objective Question

17	13702017	Which of the following represents the correct relationship between average variable cost (AVC) and marginal cost (MC) when AVC is at its minimum? 1. AVC = MC 2. AVC > MC 3. AVC < MC 4. AVC is not related to MC A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

18	13702018	A linear production function indicates that 1. Marginal product is constant 2. Marginal product increases continuously 3. Marginal product decreases continuously 4. Marginal product fluctuates A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

19	13702019		2.0	0.00

		Which of the following statements about the long-run average cost curve (LRAC) is true? 1. It is U-shaped. 2. It is downward-sloping. 3. It is upward-sloping. 4. It is perfectly elastic A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
20	13702020	The minimum efficient scale (MES) refers to the level of output where: 1. Average total cost is at its minimum 2. Marginal cost equals average total cost. 3. Economies of scale are fully exhausted. 4. Average variable cost is at its maximum A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
21	13702021	Producer surplus is defined as: 1. The difference between the maximum price a producer is willing to accept and the market price. 2. The difference between the market price and the cost of production. 3. The difference between the quantity supplied and the quantity demanded at a given price. 4. The difference between total revenue and total variable costs. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
22	13702022		2.0	0.00

		Which of the following will increase producer surplus in a market? 1. An increase in production costs 2. A decrease in market price. 3. An increase in consumer demand. 4. A decrease in government subsidies for production. A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
23	13702023	If the government imposes a price floor above the equilibrium price, what happens to producer surplus? 1. It increases. 2. It decreases. 3. It remains unchanged 4. It fluctuates. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
24	13702024	Consumer surplus is the 1. Difference between the total amount consumers are willing to pay and the amount they actually pay. 2. Difference between the market price and the cost of production 3. Excess supply in the market 4. Amount of money consumers save due to government subsidies A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
25	13702025		2.0	0.00

		How does an increase in consumer demand affect consumer surplus? 1. It increases 2. It decreases. 3. It remains unchanged 4. It depends on the elasticity of demand A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
26	13702026	A decrease in the price of a product will result in: 1. An increase in consumer surplus. 2. A decrease in producer surplus. 3. A decrease in total surplus. 4. An increase in deadweight loss A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
27	13702027	When both producer surplus and consumer surplus are maximized, the market achieves 1. Allocative efficiency 2. Productive efficiency. 3. Perfect competition. 4. Monopoly power A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
28	13702028		2.0	0.00

In a perfectly competitive market, consumer surplus is maximized when

1. The market is in equilibrium
2. There are no externalities present.
3. There are barriers to entry.
4. The market is controlled by a monopoly

A1 : 1

A2 : 2

A3 : 3

A4 : 4

Objective Question

29	13702029	Which of the following scenarios would result in an increase in total surplus in a market? 1. A tax is imposed on producers. 2. The government restricts imports, reducing consumer choices 3. The market moves from a state of disequilibrium to equilibrium 4. A subsidy is given to consumers, decreasing their costs. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

30	13702030	.If a price ceiling is imposed below the equilibrium price, what is the likely effect on consumer surplus? 1. It increases. 2. It decreases. 3. It remains unchanged 4. It becomes negative. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

31	13702031		2.0	0.00

		Price elasticity of demand measures: 1. The responsiveness of quantity demanded to changes in price. 2. The responsiveness of price to changes in quantity demanded 3. The change in total revenue due to changes in price. 4. The change in consumer surplus due to changes in price A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
32	13702032	If the price elasticity of demand for a good is greater than 1, the demand is: 1. Perfectly inelastic. 2. Unitary elastic 3. Relatively elastic. 4. Relatively inelastic A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
33	13702033	Income elasticity of demand measures 1. The responsiveness of quantity demanded to changes in income 2. The responsiveness of income to changes in quantity demanded 3. The change in total revenue due to changes in income 4. The change in consumer surplus due to changes in income. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
34	13702034		2.0	0.00

		If the demand for a product increases while supply remains constant, what will happen to the equilibrium price and quantity? 1. Price increases, quantity decreases 2. Price decreases, quantity increases 3. Price and quantity both increase 4. Price and quantity both decrease. A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
35	13702035	In a market where demand is perfectly elastic, how does a change in price affect quantity demanded? 1. Quantity demanded remains constant. 2. Quantity demanded changes proportionately with price. 3. Quantity demanded is infinity 4. Quantity demanded is zero. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
36	13702036	If the supply of a product decreases while demand remains constant, what will happen to the equilibrium price and quantity? 1. Price increases, quantity decreases 2. Price decreases, quantity increases 3. Price and quantity both increase 4. Price and quantity both decrease A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
37	13702037		2.0	0.00

Market equilibrium occurs when:

1. Quantity demanded equals quantity supplied
2. Quantity demanded exceeds quantity supplied.
3. Quantity supplied exceeds quantity demanded.
4. Quantity demanded and quantity supplied are both zero

A1 : 1

A2 : 2

A3 : 3

A4 : 4

Objective Question

38	13702038	A surplus in the market occurs when 1. Quantity demanded exceeds quantity supplied 2. Quantity supplied exceeds quantity demanded. 3. Quantity demanded equals quantity supplied. 4. Price is at its maximum A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

39	13702039	If the government imposes a price floor above the equilibrium price, what is the likely outcome in the market 1. A surplus. 2. A shortage. 3. No effect. 4. Market equilibrium A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

40	13702040		2.0	0.00

When the market is in equilibrium, what is true about consumer surplus and producer surplus?

1. Consumer surplus equals producer surplus.
2. Consumer surplus is greater than producer surplus
3. Producer surplus is greater than consumer surplus.
4. Consumer surplus and producer surplus are both zero

A1 : 1

A2 : 2

A3 : 3

A4 : 4

Objective Question

41	13702041	A monopoly is characterized by: 1. Many firms producing identical products. 2. A single firm producing a unique product with no close substitutes. 3. Numerous small firms competing in the market 4. Easy entry and exit of firms A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

42	13702042	In a monopoly market, the demand curve faced by the monopolist is: 1. Perfectly elastic. 2. Perfectly inelastic. 3. Downward-sloping 4. Horizontal. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00

Objective Question

43	13702043		2.0	0.00

		Monopolistic competition is characterized by: 1. Many firms producing identical products. 2. A single firm producing a unique product with no close substitutes 3. Numerous small firms producing differentiated products 4. A single firm dominating the market A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
44	13702044	In monopolistic competition, the inelastic part of the demand curve occurs when: 1. Marginal revenue equals marginal cost. 2. Marginal revenue is greater than marginal cost. 3. Marginal revenue is less than marginal cost. 4. Average revenue is equal to average cost. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
45	13702045	A monopsony market is one where: 1. There is only one seller and many buyers 2. There is only one buyer and many sellers 3. Both buyers and sellers have equal market power. 4. There are many buyers and many sellers A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
46	13702046		2.0	0.00

		In the Stackelberg model, the leader firm: 1. Makes its decision simultaneously with other firms 2. Makes its decision first, followed by the follower firm. 3. Makes its decision based on the actions of the follower firm. 4. Does not affect the market outcome. A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
47	13702047	In the Cournot model, firms: 1. Act simultaneously to set prices. 2. Act sequentially to set quantities. 3. Compete by adjusting their outputs. 4. Do not consider the actions of other firms A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
48	13702048	If two firms are playing a Cournot game and one firm increases its output, what happens to the equilibrium output of the other firm? 1. It increases 2. It decreases. 3. It remains unchanged. 4. It depends on the demand curve A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00
Objective Question				
49	13702049		2.0	0.00

		Monopoly power arises primarily from 1. Government regulations. 2. Lack of competition 3. Perfect information 4. Identical products A1 : 1 A2 : 2 A3 : 3 A4 : 4		
Objective Question				
50	13702050	In monopolistic competition, firms engage in product differentiation primarily to: 1. Increase consumer surplus. 2. Reduce consumer choice 3. Create brand loyalty 4. Maximize economies of scale. A1 : 1 A2 : 2 A3 : 3 A4 : 4	2.0	0.00