

Principles of Economics Icom Part 1 English Medium Chapter 7 Online Test

Sr	Questions	Answers Choice
1	A firm earns normal profit	<p>A. When price of the commodity is equal to average cost</p> <p>B. When price of the commodity is more than average cost</p> <p>C. When price of the commodity is less than average cost</p> <p>D. When total revenue is more than total costs</p>
2	When a firm earns abnormal profit in the short run, then its	<p>A. $MC=MR=AR=AC$ all are equal</p> <p>B. $MC=MR=AR$ while AC is less</p> <p>C. $MC=MR=AR$ while AC is more</p> <p>D. $MC=MR=AR$ while AV is sometimes equal to them and sometimes less than them</p>
3	If the equation is this, $MC=MR=AR(P)<AC$ then the firm	<p>A. Earns normal profit</p> <p>B. Earns abnormal profit</p> <p>C. Bears loss</p> <p>D. Bears abnormal loss</p>
4	If the equation is this, $MC=MR=AR(P)=AC$, then the firm	<p>A. Earns normal profit</p> <p>B. Earns abnormal profit</p> <p>C. Bears minimum loss</p> <p>D. Bears abnormal loss</p>
5	Law of diminishing return is more applicable in:	<p>A. Trade sector</p> <p>B. Industrial sector</p> <p>C. Agricultural sector</p> <p>D. Education sector</p>
6	When total production is maximum, marginal product is:	<p>A. Positive</p> <p>B. Negative</p> <p>C. Zero</p> <p>D. Infinite</p>
7	Under monopoly, number of firms is	<p>A. Large</p> <p>B. Few</p> <p>C. One</p> <p>D. Two</p>
8	When total revenue and total cost of a firm are equal, the firm earns	<p>A. Abnormal profit</p> <p>B. Normal profit</p> <p>C. Normal loss</p> <p>D. Abnormal loss</p>
9	Under perfect competition in the long run a firm	<p>A. Always earns abnormal profit</p> <p>B. Always earns normal profit</p> <p>C. Usually earns abnormal profit</p> <p>D. Usually faces loss</p>
10	If a monopolist wants to increase the sale of its product, it will have to ----- the price of its good	<p>A. Decrease</p> <p>B. Increase</p> <p>C. Keep constant</p> <p>D. None of the three</p>
11	When average product is maximum, marginal product is:	<p>A. Positive</p> <p>B. Equal to AP</p> <p>C. Zero</p> <p>D. Negative</p>
12	When total production increases, marginal product is:	<p>A. Positive</p> <p>B. Negative</p> <p>C. Zero</p> <p>D. Infinite</p>
13	Which law is applicable when human and natural forces are balance ?	<p>A. Increasing cost</p> <p>B. Constant cost</p> <p>C. Diminishing cost</p> <p>D. Both (a) and (c)</p>
14	Under monopoly, marginal revenue is _____ of output	<p>A. Decreasing function</p> <p>B. Increasing function</p> <p>C. Quadratic function</p> <p>D. None of these</p>

		D. Cubic function
15	The difference between total revenue (TR) and total cost (TC) is called	A. Loss B. Profit C. Profit or loss D. Utility
16	Firm earns abnormal profit, when	A. $AC=AR$ B. $AR>AC$ C. $AR<AC$ D. $AC=MC$
17	Industry is in equilibrium under perfect competition in the long run, when every existing firm in the industry	A. Is earning abnormal profit B. Is earning normal profit C. Is facing minimum loss D. Is facing abnormal loss
18	Under perfect competition, marginal revenue and average revenue curves	A. Moves from left to right upward B. Moves from left to right downward C. Remain parallel to x-axis D. Remain parallel to y-axis
19	Firm earns maximum profit at the point where	A. Difference between total costs and total revenue is highest and the total revenue curve is above B. Total costs and total revenue curves intersect each other C. Total costs curve is above the total revenue curve D. Difference between total costs and total revenue is minimum
20	According to neo classical approach, output is the function of:	A. Labour B. Capital C. Organization D. Both (a) and (b)