

# National Testing Agency

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## ECONOMICS 216

**Group Number :** 1  
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## PART A

**Section Id :** 12820640  
**Section Number :** 1  
**Section type :** Online  
**Mandatory or Optional:** Mandatory  
**Number of Questions:** 50  
**Number of Questions to be attempted:** 50  
**Section Marks:** 100  
**Display Number Panel:** Yes  
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**Sub-Section Number:** 1  
**Sub-Section Id:** 12820662  
**Question Shuffling Allowed :** Yes

**Question Number : 1 Question Id : 1282061300 Question Type : MCQ Option Shuffling : No Display Question Number : Yes**  
**Single Line Question Option : No Option Orientation : Vertical**  
**Correct Marks : 2 Wrong Marks : 0**

Match the items given in List – B with those in List – A:

List – A

I. Innovation

II. Organic composition of capital

III. Sustainable Development

IV. Vicious circle of poverty

List – B

1. Karl Marx

2. Brundtland Report

3. Schumpeter

4. Ragner Nurkse

The correct matching is:

a. 4 2 3 1

b. 3 1 2 4

c. 1 3 4 2

d. 2 4 1 3

**Options :**

1282065133. A

1282065134. B

1282065135. C

1282065136. D

Question Number : 2 Question Id : 1282061301 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Match the Match the items given in List – B with those in List – A

List – A

- I. A double Kaldor-Hicks Test
- II. Compensation Principle
- III. Social Welfare Function
- IV. Impossibility theorem

List – B

- 1. A. Bergson
- 2. K.J. Arrow
- 3. T. Scitovsky
- 4. Kaldor-Hicks

The correct matching is:

- a. 4 1 3 2
- b. 3 4 1 2
- c. 3 4 2 1
- d. 4 3 2 1

Options :

- 1282065137. A
- 1282065138. B
- 1282065139. C
- 1282065140. D

Question Number : 3 Question Id : 1282061302 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

With reference to Small Banks and Payment Banks, consider the following statements:

- I. While both can accept deposits Payment Banks cannot issue debit cards.
- II. While both are required to maintain CRR, Small Banks are also required to maintain SLR and PSL requirements.
- III. Both have the same initial minimum capital requirement of Rs. 100 crs.

Which of the statements given above is/are correct?

- a. I only
- b. I and II only
- c. II and III only
- d. All

Options :

- 1282065141. A
- 1282065142. B

1282065143. C

1282065144. D

Question Number : 4 Question Id : 1282061303 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Consider the following statements regarding components of “double financial repression”.

- I. Statutory liquidity ratio (SLR) and Priority sector lending (PSL) requirements are a repression on the asset side.
- II. Rising Non-Performing Assets (NPAs) and reduction in household’s financial savings are a repression on the liability side.

Which of the statements given above is/are correct?

- a. I only
- b. II only
- c. Both
- d. Neither

Options :

1282065145. A

1282065146. B

1282065147. C

1282065148. D

Question Number : 5 Question Id : 1282061304 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

With reference to Green Bonds in India consider the following statements:

- I. Green bond is a debt instrument issued for renewable as well as non-renewable energy projects.
- II. Both public and private sector banks can issue such bonds.
- III. It is a low-risk bond as repayment is tied to the issuer rather than success of the project .

Which of the statements given above is/are correct?

- a. I and II only
- b. I and III only
- c. III only
- d. None

Options :

1282065149. A

1282065150. B  
1282065151. C  
1282065152. D

**Question Number : 6 Question Id : 1282061305 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical  
Correct Marks : 2 Wrong Marks : 0**

With reference to negative income tax, consider the following statements:

- I. Negative income tax is the money paid by government to citizens who earn below a certain prescribed limit.
- II. It allows the claimants to receive income through simple filing of tax returns.
- III. It may reduce the demand for welfare benefits.

Which of the statements given above is/are correct?

- a. I and II only
- b. I and III only
- c. II and III only
- d. All

**Options :**

1282065153. A  
1282065154. B  
1282065155. C  
1282065156. D

**Question Number : 7 Question Id : 1282061306 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical  
Correct Marks : 2 Wrong Marks : 0**

Consider the following statements:

- I. The income method of GDP calculation considers incomes received by factors of production only.
- II. The income method of GDP calculation provides a lower value of GDP than expenditure method for the same year.

Which of the statements given above is/are correct?

- a. I only
- b. II only
- c. Both
- d. None

**Options :**

1282065157. A

1282065158. B  
1282065159. C  
1282065160. D

Question Number : 8 Question Id : 1282061307 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical  
Correct Marks : 2 Wrong Marks : 0

Priority sector lending by banks in India favorably consider lending to which of the following sectors?

- I. Renewable Energy
- II. Education
- III. Housing
- IV. Social Infrastructure

Which of the 4 options given above are correct?

- a. I and IV only
- b. I, II and III only
- c. I, II and IV only
- d. All

Options :

1282065161. A  
1282065162. B  
1282065163. C  
1282065164. D

Question Number : 9 Question Id : 1282061308 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical  
Correct Marks : 2 Wrong Marks : 0

With reference to Quantitative Easing, which among the following statements is/are correct?

- I. It is a monetary policy in which the central bank sells government securities.
- II. It is adopted to lower the interest rates and increase the money supply.
- III. It can lead to higher rates of inflation.

Choose the correct answer from:

- a. only I and II
- b. only III
- c. only II and III
- d. All



**Options :**

1282065165. A

1282065166. B

1282065167. C

1282065168. D

**Question Number : 10 Question Id : 1282061309 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

With reference to money markets consider the following statements:

- I. Call money refers to borrowing/lending of funds on overnight basis.
- II. Notice Money refers to borrowing/lending of funds for period exceeding 14 days.

Which of the statements given above is/are correct?

(a) I only

(b) II only

(c) Both

(d) Neither

**Options :**

1282065169. A

1282065170. B

1282065171. C

1282065172. D

**Question Number : 11 Question Id : 1282061310 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Which of the following would have inflationary effect on the economy?

- I. RBI releasing new bonds in the market
- II. RBI decreasing the SLR
- III. RBI increasing the Bank Rate
- IV. Abolition of CRR

Choose the correct answer:

- a. I, II and III only
- b. I and IV only
- c. II and IV only
- d. III and IV only

Options :

1282065173. A

1282065174. B

1282065175. C

1282065176. D

Question Number : 12 Question Id : 1282061311 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Which of the following is/are examples of capital expenditure by the government?

- I. Loan repayment
- II. Interest payment on loan
- III. Infrastructure

Select the correct answer:

- a. I only
- b. I and III only
- c. II and III only
- d. All

Options :

1282065177. A

1282065178. B

1282065179. C

1282065180. D



Correct Marks : 2 Wrong Marks : 0

Which of the following statements is/are correct regarding Monetary Transmission?

- I. It refers to the process by which a central bank's monetary policy decisions are passed on to the financial markets.
- II. Rising Non-Performing Assets (NPAs) and higher returns on small savings schemes may hinder effective monetary transmission.
- III. Lowering of CRR and SLR requirements may help ensure effective monetary transmission.

Select the correct answer:

- a. I and III only
- b. II and III only
- c. I and II only
- d. All

Options :

1282065181. A

1282065182. B

1282065183. C

1282065184. D

Correct Marks : 2 Wrong Marks : 0

With reference to Revenue Deficit consider the following statements:

- I. It includes only those transactions that affect current income and expenditure of government.
- II. It implies actual loss of revenue.
- III. As per the FRBM Act, the government is required to reduce the revenue deficit to 3% of the GDP.

Which of the statements given above is/are correct?

- a. I only
- b. I and II only
- c. II and III only
- d. I, II and III

Options :

1282065185. A

1282065186. B

1282065187. C

1282065188. D

Question Number : 15 Question Id : 1282061314 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

With whom the concept of disembodied technical change is associated with:

I. Abramovitz

II. Kaldor

III. Kendrick

IV. Solow

a. I and II

b. III and IV

c. I, III and IV

d. II, III and IV

Options :

1282065189. A

1282065190. B

1282065191. C

1282065192. D

Question Number : 16 Question Id : 1282061315 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Assertion (I): Solow model is a major improvement over Harrod-Domar Model.

Reason (II): Solow built a model of long run growth without the assumption of fixed proportions in production.

Which of the following is correct?

a. (I) is correct, but (II) is not the correct reason of (I).

b. (I) is not correct, but (II) is correct.

c. Both (I) and (II) are correct.

d. Both (I) and (II) are incorrect.

Options :

1282065193. A

1282065194. B

1282065195. C

1282065196. D

Question Number : 17 Question Id : 1282061316 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Which of the following are the functions of Finance Commissions in India?

- I. To make recommendations on the distribution of tax proceeds between Centre and the States.
- II. To make recommendations on levying, removing or restructuring of taxes.
- III. To recommend grants-in-aid under Article 275 of the Constitution.
- IV. To recommend plan and other grants under Article 282 of the Constitution.

- a. I and II only
- b. I and III only
- c. I, III and IV only
- d. All

Options :

1282065197. A

1282065198. B

1282065199. C

1282065200. D

Question Number : 18 Question Id : 1282061317 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The sources of auto correlation among the following are:

- I. Omitted explanatory variables
- II. Interpolation in the statistical observation
- III. Mis-specification of the true random term 'v'
- IV. Economic variables to move together over time

- a. I and II only
- b. I, II and III only
- c. I, III and IV only
- d. All of the above

Options :

1282065201. A

1282065202. B

1282065203. C

Question Number : 19 Question Id : 1282061318 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Arrange the following acts in the order in which they came into force:

- I. Competition Act
- II. Foreign Exchange Management Act
- III. Consumer Protection Act
- IV. The Factories Act

Choose the answer from the following:

- a. II, I, IV, III
- b. IV, II, III, I
- c. IV, III, II, I
- d. 3, 4, 2, 1

Options :

- 1282065205. A
- 1282065206. B
- 1282065207. C
- 1282065208. D

Question Number : 20 Question Id : 1282061319 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Consider the following statements in relation to Gender Budgeting:

- I. 'Gender analysis' of the government's budget
- II. Preparing a separate budget for women
- III. Government of India adopted gender budgeting in 2005 – 06

Choose the correct one from the options given below:

- a. I, II are correct
- b. I, III are correct
- c. II, III are correct
- d. All are correct

Options :

- 1282065209. A

1282065210. B  
1282065211. C  
1282065212. D

**Question Number : 21 Question Id : 1282061320 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Consider the following statements about optimal tariff:

- I. The beneficiary country is a large country in the world market for a particular good.
- II. A deviation from optimal tariff will lead to a fall in welfare.

Of the above, which statement is correct?

- a. Both
- b. Neither
- c. Only I is correct
- d. Only II is correct

**Options :**

1282065213. A  
1282065214. B  
1282065215. C  
1282065216. D

**Question Number : 22 Question Id : 1282061321 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Assertion (I): Friedman argues that money demand function is a stable function.

Reasons (II): Friedman treats money as one type of asset in which wealth holders can keep a part of their wealth.

Choose the correct answer from the options give below:

- a. Both (I) and (II) are true and (II) is the correct explanation of (I).
- b. Both (I) and (II) are true, but (II) is not the correct explanation of (I).
- c. (I) is true, but (II) is false.
- d. (I) is false, but (II) is true.

**Options :**

1282065217. A  
1282065218. B  
1282065219. C



1282065220. D

Question Number : 23 Question Id : 1282061322 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Improvement in the BOP deficit may be effected through:

- I. Import control
- II. Export promotion
- III. Foreign exchange control
- IV. Devaluation

Choose the correct option from those given below:

- a. I and II are correct.
- b. I, II, III and IV are correct.
- c. II and III are correct.
- d. I, II and III are correct.

Options :

1282065221. A

1282065222. B

1282065223. C

1282065224. D

Question Number : 24 Question Id : 1282061323 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0



The doctrine of unbalanced growth was propounded by:

I. Hirschman

II. Robert Solow

III. Singer

IV. Ragnar Nurkse

Choose the correct option from those given below:

a. I and II are correct.

b. II and III are correct.

c. III and IV are correct.

d. I and III are correct.

**Options :**

1282065225. A

1282065226. B

1282065227. C

1282065228. D

**Question Number : 25 Question Id : 1282061324 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

In the Keynesian macroeconomic system, speculative demand for money arises because of:

I. Uncertainty regarding future interest rates

II. Unexpected expenditures

III. To bridge the gap between income and eventual expenditure

IV. Relationship between changes in the interest rates and bond prices

Choose the correct option from those given below:

a. I and III are correct.

b. I and IV are correct.

c. II and III are correct.

d. III and IV are correct.

**Options :**

1282065229. A

1282065230. B

1282065231. C

1282065232. D

Question Number : 26 Question Id : 1282061325 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

For good X, the supply curve is the typical upward-sloping straight line, and the demand curve is the typical downward-sloping straight line. A tax of \$15 per unit is imposed on good X. The tax reduces the equilibrium quantity in the market by 300 units. The deadweight loss from the tax is:

- a. \$1,750.
- b. \$2,250.
- c. \$3,000.
- d. \$4,500.

Options :

1282065233. A

1282065234. B

1282065235. C

1282065236. D

Question Number : 27 Question Id : 1282061326 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

In the market for widgets, the supply curve is the typical upward-sloping straight line, and the demand curve is the typical downward-sloping straight line. The equilibrium quantity in the market for widgets is 200 per month when there is no tax. Then a tax of \$5 per widget is imposed. The price paid by buyers increases by \$2 and the after-tax price received by sellers falls by \$3. The government can raise \$750 per month in revenue from the tax. The deadweight loss from the tax is:

- a. \$250.
- b. \$125.
- c. \$75.
- d. \$50.

Options :

1282065237. A

1282065238. B

1282065239. C

1282065240. D

Question Number : 28 Question Id : 1282061327 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Fred has recently graduated from college with a degree in journalism and economics. He has decided to pursue a career as a freelance journalist writing for business newspapers and magazines. Fred is typically awake for 112 hours each week (he sleeps an average of 8 hours each day). For each hour Fred spends writing, he can earn \$75. Fred is such a good writer that he can get paid for as many hours of writing as he chooses to work. If Fred decides to spend 80 hours a week playing volleyball on the beach and the rest of his time writing, how much income will he have available to spend on consumption goods?

- a. \$900
- b. \$1,500
- c. \$2,400
- d. \$3,000

**Options :**

1282065241. A

1282065242. B

1282065243. C

1282065244. D

**Question Number : 29 Question Id : 1282061328 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Erin would be willing to pay as much as \$100 per week to have her house cleaned. Ernesto's opportunity cost of cleaning Erin's house is \$70 per week. If Ernesto cleans Erin's house for \$80, Ernesto's producer surplus is:

- a. \$80.
- b. \$30.
- c. \$20.
- d. \$10.

**Options :**

1282065245. A

1282065246. B

1282065247. C

1282065248. D

**Question Number : 30 Question Id : 1282061329 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Suppose a tax of \$5 per unit is imposed on a good, and the tax causes the equilibrium quantity of the good to decrease from 200 units to 100 units. The tax decreases consumer surplus by \$450 and decreases producer surplus by \$300. The deadweight loss from the tax is:

- a. \$250.
- b. \$500.
- c. \$750.
- d. \$1,000.

**Options :**

1282065249. A

1282065250. B

1282065251. C

1282065252. D

**Question Number : 31 Question Id : 1282061330 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

A tax of \$0.25 is imposed on each bag of potato chips that is sold. The tax decreases producer surplus by \$600 per day, generates tax revenue of \$1,220 per day, and decreases the equilibrium quantity of potato chips by 120 bags per day. The tax:

- a. decreases consumer surplus by \$645 per day.
- b. decreases the equilibrium quantity from 6,000 bags per day to 5,880 bags per day.
- c. decreases total surplus from \$3,000 to \$1,800 per day.
- d. creates a deadweight loss of \$15 per day.

**Options :**

1282065253. A

1282065254. B

1282065255. C

1282065256. D

**Question Number : 32 Question Id : 1282061331 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Andre walks Julia's dog once a day for \$50 per week. Julia values this service at \$60 per week, while the opportunity cost of Andre's time is \$30 per week. The government places a tax of \$35 per week on dog walkers. After the tax, what is the total surplus?

- a. \$50
- b. \$30
- c. \$25
- d. \$0

**Options :**

1282065257. A



1282065258. B  
1282065259. C  
1282065260. D

Question Number : 33 Question Id : 1282061332 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Assume the supply curve for cigars is a typical, upward-sloping straight line, and the demand curve for cigars is a typical, downward-sloping straight line. Suppose the equilibrium quantity in the market for cigars is 1,000 per month when there is no tax. Then a tax of \$0.50 per cigar is imposed. The effective price paid by buyers increases from \$1.50 to \$1.90 and the effective price received by sellers falls from \$1.50 to \$1.40. The government's tax revenue amounts to \$475 per month. Which of the following statements is correct?

- a. After the tax is imposed, the equilibrium quantity of cigars is 900 per month.
- b. The demand for cigars is more elastic than the supply of cigars.
- c. The deadweight loss of the tax is \$12.50.
- d. The tax causes a decrease in consumer surplus of \$380.

Options :

1282065261. A  
1282065262. B  
1282065263. C  
1282065264. D

Question Number : 34 Question Id : 1282061333 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Assume for Namibia that the opportunity cost of each hut is 200 bowls. Which of these pairs of points could be on Namibia's production possibilities frontier?

- a. (200 huts, 30,000 bowls) and (150 huts, 35,000 bowls)
- b. (200 huts, 40,000 bowls) and (150 huts, 30,000 bowls)
- c. (300 huts, 50,000 bowl) and (200 huts, 60,000 bowls)
- d. (300 huts, 60,000 bowls) and (200 huts, 80,000 bowls)

Options :

1282065265. A  
1282065266. B  
1282065267. C  
1282065268. D

Question Number : 35 Question Id : 1282061334 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Suppose that a worker in Freedonia can produce either 6 units of corn or 2 units of wheat per year, and a worker in Sylvania can produce either 2 units of corn or 6 units of wheat per year. Each nation has 10 workers. Without trade, Freedonia produces and consumes 30 units of corn and 10 units of wheat per year. Sylvania produces and consumes 10 units of corn and 30 units of wheat. Suppose that trade is then initiated between the two countries, and Freedonia sends 30 units of corn to Sylvania in exchange for 30 units of wheat. Sylvania will now be able to consume a maximum of:

- a. 30 units of corn and 30 units of wheat.
- b. 40 units of corn and 30 units of wheat.
- c. 40 units of corn and 20 units of wheat.
- d. 10 units of corn and 40 units of wheat.

**Options :**

- 1282065269. A
- 1282065270. B
- 1282065271. C
- 1282065272. D

**Question Number : 36 Question Id : 1282061335 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

The before-trade price of fish in Denmark is \$10.00 per pound. The world price of fish is \$6.00 per pound. Denmark is a price-taker in the fish market. If Denmark begins to allow trade in fish, its consumers of fish will become:

- a. better off, its producers of fish will become better off, and on balance the citizens of Denmark will become better off.
- b. worse off, its producers of fish will become better off, and on balance the citizens of Denmark will become worse off.
- c. worse off, its producers of fish will become better off, and on balance the citizens of Denmark will become worse off.
- d. better off, its producers of fish will become worse off, and on balance the citizens of Denmark will become better off.

**Options :**

- 1282065273. A
- 1282065274. B
- 1282065275. C
- 1282065276. D

**Question Number : 37 Question Id : 1282061336 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**



Jacqui decides to open her own business and earns \$50,000 in accounting profit in the first year. When deciding to open her own business, she turned down three separate job offers with annual salaries of \$30,000, \$40,000, and \$45,000. What is Jacqui's economic profit from running her own business?

- a. \$-55,000
- b. \$-5,000
- c. \$5,000
- d. \$20,000

Options :

- 1282065277. A
- 1282065278. B
- 1282065279. C
- 1282065280. D

Question Number : 38 Question Id : 1282061337 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Jane was a partner at a law firm earning \$223,000 per year. She left the firm to open her own law practice. In the first year of business she generated revenues of \$347,000 and incurred explicit costs of \$163,000. Jane's economic profit from her first year in her own practice is:

- a. -\$39,000.
- b. \$124,000.
- c. \$163,000.
- d. \$184,000.

Options :

- 1282065281. A
- 1282065282. B
- 1282065283. C
- 1282065284. D

Question Number : 39 Question Id : 1282061338 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Suppose a firm in a competitive market produces and sells 150 units of output and earns \$1,800 in total revenue from the sales. If the firm increases its output to 200 units, the average revenue of the 200th unit will be

- a. less than \$12.
- b. more than \$12.
- c. \$12.
- d. Any of the above may be correct depending on the price elasticity of demand for the product.

Options :

- 1282065285. A
- 1282065286. B
- 1282065287. C
- 1282065288. D

**Question Number : 40 Question Id : 1282061339 Question Type : MCQ Option Shuffling : No Display Question Number : Yes**  
**Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Laura is a gourmet chef who runs a small catering business in a competitive industry. Laura specializes in making wedding cakes. Laura sells 20 wedding cakes per month. Her monthly total revenue is \$5,000. The marginal cost of making a wedding cake is \$300. To maximize profits, Laura should

- a. make more than 20 wedding cakes per month.
- b. make fewer than 20 wedding cakes per month.
- c. continue to make 20 wedding cakes per month.
- d. We do not have enough information with which to answer the question.

**Options :**

- 1282065289. A
- 1282065290. B
- 1282065291. C
- 1282065292. D

**Question Number : 41 Question Id : 1282061340 Question Type : MCQ Option Shuffling : No Display Question Number : Yes**  
**Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

If a monopolist's marginal costs increase by \$1 for all levels of output, then the monopoly price will:

- a. rise by \$1.
- b. rise by more than \$1.
- c. rise by less than \$1.
- d. not change, but profits will decrease.

**Options :**

- 1282065293. A
- 1282065294. B
- 1282065295. C
- 1282065296. D

**Question Number : 42 Question Id : 1282061341 Question Type : MCQ Option Shuffling : No Display Question Number : Yes**  
**Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Suppose when a monopolist produces 75 units its average revenue is \$10 per unit, its marginal revenue is \$5 per unit, its marginal cost is \$6 per unit, and its average total cost is \$5 per unit. What can we conclude about this monopolist?

- a. The monopolist is currently maximizing profits, and its total profits are \$375.
- b. The monopolist is currently maximizing profits, and its total profits are \$300.
- c. The monopolist is not currently maximizing profits; it should produce more units and charge a lower price to maximize profits.
- d. The monopolist is not currently maximizing profits; it should produce fewer units and charge a higher price to maximize profits.

**Options :**

1282065297. A

1282065298. B

1282065299. C

1282065300. D

**Question Number : 43 Question Id : 1282061342 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Consider a profit-maximizing monopoly pricing under the following conditions. The profit-maximizing quantity is 40 units, the profit-maximizing price is \$160, and the marginal cost of the 40th unit is \$120. If the good were produced in a perfectly competitive market, the equilibrium quantity would be 50, and the equilibrium price would be \$150. The demand curve and marginal cost curves are linear. What is the value of the deadweight loss created by the monopolist?

- a. \$40
- b. \$100
- c. \$200
- d. \$400

**Options :**

1282065301. A

1282065302. B

1282065303. C

1282065304. D

**Question Number : 44 Question Id : 1282061343 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**



A manager has decided to allocate an operating budget between labor (L) and capital (K) in such a way that the marginal productivity of labor (MPL) = 10 units of finely divisible output and the marginal productivity of capital (MPK) = 12 units. If the wage rate (w) is \$16, and the rental rate (r) on capital is \$18, which of the following statements is most generally correct?

- a. The manager should allocate the entire budget to K because it has highest productivity.
- b. The manager should allocate the entire budget to L because it is the least-cost input.
- c. The manager should reallocate at least a small amount of the budget toward K and away from L.
- d. The manager should reallocate at least a small amount of the budget toward L and away from K.

**Options :**

1282065305. A

1282065306. B

1282065307. C

1282065308. D

**Question Number : 45 Question Id : 1282061344 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Sally has two art projects due tomorrow. She has 5 hours to complete both projects. She plans to spend 3 hours working on the first project and 2 hours working on the second project. She believes that the last minute spent working on the first project will add 3 points to Project # 1 score, and the last minute spent working on the second project will add 20 points to the Project # 2 score. Which of the following statements is accurate?

- a. Assuming that Sally's goal is to maximize the total number of points, Sally's plan will allocate her time efficiently.
- b. Sally would earn a higher point total if she increased the time allocated to Project # 1.
- c. Sally would earn a higher point total if she decreased the time allocated to Project # 1
- d. None of the above

**Options :**

1282065309. A

1282065310. B

1282065311. C

1282065312. D

**Question Number : 46 Question Id : 1282061345 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Diana uses one input, i.e., labor (L) to produce a product according to the following production function:  $Q = f(L) = 2L^2$ . She pays \$15 per unit of labor. What is the cost of production at the level of 100 units of output?

- a. \$15.07
- b. \$25.07
- c. \$106.07
- d. \$150.07

**Options :**

1282065313. A

1282065314. B

1282065315. C

1282065316. D

**Question Number : 47 Question Id : 1282061346 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for €100 each. It costs Nicole €20,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested €100,000 in her factory and equipment: €50,000 from her savings and €50,000 borrowed at 10 percent interest (assume that she could have loaned her money out at 10 percent too). Nicole can work at a competing pottery factory for €40,000 per year. The economic profit at Nicole's pottery factory is:

- a. €30,000.
- b. €35,000.
- c. €70,000.
- d. €75,000.

**Options :**

1282065317. A

1282065318. B

1282065319. C

1282065320. D

**Question Number : 48 Question Id : 1282061347 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical**

**Correct Marks : 2 Wrong Marks : 0**

Rosie's Flower Shop sells floral arrangements for \$20 each. If Rosie hires 10 workers, she can sell 600 arrangements per week. If she hires 11 workers, she can sell 650 arrangements per week. Rosie pays each of her workers \$400 per week. Which of the following is correct?

- a. For the 11th worker, the marginal profit is \$1,000.
- b. For the 11th worker, the marginal revenue product is \$1,000.
- c. The firm is maximizing its profit.
- d. If the firm is employing 11 workers, then its profit would increase if it cut back to 10 workers.

Options :

1282065321. A

1282065322. B

1282065323. C

1282065324. D

Question Number : 49 Question Id : 1282061348 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Diane's Auto World installs tires on automobiles, light trucks, and sport utility vehicles. She is a profit-maximizing business owner whose firm operates in a competitive market. The marginal cost of installing a tire is \$10. The marginal productivity of the last worker that Diane hired was 2 tires per hour. What is the maximum hourly wage that Diane was willing to pay the last worker hired?

- a. \$5
- b. \$10
- c. \$20
- d. There is insufficient information to answer this question.

Options :

1282065325. A

1282065326. B

1282065327. C

1282065328. D

Question Number : 50 Question Id : 1282061349 Question Type : MCQ Option Shuffling : No Display Question Number : Yes  
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Suppose that eight workers can manufacture 70 radios per day and that nine workers can manufacture 90 radios per day. If radios can be sold for \$10 each, the value of marginal product of the ninth worker is:

- a. 20 radios.
- b. 90 radios.
- c. \$200.
- d. \$900.

Options :

1282065329. A



1282065330. B

1282065331. C

1282065332. D