Learning Key [01]
Test Your Knowledge [TYK] Questions:

Model MCQs

(01) **In a market economic system a business organization deals with all of the following fundamental economic problems except which one**

1) How to allocate the scarce resources of the economy among different industries
2) Deciding the production techniques and methodology
3) Determining the quantities of different products to be produced
4) Deciding what to produce, in which quantities.
5) Deciding to whom to produce and how to distribute.

(02) **Which of the following is not a basis to classify business or production organizations**

1) Motive
2) Ownership
3) Scale
4) Nature
5) Culture

(03) **Production essentially involves all of the following except which one**

1) Inputs and output
2) Technical methodology
3) Value Addition
4) Productive efficiency
5) Productivity

(04) **Which of the following pairs are incorrect examples of 'Fixed' and 'Variable' inputs in production**

	Fixed Input	Variable Input
01	Land & Building	Raw Materials
02	Labour	Plant capacity
03	Factory Capacity	Utilities
04	Machinery & Equipment	Fuel Usage
05	Land	Labour

(05) **The fundamental distinction between economic short run and longrun is that in the former**

1) Only fixed inputs are used in production.
2) Output cannot be increased and remains fixed.
3) Size or quantity of at least one input used in production remains fixed
4) A firm shall experience diminishing marginal product as they increase labour
5) The total physical product will fall as marginal product begins to fall

(06) **As a firm in the short run incrementally increases the use of a variable input such as labour the behaviour of total physical product (TPP) in the correct sequence is**

1) Increasing at an increasing rate, increasing at a decreasing rate and decreasing
2) Increasing at a decreasing rate, increasing at an increasing rate and decreasing
3) Increasing up to a certain point and then decreasing both at a constant rate
4) Decreasing at an increasing rate, decreasing at a decreasing rate and increasing
5) Increasing at an increasing rate, increasing at an constant rate and decreasing

(07) **State if the following statements describing the behaviour of Marginal (Physical) Product (MP) and Average (Physical) Product (APP), as using of Labour is increased on unit at a time, is True (T) or False (F).**

(A) MP shall initially increase sharply, peak, and then diminish sharply, eventually becoming negative.

(B) AP shall initially increase gradually, peak and diminish gradually.

(C) MP shall equal AP, when MP has maximized, and AP is decreasing.

(D) At input levels below (MP = AP), MP values are less than AP values (MP < AP)

(E) At input levels above (MP = AP), MP values are higher than AP values (MP > AP)

(F) Beyond the input level where (MP = AP), both MP and AP will be diminishing

(G) The MP and AP curves are known as Inverted 'U' shaped curves.

(H) If MP increases, Total Product (TP) shall increase at an increasing rate, and as MP decreases, the TP increases at a decreasing rate, while TP decreases when MP becomes negative.

Model & Past Paper SEQs

[01]   2019 A/Ls (ECON – II): Q4 (I – II)

What **distinguishes** a firm's short run period from its long run period in production process?

(04 marks)

[02]   Model Question

(A)   **Distinguish** between 'Fixed' and 'Variable' inputs used in production

(B)   **It is said that 'a given fixed input is not fixed in production for all firms'.** Do you agree, **explain briefly**

(03 marks each)

[03]   Model Question

Briefly explain the difference between **'Production, Product** and **Productivity'**

(06 marks)

[04]   2012 A/Ls (ECON – II): Q3

What is meant by short run production function   **(02 marks)**

[05]   2010 A/Ls (ECON – II - II): Q4 (II)

Explain the **difference** between 'diminishing returns' and 'decreasing returns to scale'

2020 A/Ls (Econ – II) Q4 (I)

Explain the difference between decreasing returns to scale and diminishing returns to a variable factor

[04 marks]

Study Notes