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State Finished

Completed on Sunday, 8 November 2020, 9:30 AM

Time taken 1 hour

Grade 26.00 out of 30.00 (87%)

Question 1

Correct

Mark 1.00 out of 1.00

Choose the correct answer combination to fill in the gaps.

If demand curve is _____, a fall in price will _____ total revenue

Select one or more:

- a. Inelastic, not change
- b. Elastic, decrease
- c. Inelastic, increase
- d. Elastic, increase ✓

The correct answer is: Elastic, increase

Question 2

Correct

Mark 1.00 out of 1.00

A parallel shift in the budget constraint occurs when

Select one or more:

- a. the price of horizontal good increases
- b. both income and prices decrease
- c. the price of one good falls and the price of the other rises
- d. the income changes ✓

The correct answer is: the income changes

Question 3

Correct

Mark 1.00 out of 1.00

A firm has the following cost function: $c(Q) = 20 + 5Q + Q^2$. What is its Marginal Cost?

Select one or more:

- a. $5+2Q$ ✓
- b. $2Q$
- c. $20/Q+5$
- d. 5

The correct answer is: $5+2Q$

Question 4

Correct

Mark 1.00 out of 1.00

If marginal product is positive but decreasing with every new unit of output produced, what must be true?

Select one or more:

- a. Total output is increasing at a decreasing rate ✓
- b. Total output is increasing at an increasing rate
- c. Total output becomes negative
- d. Total output must be decreasing

The correct answer is:
Total output is increasing at a decreasing rate

Question 5

Correct

Mark 1.00 out of 1.00

If the elasticity of demand for ice creams is -1.5, and the price of ice creams increases by 20%, by how much percentage will the quantity demanded fall?

Write the absolute value.

Please write only the numerical value of the percentage in the blank. DO NOT add the percentage sign.

 ✓

One possible correct answer is: 30

Question 6

Incorrect

Mark 0.00 out of 1.00

Microeconomics is the study of

Select one or more:

- a. How governments can reduce inflation.
- b. Economy-wide phenomena, including inflation, unemployment, and economic growth.
- c. None of the above ✗
- d. How governments can get an economy out of recession
- e. How households and firms make decisions and how they interact in markets.

The correct answer is: How households and firms make decisions and how they interact in markets.

Question 7

Correct

Mark 1.00 out of 1.00

An improvement in the production technology of the country would

Select one or more:

- a. Shift the PPF out ✓
- b. shift the PPF curve in
- c. Lead to no change in PPF
- d. decrease feasible points of production

The correct answer is: Shift the PPF out

Question 8

Correct

Mark 1.00 out of 1.00

The income elasticity of a good is -1. What kind of a good is this?

Select one or more:

- a. Inferior ✓
- b. Substitutes
- c. Normal
- d. Necessities

The correct answer is: Inferior

Question 9

Incorrect

Mark 0.00 out of
2.00

Suppose a firm has a fixed cost as well as increasing marginal cost and thus has a U-shaped average cost curve. Suppose that its fixed cost increases by ΔFC —for example, the government imposes a yearly license fee to operate in the market or there is an increase in the firm's R&D cost. Based only on this information, what can you say about how Quantity produced changes?

Select one or more:

- a.
Remains same
- b.
Cannot say from this information
- c.
Decreases
- d.
Increased ❌

The correct answer is:

Remains same

Question 10

Correct

Mark 1.00 out of
1.00

You are willing to pay up to \$50 for concert tickets. If you win free tickets from the local radio station, your consumer surplus is:

Select one or more:

- a. Less than \$50
- b. More than \$50
- c. \$50 ✔️
- d. \$0

The correct answer is: \$50

Question 11

Incorrect

Mark 0.00 out of
1.00

The income effect:

Select one or more:

- a.
shows how quantity demanded changes due to real income changes
- b. shows how quantity demanded changes as nominal income changes ✗
- c.
is positive for a price increase if the good is luxury ✗
- d. None of the above

The correct answer is:

shows how quantity demanded changes due to real income changes

Question 12

Correct

Mark 1.00 out of
1.00

Bajra is an inferior good. If the income of the consumer increases, the quantity demanded of the good

Select one or more:

- a. Has nothing to do with it being inferior
- b. Falls ✓
- c. Rises
- d. Stays the same

The correct answer is: Falls

Question 13

Correct

Mark 2.00 out of
2.00

Bharti has a total of INR 1500 which she can spend on eating Fish and Chicken. Bharti's utility for these two items is given by

$$30F^2C$$

. Price of fish per unit is given by INR 2 and price of chicken is given by INR 10. What is the optimal quantity of fish and chicken that Bharti will consume? Please round of your answer upto two decimal points where applicable.

Fish

 ✓

One possible correct answer is: 500

Chicken

 ✓

One possible correct answer is: 50

Question 14

Correct

Mark 1.00 out of
1.00

A production function given by $Q = 2LK$ exhibits :

Select one or more:

- a. Constant returns to scale
- b. Increasing returns to scale ✓
- c. Decreasing returns to scale
- d. Can't say

The correct answer is: Increasing returns to scale

Question 15

Correct

Mark 1.00 out of
1.00

Assume that Goods X and Y are perfect complements. At any consumption bundle with the quantity of good X exceeding the quantity of good Y, the units of Y Alvin is willing to give up for one more unit of X is

Select one or more:

- a. positive
- b. diminishing
- c. infinity
- d. increasing
- e. zero ✓

The correct answer is: zero

Question 16

Correct

Mark 1.00 out of 1.00

At which levels of output, are there decreasing return to labour?

Workers	Output
1	10
2	20
3	34
4	40
5	44

Select one or more:

- a. 1-2
- b. 3-5 ✓
- c. 1-5
- d. 1-3

The correct answer is: 3-5

Question 17

Correct

Mark 2.00 out of 2.00

In 1998, the total demand for wheat was $Q_d = 300 - 60P$. The total supply was given by $Q_s = 180 + 50P$ where P is the Price. Q_d and Q_s represent quantity demanded and supplied respectively. Suppose the demand for wheat falls by 15 percent, what will be the new equilibrium price and quantity? Please round off your answer upto two decimal points wherever possible.

Price (Only write the numerical values in the blank. No units are required)

 ✓

One possible correct answer is: 0.74257425742574

Quantity

 ✓

One possible correct answer is: 217.12871287129

Question 18

Correct

Mark 2.00 out of 2.00

A consumer is spending all of her income and receiving 100 utils from the last unit of good A and 80 utils from the last unit of good B. If the price of good A is INR 2 and the price of good B is INR 1, to maximize total utility the consumer should buy:

Select one or more:

- a. More of good B ✓
- b. More of both the goods
- c. More of good A
- d. Less of both the goods

The correct answer is: More of good B

Question 19

Correct

Mark 2.00 out of 2.00

Suppose you play a round of golf costing Rs. 2000. The golf takes four hours to play. If you were not playing golf you could be working and earning Rs. 2000 per hour. The opportunity cost of your golf game is:

Please write the numerical value in the blank. No units are required.

 ✓

One possible correct answer is: 8000

Question 20

Correct

Mark 1.00 out of 1.00

Which of the following statements is normative?

Select one or more:

- a. People work harder if the wage is higher
- b. Large government deficits cause an economy to grow more slowly
- c. Printing too much money causes inflation
- d. The unemployment rate should be lower ✓

The correct answer is: The unemployment rate should be lower

Question 21

Correct

Mark 1.00 out of 1.00

If a decrease in price leads to a decrease in quantity demanded of the good then the good is

Select one or more:

- a. Luxury good
- b. Giffen good ✓
- c. Inferior good
- d. Normal good

The correct answer is: Giffen good

Question 22

Correct

Mark 2.00 out of 2.00

Demand elasticity for good A is -2 and its supply elasticity is 0.5. If a lumpsum tax t is levied on the good, the incidence of tax will be

Select one or more:

- a. Shared equally between producers and consumers
- b. More on producers ✓
- c. More on consumers
- d. Can't be said from this information

The correct answer is: More on producers

Question 23

Correct

Mark 1.00 out of 1.00

Which of the following will not cause a demand curve to shift position

Select one or more:

- a.
A doubling of the price of a closely substitutable good
- b.
A doubling of the good's price ✓
- c.
A change in preferences
- d.
A doubling of income

The correct answer is:
A doubling of the good's price

Question 24

Correct


Mark 1.00 out of
1.00

In the market for smart phones, there have been invention in cost saving technology. How do you think it will affect supply and demand?

Select one or more:

- a. Increase demand (The demand curve will shift to the right)
- b. Decrease in supply (the supply curve will shift to the left)
- c. Increase supply (the supply curve will shift to the right) ✓
- d. Decrease in demand (the demand curve will shift to the left)

The correct answer is: Increase supply (the supply curve will shift to the right)

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