The LNM Institute of Information Technology (Deemed University)
Quiz: Economics for Engineers (Odd Semester)

Roll No. ------------------- **Student's Name & Sign.** ---

Max. Marks – 30 **Time** – 20 minutes **Invigilator's Sign.** -------------------------------------

Instructions: a) Each question carries two marks. b) Marks will be deducted for rewriting or change of response.

1. Market failure can occur when:
a) monopoly power exists in the market.
b) markets are missing.
c) moral hazard and adverse selection exist.
d) all of the above.

2. A public good is:
a) a good that the public must pay for.
b) non-rival in consumption.
c) more costly than a private good.
d) paid for by the government.

3. When the buyer knows less than the seller about the characteristics of the good being sold, there is:
a) negative externality.
B) a moral hazard problem.
c) an adverse selection problem.
D) a signaling problem.

4. Which of the following is most likely a long-run decision?
a) the hours a store should stay open.
b) how many warehouses to build.
c) the price at which to sell the product.
d) the number of workers to hire.

5. For Ford Motor Co., all of the following are sources of economies of scale except:
a) mass production techniques used in the manufacturing of autos.
b) bureaucracy and red tape encountered as the firm becomes larger.
c) learning by doing which allows workers to become more productive.
d) additional specialization made possible by large-scale production.

6. An implicit cost is best represented by:
a) wages paid by General Electric to its employees.
b) interest payments on outstanding loans by Samsung.
c) salaries paid to the managers of Microsoft.
d) rental income forgone on property owned by D-Mart.

7. Dell's marginal cost curve and average total cost curve of producing a computer would shift upward if:
a) the firm realizes technological improvements.
b) workers become less productive.
c) materials prices decline for the firm.
d) business taxes decrease for the firm.

8. If a company increases its selling price by $2 per unit due to an increase in its variable labor cost of $2 per unit, the break-even point in units will:
a) decrease.
b) increase.
c) not change.
d) change but direction cannot be determined.

9. The rent for a booth at the flower market is $100 per month. The variable cost per hanging basket sold is $6. The selling price for each basket is $10. Calculate the break-even point in units.

a) 6 b) 10

c) 17 **d) 25**

10. Which of the following organizations is closest to operating in perfect competition?

a) a peanut farmer. b) a veterinary doctor.

c) a manufacturer of lighting systems for art galleries. d) a New York City taxi company.

11. Germany's Heildeberg Cement, France's Lafarge, France's Schwenck Holcim, and Germany's Dyckerhoff dominate the cement industry in the European Union. These companies exist in a market structure: called a(n):

a) oligopoly. b) perfect competition.

c) pure competition. d) monopoly.

12. The following table lists the capital budgeting analysis of four different independent projects with an equal life:

Project	**NPV**	**IRR**	**Discount Rate**
A	$4,500	15%	13%
B	-$3,600	17%	18%
C	$7,100	8%	6%
D	$75	23%	22.5%

Which project(s) would you choose?

a) A only b) C only

c) A and C **d) A, C and D**

13. Which of the following statements is most correct concerning a project with cash flows?

a) If the NPV of a project is positive then the payback period rule will always accept the project.

b) If the NPV of a project is negative, then the IRR of the project will always be greater than one.

c) If the discount rate of a project is zero, then the project will always be accepted.

d) If the NPV of a project is zero, then the IRR of the project will be equal to the discount rate for the project.

14. What is the present value of $36,800 to be received 6 years from today if the discount rate is 12 percent?

a) $18,644.03 b) $19,407.18 c) $19,414.14 d) $20,211.08

15. A project costs Rs.16,000. The estimated annual cash inflows during its 3 year life are Rs.8,000, Rs.7,000 and Rs.6,000 respectively. What will be the pay-back period?

a) 2 years **b) 2.5 years** c) 3 years d) 4 years