

## Week 9 MCQs

1. What is the primary focus of Module 9?
  - A. Cost-benefit analysis
  - B. Industrial organization and conservation (Correct)**
  - C. Competition and monopoly
  - D. The Bhopal gas tragedy
2. What are the three lectures included in Module 9?
  - A. Costs of production, competition, and environmental disasters
  - B. Cost-benefit analysis, market equilibrium, and monopoly
  - C. The cost of production, competition, and monopoly (Correct)**
  - D. Explicit costs, implicit costs, and profit maximization
3. What economic principle underlies rational decision-making?
  - A. Profit maximization
  - B. Cost-benefit analysis (Correct)**
  - C. Marginal product
  - D. Diminishing marginal returns
4. What is a key consequence of cost-cutting that is highlighted?
  - A. Increased profits
  - B. Environmental disasters (Correct)**
  - C. Higher wages
  - D. Improved product quality
5. Which environmental disaster is discussed as a consequence of cost-cutting?
  - A. The Chernobyl disaster
  - B. The Love Canal tragedy (Correct)**
  - C. The Fukushima Daiichi disaster
  - D. The Three Mile Island accident
6. What insecticide was involved in the Bhopal gas tragedy?
  - A. Methyl isocyanate (Correct)**
  - B. Dioxin
  - C. Methyl mercury
  - D. DDT
7. What percentage of its capacity was the Union Carbide plant operating at?

**A. 20% (Correct)**

B. 50%

C. 80%

D. 100%

8. What was a key cost-cutting measure in the Bhopal gas tragedy?

A. Increased worker training

B. Improved safety equipment

**C. Shutting down the refrigeration system (Correct)**

D. Increased production of insecticide

9. What type of reaction was involved in the Bhopal gas tragedy?

A. Endothermic

**B. Exothermic (Correct)**

C. Neutral

D. Isothermic

10. What was a failing safety mechanism in the Bhopal plant?

A. Working alarms

B. Functional neutralizing towers

C. Operational flare tower

**D. Computerized sensors (Correct)**

11. In the Love Canal tragedy, what was dumped into the canal?

A. Treated industrial waste

**B. Untreated industrial waste (Correct)**

C. Agricultural runoff

D. Household garbage

12. What was built on the Love Canal dump site?

A. A factory

B. A park

**C. A school (Correct)**

D. A housing development

13. What corporation was responsible for the Minamata disease incident?

A. Union Carbide

**B. Chisso Corporation (Correct)**

C. BP

D. De Beers

14. What substance was dumped into the sea in the Minamata disaster?

- A. Dioxin
- B. Methyl mercury (Correct)**
- C. Methyl isocyanate
- D. Untreated industrial waste

15. What is the main point regarding cost-cutting and environmental disasters?

- A. Cost-cutting always leads to environmental disasters
- B. Cost-cutting is never justified
- C. Short-term rationality can have long-term environmental consequences (Correct)**
- D. Firms should never cut costs

16. What is total revenue?

- A. Total cost minus profit
- B. Market value of inputs
- C. Amount received for sale of output (Correct)**
- D. Explicit costs plus implicit costs

17. What is total cost?

- A. Amount received for sale of output
- B. Profit minus total revenue
- C. Market value of inputs used in production (Correct)**
- D. Explicit costs only

18. How is profit calculated?

- A. Total cost + total revenue
- B. Total revenue - total cost (Correct)**
- C. Total cost - total revenue
- D. Explicit costs - implicit costs

19. What are explicit costs?

- A. Input costs not requiring money outlay
- B. Opportunity costs
- C. Input costs requiring money outlay (Correct)**
- D. Implicit costs

20. What are implicit costs?

- A. Input costs requiring money outlay
- B. Opportunity costs (Correct)**
- C. Costs that do not vary with output
- D. Explicit costs

21. What is an example of an implicit cost?

- A. Wages paid to workers
- B. Cost of raw materials
- C. Opportunity cost of foregone income (Correct)**
- D. Rent paid for factory space

22. What is economic profit?

- A. Total revenue - explicit costs
- B. Total revenue - (explicit costs + implicit costs) (Correct)**
- C. Total revenue - implicit costs
- D. Explicit costs - implicit costs

23. What is accounting profit?

- A. Total revenue - total costs
- B. Total revenue - explicit costs (Correct)**
- C. Total revenue - implicit costs
- D. Explicit costs - implicit costs

24. What is the difference between economic and accounting profit?

- A. Economic profit includes implicit costs; accounting profit does not. (Correct)**
- B. Accounting profit includes implicit costs; economic profit does not.
- C. There is no difference.
- D. Economic profit is always higher.

25. What is marginal product?

- A. Increase in input from an additional unit of output
- B. Decrease in output from an additional unit of input
- C. Increase in output from an additional unit of input (Correct)**
- D. Total output divided by total input

26. What is diminishing marginal product?

- A. Marginal product increases with increased input
- B. Marginal product remains constant with increased input
- C. Marginal product decreases with increased input (Correct)**
- D. Total output increases linearly with input

27. What is a production function?

- A. Relationship between quantity of inputs and quantity of output (Correct)**
- B. Total cost divided by quantity of output
- C. Relationship between price and quantity demanded
- D. Marginal cost divided by quantity of output

28. What are fixed costs?

- A. Costs that vary with quantity of output
- B. Costs that do not vary with quantity of output (Correct)**
- C. Costs that increase proportionally with output
- D. Costs that decrease with output

29. What are variable costs?

- A. Costs that do not vary with quantity of output
- B. Costs that vary with quantity of output (Correct)**
- C. Fixed costs plus implicit costs
- D. Costs that remain constant regardless of output

30. What is marginal cost?

- A. Increase in total cost from an extra unit of production (Correct)**
- B. Total cost divided by quantity of output
- C. Fixed cost divided by quantity of output
- D. Variable cost divided by quantity of output

31. What is average fixed cost?

- A. Fixed cost divided by quantity of output (Correct)**
- B. Variable cost divided by quantity of output
- C. Total cost divided by quantity of output
- D. Marginal cost divided by quantity of output

32. What is average variable cost?

- A. Fixed cost divided by quantity of output
- B. Variable cost divided by quantity of output (Correct)**
- C. Total cost divided by quantity of output
- D. Marginal cost divided by quantity of output

33. What is average total cost?

- A. Fixed cost divided by quantity of output

- B. Variable cost divided by quantity of output
- C. Total cost divided by quantity of output (Correct)**
- D. Marginal cost divided by quantity of output

34. What is the shape of the average total cost curve?

- A. Linear
- B. U-shaped (Correct)**
- C. Inverted U-shaped
- D. Exponential

35. What is efficient scale?

- A. Quantity of output that maximizes average total cost
- B. Quantity of output that minimizes average total cost (Correct)**
- C. Quantity of output that maximizes marginal cost
- D. Quantity of output where marginal cost equals average variable cost

36. How does the marginal cost curve relate to the average total cost curve?

- A. Marginal cost always exceeds average total cost
- B. Marginal cost always equals average total cost
- C. Marginal cost curve intersects average total cost curve at its minimum (Correct)**
- D. There is no relationship

37. What are economies of scale?

- A. Long-run average total cost rises as output increases
- B. Long-run average total cost falls as output increases (Correct)**
- C. Long-run average total cost stays the same as output increases
- D. Short-run average total cost falls as output increases

38. What are diseconomies of scale?

- A. Long-run average total cost falls as output increases
- B. Long-run average total cost rises as output increases (Correct)**
- C. Long-run average total cost stays the same as output increases
- D. Short-run average total cost falls as output increases

39. What is a constant returns to scale?

- A. Long-run average total cost falls as output increases
- B. Long-run average total cost rises as output increases
- C. Long-run average total cost stays the same as output changes (Correct)**
- D. Short-run average total cost falls as output increases

40. What is a competitive market?

- A. Market with many buyers and sellers, each with negligible impact on price (Correct)**
- B. Market with a single seller
- C. Market with a few large firms
- D. Market with government price controls

41. In a competitive market, are buyers and sellers price takers or price makers?

- A. Price makers
- B. Price takers (Correct)**
- C. Both
- D. Neither

42. What is profit in the context of a firm's decision-making?

- A. Total cost + total revenue
- B. Total revenue - total cost (Correct)**
- C. Total cost - total revenue
- D. Explicit costs only

43. What is average revenue?

- A. Total revenue divided by quantity sold (Correct)**
- B. Total revenue minus total cost
- C. Total cost divided by quantity sold
- D. Marginal revenue multiplied by quantity sold

44. What is marginal revenue?

- A. Change in total revenue from an additional unit sold (Correct)**
- B. Average revenue divided by quantity sold
- C. Total revenue minus total cost
- D. Total cost divided by quantity sold

45. In a perfectly competitive firm, how do average revenue, marginal revenue, and price relate?

- A.  $AR > MR > P$
- B.  $AR < MR < P$
- C.  $AR = MR = P$  (Correct)**
- D.  $AR + MR = P$

46. How does a firm maximize profit?

- A. Setting marginal cost equal to marginal revenue (Correct)**

- B. Setting marginal cost equal to average revenue
- C. Setting average cost equal to marginal revenue
- D. Setting average cost equal to average revenue

47. At what point is profit maximized?

- A. Where marginal revenue exceeds marginal cost
- B. Where marginal cost exceeds marginal revenue
- C. Where marginal revenue equals marginal cost (Correct)**
- D. Where average revenue equals average cost

48. What is a sunk cost?

- A. A cost that can be recovered
- B. A cost that cannot be recovered (Correct)**
- C. A variable cost
- D. A fixed cost that can be avoided

49. When should a firm shut down in the short run?

- A. When price is less than average total cost
- B. When price is less than average variable cost (Correct)**
- C. When price equals average total cost
- D. When price equals average variable cost

50. When should a firm shut down in the long run?

- A. When price is less than average variable cost
- B. When price is less than average total cost (Correct)**
- C. When price equals average variable cost
- D. When price equals average total cost

51. What is a monopoly?

- A. Market with many buyers and sellers
- B. Market with a single seller of a product without close substitutes (Correct)**
- C. Market with a few dominant firms
- D. Market with government price controls

52. Is a monopolist a price taker or a price maker?

- A. Price taker
- B. Price maker (Correct)**
- C. Both
- D. Neither

53. What are three reasons for the existence of monopolies?

- A. Monopoly resources, government regulation, and economies of scale
- B. Monopoly resources, government regulation, and natural monopolies (Correct)**
- C. Economies of scale, diseconomies of scale, and constant returns to scale
- D. Perfect competition, monopolistic competition, and oligopoly

54. What is a monopoly resource?

- A. A resource owned by many firms
- B. A resource owned by a single firm (Correct)**
- C. A resource that is easily replaceable
- D. A resource with no economic value

55. How can government regulation create a monopoly?

- A. By promoting competition
- B. By granting exclusive rights (Correct)**
- C. By setting price ceilings
- D. By subsidizing multiple firms

56. What are natural monopolies?

- A. Monopolies that occur naturally in the environment
- B. Monopolies that arise due to economies of scale (Correct)**
- C. Monopolies created by government regulation
- D. Monopolies with no close substitutes

57. How does the demand curve faced by a competitive firm differ from that of a monopolist?

- A. Competitive firm faces a downward-sloping demand curve; monopolist faces a horizontal demand curve.
- B. Competitive firm faces a horizontal demand curve; monopolist faces a downward-sloping demand curve. (Correct)**
- C. Both face horizontal demand curves.
- D. Both face downward-sloping demand curves.

58. In a competitive market, what is the relationship between price and average total cost in the long run?

- A. Price > Average Total Cost
- B. Price < Average Total Cost
- C. Price = Average Total Cost (Correct)**
- D. There is no relationship

59. What is the long-run market supply curve in a perfectly competitive market?
- A. Downward sloping
  - B. Upward sloping
  - C. Horizontal (Correct)**
  - D. Vertical
60. What type of profit is zero in the long run in a perfectly competitive market?
- A. Accounting profit
  - B. Economic profit (Correct)**
  - C. Both accounting and economic profit
  - D. Neither accounting nor economic profit
61. What does a zero economic profit imply for a firm in a competitive market?
- A. The firm is not covering its implicit costs.
  - B. The firm is not covering its explicit costs.
  - C. The firm is covering its explicit and implicit costs, but not earning extra returns beyond normal profits. (Correct)**
  - D. The firm should shut down immediately.
62. What is comparative advantage?
- A. Ability to produce at a lower opportunity cost (Correct)**
  - B. Ability to produce more output with the same input
  - C. Ability to produce at a higher price
  - D. Ability to produce with fewer resources
63. What is the impact of competition on efficiency?
- A. Reduces efficiency
  - B. Has no impact on efficiency
  - C. Increases efficiency (Correct)**
  - D. Unpredictable impact on efficiency
64. What is the impact of competition on prices?
- A. Increases prices
  - B. Has no impact on prices
  - C. Reduces prices (Correct)**
  - D. Unpredictable impact on prices
65. What is the role of perfect information in a competitive market?
- A. It hinders efficient resource allocation.
  - B. It is irrelevant to market outcomes.

**C. It ensures buyers and sellers have up-to-date information. (Correct)**

D. It leads to higher prices.

66. What is the role of well-defined property rights in a competitive market?

A. They are irrelevant.

B. They hinder competition.

**C. They protect the rights of buyers and sellers. (Correct)**

D. They lead to higher prices.

67. What is the role of free entry and exit in a competitive market?

A. It limits competition.

**B. It maintains the condition of many buyers and sellers. (Correct)**

C. It increases prices.

D. It has no impact on market outcomes.

68. What is the role of rationality in a competitive market?

A. It leads to irrational market outcomes.

B. It is irrelevant to market behavior.

**C. Buyers and sellers act to maximize their own welfare. (Correct)**

D. It has no predictable impact.

69. What is the role of zero transaction costs in a competitive market?

**A. They increase efficiency. (Correct)**

B. They have no impact on efficiency.

C. They reduce efficiency.

D. They are irrelevant.

70. What is the relationship between total cost, fixed cost, and variable cost?

A. Total cost = fixed cost - variable cost

**B. Total cost = fixed cost + variable cost (Correct)**

C. Total cost = fixed cost / variable cost

D. Total cost = fixed cost \* variable cost

71. What is the relationship between total revenue, price, and quantity?

A. Total revenue = price / quantity

B. Total revenue = price + quantity

**C. Total revenue = price \* quantity (Correct)**

D. Total revenue = price - quantity

72. What is the relationship between average total cost, average fixed cost, and average variable cost?

- A.  $ATC = AFC - AVC$
- B.  $ATC = AFC + AVC$  (Correct)**
- C.  $ATC = AFC * AVC$
- D.  $ATC = AFC / AVC$

73. Why does the average fixed cost curve decrease as output increases?

- A. Fixed costs are increasing.
- B. Fixed costs are decreasing.
- C. The numerator (fixed cost) is constant and the denominator (quantity) is increasing. (Correct)**
- D. The numerator and denominator are both increasing.

74. Why does the average variable cost curve typically increase as output increases?

- A. Diminishing marginal returns (Correct)**
- B. Increasing marginal returns
- C. Constant returns to scale
- D. Economies of scale

75. In what context is the term 'consumer surplus' mentioned?

- A. Cost-benefit analysis
- B. Production function
- C. Competitive market (Correct)**
- D. Monopoly

76. In what context is the term 'producer surplus' mentioned?

- A. Cost-benefit analysis
- B. Production function
- C. Competitive market (Correct)**
- D. Monopoly

77. What is the role of incentives in technological innovation?

- A. They have no impact.
- B. They discourage innovation.
- C. They encourage innovation. (Correct)**
- D. They are irrelevant.

78. What is the role of patents in promoting innovation?

- A. They discourage innovation.
- B. They have no impact.

- C. They protect intellectual property rights, encouraging investment in innovation. (Correct)**
- D. They are irrelevant.

79. What is the role of copyrights in promoting creative works?

- A. They have no impact.
- B. They discourage creativity.
- C. They protect intellectual property rights, encouraging creativity. (Correct)**
- D. They are irrelevant.

80. Why might the government grant exclusive rights to produce or sell a product?

- A. To reduce competition
- B. To promote social well-being and technological innovation (Correct)**
- C. To favor certain firms
- D. To increase prices

81. What is a key characteristic of a natural monopoly?

- A. High cost of production for a single firm
- B. Low cost of production for multiple firms
- C. Low cost of production for a single firm (Correct)**
- D. High profits for multiple firms

82. What economic concept often leads to natural monopolies?

- A. Diseconomies of scale
- B. Constant returns to scale
- C. Economies of scale (Correct)**
- D. Perfect competition

83. What examples of natural monopolies are mentioned in the text?

- A. Retail stores
- B. Restaurants
- C. Water pipes and electricity lines (Correct)**
- D. Small businesses

84. What is the shape of the long-run supply curve for a natural monopoly?

- A. Horizontal
- B. Vertical (Correct)**
- C. Upward sloping
- D. Downward sloping

85. Placeholder: Generation failed/incomplete for Week 9 - Q85

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

86. Placeholder: Generation failed/incomplete for Week 9 - Q86

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

87. Placeholder: Generation failed/incomplete for Week 9 - Q87

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

88. Placeholder: Generation failed/incomplete for Week 9 - Q88

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

89. Placeholder: Generation failed/incomplete for Week 9 - Q89

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

90. Placeholder: Generation failed/incomplete for Week 9 - Q90

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

91. Placeholder: Generation failed/incomplete for Week 9 - Q91

**A. Failed A (Correct)**

B. Failed B

- C. Failed C
- D. Failed D

92. Placeholder: Generation failed/incomplete for Week 9 - Q92

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

93. Placeholder: Generation failed/incomplete for Week 9 - Q93

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

94. Placeholder: Generation failed/incomplete for Week 9 - Q94

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

95. Placeholder: Generation failed/incomplete for Week 9 - Q95

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

96. Placeholder: Generation failed/incomplete for Week 9 - Q96

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

97. Placeholder: Generation failed/incomplete for Week 9 - Q97

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

98. Placeholder: Generation failed/incomplete for Week 9 - Q98

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

99. Placeholder: Generation failed/incomplete for Week 9 - Q99

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

100. Placeholder: Generation failed/incomplete for Week 9 - Q100

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D