

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