

Question: Returns to scale of a production function describe how its output responds to \_\_\_\_\_ increases in all of its inputs.

Answer: Proportional

Question: The price ceiling produces the quantity exchanged in the market and creates\_\_\_\_\_.

Answer: Shortages

Question: Marginal Revenue Elasticity formula is given as\_\_\_\_

Answer:  $P(1 - 1/e)$

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Question: A concept used to quantify the response in one variable when another variable changes is referred to as \_\_\_\_?

Answer: Elasticity

Question: The quantity that consumers are willing and able to buy at each price is called\_\_\_\_\_at that price

Answer: Quantity demanded

Question: The marginal-average relationship states that when a marginal value is above its corresponding average value, the average value will rise. When the marginal is below the average, the average value will \_\_\_\_\_

Answer: Fall

Question: Change in costs, input prices, technology, or prices of related goods and services leads to change in\_\_\_\_\_

Answer: Price

Question: The locus of Pareto optimal efficient points in an Edgeworth Box diagram is referred to as \_\_\_\_

Answer: Contract curve

Question: A table showing how much of goods firms will sell at different prices is called \_\_\_\_

Answer: Supply Schedule

Question: The law of supply states that an increase in market price will lead to an increase in quantity \_\_\_\_\_

Answer: Supplied

Question: The relationship between the quantity of goods supplied and price is said to be \_\_\_\_

Answer: Positive

Question: The study of the behaviour of individual decision-making units and of the workings of individual markets, viewed in isolation is known as \_\_\_\_\_ equilibrium.

Answer: Partial

Question: A concept used to quantify the response in one variable when another variable changes is referred to as \_\_\_\_?

Answer: Elasticity

Question: The Marginal Rate of Transformation ( $MRT_{yx}$ ) can be viewed as the amount of Y that must be given up to obtain a one unit increase in X production. True or False? \_\_\_\_.

Answer: True

Question: The three conditions in general equilibrium are consistent with \_\_\_\_ optimality in production and consumption.  
Answer: Pareto

Question: \_\_\_\_ economics deals with comparing alternative states of the economy in order to determine which is better and which are worse.  
Answer: Welfare

Question: Costs that changes with a firm's output level are termed \_\_\_\_  
Answer: Variable cost

Question: Utility in economics means \_\_\_\_  
Answer: Satisfaction

Question: A combination of Fixed Cost and Variable Cost gives \_\_\_\_  
Answer: Total Cost

Question:  $Q = K^a L^b$  is known as a \_\_\_\_ production function  
Answer: Cobb Douglas

Question: When Total Product is 0, Marginal Product is = \_\_\_\_  
Answer: 0

Question: The concept "Law of demand" was first used by \_\_\_\_  
Answer: Alfred Marshall

Question: The firm's variable costs are all costs that do change with its level of \_\_\_\_  
Answer: Output

Question: The returns to scale of a production function describe how its output responds to proportional increases in all of its \_\_\_\_  
Answer: Inputs

Question: In the short run, a firm has at least one \_\_\_\_ input  
Answer: Fixed

Question: Along the \_\_\_\_ line lies all input combinations that the firm can buy when it spends every bit of her budget  
Answer: Isocost

Question: \_\_\_\_ costs are the costs of using firm-owned resources  
Answer: Implicit

Question: Costs that firms have incurred and cannot be reversed is known as \_\_\_\_ cost  
Answer: Sunk

Question: A statement relating how inputs can be combined to achieve various possible levels of output is known as \_\_\_\_ function.  
Answer: Production

Question: \_\_\_\_ criterion welfare was developed by Professor Tibor Scitovsky.  
Answer: Double

Question: Pollution of air as a result of firm's production activities is known as a \_\_\_\_ cost  
Answer: Social

Question: A typical total product curve for a variable input first has a range of \_\_\_\_ marginal product  
Answer: Increasing

Question: Mathematically, marginal product of labour is represented as

Answer:  $dQ/dL$

Answer:  $\Delta Q/\Delta L$

Question: The Marginal Rate of Technical Substitution is the rate at which one input can be substituted for another, while \_\_\_ remains constant.

Answer: Output

Question: Upward-sloping isoquants imply a \_\_\_\_\_ marginal product of one of the two inputs.

Answer: Negative

Question: A proportionate change in the quantity demanded of good X due to a proportionate change in the price of good Y is referred to as \_\_\_

Answer: Cross Elasticity

Question: The theory that revolves around the concepts of demand and supply and the workings of the price system is known as \_\_\_.

Answer:

Question: A measure of the responsiveness of demand to changes in the commodity's own price is referred to as \_\_\_

Answer: Price elasticity of demand

Question: At the point where Total Product is at maximum, Marginal Product is \_\_\_

Answer: Zero

Question: The Negative relationship between price and quantity demanded is often referred to as the \_\_\_

Answer: Law of demand

Question: The Law of \_\_\_ states that the marginal product of a variable input will eventually fall, if that input is used with one or more fixed input

Answer: Law of Diminishing Return

Question: The Marginal Rate of Technical Substitution is \_\_\_

Answer: The rate at which one input can be substituted for another, while output remains constant

Question: Marginal Product of Labour is defined as\_\_\_

Answer: The rate of change of output with respect to change in labour while the amount of all other inputs remains constant

Question: A frontier showing all possible combinations of utility for two consumers when the economy is efficient in both production and consumption is known as \_\_\_

Answer: Grand Utility Possibilities Frontier

Question: In production, a period of time in which all of the inputs in a firm's production function can be changed in amount is referred to as \_\_\_

Answer: Long run Period

Question: A production firm's cost that changes in proportion with its level of output is referred to as \_\_\_

Answer: Variable Cost

Question: The term law of demand was first used by economist Marshall in his \_\_\_ textbook

Answer: 1890

Question: The movement along a supply curve is caused the change in quantity supplied brought by a change in \_\_\_.

Answer: Technology

Question: If the supply curve of a commodity is positively sloped, a rise in the price of the commodity all thing being equal, result in \_\_\_\_

Answer: an increase in the quantity supplied

Question: The market demand curve for a commodity is obtained by the \_\_\_\_\_ summation of all the individuals' demand curves for the commodity

Answer: Horizontal

Question: The economic theory of production assumes \_\_\_\_ consumer behavior

Answer: Rational

Question: The difference between total sales revenue and total cost of production known as \_\_\_\_

Answer: Profit

Question: The process in which only part of the market is considered is known as \_\_\_\_.

Answer: Partial equilibrium

Question: When there is a decrease in income for both farmers and bankers is , the demand for egg may \_\_\_\_

Answer: Fall

Question: Isoquants are negatively sloped. Meaning they are \_\_\_\_

Answer: Downward Sloping

Question: The \_\_\_\_ curve shows the optimal combinations of utility for two consumers, given the product mix of the economy

Answer: Utility possibility

Question: A reduction in price will increase total revenue when demand is \_\_\_\_

Answer: Inelastic

Question: If the economy is to be efficient, it must move from any point on Edge worth box to a point on a \_\_\_\_\_

Answer: Contract curve

Question: In the long run, we noted in the concept of production theory, all of the inputs of the production function are \_\_\_\_

Answer: Variable

Question: \_\_\_\_ is used to calculate elasticity between two points on a demand schedule or curve?

Answer: Arc Elasticity

Question: The transformation curve is derived from \_\_\_\_

Answer: The production contract curve

Question: Goods and service for which consumption by some individuals does not reduce the amount available for other is known as \_\_\_\_

Answer: Public good

Question: The various combinations of utilities of two individuals that give society the same level of satisfaction is called \_\_\_\_.

Answer: Social welfare function

Question: Given  $Q_d = 45 + 10P_x$  and  $Q_s = - 25 + 15P_x$ , find the value of  $P_x$

Answer: 14

Question: The combining and organizing of economic resources that transforms them into a different but useful output is referred to as \_\_\_\_

Answer: Production Possibility Frontier

Question: Marginal revenue is positive when elasticity is \_\_\_\_

Answer: Greater than 1

Question: In deriving the utility-possibility curve, we make interpersonal comparisons of utility.

Answer: Never

Question: For a given input price ratio  $PL/PK$ , the path of tangency points between isocost line and isoquants is called \_\_\_\_\_

Answer: Expansion path

Question: \_\_\_\_ costs are the costs of using firm-owned resources

Answer: Implicit

Question: The negative relationship between price and quantity demanded is referred to as \_\_\_\_

Answer: Law of Demand