

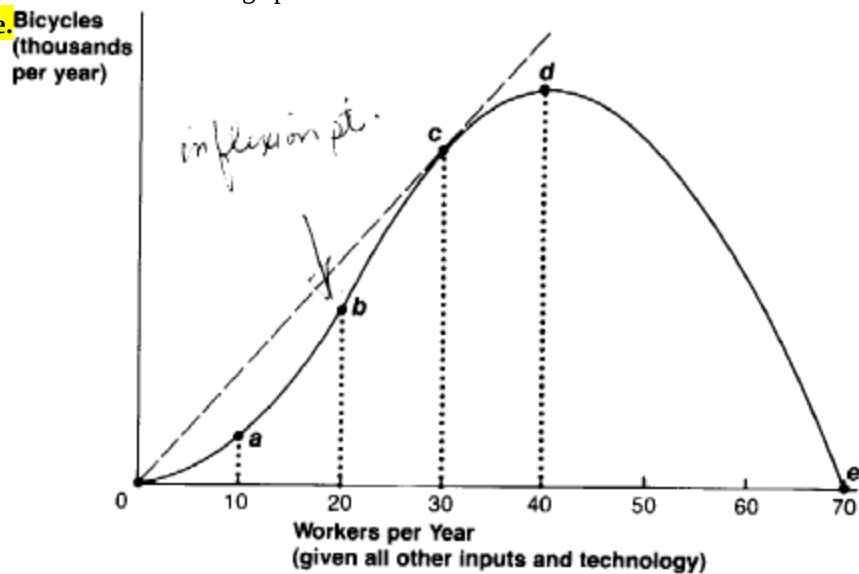
Theory of Production ECO 402 Final Term AND Midterm solved MCQS 100% SURE

1. If 1 orchard, 7 workers, and 3 tons of fertilizer yield 1,000 bushels of peaches, while 1 orchard, 7 workers, and 4 tons of fertilizer yield 1,300 bushels,
 - a. the average product of labor equals 1,150 bushels.
 - b. **the marginal product of labor cannot be calculated.**
 - c. the average product of fertilizer equals 1,150 bushels.
 - d. the marginal product of fertilizer cannot be calculated.

When answering the next five questions (2-6), refer to the following graph.

2. The marginal product of labor is rising with increased use of labor until
 - a. 10 workers are employed.
 - b. **20 workers are employed.**
 - c. 30 workers are employed.
 - d. 40 workers are employed.
3. The average product of labor is falling with increased use of labor once
 - a. 10 workers are employed..
 - b. 20 workers are employed.
 - c. **30 workers are employed**
 - d. 40 workers are employed.
4. As long as fewer than 30 workers are employed,
 - a. the average product of labor exceeds the marginal product of labor.
 - b. **the marginal product of labor exceeds the average product of labor.**
 - c. the marginal product of labor is rising.
 - d. both (a) and (c) are true.

- a. negative marginal product of labor.
- b. falling average product and falling marginal product of labor.
- c. marginal product of labor below average product of labor.
- d. **all of the above.**



6. Maximum average product of labor corresponds to
- point *a*.
 - point *b*.
 - point *c*.**
 - point *d*.
7. An isoquant curve shows
- all the alternative combinations of two inputs that yield the same maximum total product.**
 - all the alternative combinations of two products that can be produced by using a given set of inputs fully and in the best possible way.
 - all the alternative combinations of two products among which a producer is indifferent because they yield the same profit.
 - both (b) and (c).
8. A negatively sloped isoquant implies
- products with negative marginal utilities.
 - products with positive marginal utilities.
 - inputs with negative marginal products.
 - inputs with positive marginal products.**
9. The *marginal rate of technical substitution* is
- the rate at which a producer is able to exchange, without affecting the quantity of output produced, a little bit of one input for a little bit of another input.**
 - the rate at which a producer is able to exchange, without affecting the total cost of inputs, a little bit of one input for a little bit of another input.
 - the rate at which a producer is able to exchange, without affecting the total inputs used, a little bit of one output for a little bit of another output.
 - a measure of the ease or difficulty with which a producer can substitute one technique of production for another.www.vchowk.com
10. In the presence of a diminishing marginal rate of technical substitution between labor and capital, output can be kept unchanged only if
- equal successive sacrifices of capital go hand in hand with ever smaller increases of labor.
 - equal successive sacrifices of capital go hand in hand with ever smaller sacrifices of labor.
 - equal successive increases in labor go hand in hand with ever smaller increases in capital.
 - equal successive increases in labor go hand in hand with ever smaller sacrifices of capital.**
11. If the capital-labor ratio changes from 100 to 150, while the marginal rate of technical substitution between capital and labor changes from 50 to 100, the elasticity of input substitution
- cannot be calculated.
 - remains unchanged.
 - equals 2.www.vchowk.com
 - equals 0.5.**
12. If a simultaneous and equal percentage decrease in the use of all physical inputs leads to a larger percentage

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- b. constant returns to scale.
- c. **increasing returns to scale.**
- d. diseconomies of scale.

13. If a firm triples all inputs, and output triples as well, the firm is subject to
- constant returns to scale.**
 - increasing returns to scale.
 - economies of scale.
 - both (b) and (c).
14. For a given short-run production function,
- technology is assumed to change as capital stock changes.
 - technology is assumed to change as the labor input changes.
 - technology is considered to be constant for a given production function relationship.**
 - technology is assumed to change positively until diminishing returns set in and then it changes in the other direction.
15. Which is a true statement?
- Decreasing returns to scale and diminishing returns to production are two ways of stating the same thing.
 - Increasing returns to scale is a short-run concept, and diminishing returns to production is a long-run concept.www.vchowk.com
 - Constant returns to scale is a short-run concept, and decreasing returns to scale is a long-run concept.
 - All the above are true.
 - None of the above is true.**
16. An isocost line identifies
- the least costly combination of inputs needed to produce a given level of output.
 - the relative prices of inputs.**
 - the technological relationships among inputs.www.vchowk.com
 - the rate at which one input can be substituted for another in the production process.
17. The expansion path identifies
- the least costly combination of inputs required to produce various levels of output.**
 - the firm's demand curves for the inputs.
 - the various combinations of inputs that can be used to produce a given level of output.
 - the least-cost combination of outputs.www.vchowk.com
18. A tangency point between an isoquant and an isocost line identifies
- the least costly combination of inputs required to produce various levels of outputs.
 - the various levels of output that can be produced using a given level of inputs.
 - the various combinations of inputs that can be used to produce a given level of output.
 - the least costly combination of inputs required to produce a given level of output.**
19. A firm is employing 100 units of labor and 50 units of capital to produce 200 widgets. Labor costs \$10 per unit and capital \$5 per unit. For the quantities of inputs employed, $MP_L = 2$ and $MP_K = 5$. In this situation, the firm
- is producing the maximum output possible given the prices and relative productivities of the inputs.
 - could lower its production costs by using more labor and less capital.
 - could increase its output at no extra cost by using more capital and less labor.**
 - should use more of both inputs in equal proportions.

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- a. The firm's average cost curve will shift downward.
- b. The firm's marginal cost curve will shift downward.
- c. To produce an unchanged output, the firm would use more labor.
- d. **All of the above.**

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