Eco404 SOLVED MCQS MIDTERM DATA 100% SURE

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1. Relationships between economic variables can be expressed in the form of

   - a. a graph.
   - b. an equation.
   - c. a table.
   - d. **any of the above.**

2. The optimal solution to a problem is best defined as the solution that

   - a. **is superior to any other possible solution.**
   - b. costs less than any other possible solution.
   - c. generates more revenue than any other possible solution.
   - d. corresponds to the inflection point on a total product or total cost curve.

3. Differential calculus can be used to solve problems in cases where economic relationships are expressed in the form of

   - a. a graph.
   - b. a table.
   - c. **an equation.**
   - d. any of the above.

4. Average cost is defined as

   - a. total cost divided by marginal cost.
   - b. **total cost divided by total output.**

c. total output times cost per unit.

d. total output times marginal cost.

5. The marginal cost when output = 10 is equal to

a. **the slope of a line drawn tangent to the total cost curve where output = 10.**

b. the total cost of 10 units of output divided by 10.

c. the average cost of 10 units of output.

d. the slope of a ray drawn from the origin to the point on the total cost curve where output = 10.

6. If a firm's total revenue function is a straight line that begins at the origin, then

a. marginal revenue is zero.

b. average revenue is zero.

c. **marginal revenue is equal to average revenue.**

d. all of the above are true.

7. If marginal revenue is equal to zero, then

a. total revenue is zero.

b. average revenue is zero.

c. **total revenue is at a maximum or a minimum.**

d. average revenue is at a maximum or a minimum.

8. If average cost is at a minimum, then

a. **it is equal to marginal cost.**

b. total cost is also at a minimum.

c. profit is at a maximum.

d. all of the above are true.

9. The level of output where a straight line drawn from the origin is tangent to the total cost curve is where

a. total cost is at a minimum.

b. **average cost is equal to marginal cost.**

c. profit is at a maximum.

d. all of the above are correct.

10. The economic concept that corresponds most closely to a "derivative" in calculus is the concept of

a. an average value.

b. a total value.

c. **a marginal value.**

d. economic profit.

11. The marginal principle asserts that, in general, when net benefit is maximized

a. total benefit will be equal to total cost.

b. average benefit will be equal to average cost.

c. **marginal benefit will be equal to marginal cost.**

d. average cost will be above total cost but below average benefit.

12. When total revenue is at a maximum

a. average revenue is at a maximum.

b. marginal revenue is at a maximum.

c. average revenue is equal to zero.

d. **none of the above is correct.**

13. If both average cost (AC) and marginal cost (MC) are U shaped, then

a. AC will reach a minimum at a level of output that is less than that at which MC reaches a minimum.

b. the total cost curve will be a straight line.

c. AC will reach a minimum at a level of output that is greater than that at which MC reaches a minimum.

d. both AC and MC will reach a minimum at the same level of output.

14. If a firm's marginal revenue is greater than its marginal cost, then the firm should

a. **increase output to increase profit.**

b. decrease output to increase profit.

c. keep output the same.

d. collect additional information before taking any action.

15. If a firm's average cost is equal to its average revenue, then

a. profit is at a maximum.

b. profit is at a minimum.

c. **profit is equal to zero.**

d. the firm is in equilibrium.

16. The inflection point refers to the point on a total cost curve where

a. average cost is at a minimum.

b. average cost is at a maximum.

c. **marginal cost is at a minimum.**

d. marginal cost is at a maximum.

17. If an average curve has a negative slope, then the corresponding

a. **marginal curve is below the average curve**.

b. total curve has a negative slope.

c. marginal curve is above the average curve.

d. total curve has a positive slope.

18. If a firm's total cost curve is defined by a straight line that has a positive intercept that is equal to fixed costs, then

a. average cost is equal to marginal cost for all levels of output.

b. **average cost is negatively sloped and marginal cost is horizontal.**

c. both average cost and marginal cost are negatively sloped, but they are not equal to each other.

d. both average cost and marginal cost are horizontal, and average cost is below marginal cost at all levels of output.

19. If a firm is producing a level of output where marginal cost is equal to marginal revenue, then

☐ a. profit is at a maximum if marginal cost has a negative slope and marginal revenue is horizontal.

☐ b. **profit is at a minimum if marginal cost has a negative slope and marginal revenue is horizontal.**

☐ c. profit is at a maximum if average revenue is greater than average cost.

☐ d. profit is at a minimum if average revenue is greater than average cost.

20. The optimal amount of pollution to society is where

☐ a. the total cost of pollution is equal to zero.

☐ b. the total benefit of pollution is equal to zero.

☐ c. **the marginal benefit of pollution equals the marginal cost of pollution.**

☐ d. there is no pollution at all.