ECO404 Quiz # 1 & 2 SOLVED –Fall 2012

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Q1: The present value of all expected future profit of the firm is known as:

Value of the firm
Future value of the firm
Cost of the firm
Profit of the firm

Q2: Equilibrium quantity is defined as:

- **The amount that consumers are willing to buy and sellers are willing to sell at the equilibrium price level**
- Sellers are not willing to sell at the equilibrium price level
- The amount that consumers are not willing to buy and sellers are willing to sell at the equilibrium price level
- The surplus quantity available in the market

Q3: The price that equates the quantity demanded with the quantity supplied is called:

Equilibrium price
Price floor
Support price
Nominal price
Page 23 Handouts- **Equilibrium price is the price that equates the quantity demanded with the quantity supplied.**

Question 4: Goods are said to be normal if income elasticity of demand is:

Greater than zero
Less than zero
Equal to zero
Infinit

Question: If cross price elasticity of demand between two goods is zero, it means that:

Goods are Independent
Goods are complements
Goods are substitutes
Goods are inferior

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Question: Which of the following is TRUE about total revenue?

Total Revenue = Price × Quantity
Total Revenue = Price + Quantity
Total Revenue = Price - Quantity
Total Revenue = Price / Quantity

Question: If income elasticity of demand is less than zero, it means that:

Goods are normal
Goods are inferior
Goods are giffen
Goods are substitutes

Question: Which of the following statements is TRUE?

Total cost = Marginal cost + Average cost
Total cost = Fixed costs + Variable costs
Total cost = Marginal cost + Variable cost
Total cost = Fixed costs + Average costs

Question # 1 of 20 (Start time: 12:50:39 AM) Total Marks: 1

Taking opinions from expert persons is the part of which of the following forecasting analysis?

(Qualitative forecasting)

Quantitative forecasting

Regression analysis

Time series analysis

Question: Moving average forecasts will be better if we obtain:

Larger root mean square error

Smallest root mean square error

Larger mean

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Smallest mean

Question # 3 of 20 (Start time: 12:53:04 AM) Total Marks: 1

Two inputs can not be substituted with each other in the production process. It shows that:

Inputs are perfect substitutes

Inputs are perfect compliments

Inputs are not sufficient

Inputs are more than sufficient

Question # 4 of 20 (Start time: 12:53:57 AM) Total Marks: 1

Multiple equation econometric models consist of:

Equalities only

Identities only

Behavioral equations only

(Both Identities and behavioral equations)

Question # 5 of 20 (Start time: 12:54:36 AM) Total Marks: 1

Income elasticity of demand measures the:

Percentage change in quantity demanded given a percentage change in the price of the product

Percentage change in quantity demanded given a percentage change in the income of consumers

Percentage change in quantity demanded of product A given a percentage change in the price of product B

Percentage change in quantity supplied given a percentage change in the price of the product

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Question # 6 of 20 (Start time: 12:55:47 AM) Total Marks: 1

Profit is maximized where:

Marginal revenue = Marginal cost

Marginal revenue = Average cost

Marginal cost = Average revenue

Average revenue = Average cost

Question # 7 of 20 (Start time: 12:57:12 AM) Total Marks: 1

If we transform inputs into outputs of goods and services then this process is known as:

Production

Consumption

Regression

Correlation

Question # 8 of 20 (Start time: 12:58:21 AM) Total Marks: 1

Inputs that can be changed during the production process are known as -------- inputs.

Fixed

(Variable)

Good

Bad

Question # 9 of 20 (Start time: 12:58:42 AM) Total Marks: 1

Which of the following statements is TRUE?

The sum of the coefficient of determination (R2) is the absolute value of the coefficient of correlation r

The square root of the coefficient of determination (R2) is the absolute value of the coefficient of correlation r

The difference of the coefficient of determination (R2) is the absolute value of the coefficient of correlation r

None of the given statements is true

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Question # 10 of 20 (Start time: 12:59:22 AM) Total Marks: 1

In the regression equation, Yt = 6.60 + 2.63Xt, the intercept of the line is:

6.60

2.63

9.23

3.97

Question # 11 of 20 (Start time: 01:00:06 AM) Total Marks: 1

Slope of the function can be shown by:

(First derivative of the function)

Second derivative of the function

Elasticity of the function

Tangent of the function

Question # 12 of 20 (Start time: 01:00:56 AM) Total Marks: 1

The term of regression was first used by:

Milton Friedman

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(Francis Galton)

Dominick Salvatore

J M Keynes

Question # 13 of 20 (Start time: 01:01:31 AM) Total Marks: 1

Inferior good is defined as the good for which:

As income increases, quantity demanded also increases

As income increases, quantity demanded decreases

As income increases, quantity demanded remains the same

As income decreases, quantity demanded remains the same

Question # 14 of 20 (Start time: 01:02:46 AM) Total Marks: 1

Tax rates are determined by the government in:

(Fiscal policy)

Monetary policy

Trade policy

Exchange rate policy

Question # 15 of 20 (Start time: 01:03:37 AM) Total Marks: 1

Optimization is mainly concerned with finding:

Maximum points only

Minimum points only

(Both maximum and minimum points)

Output only

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Question # 16 of 20 (Start time: 01:04:16 AM) Total Marks: 1

The quantity of a good or service that producers are willing and able to sell during a certain period of time is known as:

Demand

Supply

Market demand

Market supply

Question # 17 of 20 (Start time: 01:05:25 AM) Total Marks: 1

A function that relates inputs with outputs is called:

Production function

Consumption function

Investment function

Demand function

Question # 18 of 20 (Start time: 01:06:08 AM) Total Marks: 1

The total cost (TC) function is given as: TC = 200 + 80Q. What is the variable cost?

(80Q)

250

340

200

Question # 19 of 20 (Start time: 01:07:09 AM) Total Marks: 1

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Two products are said to be compliments if cross price elasticity of demand between these two products is:

Positive

Negative

Zero

Infinite

Question: Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Question: What is the objective of ordinary least square method?

To determine the slope and intercept that minimize the sum of the squared errors

To determine the slope and intercept that maximize the sum of the squared errors

To determine the slope and elasticity that minimizes the difference of the squared errors

To determine the elasticity and intercept that maximize the sum of the squared errors

Question: Given the marginal cost function, MC = 5Q2 – 10Q + 50, what is dMC/dQ?

Select correct option:

5Q + 50

10Q - 10

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10Q + 50

5Q – 10Q

Question: Y = a + bX + e "e" shows ---------------- in this regression equation.

Intercept

Slope

Elasticity

Error term

Suppose the total costs of first four units of an output produced are 100, 200, 300, and 400 respectively. What is the marginal cost of the second unit of output?

100

200

300

400

Question: The term of regression was first used by:

Milton Friedman

Francis Galton

Dominick Salvatore

J M Keynes

Question: Inputs that cannot be changed during the production process are known as --------- inputs.

Fixed

Variable

Good

Bad

Question: Two products are said to be compliments if cross price elasticity of demand between these two products is:

Positive

Negative

Zero

Infinite

Question: In the map of Isoquants, a higher Isoquant shows:

Higher level of output

Higher level of input

Higher level of price

Higher level of satisfaction

Question: When price of any commodity decreases, consumer's purchasing power increases. This is known as:

Income effect

Price effect

Substitution effect

Real balance effect

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Question: Which of the following problem arise in regression analysis if two variables are highly correlated with each other?

Multicollinearity

Heteroscedasticity

Autocorrelation

Confidence interval

Question: Total cost divided by total quantity is known as:

Average cost

Marginal cost

Incremental cost

Sunk cost

Question: Both moving average and exponential techniques require:

Random fluctuations

Seasonal fluctuations

Cyclical fluctuations

No fluctuations

Question: When there is limited supply of goods relative to the demand of goods, this condition is known as:

(Scarcity)

Rationing

Equilibrium

Surplus

Question: Price elasticity of demand measures the:

Percentage change in quantity demanded given a percentage change in the price of the product

Percentage change in quantity demanded given a percentage change in the income of consumers

Percentage change in quantity demanded of product A given a percentage change in the price of product B

Percentage change in quantity supplied given a percentage change in the price of the product

Question: The price that equates the quantity demanded with the quantity supplied is called:

Equilibrium price

Price floor

Support price

Nominal price

Question: Y = a + bX + e "a" shows ---------------- in this regression equation.

Intercept

Slope

Elasticity

Power

Question: Variations in time series data due to unexpected events like wars, disasters, flood etc is known as:

Select correct option:

Secular trend

Cyclical variation

Seasonal variation

(Irregular variation)

Question: We get the following regression line after trend projection of time series data: St = 10.20 + 0.852t. In this equation, the estimated value of the time series in the base period is:

Select correct option:

10.20

0.852

11.052

9.348