

SELF EXAMINATION QUESTIONS - I

- In describing a given production technology, the short run is best described as lasting
 - up to six months from now
 - up to five years from now
 - as long as all inputs are fixed
 - as long as at least one input is fixed
- A firm encounters its "shutdown point" when:
 - average total cost equals price at the profit-maximizing level of output
 - average variable cost equals price at the profit-maximizing level of output
 - average fixed cost equals price at the profit-maximizing level of output
 - marginal cost equals price at the profit-maximizing level of output
- Under _____ market condition, firms make normal profits in the long run.
 - Perfect Competition
 - Monopoly
 - Oligopoly
 - None of the above

Use Table 1 to answer questions 4-6.

Output	Total Cost
0	240
1	330
2	410
3	480
4	540
5	610
6	690

- The average fixed cost of 2 units of output is:
 - ₹ 80
 - ₹ 85
 - ₹ 120
 - ₹ 205
- The marginal cost of the sixth unit of output is:
 - ₹ 133
 - ₹ 75
 - ₹ 80
 - ₹ 450
- Average Variable Cost of 4 units of output is:
 - 75
 - 135
 - 60
 - insufficient data
- Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 plate-settings to 5,000 plate-settings, what is the price elasticity of demand for silverware?
 - 8
 - 1.0
 - 1.25
 - 1.50

Read the following paragraph and answer question 8-10.

Suppose that a sole proprietorship is earning total revenues of ₹ 10, 00,000 and is incurring explicit costs of ₹ 7,50,000. The owner could work for another company for ₹ 3, 00, 000 a year.

8. What will be the implicit cost of the firm?
 - (a) ₹ 3,00,000
 - (b) ₹ 2,50,000
 - (c) 7,50,000
 - (d) insufficient data
9. The above mentioned firm is earning:
 - (a) Accounting profit of ₹ 2,50,000.
 - (b) Economic loss of ₹ 50,000
 - (c) Both a and b are correct.
 - (d) None of the above is correct.
10. Suppose in the above mentioned question, the owner had invested ₹ 500,000 by withdrawing from his saving accounts on which he was earning 5% interest per annum, the economic profit or loss is
 - (a) economic profit of ₹ 75,000
 - (b) economic loss of ₹ 75,000
 - (c) economic profit of ₹ 2,50,000
 - (d) economic loss of ₹ 2,50, 000
11. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
 - (a) Zero
 - (b) Greater than zero but less than one
 - (c) One
 - (d) Greater than one
12. Which of the following is not a characteristic of a "price-taker"?
 - (a) $TR = P \times Q$
 - (b) $AR = \text{Price}$
 - (c) Negatively – sloped demand
 - (d) $\text{Marginal Revenue} = \text{Price}$
13. Which cost increases continuously with the increase in production?
 - (a) Average cost
 - (b) Marginal cost
 - (c) Fixed cost
 - (d) Variable cost
14. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
 - (a) large fall in quantity demanded
 - (b) large fall in demand
 - (c) small fall in quantity demanded
 - (d) small fall in demand
15. When the perfectly competitive firm and industry are in long run equilibrium then:
 - (a) $P = MR = SAC = LAC$
 - (b) $D = MR = SMC = LMC$
 - (c) $P = MR = \text{Lowest point on the LAC curve}$
 - (d) All of the above
16. In monopoly, the relationship between average and marginal revenue curves is as follows:
 - (a) AR curve lies above the MR curve
 - (b) AR curve coincides with the MR curve
 - (c) AR curve lies below the MR curve
 - (d) AR curve is parallel to the MR curve

17. Production may be defined as an act of _____.
(a) creating utility (b) earning profit
(c) destroying utility (d) providing services
18. Demand for electricity is elastic because _____.
(a) it is very expensive (b) it has a number of close substitutes
(c) it has alternative uses (d) none of the above
19. The opportunity cost of a good is
(a) the time lost in finding it
(b) the quantity of other goods sacrificed to get another unit of that good
(c) the expenditure on the good
(d) the loss of interest in using savings
20. Micro-economics is concerned with
(a) the economy as a whole (b) the electronics industry
(c) the study of individual economic behaviour (d) the interactions within the entire economy
21. _____ and _____ do not directly affect the demand curve
(a) the price of related goods, consumer incomes
(b) Consumer incomes, tastes
(c) the costs of production, bank opening hours
(d) the price of related goods, preferences
22. Relationship between AR, MR and Price elasticity of demand is
(a) $MR = AR + [e - 1/e]$ (b) $MR = AR \times [e - 1/e]$
(c) $AR = MR \times [e - 1/e]$ (d) $MR = AR \times [e/e - 1]$
23. The Slope of Indifference Curve indicates
(a) Marginal Rate of Substitution of x for y (b) Prices of x and y
(c) Slope of the budget line (d) Change in prices
24. In perfect competition the firm's _____ above AVC has the identical shape of the firm's supply curve
(a) Marginal revenue curve (b) Marginal cost curve
(c) Average cost curve (d) None of the above
25. If the demand curve for good X is downward-sloping, an increase in the price will result in
(a) A decrease in the demand for good X.
(b) No change in the quantity demanded for good X.
(c) A larger quantity demanded for good X.
(d) A smaller quantity demanded for good X.

26. Yesterday, seller A supplied 400 units of a good X at ₹ 10 per unit. Today, seller A supplies the same quantity of units at ₹ 5 per unit. Based on this evidence, seller A has experienced a (an)
- (a) Decrease in supply. (b) Increase in supply.
(c) Increase in the quantity supplied. (d) Decrease in the quantity supplied.
27. Which of the following is a variable cost in the short run?
- (a) Wages paid to factory labor
(b) Payment on the lease for factory equipment
(c) Rent on the factory
(d) Interest payments on borrowed financial capital
28. Price discrimination is a situation when a producer
- (a) Charges different prices in different markets
(b) Charges same price
(c) Charges many prices
(d) All of the above.
29. Which of the following statements about price and marginal cost in competitive and monopolized markets is true?
- (a) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
(b) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
(c) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
(d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.
30. New firms are barred from entering the market in
- (a) Perfect competition (b) Oligopoly
(c) Monopolistic competition (d) Monopoly
31. If oligopolists engage in collusion and successfully form a cartel, the market outcome is
- (a) The same as if it were served by a monopoly
(b) The same as if it were served by competitive firms
(c) Efficient because cooperation improves efficiency
(d) Known as Nash equilibrium

32. You are given the following data:

Output	0	1	2	3	4	5
Total Costs	0	15	30	45	60	75

The above data is an example of:

- (a) Constant returns to scale.
- (b) Decreasing returns to scale.
- (c) Increasing returns to scale.
- (d) Globalization.

33. Which of the following statements is correct?

- (a) In a perfectly competitive market, firms are price takers.
- (b) Microeconomics is the study of the behaviour of the economy as a whole.
- (c) Positive economics focuses on welfare of the people of a society
- (d) None of the above

34. Which of the following statements is incorrect?

- (a) Unlike normative economics, positive economics is based on objective analysis of economic issues.
- (b) The opportunity cost of a good is the quantity of other goods sacrificed to get another unit of that good.
- (c) Microeconomics emphasizes interactions in the economy as a whole.
- (d) None of the above.

35. A rational person does not act unless _____.

- (a) the action is ethical.
- (b) the action produces marginal costs that exceed marginal benefits.
- (c) the action produces marginal benefits that exceed marginal costs.
- (d) the action makes money for the person.

36. Suppose you find ₹ 100. If you choose to use ₹ 100 to go to a football match, your opportunity cost of going to the game is _____.

- (a) nothing, because you found the money.
- (b) ₹ 100 (because you could have used ₹ 100 to buy other things) plus the value of your time spent at the game.
- (c) ₹ 100 (because you could have used the ₹ 100 to buy other things) plus the value of your time spent at the game, plus the cost of the dinner you purchased at the game.
- (d) ₹ 100 (because you could have used the ₹ 100 to buy other things).

37. If consumers always spend 15 percent of their income on food, then the income elasticity of demand for food is _____.

- (a) 1.50
- (b) 1.15
- (c) 1.00
- (d) 0.15

38. If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is _____.
(a) zero. (b) infinite.
(c) one. (d) unable to be determined from this information.
39. Which of the following statements is normative?
(a) Large government deficits cause an economy to grow more slowly.
(b) People work harder if the wage is higher.
(c) The unemployment rate should be less.
(d) Printing too much money causes inflation.
40. Total utility is maximum when:
(a) marginal utility is zero (b) marginal utility is at its highest point
(c) marginal utility is equal to average utility (d) average utility is maximum
41. An indifference curve slopes down towards right since more of one commodity and less of another result in:
(a) same satisfaction (b) greater satisfaction
(c) maximum satisfaction (d) decreasing expenditure
42. The consumer is in equilibrium when the following condition is satisfied:
(a) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$ (b) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
(c) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$ (d) None of the above
43. In the case of a Giffen good, the demand curve will be:
(a) horizontal (b) downward-sloping to the right
(c) upward-sloping to the right (d) vertical
44. The law of consumer surplus is based on :
(a) indifferent curve analysis (b) revealed preference theory
(c) law of substitution (d) the law of diminishing marginal utility
45. In the short run, when the output of a firm increases, its average fixed cost:
(a) increases (b) decreases
(c) remains constant (d) first declines and then rises
46. In the case of an inferior good the income elasticity of demand is:
(a) positive (b) zero
(c) negative (d) infinite

47. The elasticity of substitution between two perfect substitutes is:
- (a) zero
 - (b) greater than zero
 - (c) less than infinity
 - (d) infinite
48. Elasticity of supply refers to the degree of responsiveness of supply of a good to changes in its:
- (a) demand
 - (b) price
 - (c) costs of production
 - (d) state of technology
49. An isoquant slopes :
- (a) downward to the left
 - (b) downward to the right
 - (c) upward to the left
 - (d) upward to the right
50. The income of a household rises by 20 per cent, the demand for computer rises by 25 per cent, this means computer (in Economics) is a/an
- (a) inferior good
 - (b) luxury good
 - (c) necessity
 - (d) can't say
51. Which of the following is a property of the indifference curve ?
- (a) Indifference curves are convex to the origin
 - (b) Indifference curves slope downwards from left to right
 - (c) No two indifference curves can cut each other
 - (d) All of the above are the properties of Indifference curves.
52. The structure of the cold drink industry in India is best described as:
- (a) Perfectly competitive
 - (b) Monopolistic
 - (c) Oligopolistic
 - (d) Monopolistically competitive
53. If a seller realizes ₹ 10,000 after selling 100 units and ₹ 14,000 after selling 120 units. What is the marginal revenue here?
- (a) ₹ 4000
 - (b) ₹ 450
 - (c) ₹ 200
 - (d) ₹ 100
54. In economics, what a consumer is ready to pay minus what he actually pays, is termed as:
- (a) Consumer's equilibrium
 - (b) Consumer's surplus
 - (c) Consumer's expenditure
 - (d) None of the above
55. What is the shape of the demand curve faced by a firm under perfect competition?
- (a) Horizontal
 - (b) Vertical
 - (c) Positively sloped
 - (d) Negatively sloped
56. The second glass of lemonade gives lesser satisfaction to a thirsty boy, this is a clear case of:
- (a) Law of demand
 - (b) Law of diminishing returns
 - (c) Law of diminishing marginal utility
 - (d) Law of supply

57. In the case of a straight line demand curve meeting the two axes the price – elasticity of demand at the mid-point of the line would be :
- (a) 0 (b) 1
(c) 1.5 (d) 2
58. All of the following are determinants of demand except
- (a) tastes and preferences (b) quantity supplied
(c) income (d) price of related goods
59. Which of the following cost curves is never 'U' shaped?
- (a) Average cost curve (b) Marginal cost curve
(c) Average variable cost curve (d) Average fixed cost curve
60. When aggregate economic activity is increasing, the economy is said to be in
- (a) an expansion. (b) a contraction.
(c) a peak. (d) a turning point.

**SELF EXAMINATION QUESTIONS - II**

1. At shut down point :
 - (a) Price is equal to AVC
 - (b) Total revenue is equal to TVC
 - (c) Total loss of the firm is equal to TFC
 - (d) All of the above
2. The LAC curve
 - (a) Falls when the LMC curve falls
 - (b) Rises when the LMC curve rises
 - (c) Goes through the lowest point of the LMC curve
 - (d) Falls when $LMC < LAC$ and rises when $LMC > LAC$
3. If the price of Pepsi decreases relative to the price of Coke and Slice, the demand for:
 - (a) Coke will rise
 - (b) Slice will decrease
 - (c) Coke and Slice will increase
 - (d) Coke and Slice will decrease
4. The indifference curve approach does not assume:
 - (a) Rationality on the parts of consumers
 - (b) Ordinal measurement of satisfaction
 - (c) Consistent consumption pattern behaviour of consumers
 - (d) Cardinal measurement of utility
5. The marginal cost curve intersects the average cost curve when average cost is:
 - (a) Maximum
 - (b) Minimum
 - (c) Raising
 - (d) Falling
6. In long run equilibrium the pure monopolist can make pure profits because of
 - (a) Blocked entry
 - (b) The high price he charges
 - (c) The low LAC costs
 - (d) Advertising
7. The demand for a factor of production is said to be a derived demand because
 - (a) It is a function of the profitability of an enterprise
 - (b) It depends on the supply of complementary factors
 - (c) Its stems from the demand for the final product
 - (d) It arises out of means being scarce in relation to wants.
8. Consumer stops purchasing the additional units of the commodity when
 - (a) marginal utility starts declining
 - (b) marginal utility become zero
 - (c) marginal utility is equal to marginal utility of money
 - (d) total utility is increasing

9. The 'substitution effect' takes place due to change in
- (a) income of the consumer
 - (b) prices of the commodity
 - (c) relative prices of the commodities
 - (d) all of the above
10. Under income effect, consumer
- (a) moves along the original indifference curve
 - (b) moves to higher or lower indifference curve
 - (c) always purchases higher quantities of both the commodities
 - (d) none of the above
11. Under the perfect competition a firm will be in Equilibrium when :
- (a) $MC = MR$
 - (b) MC cuts the MR from below
 - (c) MC is rising when it cuts the MR
 - (d) All of the above
12. A perfectly competitive firm has control over
- (a) price
 - (b) production as well as price
 - (c) production, price and consumers
 - (d) none of the above
13. The demand curve facing an industrial firm under monopoly is
- (a) horizontal straight line
 - (b) indeterminate
 - (c) downward sloping
 - (d) upward sloping
14. Price discrimination is not possible:
- (a) under monopoly situation
 - (b) under any market firm
 - (c) under monopolistic competition
 - (d) under perfect competition
15. In short run, a firm in monopolistic competition
- (a) always earns profits
 - (b) incurs losses
 - (c) earns normal profit only
 - (d) may earn normal profit, supernormal profit or incur losses
16. In the case of two perfect substitutes, the indifference curve will be :
- (a) Straight line
 - (b) L-shaped
 - (c) U-shaped
 - (d) C-shaped
17. In case of inferior goods, income elasticity is :
- (a) zero
 - (b) positive
 - (c) negative
 - (d) none

18. Cross elasticity of demand between tea and coffee is:
- (a) positive (b) negative
(c) zero (d) infinity
19. If all inputs are trebled and the resultant output is doubled, this is a case of:
- (a) constant returns to scale (b) increasing returns to scale
(c) diminishing returns to scale (d) negative returns to scale
20. In the case of monopoly:
- (a) MR curve cannot be defined (b) AR curve cannot be defined
(c) the short run supply curve cannot be defined (d) none of the above
21. If the income elasticity is greater than one the commodity is
- (a) Necessity (b) Luxury
(c) Inferior goods (d) None of these
22. Full capacity is utilized only when there is
- (a) Monopoly (b) Perfect competition
(c) Price discrimination (d) Oligopoly
23. Which of the following falls under Micro Economics ?
- (a) National Income (b) General Price level
(c) Factor Pricing (d) National Saving and Investment
24. If a point on a demand curve of any commodity lies on X Axis then price elasticity of demand of that commodity at that point will be : _____
- (a) Infinite (b) More than zero
(c) Less than zero (d) zero
25. One characteristic not typical of oligopolistic industry is:
- (a) Too much importance to non-price competition
(b) Price leadership
(c) Horizontal demand curve
(d) A small number of firms in the industry

A competitive firm sells as much as of its product it chooses at a market price of ₹ 100 per unit. Its fixed cost is ₹ 300 and its variable costs (in rupees) for different levels of production are shown in the following table. Use Table 1 to answer questions 26-29.

Qty.	Variable Cost	Fixed Cost	Total Cost	Average Variable Cost	Average Total Cost	Marginal Cost
0	0	-	-	-	-	-
5	270					
10	490					
15	720					
20	1000					
25	1370					
30	1870					
35	2540					
40	3420					
45	4550					
50	5970					

26. When production is 35 units, the average variable cost is: _____
- (a) ₹ 7.25 (b) ₹ 72.25
(c) ₹ 72.57 (d) ₹ 85.50
27. In the table marginal cost per unit that corresponds to 25 units of production is _____
- (a) ₹ 3.50 (b) ₹ 74
(c) ₹ 450 (d) ₹ 370
28. To maximize output, the firm should produce _____
- (a) 30 (b) 35
(c) 45 (d) 50
29. If the market price drops from ₹ 100 to ₹ 74, the firm short run response should be: _____
- (a) Continue to produce the same number of units as before the drop in price
(b) Produce 10 units
(c) Produce 20 units
(d) Produce 25 units

Read the following data and answer Questions Number 30-35.

XYZ are three commodities where X and Y are complements whereas X and Z are substitutes. A shopkeeper sells commodity X at Rs. 40 per piece. At this price he is able to sell 100 pieces of X per month. After some time he decreases the price of X to Rs. 20. Following the price decrease : He is able to sell 150 pieces of X per month The demand for Y increases from 25 units to 50 units. The demand for commodity Z decreases from 150 to 75 units.

30. The price elasticity of demand when the price of X decreases from ₹ 40 per piece to ₹ 20 per piece will be equal to:
- (a) 1.5 (b) 1.0
(c) 1.66 (d) 0.6

31. The cross elasticity of monthly demand for Y when the price of X decrease from ₹ 40 to ₹ 20 is equal to:
- (a) +1 (b) -1
(c) -1.5 (d) +1.5
32. The cross-elasticity of Z when the price of X decreases from 40 to 20 is equal to:
- (a) -0.6 (b) +0.6
(c) -1 (d) +1
33. What can be said about price elasticity of demand for X?
- (a) Demand is unit elastic (b) Demand is highly elastic
(c) Demand is perfectly elastic (d) Demand is inelastic
34. Suppose income of the residents of locality increase by 50% and the quantity of X commodity increases by 20%. What is income elasticity of demand for commodity X?
- (a) 0.6 (b) 0.4
(c) 1.25 (d) 1.35
35. We can say that commodity X in economics is a/an
- (a) luxury good (b) inferior Good
(c) normal Good (d) none of the above
36. If the total cost of manufacturing commodity 'X' is ₹ 1,50,000. Out of this implicit cost is ₹ 80,000 what will be explicit cost:
- (a) ₹ 95,000 (b) ₹ 1,25,000
(c) ₹ 80,000 (d) ₹ 70,000
37. Which of the following statements is correct?
- (a) Employment and economic growth are studied in micro-economics.
(b) Micro economics deals with balance of trade
(c) Economic condition of a section of the people is studied in micro-economics
(d) External value of money is dealt with in micro-economics
38. Suppose income of the consumers increases by 50% and the demand for commodity X increases by 20% what will be the income elasticity of demand for commodity X?
- (a) .04 (b) 0.4
(c) 4.00 (d) -4.00
39. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:
- (a) Remain the same (b) Increase
(c) Decrease (d) Any of these

40. The price of hot dogs increases by 22% and the quantity of hot dog demanded falls by 25%. This indicates that demand for hot dog is
- (a) elastic
 - (b) inelastic
 - (c) unitarily elastic
 - (d) perfectly elastic.
41. A firm's average fixed cost is ₹ 20 at 6 units of output. What will it be at 4 units of output?
- (a) ₹ 60
 - (b) ₹ 30
 - (c) ₹ 40
 - (d) ₹ 20
42. The kinked demand hypothesis is designed to explain in the context of oligopoly
- (a) Price and output determination
 - (b) Price rigidity
 - (c) Price leadership
 - (d) Collusion among rivals
43. The structure of the tooth paste industry in India is best described as:
- (a) Perfectly competitive
 - (b) Monopolistic
 - (c) Monopolistically competitive
 - (d) Oligopolistic
44. When _____ we know that the firm are earning just normal profits:
- (a) $AC = AR$
 - (b) $MC = MR$
 - (c) $MC = AC$
 - (d) $AR = MR$.
45. Which is the other name that is given to the long run average cost curve?
- (a) profit curve
 - (b) planning curve
 - (c) demand curve
 - (d) indifference curve
46. The kinked demand curve model of oligopoly assumes that:
- (a) response (of consumers) to a price increase is less than the response to a price decrease
 - (b) response (of consumers) to a price increase is more than the response to a price decrease
 - (c) elasticity of demand is constant regardless of whether price increases or decreases
 - (d) elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases
47. Diminishing marginal returns imply
- (a) decreasing average variable costs
 - (b) decreasing marginal costs
 - (c) increasing marginal costs
 - (d) decreasing average fixed costs
48. Which of the following is an example of an "explicit cost"?
- (a) The wages a proprietor could have made by working as an employee of a large firm
 - (b) The income that could have been earned in alternative uses by the resources owned by the firm
 - (c) The payment of wages by the firm
 - (d) The normal profit earned by a firm

49. Marginal cost is defined as :
- (a) the change in total cost due to one unit change in output
 - (b) total cost divided by output
 - (c) the change in output due to a one unit change in an input
 - (d) total product divided by the quantity of input
50. The law of scarcity
- (a) does not apply to rich developed countries
 - (b) applies only to the less developed countries
 - (c) implies that consumers wants will be satisfied in a socialistic system
 - (d) implies that consumers wants will never be completely satisfied
51. Which of the following statement is incorrect?
- (a) Even monopolist can earn losses
 - (b) Firms in a perfectly competitive market are price-takers
 - (c) It is always beneficial for a firm in the perfectly competitive market to discriminate prices
 - (d) Economic laws are less exact than the laws of physical sciences
52. The producer is in equilibrium at a point where the cost line is:
- (a) above the isoquant
 - (b) below the isoquant
 - (c) cutting the isoquant
 - (d) tangent to isoquant
53. Which of the following is not an economic activity?
- (a) A son looking after his ailing mother
 - (b) A chartered accountant doing his own practice
 - (c) A soldier serving at the border
 - (d) A farmer growing millets
54. Contraction of demand is the result of
- (a) decrease in the number of consumers
 - (b) increase in the price of the good concerned
 - (c) increase in the prices of other goods
 - (d) decrease in the income of purchasers
55. Which of the following is not a characteristic of land?
- (a) its supply for the economy is limited
 - (b) it is immobile
 - (c) its usefulness depends on human efforts
 - (d) it is produced by our forefathers
56. If a competitive firm doubles its output, its total revenue:
- (a) doubles.
 - (b) more than doubles.
 - (c) less than doubles.
 - (d) cannot be determined because the price of the good may rise or fall.

57. Which of the following involve a trade-off?
- Taking a nap
 - All of these answers involve trade-offs.
 - Watching a football game on Saturday afternoon
 - Going to university
58. A firm's production function:
- Shows how much output and the level of input required for the firm to maximize profits
 - Establishes the minimum level of output that can be produced using the available resources
 - Shows the maximum output that can be produced with a given amount of inputs with available technology
 - Shows labour force which is employed
59. In the short run if a perfectly competitive firm finds itself operating at a loss, it will:
- Reduce the size of its plant to lower fixed costs.
 - Raise the price of its product.
 - Shutdown.
 - Continue to operate as long as it covers its variable cost
60. Which of the following is not a variable in the index of leading indicators?
- New consumer goods orders
 - Delayed deliveries
 - New building permits
 - Prime rate

ANSWERS I

1	(d)	11	b)	21	(c)	31	(a)	41	(a)	51	(d)
2	(b)	12	(c)	22	(b)	32	(a)	42	(c)	52	(c)
3	(a)	13	(d)	23	(a)	33	(a)	43	(c)	53	(c)
4	(c)	14	(a)	24	(b)	34	(c)	44	(d)	54	(b)
5	(c)	15	(d)	25	(d)	35	(c)	45	(b)	55	(a)
6	(a)	16	(a)	26	(b)	36	(b)	46	(c)	56	(c)
7	(c)	17	(a)	27	(a)	37	(c)	47	(d)	57	(b)
8	(a)	18	(c)	28	(a)	38	(a)	48	(b)	58	(b)
9	(c)	19	(b)	29	(c)	39	(c)	49	(b)	59	(d)
10	(b)	20	(c)	30	(d)	40	(a)	50	(b)	60	(a)

ANSWERS II

1	(d)	11	(d)	21	(b)	31	(b)	41	(b)	51	(c)
2	(d)	12	(d)	22	(b)	32	(d)	42	(b)	52	(d)
3	(d)	13	(c)	23	(c)	33	(d)	43	(c)	53	(a)
4	(d)	14	(d)	24	(d)	34	(b)	44	(a)	54	(b)
5	(b)	15	(d)	25	(c)	35	(c)	45	(b)	55	(d)
6	(a)	16	(a)	26	(c)	36	(d)	46	(b)	56	(a)
7	(c)	17	(c)	27	(b)	37	(c)	47	(c)	57	(b)
8	(c)	18	(a)	28	(a)	38	(b)	48	(c)	58	(c)
9	(c)	19	(c)	29	(d)	39	(b)	49	(a)	59	(d)
10	(b)	20	(c)	30	(d)	40	(a)	50	(d)	60	(d)