Day2 Managerial Economics and Financial Analysis EEE

Q)Which of the following is not included in decision that every society must make--> **What determines consumers preferences**
Q)According to Simon if a firm fails to achieve its target initially, it results in--> **Search behavior**
Q)In economics the central problem is--> **Scarcity**
Q)Which is not a factor of production--> **Bank loan**
Q)The word that comes from Greek word for one who manages a household is--> **Economy**
Q)Economics deals primarily with--> **Scarcity**
Q)Macro Economics deals with--> **Economic aggregates**
Q)Micro economics is concerned with behavior of--> **Firms**
Q)When the decrease in price of one good causes the demand for another good to decrease the goods are--> **Substitutes**
Q)Demand for good B goes up when price for good A goes down, then the goods are--> **Complements**
Q)If the demand for coffee decreases as income decreases, coffee is--> **Normal good**
Q)The quantity demanded of a product rises whenever--> **Product price falls**
Q)The quantity demand of Pepsi decreases, the best reason for this is--> **Price of Pepsi increased**
Q)Demand curves are derived while holding constant--> **Income, tastes & prices of goods**
Q)Study of inflation is part of--> **Macro economics**
Q)In a planned economy all economic decisions are taken by--> **Government**
Q)Which will cause change in quantity supplied--> **Change in market price**
Q)Quantity demanded for a product rises when--> **Price falls**
Q)If price of crackers goes up when price of cheese goes down, they are--> **Complements**
Q)If demand for TV increases in long run, prices--> **Cant predict**
Q)If price of complement increases all else equal--> **Supply decreases**
Q)If input prices increase all else equal--> **Supply decreases**
Q)GDP stands for--> **Gross Domestic Product**
Q)GNP stands for--> **Gross National Product**
Q)A complement is a good--> **Used in conjunction with other**
Q)Most goods are--> **Normal goods**
Q)When quantity of coal supplied is measured in kgs instead of pounds, the demand for coal becomes--> **Neither more nor less**
Q)A University decides to raise tution fees to increase Total Cost, this strategy will work if demand for education, this is--> **Inelastic**
Q)By increase in demand we mean--> **Movement upward of a demand curve**
Q)Law of demand implies that demand curve--> **Slopes down**
Q)In the typical demand schedule, quantity demanded--> **Varies inversely with price**
Q)An example for derived demand is demand for--> **Steel & Steel workers**
Q)More elastic means--> **More responsive**
Q)Price elasticity of demand is calculated as--> **% change in quantity demand / % change in price**
Q)If 5% increase in price leads to 8% decrease in quantity demanded, demand is--> **Elastic**
Q)If price reduction leads to greater Total revenue, demand is--> **Elastic**
Q)If cross elasticity of demand between two goods is negative, then they are--> **Complements**

Q)If a price elasticity of demand is unit, then a fall in price--> **Leaves revenue unchanged**
Q)If income elasticity of a demand for good is negative then the good is--> **Inferior**
Q)At price of 11 quantity demanded is 90, at price of 9 demand is 110, the price elasticity of demand is--> **1.22**
Q)Which forecasting method is suitable for forecasting demand for a product--> **Delphi method**
Q)One purpose of short range forecast is to determine--> **Job assignments**
Q)Which of the following is not a type of qualitative forecasting--> **Moving averages**
Q)Gradual, long-term movement in time series data is called--> **Trends**
Q)Which one will not fall under qualitative forecasting method--> **Moving averages method**
Q)Which forecasting method is suitable for launching new products--> **Moving averages method**
Q)Decisions relating to production scheduling in value--> **Short term**
Q)Decisions relating to sales & operations plan in value--> **Medium term**
Q)If average product is decreasing, then marginal product--> **Must be less than average product**
Q)A short run cost function assumes that--> **At least one input is fixed**
Q)Average Total cost--> **Increases if Marginal Cost decreases than average Total cost**
Q)Average Fixed cost--> **Decreases as output increases**
Q)Production function measures relation between--> **Quantity of inputs & quantity of outputs**
Q)A short run production function assumes that--> **Usage of atleast one input is fixed**
Q)Which of the following is not present in time series--> **Operational variations**
Q)In time series which one cant be predicted--> **Random fluctuations**
Q)Economists typically assume that the owners of firms wish to--> **Produce efficiently**
Q)Limited liability is a benefit to--> **Corporations**
Q)With respect to production, which short run is best defined as a time period--> **In which at least one input is fixed**
Q)In the long run, all factors of production are--> **Variable**
Q)If marginal product is greater than average product--> **Total Product increases**
Q)If capital cannot be easily substituted for labour, elasticity of substitution is--> **Close to 0**
Q)Factors of production are--> **Inputs only**
Q)The labour requirements function is derived from--> **Production function**
Q)The least cost combination of factors of producers equilibrium is now explained with the help of ______________________ curves & isocosts--> **Iso product**
Q)MRTS Stands for--> **Marginal Rate of Technical Substitution**
Q)Constant returns to scale indicates that input use & total cost rise--> **In the same proportion of output increase**
Q)The actions & decisions of individual firm result in--> **Internal scale economies**
Q)Isoquants that are downward sloping straight lines imply that inputs--> **Are imperfect substitutes**
Q)Isoquants that are downward sloping straight lines exhibit--> **Constant marginal rate of substitution**
Q)Average productivity will fall as along as--> **It exceeds marginal productivity**
Q)L shaped isoquants imply that production requires that inputs are perfect substitutes--> **Must be used together**

Q)The difference between imports and exports is referred to as net trade & has a positive value for a specific product if--> **A country has net exports of that product**
Q)Intra industry trade is more prevalent in--> **Industrialized countries**
Q)If scale economies are modest--> **There is room in the industry for large firms**
Q)Doubling the distance between countries that are trading partners tends to --> **Reduce trade between countries by 1/3 to 1/2**
Q)The average cost of a firm producing a product in an area declines as that output of that firms industry in that area increases. This is related to--> **External economies of scale**
Q)_______________ can rise if a concentration of an industry, firms in a geographical area attracts local supplier of specialized services for that industry or a large pool.--> **External economies of scale**
Q)In a market where each firms product is somewhat different--> **Each firm has some control over price**
Q)Scale economies suggest that output quantities increase over price at a larger proportion that Total cost increases as addition inputs are used, so average cost per unit produced--> **Decrease as output increase**
Q)A concept that implies that the firm should consider issues such as protecting the consumer, paying fair wages, maintaining fair hiring practices, supporting education & considering environmental issues is--> **Social responsibility**
Q)Which of the following is not normally a responsibility of the treasurer of the modern corporation but rather the controller--> **Budgets & forecasts**
Q)________________ is concerned with the branch of economics relating to behavior of principles and their agents --> **Agency theory**
Q)An implicit cost is--> **Cost of giving up an alternative**
Q)Cost in the short run can be classified in to____________ and variable cost--> **Fixed cost**
Q)Marginal cost is the change in Total cost resulting from unit change in--> **Output**
Q)The ____________ implies that the cost of production continues to be low till the firm reaches the optimum scale (MC = Average cost) --> **U shape**
Q)Cost behavior analysis is a study of how a firms costs--> **Respond to change in activity levels**
Q)Cost behavior analysis applies to--> **Manufacturers**
Q)A cost which remains constant p/u at various levels of activity is a--> **Variable cost**
Q)The _______________ decision involves determining the appropriate make up of the right hand side of the balance sheet--> **Financing**
Q)Which of the following are used in calculating opportunity costs--> **Monetary costs**
Q)The cot incurred for selecting the next best alternative is called as--> **Opportunity cost**
Q)A variable cost is a cost that--> **Varies in total in proportion to changes**
Q)Assume the variable production cost & the price were both cut by $ 1.00 p/u, which of the following would change--> **Contribution margin ratio**
Q)Which of the following is a characteristic of perfect competition market--> **Firms can enter and exit freely**
Q)To calculate the BEP in total sales dollars, which of the following financial variables are needed--> **Fixed expenses & the contribution margin ratio**
Q)Firms operating constantly at 100% capacity--> **Are the exception rather than the rule**
Q)Which one of the following is a name for the range over which a company expects to

operate--> **Relevant range**
Q)CVP analysis does not consider--> **Fixed cost p/u**
Q)The level of activity at which Total revenue equals Total cost is the--> **Break even point**
Q)Which of the following is the best example of a perfect competition market--> **Farming**
Q)A firm that is producing at the lowest possible average cot is always--> **Productively efficient**
Q)In the long run, a perfectly competitive firm will achieve all but which of the following--> **Economic profit**
Q)If a perfect competition firm currently produces, where price is greater than marginal cost it--> **Will increase its profits by producing more**
Q)In a perfect competition market, the process of entry and exit ends when--> **Firms making zero economic profit**
Q)Which of the following is not a valid option for a perfect competition firm--> **increasing its price**
Q)A perfect competition firm will maximize profit at the quantity at which the firms Marginal revenue equals--> **Marginal cost**
Q)Patents create monopolies by restricting--> **Entry**
Q)Patents are _____________ barriers to entry & public franchises are _____________ barriers to entry--> **Legal, legal**
Q)Public franchises create monopolies by restricting--> **Entry**
Q)A perfect competition firm faces _____________ production alternatives based on a comparison of price, average Total cost & Average variable cost--> **Three short - run**
Q)A perfect competition firms marginal cost curve that lies above the ____________ of the average variable cost curve is its supply curve--> **Minimum**
Q)Unregulated monopolies--> **Can influence the market quantity & price**
Q)The following are key features of Monopoly except--> **Diseconomies of scale**
Q)The word monopolistic in monopolistic competition refers to the fact that--> **Firms have some control over price**
Q)Monopolistic Competition results in--> **Some production inefficiency**
Q)You are likely to be served by one & only one local telephone company, the best model for this industry is--> **Monopoly**
Q)An industry in which one firm can supply the entire market at a lower price than two or more firms can called as--> **Natural monopoly**
Q)For a monopoly, the industry demand curve is the firms--> **Demand curve**
Q)Monopolists--> **Face downward sloping Demand curves**
Q)A monopolist has--> **No competitors**
Q)An example of monopolistic competitive industry is--> **Restaurant**
Q)In the long run, all the firms in a monopolistically competitive industry earn--> **Zero economic profit**
Q)Firms in monopolistic competition make products that are--> **Close but not perfect substitutes**
Q)Firms in monopolistic competition--> **Act independently from one another**
Q)Brand loyalty--> **Makes demand curve less price elastic**
Q)A monopolistic competition firm--> **Chooses an output level at which marginal revenue equals to marginal cost**

Q)A monopolistic competitive firm has _______________ power to set the price of its product because _____________--> **Some, of product differentiation**
Q)Oligopoly is characterized by all except--> **Price determination**
Q)Which of the following types of oligopoly competition would you expect to result in the highest market output, other things equal--> **Bestrand**
Q)Oligopoly is the only market structure characterized by--> **Interdependence in pricing & output decisions**
Q)In the long run, a firm in a monopolistically competitive industry has its price equal to its--> **Average total cost**
Q)A price and quantity fixing agreement is known as--> **Collusion**
Q)A group of firms that gets together to make price and output decisions is called--> **Cartel**
Q)In contestable markets, large oligopolistic firms end up behaving like--> **Monopoly**
Q)_____________ is the sum of the values that consumer exchange for the benefits of having as using the product or service--> **Price**
Q)Throughout most of history, prices were set by--> **Negotiation b/w buyers & sellers**
Q)_____________ is the amount of money charged for product as service--> **Price**
Q)An profit maximizing, oligopolistic firms produces at an output level where,--> **P= ATC**
Q)Cartels most likely to arise in which of the following market structures--> **Monopolistic competition**
Q)Which of the following is not an operations strategy--> **Technology**
Q)The petroleum industry is an example of--> **Pure oligopoly**
Q)______________ sets the floor for the price that the company can charge for its product--> **Costs**
Q)The pricing method that uses the buyers point of view regarding the worth of a product, not the sellers cost, is called--> **Value based pricing**
Q)Before setting price, the company must decide on its strategy for--> **Product**
Q)A ___________________policy means that firm, charges same price for all buyer in a given product service line--> **Fixed price.**
Q)Which of the following factors is spurring a new movement in pricing towards dynamic pricing--> **Strong retailers**
Q)________________is the practice of charging different prices depending on individual customers & situations--> **Dynamic pricing**
Q)____________ is the only element of the marketing mix that produces revenue--> **Price**