



INDIAN SCHOOL AL WADI AL KABIR

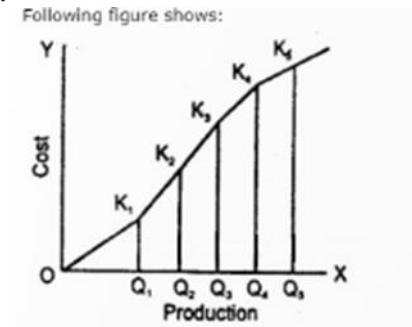
Class: XI	Department: Commerce
Worksheet: 1	Topic: Theory of Production Cost Revenue and Supply

- Which of the following two curves start from the same point on the Y axis?
 - TVC and TFC
 - TFC and AVC
 - TFC and TC
 - TFC and AFC
- A firm makes _____ at the break-even point.
 - Abnormal profits
 - Abnormal losses
 - Normal profits
 - None of the above
- Which of the following is an example of a fixed cost?
 - The wages and salaries of employees
 - The interest on fixed capital
 - The electricity bill
 - None of the above
- If the marginal product of labour is below the average product of labour, it must be true that:
 - The marginal product of labour is negative.
 - The marginal product of labour is zero.
 - The average product of labour is falling.
 - The average product of labour is negative.
- The average product of labour is maximized when marginal product of labour:
 - Equals the average product of labour.
 - Equals zero.
 - Is maximized.
 - None of these.
- A production function states that there exists a technical relationship between:
 - Input prices and output prices
 - Input prices and quantity of output
 - The quantity of inputs and the quantity of output.
 - The quantity of inputs and input prices.

7. Average product is defined as:
- Total product divided by the total cost.
 - Total product divided by the marginal product.
 - Total product divided by the variable input.
 - Marginal product divided by the variable input.
8. Which of the following explains the short-run production function?
- Law of Demand
 - Law of Variable Proportion
 - Returns to scale
 - Elasticity of Demand
9. Which of the following is a source of production?
- Land
 - Labour
 - Capital
 - All of these
10. Which of the following is not fixed cost?
- Insurance Premium
 - Interest
 - Cost of raw material
 - Rent of the factory
11. Which statement of the following is true?
- $AC = TFC - TVC$
 - $AC = AFC + TVC$
 - $AC = TFC + AVC$
 - $AC = AFC + AVC$

12.

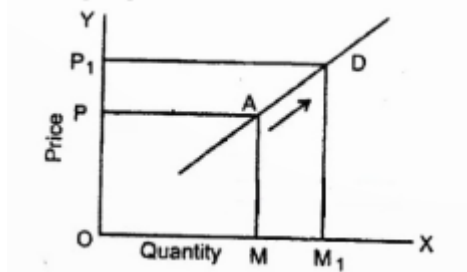
Following figure shows:



- TFC
 - TVC
 - TC
 - None of these
13. In Perfect Competition, which of the following remains constant?
- AR
 - MR
 - Both AR and MR
 - None of the both

14.

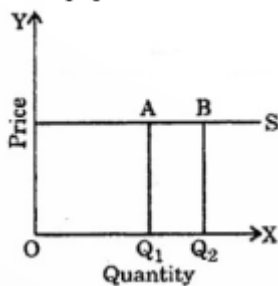
The figure given below shows:



- a. Extension in supply
- b. Contraction in Supply
- c. Elasticity of supply
- d. Elasticity of demand

15.

Following figure shows :



- a. Perfectly elastic supply
- b. Perfectly inelastic supply
- c. Elastic supply
- d. Inelastic supply

Assertion n Reasoning Questions:

Alternatives:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.

1. Assertion (A): AFC curves can never touch the Y axis.

Reason (R): TFC can never be zero.

A: b

2. Assertion (A): When price remains constant for all levels of output, then the TR curve is a positively sloped straight line.

Reason (R) : In case of constant prices, MR is constant, i.e TR increases at a constant rate.

A: a

3. Assertion (A): TR curve starts from the origin.

Reason (R) : TR is zero at zero level of output.

A: a

4. Assertion (A): An individual supply curve slopes upwards.

Reason (R) : There exists a positive relationship between price and quantity supplied.

A: a

Case-Based Questions:

Read the following information carefully and answer the questions on the basis of the same:

In a perfectly competitive market, a firm believes that it can sell as many units of the good as it wants by setting a price less than or equal to the market price. But, if this is the case, surely there is no reason to set a price lower than the market price. In other words, should the firm desire to sell some amount of the good, the price that it sets is exactly equal to the market price. A firm earns revenue by selling the good that it produces in the market. Let the market price of a unit of the good be P. Let the quantity be Q of the good produced, and therefore sold by the firm at price P. Then, TR of the firm is defined as the market price of the good P multiplied by the firm's output Q. Hence, $TR = P \times Q$.

- NCERT

1. A firm's demand curve is the same as ----- curve
 - a. TR
 - b. AR
 - c. MR
 - d. None of these
2. Which of the following is not true about the relationship between TR and MR?
 - a. When TR increases at a constant rate, MR should be constant
 - b. When TR increases at a decreasing rate, MR should be increasing
 - c. When TR is maximum, MR is zero
 - d. None of these
3. A firm's demand curve is ----- under perfect competition
 - a. Perfectly elastic
 - b. Perfectly inelastic
 - c. More elastic
 - d. Less elastic
4. Read the following statements carefully and choose the correct alternative among those given below:

Statement 1: When MR is positive, TR tends to increase.

Statement 2: When MR is negative, TR is also negative.

Alternatives:

 - a. Both the statements are true
 - b. Both the statements are false
 - c. Statement 1 is true and statement 2 is false
 - d. Statement 2 is true and statement 1 is false
5. Under Perfect competition, AR and MR curve is same and parallel to X-axis.

(True or False)

Answers:

1. b
2. b
3. a
4. c
5. True