



SIDDHARTH GROUP OF INSTITUTIONS :: PUTTUR
Siddharth Nagar, Narayanavanam Road – 517583

QUESTION BANK (OBJECTIVE)

Subject with Code : MEFA(13A52701)

Course & Branch: B.Tech - CIVIL

Year & Sem: IV-B.Tech & I-Sem

Regulation: R13

UNIT II

Theory of production and cost analysis

1. Explain the law of variable proportions with its various stages. What are the basic assumptions behind this law? 10 M
2. Explain Iso-quant and Iso-cost curves and state characteristics. 10 M
3. Explain 'Law of returns to scale'. 10 M
4. State the different cost concepts. 10 M
5. Define Break-even point and state the assumptions. 10 M
6. A firm has declared the following details about its sales: 10 M

	Year 1	Year 2
Sales (Rs.)	1,50,000	1,50,000
Profit (Rs.)	15,000	25,000

- (i) Calculate PV Ratio. (ii) Find out the firm's BEP (iii) How much should the company produce and sell to earn profit of Rs.50, 000?

7. From the following information relating to Hi-Tech publishers you are required to find out (A) Break-even point in units (B) Margin of Safety (C) Profit. Also calculate the volume of sales to earn a profit of Rs.6,000. 10 M

Total fixed costs – Rs.4,500, Total Variable costs – Rs.7,500

Total sales - Rs.25,000, Units Sold - 5000 units

8. What are the limitations and uses of Break-even analysis. 10 M
9. Explain Long run production function. 10 M
10. Short answer questions:

- a) Cobb-Douglas Production Function. 2 M

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| b) MRTS | 2 M |
| c) Economies of Scale | 2 M |
| d) Opportunity cost | 2 M |
| e) Short run production function | 2 M |

UNIT-II

1. Which of the following is the technical relationship that reveals the maximum amount of output capable of being produced by each and every set of inputs? []

(A) Cobb-Douglas production function	(B) Production function
(C) Theory of production	(D) Economics of scale
2. The Production Function is also known as []

(A) Output-costs relationship	(B) Input-costs relationship
(C) Input-Output relationship	(D) Output-Input relationship
3. Production function is not a factor of []

(A) Land	(B) Labour
(C) Cost of capital	(D) Organization
4. The law of returns is also called []

(A) Law of Fixed Proportions	(B) Law of Variable Proportions
(C) Law of constant Returns	(D) Law of Increasing Returns
5. Isoquants are also called []

(A) Isoproduct curves	(B) Isocost curves
(C) Price indifference curve	(D) Indifference curve
6. Which of the following is not a feature of an isoquant? []

(A) Downward sloping	(B) Convex to origin
(C) One intersecting the other isoquant	(D) Do not touch axes
7. If the level of production changes, the total cost changes and thus the isocost curve []

(A) Moves downwards	(B) Moves upwards
(C) Moves in a linear fashion	(D) Moves in a haphazard manner
8. Where the slopes of isoquant is equal to that of isocost, there lies the []

(A) Fixed cost of production	(B) highest point of cost of production
(C) Lowest point of cost of production	(D) decline point of cost of production
9. In Cobb-Douglas production function "K" refers to []

(A) Land	(B) Labour
(C) Capital	(D) Organisation

10. The locus of different combinations of inputs, which yield same output is []
(A) Demand (B) Isocurve
(C) Isoquant (D) Isocost
11. Identify the law which states the volume of output that keeps on increasing with every increase in the inputs. []
(A) Law of Decreasing Returns to Scale (B) Law of Increasing Returns to Scale
(C) Law of Constant Returns to Scale (D) Law of Marginal Returns to Scale
12. The economies in production costs which occur to the firm alone when it expands its output is called []
(A) External economies (B) internal economies
(C) Diseconomies (D) marginal economies
13. Which of the following is not a type of internal economies? []
(A) Managerial economies (B) financial economies
(C) Technical economies (D) marginal economies
14. External economies can't be of this type: []
(A) Economies of concentration (B) Economies of R&D
(C) Economies of welfare (D) Economies of health
15. In an isoproduct curve, at any given point, the output of given inputs is: []
(A) Internal economies (B) Returns to scale
(C) External economies (D) Marginal economies
16. Which of the following refers to the expenditure incurred to produce a particular product or service? []
(A) Profit (B) Price
(C) Capital (D) Cost
17. Which of the following normally includes the cost of raw materials, labour and other expenses? []
(A) Demand (B) Total revenue
(C) Total cost (D) Capital
18. Long run cost curves are called []
(A) Operating curves (B) fixed curves
(C) Variable curves (D) planning curves
19. Short run cost curves are called []
(A) Operating curves (B) Fixed curves

- (C) Variable curves (D) Planning curves
20. Which of the following are fixed in the short run? []
(A) Variable costs (B) Semi variable costs
(C) Fixed costs (D) Semi fixed costs
21. Which of the following is NOT a long run concept? []
(A) Expansion path (B) Isoquant
(C) Returns to scale (D) Law of variable proportions
22. An isoquant curve is also known as []
(A) Equal product curve (B) Iso Product
(C) Product indifference (D) All the above
23. Which of the following is not a feature of an isoquant? []
(A) Downward slopping (B) Convex to Origin
(C) Do not touch axes (D) Upward
24. Who invested by production function of linear homogenous products []
(A) Junt Wicksell (B) (C)W. Cobb
(C) P.H. Dougles (D) All the above
25. Break-even chart presents []
(A) Cost Volume Analysis (B) BEP
(C) Margin of safety (D) Fixed cost
26. The cost of best alternative forgone is []
(A) Opportunity cost (B) Outlay cost
(C) Future cost (D) Post cost
27. Which cost will be entered in the books of accounting []
(A) Fixed (B) Explicit
(C) Imputed (D) Post
28. What is the equation of contribution []
(A) Sales-variable cost (B) Sales+Fixed cost
(C) Fixed/P/V ratio (D) Loss+Fixed
29. There is no profit or no loss is known as []
(A) BEA (B) Margin of Safety
(C) BEP (D) Cost-Volume-Profit
30. The point where the total revenue line crosses the total cost line is called: []
(A) Point of inflection (B) Breakeven point
(C) Equilibrium point (D) Split off point

31. AVC may be expressed as the ratio of : []
(A) TVC and L (B) TVC and AVP
(B) W and AFC (D) W and AVP
32. Formula for Margin of safety []
(A) Actual sales – BEP sales (B) Actual sales + BEP sales
(C) P/V ratio + Variable cost (D) None
33. A firm is said to be attain the BEP where []
(A) $TR > TC$ (B) $TR * TC$
(C) $TR < TC$ (D) $TR = TC$
34. Which of the following represents the ratio between the contribution and sales? []
(A) Cost-Volume profit ratio (B) Volume profit ratio
(C) Cost-Volume ratio (D) Profit-Volume ratio
35. When do the fixed costs vary? []
(A) In the short run (B) In the long run
(C) In two years (D) Less than two years
36. Which of the following varies with the volume of production? []
(A) Fixed costs (B) Variable costs
(C) Semi fixed costs (D) Semi variable costs
37. Which of the following do not involve payment of cash as they are not actually incurred? []
(A) Explicit costs (B) Implicit costs
(C) Book costs (D) Incremental costs
38. Which of the following refers to the additional cost incurred for producing one more additional unit? []
(A) Long run costs (B) Standard costs
(C) Marginal costs (D) Outlay costs
39. The difference between the total revenue and total cost is called []
(A) Cost of production (B) Cost of capital
(B) Profit (D) Capital
40. Which of the following refers to the returns enjoyed by the firm as a result of change in all the inputs? []
(A) Returns to business (B) Returns to scale
(C) Increasing returns to scale (D) Decreasing returns to scale