

VIRTUAL UNIVERSITY OF PAKISTAN

A Good Education is a Foundation For a Better Future
CORRECT ANSWER SOLVED BY HADI
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TEAM HADI(VU LAHORE)

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Best of luck!



Question No : 1 of 27

Marks: 1 (Budgeted Time 1 Min)

According to the utility model of consumer demand, the law of diminishing marginal utility indicates that the demand curve is:

Answer (Please select your correct option)

☐ Vertical.

☐ U-shaped.

☐ Upward-sloping.

☒ Downward-sloping.



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Question No : 2 of 27

Marks: 1 (Budgeted Time 1 Min)

A total cost curve:

Answer (Please select your correct option)

- ☐ Relates output with total cost.
- ☐ Is always upward sloping.
- ☐ Gets steeper as output rises, due to diminishing marginal product of an input.
- ☐ All of the given options.



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Question No : 3 of 27

Marks: 1 (Budgeted Time 1 Min)

Diminishing marginal returns implies:

Answer (Please select your correct option)

- ☐ Decreasing marginal costs.
- ☒ Increasing marginal costs.
- ☐ Decreasing average variable costs.
- ☐ Decreasing average fixed costs.



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Question No : 4 of 27

Marks: 1 (Budgeted Time 1 Min)

If income elasticity is negative, the good is:

Answer (Please select your correct option)

☐ Normal good.

☐ A substitute good.

☐ A complementary good.

☒ Inferior good.



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Question No : 5 of 27

Marks: 1 (Budgeted Time 1 Min)

Which of the following is TRUE about an isocost line?

Answer (Please select your correct option)

- ☐ It shows the cost of inputs needed to produce along an isoquant.
- ☐ It shows the cost of inputs needed to produce along an expansion path.
- ☐ It shows the input combinations that can be purchased with a given outlay of funds.
- ☐ It shows the output combinations that can be produced with a given outlay of funds.



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Question No : 6 of 27

Marks: 1 (Budgeted Time 1 Min)

Which of the following is TRUE for third-degree price discrimination?

Answer (Please select your correct option)

☐ Charging different prices to different groups based upon differences in elasticity of demand.



☐ Charging each consumer the same two part tariff.

☐ The use of increasing block rate pricing.

☐ Charging lower prices the greater the quantity purchased.

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Question No : 7 of 27

Marks: 1 (Budgeted Time 1 Min)

Rationing is needed due to the problem of:

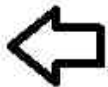
Answer (Please select your correct option)

☐ Unemployment.

☐ Inflation.

☒ Scarcity.

☐ Poverty.



Correct answer solved by hadi

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Question No : 8 of 27

Marks: 1 (Budgeted Time 1 Min)

The demand for apples is expressed as: $Q_d = 100 - 5P$

The supply of apples is expressed as: $Q_s = 25 + 10P$

Refer to the above scenario, if the equilibrium price of apples is Rs.5, the equilibrium quantity of apples is:

Answer (Please select your correct option)

☐ 73

☐ 75

☐ 80

☐ 85

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Question No : 9 of 27

Marks: 1 (Budgeted Time 1 Min)

Chicken sandwiches are normal goods, which means that as:

Answer (Please select your correct option)

- ☐ Incomes go up, the demand curve shifts to the right.
- ☐ Incomes go up, the supply curve shifts to the right.
- ☐ Price falls, the quantity demanded decreases.
- ☐ As incomes increase, people buy less.

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Question No : 10 of 27

Marks: 1 (Budgeted Time 1 Min)

What is meant by the term utility?

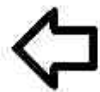
Answer (Please select your correct option)

☐ Useless.

☐ Require.

☐ Necessary.

☐ Satisfaction.



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According to the following table, marginal utility is zero for the _____ unit.

Units	Total Utility
0	0
1	20
2	35
3	45

Answer (Please select your correct option)

☐ First

☐ Second

☐ Third

☐ Fifth

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Question No : 12 of 27

Marks: 1 (Budgeted Time 1 Min)

The total cost (TC) function is given as: $TC = 200 + 5Q$. What is the fixed cost?

[check](#)

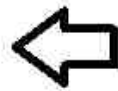
Answer (Please select your correct option)

☐ 5Q

☐ 5

☐ $5 + (200/Q)$

☒ 200



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Question No : 13 of 27

Marks: 1 (Budgeted Time 1 Min)

The total cost (TC) function is given as: $TC = 200 + 5Q$. What is the average total cost?

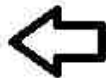
Answer (Please select your correct option)

☐ 5Q

☐ 5

☒ $5 + (200/Q)$

☐ None of the given options



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Question No : 14 of 27

Marks: 1 (Budgeted Time 1 Min)

Units of variable input	Total Output per Period
1	10
2	15
3	19

Answer (Please select your correct option)

☐ 2

☐ 3

☐ 4

☐ 5

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Question No : 15 of 27

Marks: 1 (Budgeted Time 1 Min)

Q	P	TC	TR
10	5	100	50
20	5	130	100
30	5	150	150
40	5	160	200
50	5	170	250

Answer (Please select your correct option)

0.

☐

40.

☐

45.

☐

80.

☐

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Question No : 16 of 27

Marks: 1 (Budgeted Time 1 Min)

Assume that the market for laptops is dominated by a single firm, like Inbox, that is able to exert influence over prices and output. This situation violates which of the following assumptions of perfect competition?

Answer (Please select your correct option)

☐ Many buyers and sellers

☐ Easy entry and exit

☐ No discrimination

☐ Perfect information

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Question No : 17 of 27

Marks: 1 (Budgeted Time 1 Min)

Assume that the computer buyers in northern parts of Pakistan have no idea what prices are being paid in the southern parts of Pakistan. This situation violates which of the following assumptions of perfect competition?

Answer (Please select your correct option)

☐ Identical goods

☐ No discrimination

☐ Perfect information

☐ Many buyers and sellers

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The local bus system charges lower fares to students than to the other passengers. Suppose that this pricing strategy increases the profits of the bus system, we can conclude that students must have a _____ for bus service than other passengers.

Answer (Please select your correct option)

- ☐ Greater demand
- ☐ Lower demand
- ☐ More elastic demand
- ☐ Less elastic demand

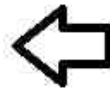
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While moving from left to right, the typical production possibilities frontier (PPF) has:

Answer (Please select your correct option)

- ☐ An increasingly steep negative slope.
- ☐ A decreasingly steep negative slope.
- ☐ An increasingly steep positive slope.
- ☐ A constant and negative slope.



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Question No : 20 of 27

Marks: 1 (Budgeted Time 1 Min)

What is the assumption of constructing a production possibilities frontier?

Answer (Please select your correct option)

- ☐ Economic resources are underutilized.
- ☐ Production technology is allowed to vary.
- ☐ All available resources are employed efficiently.
- ☐ None of the given options.

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Question No : 21 of 27

Marks: 1 (Budgeted Time 1 Min)

A demand curve is price elastic when:

Answer (Please select your correct option)

- ☐ Changes in demand are proportionately greater than changes in price.
- ☒ Changes in demand are equal to changes in price. 
- ☐ Total revenue increases due to increase in price.
- ☐ Changes in demand are proportionately smaller than changes in price.

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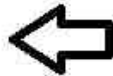
If different firms in the oligopolistic structure do not cooperate with each other, this situation is known as:

2- NON- COLLUSIVE OLIGOPOLY

If different firms in the oligopolistic structures do not cooperate with each other is known as non collusive oligopoly. In this case, collusion breaks down because the incentive to cheat is very high.

Answer (Please select your correct option)

☐ Collusive oligopoly.



☐ Cartel.

☐ Price leadership.

☐ Non-collusive oligopoly.

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Question No : 23 of 27

Marks: 3 (Budgeted Time 6 Min)

Identify the factors which can affect the income elasticity of demand.

Answer ([Please click here to Add Answer](#))



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Question No : 24 of 27

Marks: 3 (Budgeted Time 6 Min)

Differentiate between the shape of demand curve in oligopoly and monopoly.

Answer ([Please click here to Add Answer](#))

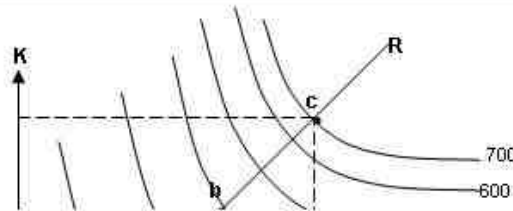


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Question No : 25 of 27

Marks: 3 (Budgeted Time 6 Min)



Answer (Please [click here](#) to Add Answer)



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Question No : 26 of 27

Marks: 5 (Budgeted Time 10 Min)

Write down the advantages and disadvantages of monopoly.

Answer ([Please click here to Add Answer](#))



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Question No : 27 of 27

Marks: 5 (Budgeted Time 10 Min)

Use the indifference curve analysis to show the optimum consumption point for the consumer. At which point the consumer will be in equilibrium?

Answer (Please [click here](#) to Add Answer)



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