



# ST. LAWRENCE HIGH SCHOOL

*A Jesuit Christian Minority Institution*



**Answerkey 28**

**Class: XII**

**Sub: Economics**

**Chapter 05: Theory of Cost**

**Topic: Concept of Average cost and Marginal cost**

**F.M.: 15**

**Date: 02/07/2020**

## Multiple choice questions

**1x15 = 15**

1. At the lowest point of the AC curve

- a.  $AC < MC$ ,
- b.  $AC = MC$ ,
- c.  $AC > MC$ ,
- d.  $AC = 0$ .

**Ans:** b.  $AC = MC$ .

2. In the short run AC will be\_\_\_\_\_.

- a. U shaped,
- b. Upward rising,
- c. Downward sloping,
- d. Concave.

**Ans:** a. U shaped.

3. AFC curve will be \_\_\_\_\_.

- a. Downward sloping,
- b. Horizontal,
- c. U shaped,
- d. Upward rising.

**Ans:** a. Downward sloping.

4. In the short run MC will be\_\_\_\_\_.

- a. U shaped,
- b. Upward rising,
- c. Downward sloping,
- d. Concave.

**Ans:** a. U shaped.

5. The short run AVC curve will be \_\_\_\_\_.

- a. Downward sloping,
- b. Upward rising,
- c. U shaped,
- d. S shaped.

**Ans:** c. U shaped.

6. When  $MC < AC$ , AC will be\_\_\_\_\_.

- a. Downward sloping,
- b. Upward rising,
- c. Fixed,
- d. None of these.

**Ans:** a. Downward sloping.

7. Which curve is a rectangular hyperbola in shape?
- a. AVC,
  - b. AFC,
  - c. AC,
  - d. MC.

**Ans:** b. AFC.

8. Total cost per unit of output is known as \_\_\_\_\_.
- a. MC,
  - b. TC,
  - c. TFC,
  - d. AC.

**Ans:** d. AC.

9. When average cost increases marginal cost\_\_\_\_\_.
- a. Increases,
  - b. Decreases,
  - c. Is higher than AC,
  - d. Is lower than AC.

**Ans:** c. Is higher than AC.

10. As output level increases the AFC \_\_\_\_\_.
- a. Increases,
  - b. Decreases,
  - c. Remain constant,
  - d. U shaped.

**Ans:** b. Decreases.

11. When AVC is minimum then \_\_\_\_\_.
- a.  $AVC=MC$ ,
  - b.  $AVC>MC$ ,
  - c.  $AVC<MC$ ,
  - d.  $AVC=AC$ .

**Ans:** a.  $AVC=MC$ .

12. Both AVC and AC first decrease and then \_\_\_\_\_.
- a. Increase,
  - b. Negative,
  - c. Positive,
  - d. None of these.

**Ans:** a. Increase.

13. Cost of producing one extra unit of output is known as \_\_\_\_\_.

- a. AC,
- b. AVC,
- c. AFC,
- d. MC.

**Ans:** d. MC.

14. By adding AFC and AVC vertically we get \_\_\_\_\_ curve.

- a. MC,
- b. TC,
- c. AC,
- d. TVC.

**Ans:** c. AC.

15. Among AC, MC, AVC, minimum point of \_\_\_\_\_ curve will come first.

- a. AC,
- b. MC,
- c. AVC,
- d. None of these.

**Ans:** b. MC.

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