

# DECEMBER COMPETENCY BASED QUESTIONS Economics - Class XI

## Competency Based Questions - Economics

Class XI

1. Which of the following leads to an **Increase in supply**? \*

1 point

*Mark only one oval.*

- A. Increase in price
- B. Decrease in input cost
- C. Increase in profit tax
- D. Rise in price of related goods

Answer: B

Explanation: Cheaper inputs reduce cost, shifting supply rightward

2. A farmer notices that when the price of wheat increases from ₹20/kg to ₹25/kg, he increases supply from 500 kg to 700 kg. This is an example of: \* 1 point

*Mark only one oval.*

- A. Expansion of supply
- B. Increase in supply
- C. Contraction of supply
- D. Decrease in supply

Answer: A

Explanation: Movement along same supply curve due to price rise.

3. A firm produces 100 units at a total cost of ₹5,000. When output rises to 110 units, total cost becomes ₹5,400. Marginal Cost for the extra 10 units is: \* 1 point

*Mark only one oval.*

- A. ₹40
- B. ₹400
- C. ₹4,000
- D. ₹20

Answer: B

Explanation:  $MC = \Delta TC / \Delta Q = 400 / 10 = 40$  per unit, but for 10 units total = ₹400.

4. A textile firm finds that the price of cotton yarn rises due to drought conditions. As a result, the firm reduces the production of shirts despite the market price of shirts remaining constant. \* 1 point

**What type of change in supply has occurred?**

*Mark only one oval.*

- A. Expansion of supply
- B. Contraction of supply
- C. Increase in supply
- D. Decrease in supply

Answer: D – Decrease in supply

Explanation: Supply falls due to increase in input cost (non-price factor), causing the supply curve to shift left.

5. A manufacturer's average fixed cost drops from ₹20 to ₹10 when production \* 1 point rises from 100 to 200 units.

**Why does AFC always fall as output increases?**

*Mark only one oval.*

- A. Total Fixed Cost increases
- B. Total Fixed Cost decreases
- C. Total Fixed Cost is constant
- D. AVC falls

Answer: C – TFC is constant

Explanation:  $AFC = TFC / \text{Output}$ ; as denominator increases, AFC falls.

6. A restaurant buys a robot chef which reduces labour cost by 25%. They can \* 1 point now serve more meals at the same price.

**What happens to supply?**

*Mark only one oval.*

- A. Expansion of supply
- B. Increase in supply
- C. Contraction of supply
- D. Decrease in supply

Answer: B – Increase in supply

Explanation: Lower cost → supply curve shifts right.

7. **Assertion (A):** Marginal Cost cuts both AVC and ATC at their minimum points. \* 1 point

**Reason (R):** When  $MC < AC$ , AC falls; when  $MC > AC$ , AC rises.

Choose the correct option

*Mark only one oval.*

- A. Both A and R are true, and R is the correct explanation of A.
- B. Both A and R are true, but R is not the correct explanation of A.
- C. A is true, but R is false.
- D. A is false, but R is true.

Answer: A

1. When MC is less than AC, producing an additional unit costs less than the average, so the AC decreases.

2. When MC is greater than AC, producing an additional unit costs more than the average, so the AC increases.

3. Therefore, the MC curve intersects the AC curve exactly at the minimum point of the AC curve, where AC stops decreasing and starts increasing.

Summary:

$MC < AC \Rightarrow AC$  falls

$MC = AC \Rightarrow AC$  is at minimum

$MC > AC \Rightarrow AC$  rises

## 8. Consider the following graph and read the question

\* 1 point

A firm reduces the price of its product in order to sell additional units. As a result, total revenue increases at a decreasing rate.

Which of the following best describes the MR curve?

Choose the correct option?

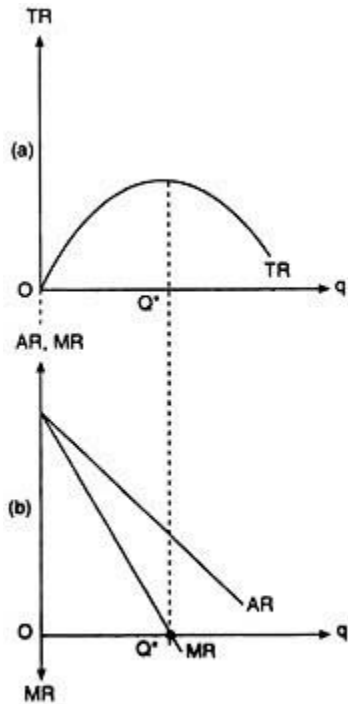


Fig. 3.2 TR, AR and MR curves under imperfect competition

Mark only one oval.

- a) Horizontal
- b) Downward sloping
- c) Vertical
- d) Backward bending

Answer: b) Downward sloping.

9. **Assertion (A):**  $TR = P \times Q$ . \* 1 point  
**Reason (R):** TR is derived by summing MR for each extra unit.

Choose the correct option

*Mark only one oval.*

- a. Both Assertion (A) and Reason (R) is true but Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) is 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

Answer: B

Explanation:  $TR = P \times Q$  is correct for all outputs; summing MR gives TR, but R is not the explanation of A.

10. AR curve is downward sloping: \* 1 point

*Mark only one oval.*

- a) When price falls with rise in output
- b) When price initially rises at an increasing rate, then at a diminishing rate
- c) When price remains same at all levels of output
- d) In case of imperfect Competition

Answer: A. When price falls with rise in output. It happens under monopoly and imperfect competition

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