

November Competency Based Questions - Economics

Class XI

1. Which of the following statements is true about MP and AP? *

1 point

Mark only one oval.

- a) MP cuts AP from below at maximum AP
- b) MP cuts AP from above at maximum AP
- c) MP never equals AP
- d) MP and AP are always equal

Answer: b) MP cuts AP from above at maximum AP

Explanation: MP and AP curves intersect at AP's highest point, with MP falling and AP at its maximum.

2. A firm producing wooden chairs keeps its machinery constant but changes the number of workers. The manager observes that when 4 workers are employed, total output is 100 units, and when 5 workers are employed, output increases to 115 units. * 1 point

The marginal product of the 5th worker is:

Mark only one oval.

- A. 15 units
- B. 20 units
- C. 25 units
- D. 10 units

Answer: A. 15 units

Explanation:

Marginal Product (MP) = Change in Total Product (ΔTP) \div Change in Labour (ΔL)
= $(115 - 100) \div (5 - 4) = 15$ units.

Thus, the MP of the 5th worker is 15 units.

3. A small bakery finds that the average product (AP) of workers is 20 cakes per worker. The marginal product (MP) of the next worker is 25 cakes. * 1 point

What will happen to the average product after employing this worker?

Mark only one oval.

- a) AP will rise
- b) AP will fall
- c) AP will remain constant
- d) AP will become zero

Answer: A. AP will rise

Explanation:

When $MP > AP$, the average product (AP) increases.

Since MP (25) is greater than AP (20), the additional worker raises the average productivity.

4. **Assertion (A):** In the stage of diminishing returns, both MP and AP decline, but MP falls faster than AP. * 1 point

Reason (R): Fixed factors limit the efficiency of additional variable factors.

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. Both A and R are true, and R is the correct explanation of A.

Explanation:

As more variable factors (like labour) are added to a fixed factor (like land), overcrowding or inefficiency sets in. The fixed factor's limited capacity restricts productivity, causing MP to fall faster than AP

5. What causes diminishing returns in production? * 1 point

Mark only one oval.

- A) Improvement in technology
- B) Better division of labour
- C) Overutilization of fixed factors
- D) Increase in efficiency

Answer: D. 1 and 3 are correct

Explanation:

Statement 1 is correct — when TP falls, MP becomes negative.

Statement 2 is incorrect — the law applies when one factor varies, not all.

Statement 3 is correct — the stage of diminishing returns (Stage II) is rational because both MP and AP are positive, and output is maximized efficiently.

6. **Read the following statements carefully:** * 1 point

Marginal Product becomes negative when Total Product declines.

The law of variable proportion applies only when all factors are variable.

The stage of diminishing returns is the most rational stage of production.

Choose the correct answer from the options given below:

Mark only one oval.

- A. 1, 2 and 3 are correct
- B. 1 and 2 are correct
- C. Only 3 is correct
- D. All 1 and 3 are correct

. Answer: A. only 1 is correct

Explanation:

Statement 1: True — MP measures extra output per additional input.

Statement 2: False — MP can become negative in the stage of negative returns.

Statement 3: False — When TP reaches its maximum, $MP = 0$.

7. **Assertion (A):** The Law of Variable Proportion operates in the short run. * 1 point

Reason (R): In the short run, at least two factors of production must remain fixed.

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: C. A is true but R is false

Explanation:

The law applies to the short run because at least one inputs (like land or capital) must remain fixed while others (like labour) are varied. That's why the proportion between variable and fixed factors changes — hence the name Law of Variable Proportion.

8. **Consider the following statements about Marginal Product (MP):**

* 1 point

MP is the additional output obtained by employing one more unit of the variable input.

MP can never be negative.

MP becomes zero when Total Product reaches its minimum.

Choose the correct option?

Mark only one oval.

- A) Only 1
- B) Only 2
- C) Only 3
- D) 1,2 and 3 are correct

Answer: A. only 1 is correct

Explanation:

Statement 1: True — MP measures extra output per additional input.

Statement 2: False — MP can become negative in the stage of negative returns.

Statement 3: False — When TP reaches its maximum, $MP = 0$

9. Read the following statements –Assertion (A) and Reason (R) Choose one of the correct alternatives given below: * 1 point

Assertion (A): Zero marginal product signifies that changes in total product is zero.

Reason (R) : Marginal product can be negative but average product cannot be negative.

Alternatives:

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

Assertion is true -

Marginal product = $TP_n - TP_{n-1}$

if example $MP = 28 - 28$

$MP = 0$, hence true

Reason is also true but it shows relation between MP and AP.

hence reason is not the correct explanation of assumption

Ramesh owns a small piece of farmland. He decides to keep land and machinery constant but increase the number of labourers.

The stage of increasing returns to a factor ends when:

*

10. Ramesh owns a small piece of farmland. He decides to keep land and machinery constant but increase the number of labourers. * 1 point

The stage of increasing returns to a factor ends when:

Mark only one oval.

- A. TP increases at an increasing rate
- B. MP starts to decline
- C. AP starts to rise
- D. MP becomes negative

Answer: B. MP starts to decline

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