

For Solved Visit **VU Answer**

## ECO401 Final Term Papers By Waqar (File 1)

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

The following table shows a firm's Total Product of labor. What is the Marginal Product of labor between 20 and 30 units of labor?

Table	
Quantity of Labor	Total Product
0	0
20	230
30	340

Answer ( Please select your correct option )

- 340 units.
- 220 units.
- 11 units.
- 110 units.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

10	100
20	230
30	340
40	410
50	460

Answer ( Please select your correct option )

- 340 units.
- 220 units.
- 11 units.
- 110 units.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 2 of 60 Marks: 1 (Budgeted Time 1 Min)

The kinked demand curve model is based on which of the following assumptions?

Answer ( Please select your correct option )

- Each firm considers its rival's output to be fixed.
- Each firm considers its rival's price to be fixed.
- Each firm believes rivals will match all price changes.
- None of the given options.

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Question No : 3 of 60 Marks: 1 (Budgeted Time 1 Min)

An increase in the wage rate:

Answer ( Please select your correct option )

- Will usually lead to more people employed.
- Will decrease total earnings if the demand for labour is wage elastic.
- Is illegal in a free market.
- Will cause a shift in the demand for labour.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 4 of 60 Marks: 1 (Budgeted Time 1 Min)

The aggregate supply curve is the relationship between:

Answer ( Please select your correct option )

- The price level and the real domestic output purchased.
- The price level and the real domestic output produced.
- The price level which producers are willing to accept and the price level purchasers are willing to pay.
- The real domestic output purchased and the real domestic output produced.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 5 of 60 Marks: 1 (Budgeted Time 1 Min)

An assumption of classical economics is:

Answer ( Please select your correct option )

- Investment and saving are seldom equal.
- Self-correction takes a long time.
- Demand creates its own supply.
- Prices and wages are flexible.

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Question No : 6 of 60 Marks: 1 (Budgeted Time 1 Min)

All other things remain the same, Gross Domestic Product (GDP) will rise if:

Answer ( Please select your correct option )

- Imports rises.
- Exports falls.
- Durable goods consumption rises.
- Military spending falls.

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Question No : 7 of 60 Marks: 1 (Budgeted Time 1 Min)

The trend of unemployment over the last forty years is:

Answer ( Please select your correct option )

- A decrease in unemployment.
- It has remained largely unchanged.
- An increase in unemployment.
- It is too difficult to tell so don't bother.

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Question No : 8 of 60 Marks: 1 (Budgeted Time 1 Min)

In the Keynesian cross model, the aggregate expenditure line has a slope of:

Answer ( Please select your correct option )

- 1.
- 0.
- Infinity.
- Less than 1.

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Question No : 9 of 60 Marks: 1 (Budgeted Time 1 Min)

According to Keynesian economics, aggregate expenditures are the sum of desired or planned spending undertaken by:

Answer ( Please select your correct option )

- All four sectors only when the economy is at full employment.
- All four sectors at a specific aggregate production level.
- The household sector after taxes.
- The business and government sectors.

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Question No : 10 of 60 Marks: 1 (Budgeted Time 1 Min)

The relationship between hours provided by labor and wage rate is:

Answer ( Please select your correct option )

- Positive.
- Negative.
- Ambiguous.
- Very strong.

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Question No : 11 of 60 Marks: 1 (Budgeted Time 1 Min)

The information economics is a branch of:

Answer ( Please select your correct option )

- Microeconomics.
- Macroeconomics.
- Monetary economics.
- Development economics.

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Question No : 12 of 60 Marks: 1 (Budgeted Time 1 Min)

What is the international trade effect that explains why the aggregate demand curve slopes downward?

Answer ( Please select your correct option )

- An increase in net exports shifts the aggregate demand curve to the right.
- An increase in the domestic price level reduces net exports leading to a movement along the aggregate demand curve.
- An increase in the exchange rate shifts the aggregate demand curve to the right.
- An increase in the prices of foreign goods level reduces imports leading to a movement along the domestic economy's aggregate demand curve.

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 13 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is equal to personal savings?

Answer ( Please select your correct option )

- Gross domestic income - consumption.
- Personal disposable income - consumption.
- Gross domestic product - consumption.
- Personal disposable income - taxes - consumption.

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 14 of 60 Marks: 1 (Budgeted Time 1 Min)

Structural unemployment occurs:

Answer ( Please select your correct option )

- With economic fluctuations; it increases during bad times and decreases during good times.
- Because of a mismatch between the jobs that are available in the economy and the skills of workers seeking jobs.
- Naturally during the normal workings of an economy, as people change jobs, move across the country, etc.
- Because the government labels some people who aren't really in the labor force as unemployed.

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Question No : 15 of 60 Marks: 1 (Budgeted Time 1 Min)

A system in which exchange rates are set by government policy is called a:

Answer ( Please select your correct option )

- Managed float system.
- Free-floating exchange rate system.
- Commodity standard system.
- Fixed exchange rate system.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 16 of 60 Marks: 1 (Budgeted Time 1 Min)

Devaluation is done to:

Answer ( Please select your correct option )

- Encourage exports.
- Discourage exports.
- Encourage imports.
- Encourage inflation.

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Question No : 17 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following types of capital exist in real world?

Answer ( Please select your correct option )

- Private capital stock.
- Public infrastructure.
- Human capital.
- All of the given options.

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Question No : 18 of 60 Marks: 1 (Budgeted Time 1 Min)

A tax in which people pay the same percentage of income in taxes regardless of their incomes is called:

Answer ( Please select your correct option )

- Value-added tax.
- Regressive tax.
- Proportional tax.
- Progressive tax.

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Question No : 19 of 60 Marks: 1 (Budgeted Time 1 Min)

Economists define economic growth as:

Answer ( Please select your correct option )

- Changes in real GDP from year to year that occur as aggregate demand and short-run aggregate supply change.
- An increase in the standard of living of a nation.
- An increase in nominal GDP combined with price stability.
- The process through which the economy's potential output is increased.

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Question No : 20 of 60 Marks: 1 (Budgeted Time 1 Min)

Consumers can make about the rational decision by using:

Answer ( Please select your correct option )

- Total utility and marginal utility approach.
- Income and consumption analysis.
- Cost and benefit analysis.
- Working hours and leisure time.

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Question No : 21 of 60 Marks: 1 (Budgeted Time 1 Min)

Assume that there is no government or foreign sector, if the marginal propensity to save (MPS) is 0.2, then the value of saving multiplier will be equal to:

Answer ( Please select your correct option )

- 0.80
- 1.20
- 0.50
- 1.25

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Question No : 22 of 60 Marks: 1 (Budgeted Time 1 Min)

The multiplier is a related concept which formalizes the output response to:

Answer ( Please select your correct option )

- Saving.
- Investment.
- Taxes.
- Inflation.

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Question No : 23 of 60 Marks: 1 (Budgeted Time 1 Min)

Fisher equation explains that:

Answer ( Please select your correct option )

- Real GDP= Nominal GDP- Inflation.
- Real GDP= Nominal GDP+ Inflation.
- Nominal GDP= Real GDP-Inflation.
- Real GDP=Inflation- Nominal GDP.

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 24 of 60 Marks: 1 (Budgeted Time 1 Min)

The value of world trade has increased -----over the period of 1930-2000.

Answer ( Please select your correct option )

- 20 fold
- 10 fold
- 5 fold
- 14 fold

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 25 of 60 Marks: 1 (Budgeted Time 1 Min)

The developing countries often face two gaps, foreign exchange gap and:

Answer ( Please select your correct option )

- Saving and investment gap.
- Income and consumption gap.
- Aggregate demand and aggregate supply gap.
- None of the given options.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 28 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following measures the percentage change in quantity demanded given a percentage change in consumer's income?

Answer ( Please select your correct option )

- Price elasticity of demand
- Income elasticity of demand
- Price elasticity of supply
- Cross price elasticity of demand

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 29 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose that the cross price elasticity of demand for Coke with respect to the price of Mountain Dew is 0.8. This implies that these two goods are:

Answer ( Please select your correct option )

- Substitutes.
- Complements.
- Inferior.
- Normal.

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**ECO401 Economics** BC120202108 (SAAD HABIB)

Question No : 30 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose the total utility derived from consuming first four units of a good are 10, 20, 30 and 40 respectively. What is the marginal utility of the fourth unit of good?

Answer ( Please select your correct option )

- 10.
- 20.
- 30.
- 40.

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Units	Total Utility
0	0
1	20
2	35
3	45
4	50

Question No : 31 of 60 Marks: 1 (Budgeted Time 1 Min)

Answer ( Please select your correct option )

- 15.
- 10.
- 5.
- 0.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 32 of 60 Marks: 1 (Budgeted Time 1 Min)

Alli, a careful maximizer of utility, consumes only two goods butter and potato. He had just achieved the utility maximizing solution in his consumption of the two goods when the price of potato rose. As he adjusts to this event, he will consume:

Answer ( Please select your correct option )

- More butter and less potato.
- Less butter and less potato.
- More butter and more potato.
- Less butter and more potato.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 33 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose that 48 units of output are produced by using 12 units of labor. Which of the following is TRUE in this context?

Answer ( Please select your correct option )

- The marginal product of labor is 4.
- The total product of labor is 1/4.
- The average product of labor is 4.
- None of the given options.

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**ECO401 Economics** **BC120202108 (SAAD HABIB)**

Question No : 34 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose all inputs are increased by 30% and output increases by more than 30% in a production process. This means that the firm experiences:

Answer ( Please select your correct option )

- Decreasing returns to scale.
- Constant returns to scale.
- Increasing returns to scale.
- None of the given options.

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**ECO401 Economics** **BC120202108 (SAAD HABIB)**

Question No : 35 of 60 Marks: 1 (Budgeted Time 1 Min)

Q	P	TR
1	8	8
2	7	14
3	6	18
4	5	20
5	4	20

Answer ( Please select your correct option )

- 2.
- 0.
- 2.
- 4.

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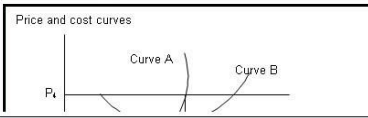
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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 36 of 60 Marks: 1 (Budgeted Time 1 Min)

Price and cost curves



Answer ( Please select your correct option )

- Average total cost curve.
- Marginal revenue curve.
- Marginal cost curve.
- Average variable cost curve.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 37 of 60 Marks: 1 (Budgeted Time 1 Min)

OPEC is:

Answer ( Please select your correct option )

- A cartel of oil producing countries.
- The Organization of Petroleum Exporting Countries.
- The cartel that was responsible for the large increases in crude oil prices in the 1970s.
- Illustrated by all of the given options.

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 38 of 60 Marks: 1 (Budgeted Time 1 Min)

Answer ( Please select your correct option )

- Price level =  $P_2$ ; real GDP =  $Y_2$ .
- Price level =  $P_3$ ; real GDP =  $Y_p$ .
- Price level =  $P_1$ ; real GDP =  $Y_p$ .
- Price level =  $P_1$ ; real GDP =  $Y_1$ .

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 39 of 60 Marks: 1 (Budgeted Time 1 Min)

Answer ( Please select your correct option )

- Price level =  $P_1$ ; real GDP =  $Y_p$ .
- Price level =  $P_1$ ; real GDP =  $Y_1$ .
- Price level =  $P_2$ ; real GDP =  $Y_2$ .
- Price level =  $P_3$ ; real GDP =  $Y_p$ .

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 40 of 60 Marks: 1 (Budgeted Time 1 Min)

If the government wishes to achieve a fall in unemployment, which of the following policies should it adopt?

Answer ( Please select your correct option )

- Reduce the real value of income tax free allowances.
- Reduce government spending on capital projects.
- Raise Value Added Tax (VAT).
- Start public job training programs.

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VU Examination System (CLIENT) VUTES 6.5 ..... Fall...

ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 41 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is a cost of rising unemployment?

- I. Output foregone.
- II. Unemployment compensation that must be paid.
- III. Rising inflation that erodes the value of money.

Answer ( Please select your correct option )

- I, II, and III.
- I and II.
- I and III.
- II and III.

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VU Examination System (CLIENT) VUTES 6.5 ..... Fall...

ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 42 of 60 Marks: 1 (Budgeted Time 1 Min)

According to the quantity theory of money, which of the following is TRUE for the equation  $MV = PQ$ ?

Answer ( Please select your correct option )

- M has no effect on the price level.
- V is the number of times each rupee is spent per year.
- Q is the real price level.
- P rises as V falls, other things constant.

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VU Examination System (CLIENT) VUTES 6.5 ..... Fall...

ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 43 of 60 Marks: 1 (Budgeted Time 1 Min)

A trade deficit occurs when:

Answer ( Please select your correct option )

- A country sells more abroad than it purchases from abroad.
- Foreign firms open more stores in a country than the country opens in foreign countries.
- A country's firms open more stores abroad than foreign firms open in the country.
- A country purchases more from abroad than other countries purchase less from this country.

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VU Examination System (CLIENT) VUTES 6.5 : Fall 2012 (Final Term)

ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 44 of 60 Marks: 1 (Budgeted Time 1 Min)

What is TRUE for a poor country?

Answer ( Please select your correct option )

- The supply of capital is low.
- The demand for capital is low.
- Both the supply of and demand for capital are low.
- Their GDP growth rate is very high.

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VU Examination System (CLIENT) VUTES 6.5 : Fall 2012 (Final Term)

ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 45 of 60 Marks: 1 (Budgeted Time 1 Min)

What happens in a steady state condition with no population growth?

Answer ( Please select your correct option )

- The amount of capital per worker remains constant over time.
- Investment per worker equals depreciation per worker.
- Saving per worker equals depreciation per worker.
- All of the given options.

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 46 of 60 Marks: 1 (Budgeted Time 1 Min)

If the required reserve ratio is 20% then what will be the value of money multiplier?

Answer ( Please select your correct option )

- 1
- 2.5
- 5
- 7

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 47 of 60 Marks: 1 (Budgeted Time 1 Min)

The money multiplier is the reverse of:

Answer ( Please select your correct option )

- Legal reserves.
- Excess reserves.
- Checkable deposits.
- Reserve ratio.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 48 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is a primary function of a central bank?

Answer ( Please select your correct option )

- To regulate dividend payments by corporations
- To act as a regulator of banks
- To control the bond market
- To publish statistics on banking and related financial matters

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VU Examination System (CLIENT) VUTES 6.5 ..... Fall...

ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 49 of 60 Marks: 1 (Budgeted Time 1 Min)

How an economy will be affected if money supply is increased in the country?

Answer ( Please select your correct option )

- Interest rate increases, investment and GDP reduces.
- Interest rate increases, investment increases and GDP reduces.
- Interest rate reduces, investment and GDP increases.
- Interest rate reduces, investment and GDP reduces.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 50 of 60 Marks: 1 (Budgeted Time 1 Min)

If prices are held constant, what will be the impact of an increase in money supply on real money supply curve?

Answer ( Please select your correct option )

- It will shift to the right.
- It will shift to the left.
- It will stay as it is.
- None of the given options.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 51 of 60 Marks: 1 (Budgeted Time 1 Min)

Governments protect domestic industries from foreign competition by which of the following action?

Answer ( Please select your correct option )

- By keeping the minimum wage low
- By encouraging agreements like NAFTA
- By using tariff and non-tariff barriers
- By discouraging union membership

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 52 of 60 Marks: 1 (Budgeted Time 1 Min)

What is meant by the negative slope of a production possibilities frontier?

Answer ( Please select your correct option )

- It means that some resources are always unemployed.
- It means that an economy can produce more of one thing only by producing less of something else.
- It means that opportunity costs are constant.
- It means that business can sell more when prices are low.

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ECO401 Economics BC120202108 (SAAD HABIB)

Question No : 53 of 60 Marks: 3 (Budgeted Time 6 Min)

Write down the functions of commercial banks.

Answer ( Please click here to Add Answer )

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 54 of 60 Marks: 3 (Budgeted Time 6 Min)

Discuss different methods for measurement of Gross Domestic Product (GDP).

Answer ( Please click here to Add Answer )

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 55 of 60 Marks: 3 (Budgeted Time 6 Min)

How the growth rate of output is determined in the exogenous growth model?

Answer ( Please click here to Add Answer )

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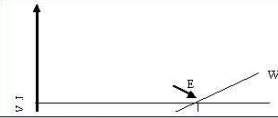
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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 56 of 60 Marks: 5 (Budgeted Time 10 Min)



Answer ( Please click here to Add Answer )

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 57 of 60 Marks: 5 (Budgeted Time 10 Min)

Country	Commodity	Amount that can be produced in 1 year
USA	Cotton	40 units
	Food	60 units
UK	Cotton	30 units
	Food	20 units

A. Consider there is no international trade. See the above table and answer which country has absolute advantage in which product?

Answer ( Please click here to Add Answer )

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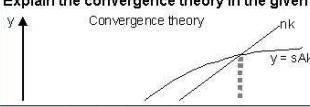
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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 58 of 60 Marks: 5 (Budgeted Time 10 Min)

Explain the convergence theory in the given graph.



Answer ( Please click here to Add Answer )

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ECO401 Economics BC12020108 (SAAD HABIB)

Question No : 59 of 60 Marks: 5 (Budgeted Time 10 Min)

From the information given in the following table, calculate the Marginal Physical Product of labor in the perfectly competitive market.

Labor per week	Total Product per week	Marginal Physical Product
0	0	-----
1	30	?

Answer ( Please click here to Add Answer )

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- Course: **ECO401 Economics**
- Student ID: **BC120202108 (SAAD HABIB)**
- Question No: **60 of 60**
- Marks: **5 (Budgeted Time 10 Min)**
- Question: **How we can achieve optimum combination of factors of production if:**
- Equation: 
$$\frac{MPP_L}{P_L} > \frac{MPP_K}{P_K}$$
- Answer field: **Answer ( Please click here to Add Answer )**
- Start Time: **4:57 PM**
- Timer: **115:00**

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