CHAPTER-3 | Production and Costs

QUIZ PART-01

1. **Production in economics refers to**
   A. Only manufacturing of goods in factories
   B. Transformation of inputs into outputs
   C. The process of selling finished goods
   D. Distribution of income among factors (B)

Explanation : Production is the process of transforming inputs such as labour, machines, and land into outputs or finished goods.

2. **Which of the following is not a factor of production?**
   A. Labour B. Land
   C. Capital
   D. Consumption (D)

Explanation : Labour, land, capital, and entrepreneurship are factors of production, while consumption is not.

3. **The objective of a firm in production is generally to**
   A. Minimize sales B. Maximize profit
   C. Increase labour employment only
   D. Reduce capital usage (B)

Explanation : Firms aim to maximize profit, which is the difference between revenue and cost of production.

4. **A production function shows**
   A. The relationship between inputs and maximum output
   B. The relation between prices and demand
   C. The distribution of income in society
   D. The effect of profit on investment (A)

Explanation : The production function relates quantities of inputs (labour, capital) to the maximum possible output.

5. **If either labour or capital is zero, then output will be**
   A. Positive B. Negative
   C. Zero D. Constant (C)

Explanation : Without at least some labour and capital, production cannot take place; hence output = 0.

6. **Isoquants represent**
   A. Different levels of revenue
   B. Combinations of inputs that give the same output
   C. All possible profit levels of the firm
   D. Maximum sales at given inputs (B)

Explanation : An isoquant shows all combinations of two inputs (labour and capital) producing the same level of output.

7. **In the short run production function**
   A. All inputs are variable
   B. At least one factor is fixed
   C. No factor is fixed
   D. Labour is always fixed (B)

Explanation : In the short run, at least one factor (like capital) is fixed, while others (like labour) are variable.

8. **In the long run production function**
   A. At least one factor is fixed
   B. All factors are variable
   C. Only capital is fixed
   D. Production remains constant (D)

Explanation : In the long run, firms can vary all factors of production, including both labour and capital.

9. **Marginal product (MP) of a factor is defined as**
   A. Total product divided by units of input
   B. Additional output from one more unit of variable input
   C. Total output produced by all inputs
   D. Change in input divided by change in output (B)

Explanation : MP measures the additional output produced by employing one more unit of a variable factor, keeping others constant.

10. **Average product (AP) of a factor is calculated as**
    A. TP ÷ number of variable input units
    B. Change in TP ÷ Change in input
    C. Sum of all marginal products
    D. Maximum output attainable with fixed inputs (A)

Explanation : AP = Total Product ÷ Units of variable input, showing average productivity per unit.