Zagazig University
Faculty of Veterinary Medicine
Animal Wealth Development Department

Veterinary Economics and Farm Management.

26,June, 2014 **Time allowed: 2 hours**

Answer the following questions **(Total Degrees: 25)**

1. ***Compare between the following questions with diagrams. (5 degrees)***

   a. **Average Fixed and Average variable cost**

   b. **Marginal cost and Marginal Revenue.**

   c. **Constant Return to scale and Variable Return to Scale.**

d. **Perfect inelastic and elastic demand.**

e. **Formula for Arc method and Point method of measuring elasticity.**

II.Choose The Correct Answer . (17 degrees)

1. The slope of a demand curve depends on

A) The units used to measure quantity but not the units used to measure price.
B) The units used to measure price and the units used to measure quantity.
C) The units used to measure price but not the units used to measure quantity.
D) Neither the units used to measure price nor the units used to measure quantity.

2. The price elasticity of demand depends on

A) The units used to measure price but not the units used to measure quantity.
B) The units used to measure price and the units used to measure quantity.
C) The units used to measure quantity but not the units used to measure price.
D) Neither the units used to measure price nor the units used to measure quantity.

3) The price elasticity of demand measures

A) The slope of a budget curve.
B) How often the price of a good changes.
C) The responsiveness of the quantity demanded to changes in price.
D) How sensitive the quantity demanded is to changes in demand.

4) The price elasticity of demand equals

A) The percentage change in the quantity demanded divided by the percentage change in the price.
B) The change in the quantity demanded divided by the change in price.
C) The percentage change in the price divided by the percentage change in the quantity demanded.
D) The change in the price divided by the change in quantity demanded.

5) A 10 percent increase in the quantity of red meat demanded results from a 20 percent decline in its price. The price elasticity of demand for red meat is

A) 0.5. B) 20.0. C) 2.0. D) 10.0.

6). A 20 percent increase in the quantity of milk demanded results from a 10 percent decline in its price. The price elasticity of demand for milk is

A) 2.0. B) 10.0. C) 0.5. D) 20.0

7). Suppose a rise in the price of broiler from $5.50 to $6.50 per kilogram decreases the quantity demanded from 12,500 to 11,500 kilograms. The price elasticity of demand is

A) 0.5. B) 1000.0. C) 2.0. D) 1.0.

8) The price elasticity of demand can range between

A) Negative one and one. B) Zero and infinity.
C) Zero and one. D) Negative infinity and infinity.

9) If the price elasticity of demand for a product equals 1, as its price rises the

A) Total revenue increases. B) Quantity demanded does not change.
C) Total revenue does not change. D) Quantity demanded increases.

10) A rise in the price of a product lowers the total revenue from the product if the

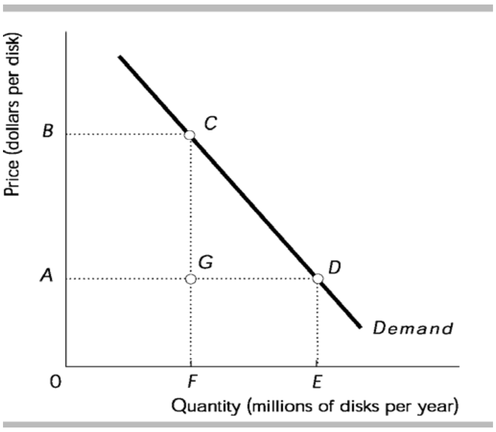
A) Good is an inferior product. B) Demand for the product is inelastic.
C) Demand for the product is elastic. D) Income elasticity of demand exceeds

11) A product is likely to have a price elasticity of demand that exceeds 1 when

A) Its price falls.
B) It is a necessity.
C) It has close substitutes.
D) The percentage of income spent on it decreases.

12) A fall in the price of X from $12 to $8 causes an increase in the quantity of Y demanded from 900 to 1,100 units. What is the cross elasticity of demand between X and Y?

A) 2 B) -0.5 C) -2 D) 0.5



13) In the figure above, when the price of a disk is $B, total revenue is shown in the graph by area

A) *FCDE*. B) *ADE*0. C) *AGF*0. D) *BCF*0

14) The shutdown condition for a firm is to

a. Shutdown if losses are made
b. Shutdown if price is less than Average Total Cost
c. Shutdown if price is less than marginal revenue
D. Shutdown if price is less than Average Variable Cost

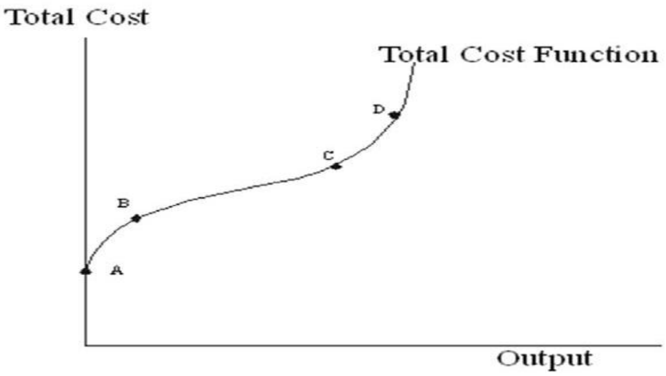
15) If an input must be increased for output to increase it is called

a. Fixed input
b. Changeable input
C. Variable input
d. Unchangeable input

16) Costs which increase with an increase in output are called

a. Fixed costs
b. Changeable costs
C. Variable costs
d. Opportunity costs

- Use the following to answer questions



17) In Figure above, the reason that point A is not through the origin but starts up on the vertical axis is that

a. There are fixed outputs
B. There are fixed costs
c. There is no cost associated with producing no output
d. There is waste

18) The Total Cost Function is

a. Is an up-ward sloping straight line
b. Is U-shaped
c. Is shaped as an upside down U
D. Begins by sharply rising, flattens out then sharply rises again

19) Marginal Cost is

A. The addition to cost associated with one additional unit of output
b. The per unit cost of production
c. The per unit variable cost of production
d. The per unit fixed cost of production

20) Average Total Cost is

a. The addition to cost associated with one additional unit of output
B. The per unit cost of production
c. The per unit variable cost of production
d. The per unit fixed cost of production

21) Average Variable Cost is

a. The addition to cost associated with one additional unit of output
b. The per unit cost of production
C. The per unit variable cost of production
d. The per unit fixed cost of production

22) Average Fixed Cost is
a. The addition to cost associated with one additional unit of output
b. The per unit cost of production
c. The per unit variable cost of production
D. The per unit fixed cost of production

23 Suppose a firm has $1,000,000 in fixed costs and variable costs equal to $100 for every unit they produce,
a. Their marginal costs are decreasing
B. Their average costs are decreasing
c. Their fixed costs are decreasing
d. The marginal costs are increasing

24) The Average Total Cost curve will be cut by the Marginal Cost curve from below as long as
a. Fixed costs are rising
B. Marginal costs eventually increase
c. Average costs are decreasing
d. Marginal costs continually decrease

25) Which of the following is true
a. The average total cost curve is U-shaped
b. The average variable cost curve is U-shaped
c. Neither A nor B
D. Both A and B

26) In the production function and total cost function, as production increases, marginal costs
a. Decrease constantly
B. Decrease for a while and then increase
c. Increase constantly
d. Increase for a while and then decrease.

27) In the production function and total cost function, as production increases, average fixed costs
A. Decrease constantly
b. Decrease for a while and then increase
c. Increase constantly
d. Increase for a while and then decrease

28) In the production function and total cost function, as production increases, average variable costs
a. Decrease constantly
B. Decrease for a while and then increase
c. Increase constantly
d. Increase for a while and then decrease

29) In the production function and total cost function, as production increases, total fixed costs
a. Decrease constantly
B. Remain constant
c. Increase constantly
d. Increase for a while and then decrease

30) Moving up (to the left) along a linear demand curve, the price elasticity of demand
A) At first increases and then decreases. B) Increases.
C) Decreases. D) Does not change.

31) If goods A and B are complements,
A) The cross elasticity of demand between A and B is negative.
B) The cross elasticity of demand between A and B is positive.
C) Their income elasticities of demand are both less than 1.
D) Their income elasticities of demand are both greater than 1.22.

32) If a price decrease results in your expenditure on a good decreasing, your demand must be
A) unit. B) Inelastic. C) Linear. D) Elastic

33) The demand for a good is elastic if
A) A decrease in its price results in a decrease in total revenue.
B) The good is a necessity.
C) An increase in its price results in an increase in total revenue.
D) An increase in its price results in a decrease in total revenue.

34) Producers' total revenue will increase if
A) Income falls and the good is a normal good.
B) The price rises and demand is inelastic.
C) The price rises and demand is elastic.
D) Income increases and the good is an inferior good.

III. Define the following (3 Degrees)

a. Law of Diminishing Returns

b. Causes of deadweight loss from under production

c. Elasticity

With our best wishes.