

**FINAL EXAM ON MANAGERIAL ECONOMICS, FALL 2004 VERSION I**

<p>1. <b>Managerial Economics is Macroeconomics, applied to Microeconomics</b></p> <p>A. True B. False (Correct)</p>	<p>2. <b>Managerial Economics studies</b></p> <p>A. government spending and taxation B. market structures (Correct) C. management of credit systems D. structure of business cycles</p>	<p>3. <b>In the factor markets:</b></p> <p>A. firms sell factors B. households sell factors (Correct) C. both firms and households sell factors D. both firms and households buy factors</p>	<p>4. <b>Firms exist because the costs of production are lower than if the firm did not exist</b></p> <p>A. True (Correct) B. False</p>	<p>5. <b>General profit-maximizing condition is:</b></p> <p>A. Price = Average Cost B. Average Cost = Marginal Cost C. Marginal Cost = Marginal Revenue (Correct) D. Marginal Revenue = Price</p>
<p>6. <b>If average function is equal zero, its marginal function is at maximum</b></p> <p>A. True B. False (Correct)</p>	<p>7. <b>If marginal function is equal zero, total function is at maximum or minimum</b></p> <p>A. True (Correct) B. False</p>	<p>8. <b>Marginal function is obtained by finding the derivative of the average function</b></p> <p>A. True B. False (Correct)</p>	<p>9. <b>Goods with many substitutes have lower price elasticity of demand</b></p> <p>A. True B. False (Correct)</p>	<p>10. <b>Goods with the negative income elasticity of demand are inferior goods</b></p> <p>A. True (Correct) B. False</p>
<p>11. <b>The regression R<sup>2</sup> of .99 shows a _____ fit of the estimated equation</b></p> <p>A. poor B. average C. good (Correct) D. none of the above</p>	<p>12. <b>Estimated coefficient of 10 with the standard error of 2 will have t-stat of</b></p> <p>A. 10 B. 8 C. 5 (Correct) D. 2</p>	<p>13. <b>Correlation between independent variables in regression equations lead to a problem of:</b></p> <p>A. omitted variables B. identification C. multicollinearity (Correct) D. collusion</p>	<p>14. <b>Profit contribution is the difference between:</b></p> <p>A. price and marginal fixed cost B. price and marginal variable cost C. price and average fixed cost D. price and average variable cost (Correct)</p>	<p>15. <b>Time-series equation: Sales=10-2t (t is years). Your next year sales forecast will be</b></p> <p>A. sell two units more B. sell two units less (Correct) C. sell ten units more D. sell ten units less</p>
<p>16. <b>Delphi method is based on wide public surveys</b></p> <p>A. True B. False (Correct)</p>	<p>17. <b>Total product turns negative at a point of maximum average product</b></p> <p>A. True B. False (Correct)</p>	<p>18. <b>Maximum total product is at a point of maximum marginal product</b></p> <p>A. True B. False (Correct)</p>	<p>19. <b>In the long-run input rates of all factors are variable</b></p> <p>A. True (Correct) B. False</p>	<p>20. <b>Explicit costs are actual payments to other parties</b></p> <p>A. True (Correct) B. False</p>
<p>21. <b>Marginal cost intersects average cost at the minimum of average cost</b></p> <p>A. True (Correct) B. False</p>	<p>22. <b>In time-series analysis cyclical patterns reflect sustained periods of high values followed by low values</b></p> <p>A. True (Correct) B. False</p>	<p>23. <b>Under imperfect competition: individual producers (sellers) have some control over the price of output</b></p> <p>A. True (Correct) B. False</p>	<p>24. <b>Monopolist is a price-giver</b></p> <p>A. True (Correct) B. False</p>	<p>25. <b>Equity is one of sources of funds to the firm for capital spending</b></p> <p>A. True (Correct) B. False</p>
<p>26. <b>Economic models are used to demonstrate economic relationships</b></p> <p>A. True (Correct) B. False</p>	<p>27. <b>(Average Cost = Marginal Cost) is a general rule of pricing</b></p> <p>A. True B. False (Correct)</p>	<p>28. <b>Oligopoly occurs when industry is dominated by a few firms</b></p> <p>A. True (Correct) B. False</p>	<p>29. <b>Price leadership is one of the models explaining monopolistic competition</b></p> <p>A. True B. False (Correct)</p>	<p>30. <b>In oligopolistic markets firms collude to avoid price competition</b></p> <p>A. True (Correct) B. False</p>
<p>31. <b>Market controlled by a single producer is most likely in a/an:</b></p> <p>A. monopolistic competition B. perfect competition (Correct) C. monopoly D. oligopoly</p>	<p>32. <b>Reservation price is important in:</b></p> <p>A. Ramsey pricing B. incremental cost pricing C. bundle pricing (Correct) D. peak-load pricing</p>	<p>33. <b>If risk-seeking manager can choose just one project, he will pick up the one with:</b></p> <p>A. <math>\mu=100, \sigma=5</math> B. <math>\mu=200, \sigma=10</math> C. <math>\mu=300, \sigma=30</math> D. <math>\mu=400, \sigma=80</math> (Correct)</p>	<p>34. <b>A firm shuts down if the price is below</b></p> <p>A. average variable cost (Correct) B. average fixed cost C. marginal cost D. average cost</p>	<p>35. <b>In a payoff matrix outcome denotes course of action designed to achieve a goal</b></p> <p>A. True B. False (Correct)</p>
<p>36. <b>Shawarma price is AED5. Business fixed cost is AED500, average variable cost is AED4. How many shawarma will take to make profit of AED500?</b></p> <p>A. 2,500 B. 2,000 C. 1,500 D. 1,000 (Correct)</p>	<p>37. <b>Expected profits and their standard deviation of the first project: <math>\mu=200, \sigma=40</math>; for the second project: <math>\mu=300, \sigma=100</math></b></p> <p>A. first project is riskier B. second project is riskier (Correct) C. risk is same D. impossible to determine</p>	<p>38. <b>If marginal cost of capital (CoC) is greater than the rate of return (RoR) on the project, the value of the firm will increase</b></p> <p>A. True B. False (Correct)</p>	<p>39. <b>According to Ramsey pricing:</b></p> <p>A. peak-period consumers pay most of the capacity costs B. higher price is charged in markets with less elastic demand C. price is determined by inverse elasticity rule (Correct) D. firms charge maximum price for each unit</p>	<p>40. <b>A project manager rejects project on the grounds that its expected value is higher than his certainty equivalent. This manager is:</b></p> <p>A. risk averse (Correct) B. risk neutral C. risk seeker D. depends on his expected utility of wealth</p>
<p>41. <b>Under the discount rate of 7%, present value of \$1,000 received 10 years from now is:</b></p> <p>A. \$261 B. \$508 (Correct) C. \$991 D. \$1,967</p>	<p>42. <b>Which of the following measures the dispersion of outcomes around mean:</b></p> <p>A. probability distribution B. expected value C. standard deviation (Correct) D. coefficient of variation</p>	<p>43. <b>Among determinants of demand is/are:</b></p> <p>A. price elasticity of supply B. profit contribution C. market structure D. price of complements (Correct)</p>	<p>44. <b>Demand is estimated as <math>Q_b=4-3P+2P_o-1</math>, where P is own price, P<sub>o</sub> is other good's price, I is an income. This implies:</b></p> <p>A. this is a normal good B. other good is a compliment C. demand is elastic D. none of the above (Correct)</p>	<p>45. <b>The production function of <math>Q = A \cdot K^{.8} \cdot L^{.9}</math> exhibits:</b></p> <p>A. increasing returns to labor B. increasing returns to capital C. increasing returns to scale (Correct) D. all pf the above</p>
<p>46. <b>Business sells shawarma for AED3. Its fixed cost is AED1,000, average variable cost is AED2. How many shawarma will take to break even?</b></p> <p>A. 100 B. 500 C. 1,000 (Correct) D. 5,000</p>	<p>47. <b>Among negative economic impacts of a monopoly:</b></p> <p>A. allocative inefficiency (Correct) B. increasing elasticity C. decreasing prices D. implicit costs</p>	<p>48. <b>Among sources of barriers to market entry:</b></p> <p>A. allocative inefficiency B. product differentiation (Correct) C. decreasing prices D. none of the above</p>	<p>49. <b>Net Present Value is one of the methods to evaluate</b></p> <p>A. risk B. price C. capital projects (Correct) D. cost of equity capital</p>	<p>50. <b>Discounted cash flow is one of the methods to estimate cost of equity capital</b></p> <p>A. True (Correct) B. False</p>

**FINAL EXAM ON MANAGERIAL ECONOMICS, FALL 2004 VERSION II**

<p>1. <b>Managerial Economics is Microeconomics, applied to Macroeconomics</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>2. <b>Managerial Economics studies</b></p> <p><b>A.</b> performance of national economies <b>B.</b> pricing of goods and services (Correct) <b>C.</b> management of banking systems <b>D.</b> international trade regulation</p>	<p>3. <b>In the factor markets:</b></p> <p><b>A.</b> both firms and households buy factors <b>B.</b> both firms and households sell factors <b>C.</b> households buy factors <b>D.</b> firms buy factors (Correct)</p>	<p>4. <b>Firms exist because the returns to the owners of factors are higher than if the firm did not exist</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>5. <b>General cost-minimizing condition is:</b></p> <p><b>A.</b> Price = Average Cost <b>B.</b> Average Cost = Marginal Cost (Correct) <b>C.</b> Marginal Cost= Marginal Revenue <b>D.</b> Marginal Revenue = Price</p>
<p>6. <b>If marginal function is equal zero, its average function is at minimum</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>7. <b>If marginal function is negative, total function is decreasing</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>8. <b>Marginal function is obtained by finding the logarithm of the average function</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>9. <b>Goods with less substitutes have higher price elasticity of demand</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>10. <b>Goods with very low income elasticity of demand are necessities</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>11. <b>The regression R<sup>2</sup> of .09 shows a poor fit of the estimated equation</b></p> <p><b>A.</b> poor (Correct) <b>B.</b> average <b>C.</b> good <b>D.</b> none of the above</p>	<p>12. <b>Estimated coefficient of 15 with the standard error of 5 will have t-stat of</b></p> <p><b>A.</b> 15 <b>B.</b> 10 <b>C.</b> 5 <b>D.</b> 3 (Correct)</p>	<p>13. <b>Simultaneity between regression equations lead to a problem of:</b></p> <p><b>A.</b> omitted variables <b>B.</b> identification (Correct) <b>C.</b> multicollinearity <b>D.</b> collusion</p>	<p>14. <b>Profit contribution is the difference between:</b></p> <p><b>A.</b> average fixed cost and price <b>B.</b> average variable cost and price <b>C.</b> price and average fixed cost <b>D.</b> price and average variable cost (Correct)</p>	<p>15. <b>Time-series equation: Sales=15+3t (t is years). Your next year sales forecast will be</b></p> <p><b>A.</b> sell 15 units more <b>B.</b> sell 15 units less <b>C.</b> sell 3 units more (Correct) <b>D.</b> sell 3 units less</p>
<p>16. <b>Delphi method is based on full scale market experiments</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>17. <b>Average product turns negative at a point of maximum total product</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>18. <b>Maximum average product is at a point of maximum marginal product</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>19. <b>In the short-run input rates of some factors are fixed</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>20. <b>Implicit costs represent value of forgone opportunities</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>21. <b>Marginal cost intersects variable average cost at the minimum of average variable cost</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>22. <b>In time-series analysis seasonality reflect changes that occur at regular intervals</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>23. <b>Under perfect competition firms can not affect the price of their output</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>24. <b>Under imperfect competition: demand has infinite elasticity</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>25. <b>Debt is one of sources of funds to the firm for capital spending</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>26. <b>Economic models are used to analyze economic relationships</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>27. <b>(Average Cost=Marginal Revenue) is a general rule of pricing</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>28. <b>Oligopoly is an intermediate form of imperfect competition</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>29. <b>Cournot model is one of the models explaining monopolistic competition</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>30. <b>In oligopolistic markets firms form a price-fixing cartel</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>31. <b>Market with a large number of price-taking firms is most likely in a/an:</b></p> <p><b>A.</b> oligopoly <b>B.</b> monopoly <b>C.</b> perfect competition (Correct) <b>D.</b> monopolistic competition</p>	<p>32. <b>Elasticity is important in:</b></p> <p><b>A.</b> incremental cost pricing <b>B.</b> bundle pricing <b>C.</b> peak-load pricing <b>D.</b> Ramsey pricing (Correct)</p>	<p>33. <b>If risk-seeking manager can choose just one project, he will pick up the one with:</b></p> <p><b>A.</b> <math>\mu=\\$50, \sigma=\\$5</math> <b>B.</b> <math>\mu=\\$100, \sigma=\\$20</math> <b>C.</b> <math>\mu=\\$150, \sigma=\\$50</math> <b>D.</b> <math>\mu=\\$200, \sigma=\\$100</math> (Correct)</p>	<p>34. <b>A firm shuts down if the price is below</b></p> <p><b>A.</b> marginal cost <b>B.</b> average cost <b>C.</b> average fixed cost <b>D.</b> average variable cost (Correct)</p>	<p>35. <b>In a payoff matrix state of nature denotes gains/losses associated with each combination of strategy</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>
<p>36. <b>Shawarma price is AED10. Business fixed cost is AED3,000, average variable cost is AED6. How many shawarma will take to make profit of AED1,000?</b></p> <p><b>A.</b> 100 <b>B.</b> 500 <b>C.</b> 750 <b>D.</b> 1,000 (Correct)</p>	<p>37. <b>Expected profits and their standard deviation of the first project: <math>\mu=\\$400, \sigma=\\$80</math>; for the second project: <math>\mu=\\$600, \sigma=\\$200</math></b></p> <p><b>A.</b> fist project is riskier <b>B.</b> second project is riskier (Correct) <b>C.</b> risk is same <b>D.</b> impossible to determine</p>	<p>38. <b>If the rate of return (RoR) on the project is greater than marginal cost of capital (CoC), the value of the firm will decrease</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>39. <b>Under one form of price discrimination</b></p> <p><b>A.</b> off-peak users are charged a price based on fixed costs <b>B.</b> separate prices are set for groups of buyers (Correct) <b>C.</b> price is set to exceed the incremental cost of supply <b>D.</b> price is determined by inverse elasticity rule</p>	<p>40. <b>A project manager accepts project on the grounds that its expected value is lower than his certainty equivalent. This manager is:</b></p> <p><b>A.</b> risk averse <b>B.</b> risk neutral <b>C.</b> risk seeker (Correct) <b>D.</b> depends on his expected utility of wealth</p>
<p>41. <b>Under the discount rate of 10%, present value of \$1,000 received 5 years from now is:</b></p> <p><b>A.</b> \$1,611 <b>B.</b> \$1,011 <b>C.</b> \$621 (Correct) <b>D.</b> \$381</p>	<p>42. <b>Which of the following measures the central tendency of outcomes:</b></p> <p><b>A.</b> probability distribution <b>B.</b> expected value (Correct) <b>C.</b> standard deviation <b>D.</b> coefficient of variation</p>	<p>43. <b>Among determinants of demand is/are:</b></p> <p><b>A.</b> price of substitutes (Correct) <b>B.</b> present value of profits <b>C.</b> marginal revenue <b>D.</b> number of producers</p>	<p>44. <b>Demand is estimated as <math>Q_D=4-3P+2P_o-1I</math>, where P is own price, P<sub>o</sub> is other good's price, I is an income. This implies:</b></p> <p><b>A.</b> this good is a luxury <b>B.</b> this is an inferior good (Correct) <b>C.</b> other good is inelastic <b>D.</b> all of the above</p>	<p>45. <b>The production function of <math>Q = A^*K^{.4}*L^{.5}</math> exhibits:</b></p> <p><b>A.</b> decreasing returns to labor <b>B.</b> decreasing returns to capital <b>C.</b> decreasing returns to scale <b>D.</b> all of the above (Correct)</p>
<p>46. <b>Business sells shawarma for AED2. Its fixed cost is AED5,000, average variable cost is AED1. How many shawarma will take to break even?</b></p> <p><b>A.</b> 100 <b>B.</b> 500 <b>C.</b> 1,000 <b>D.</b> 5,000 (Correct)</p>	<p>47. <b>Among negative economic impacts of a monopoly:</b></p> <p><b>A.</b> increasing elasticity <b>B.</b> implicit costs <b>C.</b> income redistribution (Correct) <b>D.</b> decreasing prices</p>	<p>48. <b>Among sources of barriers to market entry:</b></p> <p><b>A.</b> opportunity cost <b>B.</b> economies of scale (Correct) <b>C.</b> income distribution <b>D.</b> none of the above</p>	<p>49. <b>Internal Rate of Return is one of the methods to evaluate</b></p> <p><b>A.</b> risk <b>B.</b> price <b>C.</b> capital projects (Correct) <b>D.</b> cost of equity capital</p>	<p>50. <b>Risk-free rate plus risk premium is one of the methods to estimate cost of equity capital</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>

**FINAL EXAM ON MANAGERIAL ECONOMICS, FALL 2004 VERSION III**

<p>1. <b>Managerial Economics is Macroeconomics, applied to Microeconomics</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>2. <b>Managerial Economics studies</b></p> <p><b>A.</b> proper use of national resources <b>B.</b> production of goods and services (Correct) <b>C.</b> management of money supply <b>D.</b> aggregate supply and demand</p>	<p>3. <b>In the goods and services markets:</b></p> <p><b>A.</b> both firms and households buy factors <b>B.</b> both firms and households sell factors <b>C.</b> households buy goods and services (Correct) <b>D.</b> firms buy goods and services</p>	<p>4. <b>Firms exist because the costs of production are lower and returns to the owners of factors are higher than if the firm did not exist</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>5. <b>General profit-maximizing condition is:</b></p> <p><b>A.</b> Price = Average Cost <b>B.</b> Average Cost = Marginal Cost <b>C.</b> Marginal Cost = Marginal Revenue (Correct) <b>D.</b> Marginal Revenue = Price</p>
<p>6. <b>If marginal function is equal zero, its average function is at minimum or maximum</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>7. <b>If marginal function is positive, total function is increasing</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>8. <b>Average function is obtained by finding the derivative of the marginal function</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>9. <b>Goods with many compliments have lower price elasticity of demand</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>10. <b>Goods with the positive income elasticity of demand are normal goods</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>11. <b>The regression R<sup>2</sup> of .5 shows that the estimated equation explains only half of the variation</b></p> <p><b>A.</b> poor <b>B.</b> average (Correct) <b>C.</b> good <b>D.</b> none of the above</p>	<p>12. <b>Estimated coefficient of 20 with the standard error of 5 will have t-stat of</b></p> <p><b>A.</b> 20 <b>B.</b> 15 <b>C.</b> 5 <b>D.</b> 4 (Correct)</p>	<p>13. <b>Misspecified regression equation lead to a problem of:</b></p> <p><b>A.</b> omitted variables (Correct) <b>B.</b> identification <b>C.</b> multicollinearity <b>D.</b> collusion</p>	<p>14. <b>Profit contribution is the difference between:</b></p> <p><b>A.</b> price and marginal cost <b>B.</b> price and average cost <b>C.</b> price and average fixed cost <b>D.</b> price and average variable cost (Correct)</p>	<p>15. <b>Time-series equation: Sales=16-4t (t is years). Your next year sales forecast will be</b></p> <p><b>A.</b> sell 16 units more <b>B.</b> sell 16 units less <b>C.</b> sell 4 units more <b>D.</b> sell 4 units less (Correct)</p>
<p>16. <b>Delphi method is based on small scale market experiments</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>17. <b>Average product turns negative at a point of minimum total product</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>18. <b>Maximum total product is at a point of maximum marginal product</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>19. <b>In the long-run there are no factors with fixed input rates</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>20. <b>Opportunity cost is the value of a resource in its next best use</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>21. <b>Marginal cost intersects average cost and average variable cost at the minimum of average cost and average variable cost</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>22. <b>In time-series analysis trend reflects a long-term increase or decrease in the variable</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>23. <b>Under monopoly single producer (seller) has complete control over the price of output</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>24. <b>Under perfect competition demand is perfectly inelastic</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>25. <b>Retained earnings is one of sources of funds to the firm for capital spending</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>26. <b>Economic models are used to predict economic relationships</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>27. <b>(Marginal Revenue = Average Cost) is a general rule of pricing</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>28. <b>Oligopoly occurs when industry is dominated by few firms</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>	<p>29. <b>Price Discrimination is one of the models explaining monopolistic competition</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>	<p>30. <b>In oligopolistic markets firms set prices at (or, near) the monopoly level</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>
<p>31. <b>Market with prices controlled by a few firms is most likely in a/an:</b></p> <p><b>A.</b> perfect competition <b>B.</b> monopolistic competition <b>C.</b> oligopoly (Correct) <b>D.</b> monopoly</p>	<p>32. <b>Mark-up is important in:</b></p> <p><b>A.</b> Ramsey pricing <b>B.</b> bundle pricing <b>C.</b> peak-load pricing <b>D.</b> cost-plus pricing (Correct)</p>	<p>33. <b>If risk-seeking manager can choose just one project, he will pick up the one with:</b></p> <p><b>A.</b> <math>\mu=\\$100, \sigma=\\$5</math> <b>B.</b> <math>\mu=\\$200, \sigma=\\$10</math> <b>C.</b> <math>\mu=\\$300, \sigma=\\$30</math> <b>D.</b> <math>\mu=\\$400, \sigma=\\$100</math> (Correct)</p>	<p>34. <b>A firm shuts down if the price is below</b></p> <p><b>A.</b> variable cost (Correct) <b>B.</b> fixed cost <b>C.</b> average variable cost (Correct) <b>D.</b> average fixed cost</p>	<p>35. <b>In a payoff matrix strategy denotes possible future condition affecting success</b></p> <p><b>A.</b> True <b>B.</b> False (Correct)</p>
<p>36. <b>Shawarma price is AED7. Business fixed cost is AED700, average variable cost is AED2. How many shawarma will take to make profit of AED300?</b></p> <p><b>A.</b> 100 <b>B.</b> 200 (Correct) <b>C.</b> 300 <b>D.</b> 500</p>	<p>37. <b>Expected profits and their standard deviation of the first project: <math>\mu=\\$500, \sigma=\\$50</math>; for the second project: <math>\mu=\\$900, \sigma=\\$150</math></b></p> <p><b>A.</b> first project is riskier <b>B.</b> second project is riskier (Correct) <b>C.</b> risk is same <b>D.</b> impossible to determine</p>	<p>38. <b>If risk-seeking manager can choose just one project, he will pick up the one with:</b></p> <p><b>A.</b> <math>\mu=\\$500, \sigma=\\$5</math> <b>B.</b> <math>\mu=\\$600, \sigma=\\$10</math> <b>C.</b> <math>\mu=\\$700, \sigma=\\$35</math> <b>D.</b> <math>\mu=\\$800, \sigma=\\$80</math> (Correct)</p>	<p>39. <b>Cost-plus pricing is based on</b></p> <p><b>A.</b> price equal to marginal cost <b>B.</b> mark-up over the average cost of production (Correct) <b>C.</b> reservation price <b>D.</b> distribution of common costs</p>	<p>40. <b>A project manager accepts project on the grounds that its expected value is equal to his certainty equivalent. This manager is:</b></p> <p><b>A.</b> risk averse <b>B.</b> risk neutral (Correct) <b>C.</b> risk seeker <b>D.</b> depends on his expected utility of wealth</p>
<p>41. <b>Under the discount rate of 5%, present value of \$1,000 received 15 years from now is:</b></p> <p><b>A.</b> \$239 <b>B.</b> \$481 (Correct) <b>C.</b> \$967 <b>D.</b> \$2,079</p>	<p>42. <b>Which of the following lists chances of possible outcomes:</b></p> <p><b>A.</b> probability distribution (Correct) <b>B.</b> expected value <b>C.</b> standard deviation <b>D.</b> coefficient of variation</p>	<p>43. <b>Among determinants of demand is/are:</b></p> <p><b>A.</b> economic profits <b>B.</b> coefficient of variation <b>C.</b> income of consumers (Correct) <b>D.</b> marginal revenue product</p>	<p>44. <b>Demand is estimated as <math>Q_D=4-3P+2P_o-1I</math>, where P is own price, <math>P_o</math> is other good's price, I is an income. This implies:</b></p> <p><b>A.</b> demand is inelastic <b>B.</b> regression is a good fit <b>C.</b> other good is a substitute (Correct) <b>D.</b> all of the above</p>	<p>45. <b>The production function of <math>Q = A \cdot K^{.5} \cdot L^{.5}</math> exhibits:</b></p> <p><b>A.</b> constant returns to labor <b>B.</b> constant returns to capital <b>C.</b> constant returns to scale (Correct) <b>D.</b> all of the above</p>
<p>46. <b>Business sells shawarma for AED3. Its fixed cost is AED1,000, average variable cost is AED1. How many shawarma will take to break even?</b></p> <p><b>A.</b> 100 <b>B.</b> 500 (Correct) <b>C.</b> 1,000 <b>D.</b> 5,000</p>	<p>47. <b>Monopolies cause economic waste by</b></p> <p><b>A.</b> decreasing prices <b>B.</b> restricting output (Correct) <b>C.</b> increasing elasticity <b>D.</b> implicit costs</p>	<p>48. <b>Among sources of barriers to market entry:</b></p> <p><b>A.</b> income distribution <b>B.</b> control of scarce inputs (Correct) <b>C.</b> opportunity cost <b>D.</b> none of the above</p>	<p>49. <b>Payback Period is one of the methods to evaluate</b></p> <p><b>A.</b> risk <b>B.</b> price <b>C.</b> capital projects (Correct) <b>D.</b> cost of equity capital</p>	<p>50. <b>Capital asset pricing model (CAPM) is one of the methods to estimate cost of equity capital</b></p> <p><b>A.</b> True (Correct) <b>B.</b> False</p>