

CA Foundation Chapter 2 Business Economic Theory of Demand and Supply

1. Demand for a commodity refers to:

- (a) Desire backed by ability to pay for the commodity.
- (b) Need for the commodity and willingness to pay for it.
- (c) The quantity demanded of that commodity at a certain price.
- (d) The quantity of the commodity demanded at a certain price during any particular period of time.

Answer:

(d) The quantity of the commodity demanded at a certain price during any particular period of time.

2. Demand is the _____.

- (a) the desire for a commodity given its price and those of related commodities.
- (b) the entire relationship between the quantity demanded and the price of a good other things re-maining the same.
- (c) willingness to pay for a good if income is larger enough.
- (d) ability to pay for a good.

Answer:

(b) the entire relationship between the quantity demanded and the price of a good other things re-maining the same.

3. The quantity demanded is always expressed _____.

- (a) Separately in isolation
- (b) Separately with quantity supplied
- (c) At a given price
- (d) None of these

Answer:

- (c) At a given price

4. The quantity demanded is a _____.

- (a) Flow
- (b) Stock
- (c) Single isolated purchase
- (d) Concept without reference to time.

Answer:

- (a) Flow

5. In economics, Effective Demand for a thing depends on:

- (a) Desire
- (b) Means to purchase
- (c) Willingness to use those means for that purchase
- (d) All of the above.

Answer:

(d) All of the above.

6. All of the following are determinants of demand except:

(a) Tastes and preferences.

(b) Quantity supplied.

(c) Income of the consumer.

(d) Price of related goods.

Answer:

(b) Quantity supplied.

7. Which of the following will affect the demand for non-durable goods?

(a) Disposable income

(b) Price

(c) Demography

(d) All of the above

Answer:

(d) All of the above

8. The term "Ceteris Paribus" refers to _____.

(a) Other things being equal

(b) Other things also change

(c) Other things may change

(d) None of the above

Answer:

(a) Other things being equal

9. Ceteris Paribus, the demand for a commodity is inversely related to its price. This happens because of:

(a) Income Effect

(b) Substitution Effect

(c) Both (a) & (b)

(d) None of above

Answer:

(c) Both (a) & (b)

10. _____ is/are the types of Related Commodities.

(a) Complementary

(b) Substitutes

(c) Complementary and Substitutes

(d) Complementary or Substitutes

Answer:

(c) Complementary and Substitutes

11. Which one of the following set of Commodities represents Complementary goods?

(a) Tea and Sugar

(b) Automobile and Petrol

(c) Pen and ink

(d) All of the above

Answer:

(d) All of the above

12. _____ are those goods which are consumed together or simultaneously.

(a) Complementary

(b) Substitutes

(c) Similar

(d) Un-related

Answer:

(a) Complementary

13. When two commodities are complementary, a fall in the price of one (other things being equal) will cause the demand for the other to _____.

(a) Fall

(b) Rise

(c) Remain constant

(d) Fall substantially

Answer:

(b) Rise

14. Two Commodities are called _____ when they satisfy the same want and can be used with ease in place of one another.

(a) Substitutes

(b) Complementary

(c) Un-related

(d) Opposite

Answer:

(a) Substitutes

15. There is a _____ relation between the demand for a product and the price of its substitutes.

(a) Direct

(b) Positive

(c) Indirect

(d) Both (a)&(b)

Answer:

(d) Both (a)&(b)

16. Highly priced goods are consumed by status seeking rich people to satisfy their need for conspicuous consumption. This is called as _____.

(a) Veblen Effect

(b) Snob Effect

(c) Helen Effect

(d) None of these

Answer:

(a) Veblen Effect

17. _____ are the commodities for which the quantity demanded rises only up to a certain level of in-come and

decreases with an increase in money income beyond this level.

- (a) Inferior Goods
- (b) Normal Goods
- (c) Consumption Goods
- (d) Durable Goods

Answer:

- (a) Inferior Goods

18. When goods are substitutes, a fall in the price of one (Ceteris Paribus) leads to in the quantity demanded of its substitutes.

- (a) Rise
- (b) Fall
- (c) Constant
- (d) No effect.

Answer:

- (b) Fall

19. Which of the following will affect the demand for non-durable goods?

- (a) Disposable income
- (b) Price
- (c) Demography
- (d) All of the above

Answer:

- (d) All of the above

19A. Which of the following pairs of goods is an example of substitutes?

- (a) Tea and sugar.
- (b) Tea and coffee.
- (c) Pen and ink.
- (d) Shirt and trousers.

Answer:

- (b) Tea and coffee.

20. If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for:

- (a) Coke will decrease.
- (b) 7-Up will decrease.
- (c) Coke and 7-UP will increase.
- (d) Coke and 7-Up will decrease.

Answer:

- (d) Coke and 7-Up will decrease.

21. Which of the following is an incorrect statement?

- (a) When goods are substitutes, a fall in the price of one (ceteris paribus) leads to a fall in the quantity demanded of its substitutes.
- (b) When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise.
- (c) As the income of the consumer increases, the demand for the commodity increases always and vice

versa.

(d) When a commodity becomes fashionable people prefer to buy it and therefore its demand increases.

Answer:

(c) As the income of the consumer increases, the demand for the commodity increases always and vice versa.

22. What will happen in the rice market if buyers are expecting higher rice prices in the near future?

- (a) The demand for rice will increase.
- (b) The demand for rice will de-crease.
- (c) The demand for rice will be unaffected.
- (d) None of the above.

Answer:

(a) The demand for rice will increase.

23. Conspicuous goods are also known as:

- (a) Prestige goods.
- (b) Snob goods.
- (c) Veblen goods.
- (d) All of the above.

Answer:

(d) All of the above.

24. A good which cannot be consumed more than once is known as _____.

- (a) Durable good
- (b) Non-durable good
- (c) Producer good
- (d) None of the above

Answer:

- (b) Non-durable good

25. A relative price is _____.

- (a) Price expressed in terms of money.
- (b) What you get paid for babysitting your cousin.
- (c) The ratio of one money price to another.
- (d) Equal to a money price.

Answer:

- (c) The ratio of one money price to another.

26. The price of tomatoes increases and people buy tomato puree. You infer that tomato puree and tomatoes are _____.

- (a) Normal goods.
- (b) Complements.
- (c) Substitutes.
- (d) Inferior goods.

Answer:

- (c) Substitutes.

27. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will _____.

(a) Increase or decrease but the demand curve for chicken will not change.

(b) Increase and the demand curve for fish will shift rightwards.

(c) Not change but there will be a movement along the demand curve for fish.

(d) Decrease and the demand curve for fish will shift leftwards.

Answer:

(b) Increase and the demand curve for fish will shift rightwards.

28. Potato chips and popcorn are substitutes. A rise in the price of potato chips will _____ the demand for popcorn and the quantity of popcorn will _____.

(a) Increase; increase.

(b) Increase; decrease.

(c) Decrease; decrease.

(d) Decrease; increase.

Answer:

(a) Increase; increase.

29. "High priced goods consumed by status seeking rich people to satisfy their need for conspicuous goods" is:

(a) Veblen effect

- (b) Bandwagon effect
- (c) Snob effect
- (d) Demonstration effect

Answer:

- (a) Veblen effect

30. If the price of Orange Juice increases, the demand for Apple Juice will _____.

- (a) Increase
- (b) Decrease
- (c) Remain the same.
- (d) Become negative.

Answer:

- (a) Increase

31. At higher prices people demand more of certain goods not for their worth but for their prestige value – This is called _____.

- (a) Veblen effect.
- (b) Giffen paradox.
- (c) Speculative effect.
- (d) None of the above.

Answer:

- (a) Veblen effect.

32. With a fall in the price of a commodity:

- (a) Consumer's real income increases.

- (b) Consumer's real income de-creases.
- (c) There is no change in the real income of the consumer.
- (d) None of the above.

Answer:

- (a) Consumer's real income increases.

33. With an increase in the price of diamond, the quantity demanded also increases. This is because it is a:

- (a) Substitute good.
- (b) Complementary good.
- (c) Conspicuous good.
- (d) None of the above.

Answer:

- (c) Conspicuous good.

34. When the price of tea decreases, people reduces the consumption of coffee. Then the goods are _____

- (a) Independent Variable
- (b) Substitutes
- (c) Inferior goods
- (d) Normal goods

Answer:

- (b) Substitutes

35. A Symbolic statement of a rela-tionship between the dependent and the independent variables is called as _____.

- (a) Function
- (b) Sets
- (c) Equation
- (d) Variable

Answer:

- (a) Function

36. In a demand function, the demand for a product is the _____.

- (a) Independent Variable
- (b) Explanatory Variable
- (c) Dependent variable
- (d) Complex variable

Answer:

- (c) Dependent variable

37. In a demand function, the deter-minants of demand like price, money income, tastes & preferences, etc. may be regarded as

- (a) Dependent Variables
- (b) Independent Variables
- (c) Related Variables
- (d) Complex variables

Answer:

- (b) Independent Variables

38. The Law of Demand, assuming other things to remain

constant, establishes the relationship between:

- (a) Income of the consumer and the quantity of a good demanded by him.
- (b) Price of a good and the quantity demanded.
- (c) Price of a good and the demand for its substitute.
- (d) Quantity demanded of a good and the relative prices of its complementary goods.

Answer:

- (b) Price of a good and the quantity demanded.

39. When Price of a commodity increases what will be the affect on Quantity demanded?

- (a) Increases
- (b) Decreases
- (c) No change
- (d) None of these

Answer:

- (b) Decreases

40. An increase in the demand for computers, other things remaining same, will:

- (a) Increase the number of computers bought.
- (b) Decrease the price but increase the number of computers bought.
- (c) Increase the price of computers.
- (d) Increase the price and number of computers bought.

Answer:

(d) Increase the price and number of computers bought.

41. In case of Normal goods, Rise in price leads to _____?

(a) Fall in demand

(b) Rise in demand

(c) No Change

(d) Initially rise then ultimately fall

Answer:

(a) Fall in demand

42. A decrease in the demand for cameras, other things remaining the same will.

(a) Increase the number of cameras bought.

(b) Decrease the price but increase the number of cameras bought.

(c) Increase the price of cameras.

(d) Decrease the price and decrease in the number of cameras bought.

Answer:

(d) Decrease the price and decrease in the number of cameras bought.

43. Comforts lies between _____.

(a) Inferior goods and necessities.

(b) Luxuries and inferior goods.

(c) Necessaries and luxuries.

(d) None of the above.

Answer:

(c) Necessaries and luxuries.

44. If price of the commodity increases, what will be the effect on Quantity demanded?

(a) Decreases

(b) Increases

(c) No change

(d) Can't say

Answer:

(a) Decreases

45. Who has given the law of Demand?

(a) Alfred Marshall

(b) Paul Samuelson

(c) Robbins

(d) J.B. Say

Answer:

(a) Alfred Marshall

46. A Table which represents the different prices of a good and the corresponding quantity demanded per unit of time is called as _____.

(a) Demand Curve

(b) Demand Table

(c) Demand Schedule

(d) Demand Tabulation

Answer:

(c) Demand Schedule

47. The Demand Schedule depicts _____ relationship between price and quantity demanded.

(a) Direct

(b) Inverse

(c) Adverse

(d) None of these

Answer:

(b) Inverse

48. _____ is a graphical pre-sentation of the _____.

(a) Demand Curve, Demand Sched-ule

(b) Demand Schedule, Demand Curve

(c) Demand Curve, Supply Schedule

(d) Supply Curve, Demand Schedule

Answer:

(a) Demand Curve, Demand Sched-ule

49. All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?

(a) The preference of the individual.

(b) His monetary income.

(c) Price of the commodity.

(d) Price of related goods.

Answer:

(c) Price of the commodity.

50. The demand curve has a _____ Slope.

(a) Positive

(b) Negative

(c) Circular

(d) No

Answer:

(b) Negative

51. The _____ sloping Demand Curve is in accordance with the law of demand which describes an price demand relationship.

(a) Upward, inverse

(b) Downward, Inverse

(c) Upward, direct

(d) Downward, direct

Answer:

(b) Downward, Inverse

52. The sum of individual demands for a product at a price per unit of time is called as _____.

(a) Firm's Demand

(b) Market Demand

- (c) Goods available in market
- (d) Goods to be sold in market.

Answer:

- (b) Market Demand

53. The table which represents the sum of various quantities demanded by different consumers in the market is called as _____.

- (a) Demand Schedule
- (b) Individual Demand Schedule
- (c) Market Demand Schedule
- (d) Market Demand Curve.

Answer:

- (c) Market Demand Schedule

54. The market Demand Schedule indicates _____ relationship between price and quantity demanded of a commodity.

- (a) Direct
- (b) Inverse
- (c) Circular
- (d) No

Answer:

- (b) Inverse

55. If we plot the market demand schedule on a graph, we get _____.

- (a) Demand Chart
- (b) Market Demand Chart
- (c) Demand Curve
- (d) Market Demand Curve

Answer:

- (d) Market Demand Curve

56. The lateral summation of individual demand Curves is regarded as _____.

- (a) Economy Demand Curve
- (b) Market Demand Curve
- (c) Product Demand Curve
- (d) Marginal Demand Curve

Answer:

- (b) Market Demand Curve

57. According to _____, the consumer has diminishing utility for each additional unit of a commodity and therefore, he will be willing to pay only less for each additional unit.

- (a) Marshall
- (b) Robbins
- (c) Samuelson
- (d) None of these

Answer:

- (a) Marshall

58. A Consumer maximizes his satisfaction when the Marginal utility of the commodity is _____ its price.

- (a) Equal to
- (b) Less than
- (c) More than
- (d) Less than or equal to

Answer:

- (a) Equal to

59. The operations of diminishing marginal utility and the act of the Consumer to equalize the utility of the commodity with its price result in a _____ demand curve.

- (a) Downward Sloping
- (b) Upward Sloping
- (c) Straight line
- (d) Hyperbola upward

Answer:

- (a) Downward Sloping

60. _____ has/have explained the law of demand in terms of Substitution Effect and Income Effect.

- (a) Marshall
- (b) Hicks
- (c) Allen
- (d) Both (b) & (c)

Answer:

(d) Both (b) & (c)

61. As a result of fall in the price of a commodity, consumer's real income or purchasing power increases. This increase in the real income induces him to buy more of that commodity. This is technically termed as:

(a) Price Effect

(b) Substitution Effect

(c) Income Effect

(d) Both (b) & (c)

Answer:

(c) Income Effect

62. Which one of the following is not the rationale of the law of Demand?

(a) Law of Diminishing Marginal Utility

(b) Price Effect

(c) Arrival of New Customers.

(d) Change of Taste & Performances.

Answer:

(d) Change of Taste & Performances.

63. Certain commodities have multiple uses. These different uses of a commodity make the demand curve _____ reacting to changes in price.

(a) Slope downwards

(b) Slope Upwards

- (c) Straight Line
- (d) Both (a) & (b)

Answer:

- (a) Slope downwards

64. When total demand for a commodity whose price has fallen increases, it is due to:

- (a) Income effect.
- (b) Substitution effect.
- (c) Complementary effect.
- (d) Price effect.

Answer:

- (d) Price effect.

65. Which one of the following may be Considered as a rationale of the law of demand?

- (a) Price Effect
- (b) Giffen Goods
- (c) Returns to Scale
- (d) None of these

Answer:

- (a) Price Effect

66. In which of the following cases, the law of demand holds true?

- (a) Normal Goods
- (b) Giffen Goods

(c) Speculative Goods

(d) Necessary Goods

Answer:

(a) Normal Goods

67. Higher the price of diamonds, higher is the prestige value attached to them and hence higher is the demand for them. These goods are called as _____.

(a) Conspicuous goods

(b) Giffen goods

(c) Normal goods

(d) None of these

Answer:

(a) Conspicuous goods

68. Which one of the following is an exception to the law of demand?

(a) Future expectations about prices

(b) Demand for necessities

(c) Speculative Goods

(d) All of these

Answer:

(d) All of these

69. For what type of goods does demand fall with a rise in income levels of households?

(a) Inferior goods

- (b) Substitutes
- (c) Luxuries
- (d) Necessities

Answer:

- (a) Inferior goods

70. In case of inferior goods, with rise of income of consumers, demand of good will?

- (a) Increases
- (b) Decreases
- (c) No change
- (d) None of these

Answer:

- (b) Decreases

71. In the case of a Giffen good, the demand curve will be:

- (a) Horizontal.
- (b) Downward-sloping to the right.
- (c) Vertical.
- (d) Upward-sloping to the right.

Answer:

- (d) Upward-sloping to the right.

72. In case _____, there is an inverse relationship between income and demand for a product.

- (a) Substitute goods

- (b) Complementary goods
- (c) Giffen Goods
- (d) None of the above

Answer:

- (c) Giffen Goods

73. An example of a good that exhibit direct price-demand relationship is _____.

- (a) Giffen goods.
- (b) Complementary goods.
- (c) Substitute goods.
- (d) None of the above.

Answer:

- (a) Giffen goods.

74. In Economics, when demand for a commodity increases with a fall in its price it is known as:

- (a) Contraction of demand.
- (b) Expansion of demand.
- (c) No change in demand.
- (d) None of the above.

Answer:

- (b) Expansion of demand.

75. When, as a result of increase in price, the quantity demanded decreases, it is called as _____.

- (a) Expansion of Demand

(b) Increase in demand

(c) Both (a) & (b)

(d) None of these

Answer:

(a) Expansion of Demand

76. The change in demand will be regarded as expansion of demand, if the increase in quantity demanded is due to _____.

(a) Price of Related Goods

(b) Price of goods

(c) Change in income

(d) Change in Taste & Preferences.

Answer:

(b) Price of goods

77. _____ refers to a change along a curve i.e. movement from one point to another on the same curve.

(a) Expansion/Contraction of De-mand

(b) Increase/Decrease in Demand

(c) Shift of Demand Curve

(d) None of these.

Answer:

(a) Expansion/Contraction of De-mand

78. Movement along the demand curve may be due to _____.

- (a) Expansion of Demand
- (b) Contraction of Demand
- (c) Increase/Decrease in Demand
- (d) Both (a) & (b)

Answer:

- (d) Both (a) & (b)

79. Contraction of demand is the result of:

- (a) Decrease in the number of consumers.
- (b) Increase in the price of the good concerned.
- (c) Increase in the prices of other goods.
- (d) Decrease in the income of purchasers.

Answer:

- (b) Increase in the price of the good concerned.

80. A movement along the demand curve for soft drinks is best described as:

- (a) An increase in demand.
- (b) A decrease in demand.
- (c) A change in quantity demanded.
- (d) A change in demand.

Answer:

- (c) A change in quantity demanded.

81. _____ the demand curve indicates that there is a change in demand at each possible price because one or more other factors, such as income, tastes or the price of

some other goods, etc. have changed.

- (a) A Shift of
- (b) A movement along
- (c) No movement in
- (d) None of these

Answer:

- (a) A Shift of

82. When more quantities are demanded at the same price due to reasons other than price of the commodity, there will be _____ in the demand Curve:

- (a) Rightward shift
- (b) Leftward shift
- (c) No shift
- (d) Any of (a) & (b)

Answer:

- (a) Rightward shift

82A. An Increase in demand can result from:

- (a) A decline in the market price
- (b) An increase in income
- (c) A reduction in the price of substitutes
- (d) An increase in the price of complements

Answer:

- (b) An increase in income

82B. Suppose the price of Pepsi increases, we will expect the demand curve of Coca Cola to:

- (a) Shift towards left since these are substitutes.
- (b) Shift towards right since these are substitutes.
- (c) Remain at the same level.
- (d) None of the above.

Answer:

- (b) Shift towards right since these are substitutes.

83. A leftward shift in the demand curve may be due to :

- (a) Fall in income
- (b) Fall in the Price of Substitute
- (c) Decrease in Population
- (d) Any of the above

Answer:

- (d) Any of the above

84. The movement upwards or downwards on the same demand curve resulting from a change in the price of the commodity is called as _____.

- (a) Change in demand
- (b) Change in quantity demanded
- (c) Shifting of demand Curve
- (d) Increase in demand

Answer:

- (b) Change in quantity demanded

85. Which of the following may be a reason behind rightward shift of the demand curve?

- (a) Rise in price of substitute
- (b) Fall in price of substitute
- (c) Rise of price of same commodity
- (d) Fall in price of same commodity

Answer:

- (a) Rise in price of substitute

86. Elasticity of demand is the percent-age change in _____ divided by the percentage change in on which demand depends.

- (a) Quantity demanded, one of the variables
- (b) Quantity demanded, all the valuables
- (c) Quantity supplied, all the valuables
- (d) Quantity supplied, one of the variables

Answer:

- (a) Quantity demanded, one of the variables

87. The price of a commodity decreases from ₹ 6 per unit to ₹ 4 Per unit and quantity demanded of the goods in-creased from 10 units to 15 units. The Co-efficient of Price Elasticity will be _____.

- (a) 3
- (b) 2
- (c) 1
- (d) 4

Answer:

(a) 3

88. Identify the coefficient of price elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price:

- (a) Equal to one.
- (b) Greater than one.
- (c) Smaller than one.
- (d) Zero.

Answer:

(c) Smaller than one.

89. A decrease in price will result in an increase in total revenue if :

- (a) The percentage change in quantity demanded is less than the percentage change in price.
- (b) The percentage change in quantity demanded is greater than the percentage change in price.
- (c) Demand is inelastic.
- (d) The consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.

Answer:

(b) The percentage change in quantity demanded is greater than the percentage change in price.

90. An increase in price will result in an increase in total

revenue if:

(a) The percentage change in quantity demanded is less than the percentage change in price.

(b) The percentage change in quantity demanded is greater than the percentage change in price.

(c) Demand is elastic.

(d) The consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low.

Answer:

(a) The percentage change in quantity demanded is less than the percentage change in price.

91. If price decreases from ₹ 80 to ₹ 60 and elasticity of demand is 1.25 then _____.

(a) Demand increase by 25%

(b) Demand decrease by 25%

(c) Remains constant

(d) None of the above

Answer:

(d) None of the above

92. Which of the following statements about price elasticity of demand is correct?

(a) Price elasticity of demand is a measure of how much the quantity demanded of a good responds to a change in the price of that good.

(b) Price elasticity of demand is computed as the percentage change in quantity demanded divided by the

percentage change in price.

(c) Price elasticity of demand in the long run would be different from that of the short run.

(d) All the above.

Answer:

(d) All the above.

93. In the case of a straight line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be:

(a) 0

(b) 1

(c) 1.5

(d) 2

Answer:

(b) 1

94. The Concept of point elasticity is used for measuring price elasticity where the change in price is _____.

(a) Finite

(b) Limited

(c) Infinite small

(d) None of the above.

Answer:

(c) Infinite small

95.

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(a) Elasticity at point A = ∞ , at B = > 1 , at C = 1, at D = < 1 and E = 0

(b) Elasticity at A = 0, at B = < 1 , at C = 1, at D = > 1 and E = ∞

(c) Elasticity at A = 0, at B > 1 , at C = 1, at D = < 1 and at E = 0

(d) None of these

Answer:

(a) Elasticity at point A = ∞ , at B = > 1 , at C = 1, at D = < 1 and E = 0

96. The price elasticity of demand at the midpoint of the straight line demand curve under point method is _____.

(a) 0

(b) 1

(c) > 1

(d) < 1

Answer:

(b) 1

97. Point elasticity is useful for which of the following situations?

(a) The bookstore is considering doubling the price of notebooks.

(b) A restaurant is considering lowering the price of its most expensive dishes by 50 per cent.

(c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100.

(d) None of the above.

Answer:

(c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100.

98. The price of a commodity decreases from ₹ 6 to ₹ 4 and the quantity de-manded of the good increases from 10 units to 15 units, and the coefficient of price elasticity. (Use Point Elasticity Method)

(a) 1.5

(b) 2.5

(c) - 1.5

(d) 0.5

Answer:

(c) - 1.5

99. If the price of air-conditioner increases from ₹ 30,000 to ₹ 30,010 and resultant change in demand is negligible, we use the measure of _____ to measure elasticity.

(a) Point elasticity.

(b) Perfect elasticity.

(c) Perfect inelasticity.

(d) Price elasticity.

Answer:

(a) Point elasticity.

100. Elasticity between two points:

- (a) Point elasticity
- (b) Arc elasticity
- (c) Cross elasticity
- (d) None

Answer:

(b) Arc elasticity

101. Suppose the price of movies seen at a theatre rises from ₹ 120 per person to ₹ 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movies? (Use Arc Elasticity Method)

- (a) 5
- (b) 8
- (c) 1.0
- (d) 1.2

Answer:

(b) 8

102. Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 plate-settings to 5,000 plate-settings, what is the price elasticity of demand for silverware? (Use Arc Elasticity Method)

- (a) .8
- (b) 1.0
- (c) 1.25
- (d) 1.50

Answer:

- (c) 1.25

103. If the local pizzeria raises the price of a medium pizza from ₹ 60 to ₹ 100 and quantity demanded falls from 700 pizzas a night to 100 pizzas a night, the price elasticity of demand for pizzas is: (Use Arc Elasticity Method)

- (a) .67
- (b) 1.5
- (c) 2.0
- (d) 3.0

Answer:

- (d) 3.0

104. If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be:

- (a) Horizontal.
- (b) Vertical.
- (c) Positively sloped.
- (d) Negatively sloped.

Answer:

(b) Vertical.

105. The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is:

- (a) Elastic.
- (b) Inelastic.
- (c) Unitarily elastic.
- (d) Perfectly elastic.

Answer:

(a) Elastic.

106. If electricity demand is inelastic, and electricity charges increase, which of the following is likely to occur?

- (a) Quantity demanded will fall by a relatively large amount.
- (b) Quantity demanded will fall by a relatively small amount.
- (c) Quantity demanded will rise in the short run, but fall in the long run.
- (d) Quantity demanded will fall in the short run, but rise in the long run.

Answer:

(b) Quantity demanded will fall by a relatively small amount.

107. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:

- (a) Large fall in quantity demanded.
- (b) Large fall in demand.
- (c) Small fall in quantity demanded.
- (d) Small fall in demand.

Answer:

- (a) Large fall in quantity demanded.

108. Demand for a good will tend to be more elastic if it exhibits which of the following characteristics?

- (a) It represents a small part of the consumer's income.
- (b) The good has many substitutes available.
- (c) It is a necessity (as opposed to a luxury).
- (d) There is little time for the consumer to adjust to the price change.

Answer:

- (b) The good has many substitutes available.

109. Demand for a good will tend to be more inelastic if it exhibits which of the following characteristics?

- (a) The good has many substitutes.
- (b) The good is a luxury (as opposed to a necessity).
- (c) The good is a small part of the consumer's income.
- (d) There is a great deal of time for the consumer to adjust to the change in prices.

Answer:

- (c) The good is a small part of the consumer's income.

110. Using total outlay method,

(a) We cannot find exact co-efficient of Price Elasticity.

(b) We can find exact co-efficient of Price Elasticity.

(c) We cannot determine whether the good is elastic or inelastic.

(d) None of the above.

Answer:

(a) We cannot find exact co-efficient of Price Elasticity.

111. When, as a result of the change in price of a good, the total expenditure on the goods or total revenue received from those good remains the same, the price elasticity for the good is equal to _____.

(a) Zero

(b) Unity

(c) More than one

(d) Less than one

Answer:

(b) Unity

112. Which one of the following is / are the determinants of price elasticity?

(a) Availability of substitutes.

(b) Time period

(c) Price range

(d) All of the above.

Answer:

(d) All of the above.

113. The demand for goods like common salt, matches, buttons, etc. tends to be _____ because a household spends only a fraction of their income on each of them.

(b) Inelastic

(c) Highly inelastic

(d) Highly elastic.

Answer:

(c) Highly inelastic

114. The price of a good has decreased from ₹ 100 to ₹ 60 per unit. If the price elasticity of demand for it is 1.5 and the original quantity demanded is 30 units, the new quantity demanded will be _____.

(a) 18 Units

(b) 30 Units

(c) 48 Units

(d) 60 Units

Answer:

(c) 48 Units

115. If there is no change at all in the quantity demanded, when price changes, the elasticity will be _____.

(a) Zero

(b) Unitary

(c) Greater than one

(d) Less than one

Answer:

(a) Zero

116. If elasticity is _____, then the quantity demanded does not respond at all to a price change.

(a) Zero

(b) One

(c) Greater than one

(d) Less than one

Answer:

(a) Zero

117. The demand is said to be _____ when the percentage change in quantity demanded is less than the percentage change in price.

(a) Elastic

(b) Inelastic

(c) Perfectly elastic

(d) None of the above

Answer:

(b) Inelastic

118. In case of wheat & Common salt, the nature of Price elasticity of demand is _____.

(a) Elastic

(b) Inelastic

- (c) Perfectly Elastic
- (d) None of the above.

Answer:

- (b) Inelastic

119. If a Consumer is a habitual consumer of a commodity, no matter how much its price changes, the demand for the Commodity will be _____.

- (a) Elastic
- (b) Inelastic
- (c) Perfectly Elastic
- (d) Unitary

Answer:

- (b) Inelastic

120. The greater the proportion of in-come spent on a commodity, generally the _____ will be its elasticity of demand and vice versa.

- (a) Greater
- (b) Lesser
- (c) Either (a) or (b)
- (d) None of these.

Answer:

- (a) Greater

121. If the demand for a good is inelas-tic, an increase in its price will cause the total expenditure of the consumers

of the good to:

- (a) Remain the same.
- (b) Increase.
- (c) Decrease.
- (d) Any of these.

Answer:

- (b) Increase.

122. Given the following four possibilities, which one results in an increase in total consumer expenditure ₹

- (a) Demand is unitary elastic and price falls.
- (b) Demand is elastic and price rises.
- (c) Demand is inelastic and price falls.
- (d) Demand is inelastic and prices rises.

Answer:

- (d) Demand is inelastic and prices rises.

123. Suppose a consumer's income increases from ₹ 30,000 to ₹ 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs? (Use Arc Elasticity Method)

- (a) 0.5
- (b) 1.0
- (c) 1.5
- (d) 2.0

Answer:

(b) 1.0

124. The quantity purchased remains constant irrespective of the change in income. This is known as _____.

- (a) Negative income elasticity of demand.
- (b) Income elasticity of demand less than one.
- (c) Zero income elasticity of demand.
- (d) Income elasticity of demand is greater than one.

Answer:

(c) Zero income elasticity of demand.

125. When income increases the money spent on necessities of life may not increase in the same proportion. This means:

- (a) Income elasticity of demand is zero.
- (b) Income elasticity of demand is one.
- (c) Income elasticity of demand is greater than one.
- (d) Income elasticity of demand is less than one.

Answer:

(d) Income elasticity of demand is less than one.

126. As income increases, the consumer will go in for superior goods and consequently the demand for inferior goods will fall. This means:

- (a) Income elasticity of demand less than one.
- (b) Negative income elasticity of demand.

- (c) Zero income elasticity of demand.
- (d) Unitary income elasticity of demand.

Answer:

- (b) Negative income elasticity of demand.

127. Income elasticity of demand is calculated by dividing percentage change in _____ by the percentage change in _____.

- (a) Income, Demand
- (b) Demand, Income
- (c) Income, Price
- (d) Demand, Price.

Answer:

- (b) Demand, Income

128. Which one of the following is the proposition on the relationship between income elasticity of demand and the proportion of income spent on it?

- (a) If the proportion of income on a good remains the same as income increase, then income elasticity for the good is equal to one.
- (b) If the proportion of Income spent on good increases as income increases, then the income elasticity for the goods is greater than one.
- (c) If the proportion of income spent on a good decreases as income rises, the income elasticity for the good is less than one.
- (d) All of the above

Answer:

(d) All of the above

129. For all _____ goods, the income elasticity is positive.

(a) Normal

(b) Interior

(c) Luxury

(d) All of the above

Answer:

(a) Normal

130. For all _____ goods, the income elasticity is greater than one.

(a) Normal

(b) Interior

(c) Luxury

(d) All of the above.

Answer:

(c) Luxury

131. If a good is a luxury, its income elasticity of demand is:

(a) Positive and less than 1.

(b) Negative but greater than 1.

(c) Positive and greater than 1.

(d) Zero.

Answer:

(c) Positive and greater than 1.

132. If, as people's income increases, the quantity demanded of a good decreases, the good is called _____.

- (a) A substitute.
- (b) A normal good.
- (c) An inferior good.
- (d) A complement.

Answer:

(c) An inferior good.

133. The income elasticity of tomatoes is 0.25, it means tomatoes are:

- (a) Inferior goods.
- (b) Luxury goods.
- (c) Normal goods.
- (d) Can't say.

Answer:

(c) Normal goods.

134. Suppose the income elasticity of education in private school in India is 1.6. What does this indicate:

- (a) Private school education is a luxury.
- (b) Private school education is a necessity.
- (c) Private school education is an inferior commodity.
- (d) We should have more private schools.

Answer:

(a) Private school education is a luxury.

135. Suppose potatoes have $(-).0.4$ as income elasticity. We can say from the data given that:

(a) Potatoes are inferior goods.

(b) Potatoes are superior goods.

(c) Potatoes are necessities.

(d) There is a need to increase the income of consumers so that they can purchase potatoes.

Answer:

(a) Potatoes are inferior goods.

136. If the income elasticity is less than one, it shows that the goods is either relatively least important in the eyes of consumer or it is a _____.

(a) Inferior

(b) Luxury

(c) Necessity

(d) None of these

Answer:

(c) Necessity

137. The income elasticity of demand of commodity "Buttons" is _____.

(a) Greater than one

(b) Lest than one

(c) Zero

(d) One

Answer:

(c) Zero

138. 'Bajra' is an inferior commodity in the eyes of the household. Its income elasticity of demand will be _____.

(a) More than 1

(b) Equal to 1

(c) Less than 1, but greater than 0

(d) Negative

Answer:

(d) Negative

139. Cross elasticity of demand refers to the quantities of commodity which will be demanded in response to _____, keeping other things remaining the same.

(a) Income of consumer

(b) Price of same commodity

(c) Price of Related commodity

(d) Both (b) & L(C)

Answer:

(c) Price of Related commodity

140. In case of substitute commodities, the cross demand curve slopes _____.

- (a) Upwards
- (b) Downwards
- (c) Circular
- (d) Parabolic

Answer:

- (a) Upwards

141. There is a relationship between price of a commodity and the demand for its complementary goods (other things remaining the same).

- (a) Inverse
- (b) Positive
- (c) Direct
- (d) Any of (b) & (c)

Answer:

- (a) Inverse

142. Cross elasticity of perfect sub-stitutes is:

- (a) Zero
- (b) Negative
- (c) One
- (d) Infinity

Answer:

- (d) Infinity

143. The cross elasticity between Bread and DVDs is:

- (a) Positive.
- (b) Negative.
- (c) Zero.
- (d) One.

Answer:

- (c) Zero.

144. The cross elasticity between personal computers and software's is:

- (a) Positive.
- (b) Negative.
- (c) zero.
- (d) One.

Answer:

- (b) Negative.

145. If two goods are perfect substitutes for each other, the cross elasticity between them is _____.

- (a) One
- (b) More than one
- (c) Less than one
- (d) Infinite

Answer:

- (d) Infinite

145A. When the numerical value of cross elasticity between two goods is very high, it means:

- (a) The goods are perfect complements and therefore have to be used together.
- (b) The goods are perfect substitutes and can be used with ease in place of one another.
- (c) There is a high degree of substitutability between the two goods.
- (d) The goods are neutral and therefore cannot be considered as substitutes.

Answer:

(c) There is a high degree of substitutability between the two goods.

146. If the goods are substituted (like tea and coffee), the cross elasticity between them is _____.

- (a) Positive
- (b) Negative
- (c) Zero
- (d) Infinity

Answer:

(a) Positive

146A. If the quantity demanded of mutton increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between mutton and chicken is:

- (a) - 0.25
- (b) 0.25
- (c) - 4

(d) 4

Answer:

(b) 0.25

147. In case of Complementary Goods, a rise in the price of one leads to a fall in the quantity demanded of the other. The cross elasticity of demand between these will be _____.

(a) Positive

(b) Negative

(c) Zero

(d) Infinity

Answer:

(b) Negative

147A. When the numerical value of cross elasticity between two goods is very high, it means _____.

(a) The goods are perfect complements and therefore have to be used together.

(b) The goods are perfect substitutes and can be used with ease in place of one another.

(c) There is a high degree of substitutability between the two goods.

(d) The goods are neutral and therefore cannot be considered as substitutes.

Answer:

(c) There is a high degree of substitutability between the two goods.

148. The price of 1 kg. of tea is ₹ 30. At this price, 5 kg of tea is demanded. If the price of coffee rises from ₹ 25 to ₹ 35 per kg, the quantity demanded of tea rises from 5 kg. to 8 kg. The cross price elastic of tea is _____.

- (a) 1
- (b) 0.5
- (c) 1.5
- (d) 0

Answer:

- (c) 1.5

149. The Cross elasticity is $- 1.2$. It represents that the commodities are: _____ in nature.

- (a) Complementary
- (b) Substituted
- (c) Inferior
- (d) Giffen

Answer:

- (a) Complementary

150. Advertisement elasticity of sales or promotional elasticity of demand is the responsive of a good demanded to changes in _____.

- (a) Price of Commodity
- (b) Per Unit advertisement budget
- (c) Firms spending on advertising

(d) Firms spending on distribution.

Answer:

(c) Firms spending on advertising

151. Usually, higher the value of advertising elasticity, greater will be the responsiveness of demand to change in advertisement. Therefore, usually advertising elasticity of demand is typically _____.

(a) Positive

(b) Unitary

(c) Negative

(d) Zero

Answer:

(a) Positive

152. Advertisement elasticity of demand values between _____ and _____.

(a) One, infinity

(b) Zero, infinity

(c) Zero, one

(d) (-) Infinity to (+) Infinity.

Answer:

(b) Zero, infinity

153. What will be the advertisement elasticity?

% Change in Demand = 30%

% change in Price = Nil

% change in advertisement Expenditure = 25%

- (a) 1.2
- (b) 0.83
- (c) 1
- (d) 25

Answer:

- (a) 1.2

154. When the demand changes at a higher rate than change in advertisement expenditure, the advertisement elasticity will be _____.

- (a) Zero
- (b) One
- (c) More than one
- (d) Less than one

Answer:

- (d) Less than one

155. The zero advertisement Elasticity represents :

- (a) Demand responds proportion-ately
- (b) Demand does not respond pro-portionately
- (c) Demand does not respond at all.
- (d) None of the above.

Answer:

- (c) Demand does not respond at all.

156. When the change in demand is less than proportionate change in advertisement expenditure, the advertisement elasticity (E_a) will be equal to _____.

- (a) $E_a = 0$
- (b) $E_a > 0$
- (c) $E_a < 1$
- (d) $E_a > 0$ but < 1 .

Answer:

- (d) $E_a > 0$ but < 1 .

157. Which of the following statements is correct?

- (a) With the help of statistical tools, the demand can be forecasted accurately.
- (b) The more the number of sub-stitutes of a commodity, more elastic is the demand.
- (c) Demand for butter is perfectly elastic.
- (d) Gold jewellery will have negative income elasticity.

Answer:

- (b) The more the number of sub-stitutes of a commodity, more elastic is the demand.

158. Method of demand forecasting does not include?

- (a) Mathematical method
- (b) Barometric method
- (c) Expert opinion method
- (d) Statistical method

Answer:

(a) Mathematical method

159. Forecasting of demand is the Art and Science of predicting?

(a) Actual demand of a product at same future date

(b) Probable demand in future

(c) Total demand in future

(d) None of these

Answer:

(b) Probable demand in future

160. Forecasting refers to knowing or measuring the status or nature of an event or variable _____ it occurs.

(a) Before

(b) When

(c) After

(d) Both (b) & (c)

Answer:

(a) Before

161. The demand for cement in India is forecasted. It refers to _____.

(a) Micro level forecasting

(b) Long Term forecasting

(c) Industry level forecasting

(d) Firm level forecasting.

Answer:

(c) Industry level forecasting

162. _____ demand forecasting is generally useful in tactical decisions.

- (a) Short-term
- (b) Long-Term
- (c) Very Long Period
- (d) Both (a) & (b)

Answer:

- (a) Short-term

163. The demand for a commodity that arises because of the demand for same other commodity (prevent product) is called as _____.

- (a) Demand
- (b) Direct Demand
- (c) Derived Demand
- (d) Implied Demand

Answer:

- (c) Derived Demand

164. If the demand for a product is independent of the demand for other goods, then it is called as _____.

- (a) Derived Demand
- (b) Autonomous Demand
- (c) Industry Demand
- (d) Implied Demand.

Answer:

(b) Autonomous Demand

165. Which of the following are con-sumer's goods?

(a) Readymade clothes

(b) Prepared Food

(c) Residential Houses

(d) All of the above.

Answer:

(d) All of the above.

166. Identify Producer's goods out of following :

(a) Plant and Equipment

(b) Readymade clothes

(c) Residential Houses

(d) All of the above

Answer:

(a) Plant and Equipment

167. Which of the following factors affects demand for non-durable con-sumer goods₹

(a) Disposable Income

(b) Price

(c) Demography

(d) All of the above.

Answer:

(d) All of the above.

168. In order to find out turning points, it is necessary to find out the general behaviour of the economy. This method of forecasting is called as :

(a) Controlled Experiments

(b) Barometric Method

(c) Statistical Method

(d) None of these

Answer:

(b) Barometric Method

169. _____ method of forecasting includes the methods:

Complete Enumerations

Sample Survey

End Use

(a) Collective opinion

(b) Survey of Buyer's intentions

(c) Expert Opinion

(d) Barometric

Answer:

(b) Survey of Buyer's intentions

170. Under _____ method of demand forecasting, the future demand is estimated by conducting market studies and experiments on consumer behaviour under

actual, though controlled, market conditions.

- (a) Controlled Experiment method
- (b) Market Experiment Method
- (c) Barometric Method
- (d) Both (a) & (b)

Answer:

- (d) Both (a) & (b)

171. Which one of the following is the statistical method of demand forecasting?

- (a) Trend Projection Method
- (b) Fitting Equation Method
- (c) Regression Analysis
- (d) All of the above.

Answer:

- (d) All of the above.

172. All _____ of human beings are called wants in Economics.

- (a) Desires
- (b) Tastes
- (c) Motives
- (d) All of these

Answer:

- (d) All of these

173. Wants may arise due to _____ causes.

- (a) Elementary
- (b) Psychological
- (c) Internal
- (d) Both (a) & (b)

Answer:

- (d) Both (a) & (b)

174. Which of the following is not the characteristic of wants of human beings?

- (a) Wants are unlimited
- (b) Wants are subjective & relative
- (c) Wants are affected by income, taste, fashion, advertisements and social customs
- (d) Wants do not vary with time, place & person.

Answer:

- (d) Wants do not vary with time, place & person.

175. Wants arise from multiple causes including _____.

- (a) Natural instincts
- (b) Social obligations
- (c) Individual's economic & social status
- (d) All of the above

Answer:

- (d) All of the above

176. _____ is the _____ by the Consumer and _____ is the actual satisfaction derived:

- (a) Utility, anticipated satisfaction, satisfaction
- (b) Utility, actual satisfactory, desire
- (c) Desire, utility, satisfaction
- (d) None of these.

Answer:

- (a) Utility, anticipated satisfaction, satisfaction

177. _____ is the want satisfying power of a Commodity.

- (a) Utility
- (b) Marginal Utility
- (c) Desire
- (d) Desired Utility

Answer:

- (a) Utility

178. Which of the following theories explains consumer behaviours?

- (a) Marginal Utility Analysis
- (b) Indifference Curve
- (c) Returns to scale
- (d) Both (a) & (b).

Answer:

- (d) Both (a) & (b).

179. Marginal Utility Analysis has been propounded by :

- (a) Marshall
- (b) Hicks
- (c) Allen
- (d) Hicks & Allen

Answer:

- (a) Marshall

180. Alfred Marshall was a _____ economist.

- (a) British
- (b) American
- (c) European
- (d) Asian

Answer:

- (a) British

181. _____ is the sum of marginal utilities derived from the consumption of different units.

- (a) Marginal Utility
- (b) Average Utility
- (c) Total Utility
- (d) Incremental Marginal Utility

Answer:

- (c) Total Utility

182. _____ is the additional made to total utility by the

consumption of an additional unit of a commodity.

- (a) Marginal Utility
- (b) Average Utility
- (c) Total Utility
- (d) Incremental Marginal Utility

Answer:

- (a) Marginal Utility

183. When economists speak of the utility of a certain good, they are re-ferring to:

- (a) The demand for the good.
- (b) The usefulness of the good in consumption.
- (c) The expected satisfaction derived from consuming the good.
- (d) The rate at which consumers are willing to exchange one good for another.

Answer:

- (c) The expected satisfaction derived from consuming the good.

184. The aim of the consumer in al-locating his income is to _____.

- (a) Maximize his total utility.
- (b) Maximize his marginal utility.
- (c) To buy the goods he wants most whatever the price.
- (d) To buy the goods which he expects to be short in supply.

Answer:

(a) Maximize his total utility.

185. Additional made to total utility refers to?

(a) Total utility

(b) Average utility

(c) Marginal utility

(d) All of the above

Answer:

(c) Marginal utility

186. Which Equation is correct –

(a) $MU_x MU_y = P_x P_y$

(b) $MU_x MU_y > P_x P_y$

(c) $MU_x MU_y < P_x P_y$

(d) $MU_x MU_y \neq P_x P_y$

Answer:

(a) $MU_x MU_y = P_x P_y$

187. From the following data given below answer questions 18 and 19 –

Units	TU	MU
-------	----	----

1	200	
---	-----	--

2	–	180
---	---	-----

3	480	–
---	-----	---

Total utility derived from 2nd unit?

- (a) 380
- (b) 20
- (c) 100
- (d) 280

Answer:

- (a) 380

188. Marginal utility of 3rd unit is?

- (a) 200
- (b) 280
- (c) 100
- (d) 50

Answer:

- (b) 280

189. The Consumer is in equilibrium when the following condition is satisfied:

- (a) Budget line is tangent to the Ic curve
- (b) $MU_x P_x = MU_y P_y = MU_z P_z$
- (c) Both (a) and (b)
- (d) None of the above

Answer:

- (c) Both (a) and (b)

190. Cardinal approach is related to:

- (a) Indifference curve

- (b) Equi marginal utility
- (c) Law of diminishing returns
- (d) None of these

Answer:

- (b) Equi marginal utility

191. Which economist said that money is the measuring rod of utility?

- (a) A.C. Pigou
- (b) Marshall
- (c) Adam Smith
- (d) Robbins

Answer:

- (b) Marshall

192. Which of the following relation is true with MU?

- (a) When MU is positive, Total utility rises at a diminishing rate
- (b) When marginal utility is zero, total utility is maximum
- (c) When marginal utility is negative, total utility is diminishing
- (d) All of the above

Answer:

- (d) All of the above

193. Total utility is maximum when:

- (a) Marginal utility is zero.

- (b) Marginal utility is at its highest point.
- (c) Marginal utility is negative.
- (d) None of the above.

Answer:

- (a) Marginal utility is zero.

194. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of:

- (a) Law of demand.
- (b) Law of diminishing returns.
- (c) Law of diminishing utility.
- (d) Law of supply.

Answer:

- (c) Law of diminishing utility.

195. When $TUn-1$ is deducted from TUn , the resultant is _____.

- (a) Marginal Utility
- (b) Average Utility
- (c) Total Utility
- (d) Incremental Marginal Utility

Answer:

- (a) Marginal Utility

196. Marginal Utility Analysis is _____ Concept.

- (a) Cardinal

- (b) Ordinal
- (c) Sequential
- (d) None of these.

Answer:

- (a) Cardinal

197. Which of the following is not an assumption of Marginal Utility Analysis?

- (a) Rationality
- (b) Cardinal Measurability of Utility
- (c) Hypothesis of independent utility
- (d) Increasing Marginal Utility of Money.

Answer:

- (d) Increasing Marginal Utility of Money.

198. As per the hypothesis of _____Utility, the total utility which a person gets from the whole collection of goods purchased by him is simply the sum total of the separate utilities of the goods.

- (a) Dependent
- (b) Independent
- (c) Related
- (d) Affected

Answer:

- (b) Independent

199. According to neo-classical economists, utility is a

cardinal concept. It means:

- (a) Utility is a measurable and quantifiable entity
- (b) A psychological unit of measurement of utility is available called as 'UTILS'
- (c) Utilities from different units of the commodity can be added.
- (d) All of the above.

Answer:

- (d) All of the above.

200. The Marginal Utility can be _____.

- (a) Positive
- (b) Zero
- (c) Negative
- (d) Any of above

Answer:

- (d) Any of above

201. The concept of Consumer's Surplus was propounded by _____.

- (a) Alfred Marshall
- (b) Hicks & Allen
- (c) J.B. Say
- (d) None of these

Answer:

- (a) Alfred Marshall

202. If a Consumer gets more utility from a commodity, he would be willing to pay a higher price and vice versa. This extra satisfaction which consumer gets from the purchase of goods is called as _____.

- (a) Producer's Supply
- (b) Consumer's Surplus
- (c) Extra Utility
- (d) Excess Marginal Utility

Answer:

- (b) Consumer's Surplus

203. Which of the following statement is incorrect as regards Consumer's Surplus?

- (a) It can be measured in money
- (b) It cannot be measured precisely
- (c) It is affected by a variability of substitutes
- (d) It is always infinite for necessaries.

Answer:

- (a) It can be measured in money

204. By consumer surplus, economists mean _____

- (a) The area inside the budget line.
- (b) The area between the average revenue and marginal revenue curves.
- (c) The difference between the maximum amount a person is willing to pay for a good and its market price.
- (d) None of the above.

Answer:

(c) The difference between the maximum amount a person is willing to pay for a good and its market price.

205. In the diagram given below, the shaded portion represents.

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(a) Price above which there is no demand for the commodity.

(b) Monopoly price of the commodity.

(c) Consumer surplus.

(d) None of the above.

Answer:

(c) Consumer surplus.

206. Which of the following is/are the condition's of theory of consumer surplus if price is same for all the units he purchased?

(a) Consumer gains extra utility or surplus

(b) Consumer surplus for the last commodity is zero

(c) Both

(d) None

Answer:

(c) Both

207. The concept of consumer's surplus is derived from:

- (a) The law of diminishing marginal utility
- (b) The law of equal-marginal utility
- (c) The law of diminishing returns
- (d) Engel's law

Answer:

- (a) The law of diminishing marginal utility

208. In case of necessities, consumer surplus is?

- (a) Infinite
- (b) Zero
- (c) Equals to one
- (d) More than one

Answer:

- (a) Infinite

209. Consider the following:

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The Consumer's surplus in above diagram is _____.

- (a) OQRP
- (b) RQD1
- (c) DPR
- (d) ODD1

Answer:

- (c) DPR

210. The indifference curve analysis is based on _____ utility.

- (a) Ordinal
- (b) Cardinal
- (c) Quantitative
- (d) Numeric

Answer:

- (a) Ordinal

211. Which one is not an assumption of the theory of demand based on analysis of indifference curves?

- (a) Given scale of preferences as between different combinations of two goods.
- (b) Diminishing marginal rate of substitution.
- (c) Constant marginal utility of money.
- (d) Consumers would always prefer more of a particular good to less of it, other things remaining the same.

Answer:

- (c) Constant marginal utility of money.

212. Which of the following is not the property of indifference curve?

- (a) Slopes downwards to the right
- (b) Always convex to the origin
- (c) Intersects each other
- (d) Will not touch either of the axes

Answer:

(c) Intersects each other

213. Which of the following is not the property of indifference curve?

(a) IC is convex to the origin

(b) IC slopes downwards from left to right

(c) Two IC can touch each other

(d) IC cannot touch either of the axis

Answer:

(c) Two IC can touch each other

214. An indifference curve slopes down towards right since more of one commodity and less of another result in:

(a) Same level of satisfaction.

(b) Greater satisfaction.

(c) Maximum satisfaction.

(d) Any of the above.

Answer:

(a) Same level of satisfaction.

215. Which of the following is a property of an indifference curve?

(a) It is convex to the origin.

(b) The marginal rate of substitution is constant as you move along an indifference curve.

(c) Marginal utility is constant as you move along an

indifference curve.

(d) Total utility is greatest where the 45 degree line cuts the indifference curve.

Answer:

(a) It is convex to the origin.

216. An IC shows _____ MRS between the commodity?

(a) Increasing

(b) Decreasing

(c) Constant

(d) Zero

Answer:

(b) Decreasing

217. The figure below shows the budget constraint of a consumer with an income of ₹ 900 to spend on two commodities, namely ice cream and chocolates.

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The prices of these two commodities respectively are:

(a) ₹ 10 and ₹ 20

(b) ₹ 20 and ₹ 10

(c) ₹ 10 and ₹ 5

(d) Any of the above.

Answer:

(b) ₹ 20 and ₹ 10

218. Indifference curve is L shaped then two goods will be:

- (a) Perfect substitute goods
- (b) Substitute goods
- (c) Perfect complementary goods
- (d) Complementary goods

Answer:

- (c) Perfect complementary goods

219. Which of the following statements is incorrect?

- (a) An indifference curve must be downward-sloping to the right.
- (b) Convexity of a curve implies that the slope of the curve diminishes as one moves from left to right.
- (c) The income elasticity for inferior goods to a consumer is positive.
- (d) The total effect of a change in the price of a good on its quantity demanded is called the price effect.

Answer:

- (c) The income elasticity for inferior goods to a consumer is positive.

220. A point below the budget line of a consumer _____.

- (a) Represents a combination of goods which costs the whole of consumer's income.
- (b) Represents a combination of goods which costs less than the consumer's income.
- (c) Represents a combination of goods which is

unattainable to the consumer given his/her money income.

(d) Represents a combination of goods which costs more than the consumers' income.

Answer:

(b) Represents a combination of goods which costs less than the consumer's income.

221. _____ is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.

(a) Indifference Curve

(b) Iso-Utility Curve

(c) Equal-Utility Curve

(d) All of the above

Answer:

(d) All of the above

222. _____ represents a collection of many indifference curves where each curve represents a certain level of satisfaction.

(a) Indifference Group

(b) Indifference Map

(c) Indifference Aggregate

(d) Market Map

Answer:

(b) Indifference Map

223. Consider the following:

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In the above indifference map, which point gives highest satisfaction?

- (a) A
- (b) B
- (c) C
- (d) Both (c) and (d)

Answer:

- (d) Both (c) and (d)

224. _____ is the rate at which a consumer is prepared to ex-change group X and Y.

- (a) Marginal Rate of Substitution
- (b) Average Rate of Substitution
- (c) Mathematical Rate of Substitution
- (d) None of the above

Answer:

- (a) Marginal Rate of Substitution

225. When MUA is divided by MUB, then it is the marginal rate of substitution of _____.

- (a) A for B
- (b) B for A
- (c) A & B for other Product
- (d) None of these

Answer:

(a) A for B

226. When the consumer has more and more unit of food, he is prepared to give up less and less units of clothing. It is due to _____.

(a) Falling MRS

(b) Rising MRS

(c) Constant MRS

(d) None of the above.

Answer:

(a) Falling MRS

227. Which one of the following Statement is incorrect about Indifference Curve?

(a) Always Convex to the origin

(b) Never intersects each other

(c) Higher Curve represents higher level of satisfaction.

(d) It may touch X axis but never Y axis.

Answer:

(d) It may touch X axis but never Y axis.

228. A higher indifference curve shows a higher level of satisfaction than a lower one. Therefore, a consumer, in his attempt to maximize satisfaction will try to reach the _____ possible indifference curve.

(a) Highest

- (b) Lowest
- (c) Any of (a) or (b)
- (d) None of these

Answer:

- (a) Highest

229. The consumer is in equilibrium at a point where the budget line:

- (a) Is above an indifference curve.
- (b) Is below an indifference curve.
- (c) Is tangent to an indifference curve.
- (d) Cuts an indifference curve.

Answer:

- (c) Is tangent to an indifference curve.

230. The slope of the indifference curve shows consumer equilibrium at point where $MRS(xy)$ _____ P_x/P_y (Price line).

- (a) Less than
- (b) More than
- (c) Equal to
- (d) None of the above

Answer:

- (c) Equal to

231. The Slope of Indifference curve is _____.

- (a) Marginal Rate of Substitution

- (b) Minimal Rate of Substitution
- (c) Average Rate of Substitution
- (d) Total Rate of Substitution

Answer:

- (a) Marginal Rate of Substitution

232. The slope of the 'Price line' indicates the ratio between _____ of the two goods.

- (a) Prices
- (b) Quantities demanded
- (c) Quantities Sold
- (d) Marginal Utility

Answer:

- (a) Prices

233. The supply of a good refers to:

- (a) Actual production of the good.
- (b) Total existing stock of the good.
- (c) Stock available for sale.
- (d) Amount of the good offered for sale at a particular price per unit of time.

Answer:

- (d) Amount of the good offered for sale at a particular price per unit of time.

234. Supply is a _____ concept.

- (a) Flow

- (b) Stock
- (c) Flow and stock, both
- (d) Qualitative

Answer:

- (a) Flow

235. Supply is the:

- (a) Limited resources that are available with the seller.
- (b) Cost of producing a good.
- (c) Entire relationship between the quantity supplied and the price of good.
- (d) Willingness to produce a good if the technology to produce it becomes available.

Answer:

- (c) Entire relationship between the quantity supplied and the price of good.

236. The quantity supplied of a good or service is the amount that _____

- (a) Is actually bought during a given time period at a given price.
- (b) Producers wish they could sell at a higher price.
- (c) Producers plan to sell during a given time period at a given price.
- (d) People are willing to buy during a given time period at a given price.

Answer:

- (c) Producers plan to sell during a given time period at a

given price.

237. In a very short period, the supply:

- (a) Can be changed.
- (b) Cannot be changed.
- (c) Can be increased.
- (d) None of the above.

Answer:

- (b) Cannot be changed.

238. Which of the following statement is correct?

- (a) Supply is inversely related to its cost of production
- (b) Price and quantity demand of a goods have direct relationship
- (c) Taxes and subsidy has no impact on the supply of the product
- (d) Seasonal changes have no impact on the supply of the commodity

Answer:

- (a) Supply is inversely related to its cost of production

239. The term supply refers to the amount of goods or services that the pro-ducers are _____ to the market at value prices during a given period of time.

- (a) Willing to offer
- (b) Able to Offer
- (c) Actually Sold

(d) Both (a) & (b)

Answer:

(d) Both (a) & (b)

240. Which of the following is a factor determining the supply?

(a) Price of the good

(b) Price of related goods

(c) Price of factor of Production

(d) All of the above.

Answer:

(d) All of the above.

241. Other things being equal, the _____ the relative price of a good the _____ the quantity of it that will be supplied.

(a) Higher, Lesser

(b) Higher, Greater

(c) Lower, Lower

(d) None of these

Answer:

(b) Higher, Greater

242. Under _____ conditions, Supply will be more than that under _____ conditions.

(a) Competitive, Monopolized

(b) Monopolized, Competitive

(c) Monopolized, Oligopoly

(d) Duopoly, Monopolized.

Answer:

(a) Competitive, Monopolized

243. The supply of a particular product depends upon the state of technology also. Inventions and innovations tend to make it possible to produce _____ goods with the same resources.

(a) More

(b) Better

(c) Lesser

(d) More and/or Better

Answer:

(d) More and/or Better

244. According to law of supply, change in supply is related to?

(a) Price of goods

(b) Price of related goods

(c) Factors of production

(d) None of the above

Answer:

(a) Price of goods

245. If the demand is more than supply, then the pressure on price will be:

- (a) Upward
- (b) Downward
- (c) Constant
- (d) None of the above

Answer:

- (a) Upward

246. If the supply of bottled water decreases, other things remaining the same, the equilibrium price _____ and the equilibrium quantity _____.

- (a) Increases; decreases.
- (b) Decreases; increases.
- (c) Decreases; decreases.
- (d) Increases; increases.

Answer:

- (a) Increases; decreases.

247. In the book market, the supply of books will decrease if any of the following occurs except _____.

- (a) A decrease in the number of book publishers.
- (b) A decrease in the price of the book.
- (c) An increase in the future expected price of the book.
- (d) An increase in the price of paper used.

Answer:

- (b) A decrease in the price of the book.

248. An increase in the number of sell-ers of bikes will

increase the _____.

- (a) The price of a bike.
- (b) Demand for bikes.
- (c) The supply of bikes.
- (d) Demand for helmets.

Answer:

- (c) The supply of bikes.

249. If good growing conditions in-creases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawber-ries bought.

- (a) Increases and the price might rise, fall or not change.
- (b) Does not change but the price rises.
- (c) Does not change but the price falls.
- (d) Increases and the price rises.

Answer:

- (a) Increases and the price might rise, fall or not change.

250. The supply curve for perishable commodities is _____.

- (a) Elastic
- (b) Inelastic
- (c) perfectly elastic
- (d) perfectly inelastic

Answer:

- (d) perfectly inelastic

251. When supply price increase in the short run, the profit of the producer _____.

- (a) Increases
- (b) Decreases
- (c) Remains constant
- (d) Decreases marginally

Answer:

- (a) Increases

251 A. The _____ is a graphical presentation of the _____.

- (a) Supply Curve, Demand Schedule
- (b) Supply Curve, Supply Schedule
- (c) Demand Curve, Supply Schedule
- (d) None of these.

Answer:

- (b) Supply Curve, Supply Schedule

252. Contraction of supply is the result of:

- (a) Decrease in the number of pro-ducers.
- (b) Decrease in the price of the good concerned.
- (c) Increase in the prices of other goods.
- (d) Decrease in the outlay of sellers.

Answer:

- (b) Decrease in the price of the good concerned.

253. When the supply of a good increase as a result of an increase in its price, then it is an increase in _____ and there is a upward _____ the supply curve.

- (a) Quantity Supplied, movement on
- (b) Quantity Supplied, Shift of
- (c) Supply, movement on
- (d) Supply, Shift of

Answer:

- (a) Quantity Supplied, movement on

254. Movements on the supply curve may be due to:

- (a) Change in price of goods
- (b) Change in price of related goods
- (c) Change in technology
- (d) None of the above.

Answer:

- (a) Change in price of goods

255. Contraction of supply implies _____.

- (a) Decrease in cost of production
- (b) Decrease in price of the good concerned
- (c) Decrease in price of related good
- (d) Increase in price of the good concerned

Answer:

- (b) Decrease in price of the good concerned

256. An increase in the supply of a good is caused by:

- (a) Improvements in its technology.
- (b) Fall in the prices of other goods.
- (c) Fall in the prices of factors of production.
- (d) All of the above.

Answer:

- (d) All of the above.

257. When supply curve moves to right, it means _____.

- (a) Supply increases.
- (b) Supply decreases.
- (c) Supply remains constant.
- (d) None of the above.

Answer:

- (a) Supply increases.

258. When supply curve shifts to the right there is:

- (a) An increase
- (b) Expansion
- (c) Contraction
- (d) Decrease

Answer:

- (a) An increase

259. When supply curve moves to the left, it means

_____.

- (a) Smaller supply at a given price.
- (b) Larger supply at a given price.
- (c) Constant supply at a lower price.
- (d) None of the above.

Answer:

- (a) Smaller supply at a given price.

260. When the supply curve shifts to the left or right, it is called as _____ or _____ in supply, respectively.

- (a) Decrease, Decrease
- (b) Decreases, Increase
- (c) Increase, Increase
- (d) Increase, Decrease.

Answer:

- (b) Decreases, Increase

261. Elasticity of supply refers to the degree of responsiveness of supply of a good to changes in its:

- (a) Demand.
- (b) Price.
- (c) Cost of production.
- (d) State of technology.

Answer:

- (b) Price.

262. The elasticity of supply is defined as the _____.

(a) Responsiveness of the quantity supplied of a good to a change in its price.

(b) Responsiveness of the quantity supplied of a good without change in its price.

(c) Responsiveness of the quantity demanded of a good to a change in its price.

(d) Responsiveness of the quantity demanded of a good without change in its price.

Answer:

(a) Responsiveness of the quantity supplied of a good to a change in its price.

263. Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by _____.

(a) Percentage change in income.

(b) Percentage change in quantity demanded of goods.

(c) Percentage change in price.

(d) Percentage change in taste and preference.

Answer:

(c) Percentage change in price.

264. Which of the following statements is correct?

(a) When the price falls the quantity demanded falls.

(b) Seasonal changes do not affect the supply of a commodity.

(c) Taxes and subsidies do not influence the supply of the

commodity.

(d) With lower cost, it is profitable to supply more of the commodity.

Answer:

(d) With lower cost, it is profitable to supply more of the commodity.

265. When price of a commodity Rises from 200 to ₹ 300 and Quantity supply increases from 2,000 to 5,000 units find elasticity of supply?

(a) 3.0

(b) 2.5

(c) 0.3

(d) 3.5

Answer:

(a) 3.0

266. If price of computers increases by 10% and supply increases by 25%. The elasticity of supply is :

(a) 2.5

(b) 0.4

(c) (-) 2.5

(d) (-) 0.4

Answer:

(a) 2.5

267. The Price of Commodity X in-creased from ₹ 2,000

per unit to ₹ 2,100 per unit and consequently the quantity supplied rises from 2,500 units to 3,000 units. The Elasticity of supply will be

- (a) 2
- (b) 4
- (c) .25
- (d) 0

Answer:

- (b) 4

268. Perishable commodities will have _____.

- (a) Perfectly elastic curve
- (b) Perfectly inelastic curve
- (c) Elastic
- (d) Inelastic

Answer:

- (b) Perfectly inelastic curve

269. A vertical supply curve parallel to Y axis implies that the elasticity of supply is:

- (a) Zero.
- (b) Infinity.
- (c) Equal to one.
- (d) Greater than zero but less than infinity.

Answer:

- (a) Zero.

270. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:

- (a) Zero.
- (b) Infinite.
- (c) Equal to one.
- (d) Greater than zero but less than one.

Answer:

- (b) Infinite.

271. If the percentage change in supply is less than the percentage change in price it is called _____.

- (a) Unit elasticity of supply.
- (b) Perfectly elastic.
- (c) More elastic supply.
- (d) Inelastic supply.

Answer:

- (d) Inelastic supply.

272. Elasticity of supply is zero means?

- (a) Perfectly inelastic
- (b) Perfectly elastic
- (c) Imperfectly elastic
- (d) All of the above

Answer:

- (a) Perfectly inelastic

273. If the quantity supplied is exactly equal to the relative change in price then the elasticity of supply is:

- (a) Less than one.
- (b) Greater than one.
- (c) One.
- (d) None of the above.

Answer:

- (c) One.

274. Elasticity of supply is greater than one when _____.

- (a) Proportionate change in quantity supplied is more than the proportionate change in price.
- (b) Proportionate change in price is greater than the proportionate change in quantity supplied.
- (c) Change in price and quantity supplied are equal.
- (d) None of the above.

Answer:

- (a) Proportionate change in quantity supplied is more than the proportionate change in price.

275. When the supply of a product is perfectly inelastic then the curve will be

- (a) Parallel to Y – axis
- (b) Parallel to X – axis
- (c) At the angle of 45°
- (d) Sloping upwards

Answer:

(a) Parallel to Y – axis

276. The cross elasticity between Rye bread and Whole Wheat bread is expected to be:

(a) Positive

(b) Negative

(c) Zero

(d) Can't say

Answer:

(a) Positive

277. The supply function is given as $Q = 100 + 10 P$. Find the elasticity using point method, when price is ₹ 15.

(a) 4

(b) -3

(c) -5

(d) 3

Answer:

(d) 3

278. Equilibrium refers to a market situation where quantity demand is to quantity supplied.

(a) Equal

(b) Less than or Equal

(c) More than

(d) More than or equal

Answer:

(a) Equal

279. The equilibrium price is determined by the inter-section between _____ and _____. It is also called as the equilibrium.

(a) Demand, Supply, Static

(b) Demand Supply, Dynamic

(c) Supply, Demand, Partial

(d) Demand, Supply, Market

Answer:

(d) Demand, Supply, Market

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