



DEC 2023

MOST IMP 100 MCQs FROM PAST YEARS COMPILER

Q1) When price is Rs. 20, Quantity demand is 10 units and price is decreased by 5% then quantity demand increased by 10% then Marginal revenue is

(June 2019)

- (a) Rs. 10
- (b) Rs. 11
- (c) Rs. 9
- (d) Rs. 20

Q2) During recession what will be the market demand for new cars?

(MTP Oct 21)

- (a) Demand Curve will shift to the right
- (b) Demand curve will shift to the left
- (c) Demand will not shift but the quantity of cars sold per month will decrease
- (d) Demand will not shift but the quantity of cars sold per month will increase

Q3) The price elasticity of demand for X is 1 and the original quantity demand of X is 90 units. If the price of X decreases from Rs. 300 to Rs. 180 per unit, calculate the new quantity demand of X. **(Dec 2020)**

- (a) 126 units
- (b) 36 units
- (c) 144 units
- (d) 120 units

Q4) Lets assume that at OY-axis we have good A and at OX-axis good B. If the price of good B increases by Rs. 1 but the price of good A remains constant and income also remains unchanged, the budget line will shift

(Dec 2020)

- (a) Right on OY axis
- (b) Right on OX axis
- (c) Left on OY axis
- (d) Left on OX axis

Q 5) If the cross elasticity is only slightly below zero which of the following is correct? **(MTP Oct 21)**

- (a) They are weak complements
- (b) Negative and very high they are strong complements
- (c) Both (a) and (b)
- (d) None of these

Q 6) If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be - **(MTP Oct 21)**

- (a) Vertical
- (b) Horizontal
- (c) Negatively sloped
- (d) None of these

Q7) Which of the following statements about inferior goods is/are false? **MTP Oct 2020)**

- I. Inferior goods are those that we will never buy, no matter how cheap they are.
- II. Inferior goods are those that we buy more of, if we become poorer.
- III. Inferior goods are those that we buy more of, if we become richer.

- (a) I and III only.
- (b) I only
- (c) III only.
- (d) I, II, and III

Q8) The most probable outcome of an increase in the money supply is **(MTP Oct 2020)**

- (a) Interest rates to rise, investment spending to rise, and aggregate demand to rise
- (b) Interest rates to rise, investment spending to fall, and aggregate demand to fall
- (c) Interest rates to fall, investment spending to rise, and aggregate demand to rise
- (d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

Q9) Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

(MTP Oct 2020)

- (a) Price will increase; quantity cannot be determined.
- (b) Price will decrease; quantity cannot be determined.
- (c) Quantity will increase; price cannot be determined.
- (d) Quantity will decrease; price cannot be determined.

Q10) The marginal utility from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y-

(MTP March 2021)

- (a) 5
- (b) 10
- (c) 40
- (d) None of these

Q11) A rise in sale of which type of good is expected in the case of recession **(MTP April 2021)**

- (a) Luxury
- (b) Necessity
- (c) Inferior
- (d) Normal

Q12) From the following demand curve determine the elasticity at the given price $Q = 1200 - 10P$
When $P = 5$, $dQ/dP = 10$ **(MTP April 2021)**

- (a) Elastic
- (b) Inelastic
- (c) Unitary elastic
- (d) None of these

Q13) When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to: **(MTP March 2022)**

- (a) Remain unchanged
- (b) Increase
- (c) Decrease
- (d) Any of the above

Q14) When two goods are perfect substitute for each other: **(MTP March 2022)**

- (a) Indifference curve for these two goods are straight parallel line with a constant slope along the curve

- (b) Indifference curve has a constant MRS

- (c) Concave to the Origin

- (d) Both (a) and (b)

Q15) 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;

(MTP March 2022)

- (a) Ram is very fond coffee and therefore he has an inelastic demand for coffee
- (b) Ram has elastic demand for coffee
- (c) Ram's demand for coffee is relatively less elastic
- (d) Ram's demand for coffee is unit elastic

Q16) Demand for water is - **(MTP Oct 2019)**

- (a) Elastic
- (b) Inelastic
- (c) Perfectly elastic
- (d) Relatively elastic

Q17) The supply curve shifts to the right because of- **(MTP Oct 2019)**

- (a) Improved technology
- (b) Increased price of factors of production
- (c) Increased excise duty
- (d) All of the above

Q18) Method of measuring Price Ed between two points is _____ and at particular point is _____

- (a) Arc, Point
- (b) Point, Arc
- (c) Arc, Total outlay
- (d) Total outlay, Arc

Q19) The reason of right ward shiftment of demand curve

- (a) Fall in the price of complement

- (b) An increase in the Number of Buyers
- (c) Rise in the price of substitute goods
- (d) All of the above.

Q20) Which is not the reason of left ward shiftment of demand curve?

- (a) Rise in the price of complement
- (b) A change in taste against the commodity
- (c) Rise in the income of consumer (Normal Goods)
- (d) All the three

Q21) When more quantity is supplied at the same price or same quantity is supplied at lower prices. It is consider as-

- (a) Contraction of supply
- (b) Decrease in supply
- (c) Expansion of supply
- (d) Increase in supply

Q22) U Shaped Cost Curve is never represented as: **(MTP Nov 21)**

- (a) Average Fixed Cost Curve
- (b) Marginal Cost Curve
- (c) Average Cost Curve
- (d) Average Variable Cost Curve

Q23) When $\alpha = 3/5$ and $\beta = 2/5$ the return to scale for Cobb Douglas Production function a

(MTP Nov 21)

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) First decreasing and then increasing

Q24) A firm encounters its "shutdown point" when: **(MTP Oct 2020, MTP Apr 2019, MTP Oct 2019)**

- (a) Average Total Cost equals price at the profit-maximizing level of output.
- (b) Average Fixed Cost equals price at the profit-maximizing level of output.
- (c) Average Variable Cost equals price at the profit-maximizing level of output.
- (d) Marginal Cost equals price at the profit-maximizing level of output.

Q25) Suppose that an owner is earning total revenue of ₹1,00,000 and is increasing explicit cost of ₹ 60,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that:

(MTP Oct 2020, MTP Mar 18, MTP Apr 2019)

- (a) The firm is earning economic profit or ₹ 10,000
- (b) The firm is earning accounting profit or ₹40,000
- (c) The firm is earning economic profit of ₹ 40,000
- (d) Both (a) and (b)

Q26) Suppose the short run cost function can be written as $TC = 250 + 10Q$. Average Fixed cost equals:

(MTP Mar 2018)

- (a) $250/Q$
- (b) 250
- (c) 10

(d) 250/Q+10

Q27) Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is ` 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid ` 50,000 for this land. **(MTP Mar 2018)**

- (a) Nothing, since the land was inherited
- (b) ` 50,000 which his father paid
- (c) ` 90 lakh, since the amount Gopal is getting now if he sells it
- (d) Both (b) and (c)

Q28) When _____, we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency **(MTP Mar 2018, MTP Oct 2018)**

- (a) $AC = AR$
- (b) $MC = AC$
- (c) $MC = MR$
- (d) $AR = MR$

Q29)

Output	Total cost
0	0
1	15
2	30
3	45
4	60
5	75

(MTP Mar 2018, MTP Aug 2018)

The above data is an example of:

- (a) Constant returns to scale.
- (b) Decreasing returns to scale
- (c) Increasing returns to scale
- (d) Globalization

Use the following table to answer Q 32- Q 36

Production	Price per unit	TC	ATC	MC	TR	MR
0	250	500				
1	240	730				
2	230	870				
3	220	950				
4	210	1010				
5	200	1090				
6	190	1230				
7	180	1470				
8	170	1850				
9	160	2410				

Q30) What is the value of fixed cost incurred by Company? **(MTP Mar 2018)**

- (a) Rs. 252
- (b) Rs. 730
- (c) Rs. 500
- (d) cannot be determined

Q31) What is the average total cost when 5 units are produced? **(MTP Mar 2018)**

- (a) Rs. 218
- (b) Rs. 1090
- (c) Rs. 730
- (d) Rs. 210

Q32) What is the marginal revenue (per unit) when production increase from 7 units to 8 units **(MTP Mar 2018)**

- (a) Rs. 160
- (b) Rs. 140
- (c) Rs. 120
- (d) Rs. 100

Q33) What is the marginal cost when production increase from 3 to 4 units? **(MTP Mar 2018)**

- (a) 140
- (b) 80
- (c) 60
- (d) 240

Q34) To maximize its profit or minimize its loss, what level of production should Company choose? **(MTP Mar 2018)**

- (a) 7 units
- (b) 6 units
- (c) 4 units
- (d) 8 units

Q35) At the profit maximizing level, what price should be charged? **(MTP Mar 2018)**

- (a) Rs. 190
- (b) Rs. 200
- (c) Rs. 210
- (d) Rs. 220

Q36) Calculate Company maximum profit or minimum loss. **(MTP Mar 2018)**

- (a) Loss of Rs. 100
- (b) Loss of Rs. 60
- (c) Profit of Rs. 90
- (d) Loss of Rs. 90

Q37) When price is less than average variable cost at the profit maximizing level of output, a firm should **(MTP Mar 2019)**

- (a) Shut down, since it cannot recover its variable cost
- (b) Produce where $MC = MR$, if operating in short run
- (c) Produce where $MC = MR$, if operating in long run
- (d) None of the above

Q38) Which of the following is considered production in Economics? **(MTP Oct 2020, MTP Apr 2019)**

- (a) Teaching Economics to CA students in class.
- (b) Singing a song before friends
- (c) Flying kite for pleasure
- (d) Teaching concept of Economics to friends in a library.



Q39) Suppose that a sole proprietorship is earning total revenues of Rs. 1, 00,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that : **(MTP May 2020)**

- (a) The firm is incurring an economic loss.
- (b) Implicit costs are Rs. 25,000.
- (c) The total economic costs are Rs. 1,00,000.
- (d) The individual is earning an economic profit of Rs. 25,000

Q40) "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behavior in the short run is: **(MTP May 2020)**

- (a) Rational, if the firm is covering its variable cost
- (b) Rational, if the firm is covering its fixed cost
- (c) Irrational, since plant closing is necessary to eliminate losses
- (d) Irrational, since fixed costs are eliminated if a firm shuts down

Q41) If there are implicit costs of production: **(MTP May 2020, MTP Aug 2018)**

- (a) economic profit will be equal to accounting profit.
- (b) economic profit will be less than accounting profit.
- (c) economic profits will be zero.
- (d) economic profit will be more than accounting profit

Q42) In the Cobb Douglas function the change in output due to increase in one additional unit of an input is called?

- (a) elasticity
- (b) return to scale
- (c) total product
- (d) marginal revenue

Q43) When output of a firm increases in the short run, its average fixed cost: **(MTP April 2021)**

- (a) Decreases
- (b) Increases
- (c) Remain constant
- (d) First rises then decline

Q44) Relative price of goods reflects their: **(MTP April 2021)**

- (a) Opportunity Cost
- (b) Fixed Cost
- (c) Average Cost
- (d) None of these

Q45) If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of: **(MTP Aug 2018)**

- (a) Constant returns of scale

(b) Increasing returns to scale

(c) Decreasing returns to scale

(d) None of these

A Competitive firm sells as much as of its product as it chooses at a market price of Rs. 200 per unit. Its fixed cost is Rs. 600 and its variable costs (in rupees) for different levels of production are shown in the following table.

Use the following table to answer 48-52

Quantity	TVC	TFC	TC	AVC	ATC	MC
0	0					
5	500					
10	940					
15	1400					
20	1960					
25	2700					
30	3700					
35	5040					
40	6800					
45	9060					
50	11900					

Q46) When production is 40 units, the average total cost is **(MTP Aug 2018)**

- (a) Rs. 8.80
- (b) Rs. 15
- (c) Rs. 170
- (d) Rs. 185

Q47) In the table marginal cost per unit that corresponds to 40 units of production is **(MTP Aug 2018)**

- (a) Rs. 44
- (b) Rs. 170
- (c) Rs. 352
- (d) Rs. 1760

Q48) In order to maximize profit, the firm should produce **(MTP Aug 2018)**

- (a) 15 units
- (b) 30 units
- (c) 35 units
- (d) 50 units

Q49) If the market price drops from Rs. 200 to Rs. 112, the firm's short run response should be **(MTP Aug 2018)**

- (a) Shut down
- (b) Produce 5 units
- (c) Produce 20 units
- (d) Continue to produce the same number of units as before the drop in price

Q50) If the market price rises from Rs. 200 to Rs. 352, the firm's short run response should be

(MTP Aug 2018)

- (a) Shut down
- (b) Produce 40 units
- (c) Produce 20 units
- (d) Continue to produce the same number of units as before the increase in price.

Q51) A firm's average total cost is Rs. 300 at 5 units of output and Rs. 320 at 6 units of output the marginal cost of producing the 6th unit is **(MTP Aug 2018)**

- (a) Rs. 20
- (b) Rs. 120
- (c) Rs. 320
- (d) Rs. 420

Read the following paragraph and answer questions 54-56

Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for Rs. 100 each. It costs Nicole Rs. 20,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested Rs. 1,00,000 in her factory and equipment: Rs. 50,000 from her savings and Rs. 50,000 borrowed at 10 percent. (Assume that she could have loaned her money out at 10 per cent too.) Nicole can work at a completing pottery factory for Rs. 40,000 per year.

Q52) The accounting cost at Nicole's pottery factory is: **(MTP Oct 2018)**

- (a) Rs.25,000
- (b) Rs.50,000
- (c) Rs.80,000
- (d) Rs.75,000

Q53) The economic cost at Nicole's factory is:

(MTP Oct 2018)

- (a) Rs.75,000
- (b) Rs.70,000
- (c) Rs.80,000
- (d) Rs.30,000

Q54) The accounting profit at Nicole's pottery factory is: **(MTP Oct 2018)**

- (a) Rs.30,000
- (b) Rs.50,000
- (c) Rs.80,000
- (d) Rs.75,000

Q55) Considering the following information of firm's production department for a week, the TVC, AVC and ATC would be-

No. of workers employed	50
No. of units produced	100

Weekly Wage of each worker	200
Weekly rent of Shed	400
Raw material used	1600
Power	300

(a) ` 11,900 ; ` 119 and ` 123 respectively

(b) ` 11,600 ; ` 116 and ` 123 respectively

(c) ` 11,900 ; ` 119 and ` 119 respectively

(d) None of these

Q56) When a bus with a seating capacity of 50 passengers is carrying on 40 passengers. The cost of passenger ticket is ` 100. What would be the Marginal Cost of carrying one additional passenger?

- (a) ` 100
- (b) zero
- (c) ` 4,100
- (d) ` 4,000

Q57) The following table exhibits:

Number of workers	Output
0	0
1	23
2	40
3	50

- (a) increasing marginal product of labour.
- (b) diminishing marginal product of labour.
- (c) increasing returns to scale.
- (d) diminishing returns to scale.

Q58) If all inputs are trebled and the resultant output is doubled, this is a case of:

- (a) constant returns to scale
- (b) increasing returns to scale
- (c) diminishing returns to scale
- (d) negative returns to scale

Q59) Which of the following statements is incorrect? **(MTP May 2020)**

- (a) The LAC curve is also called the planning curve of a firm.
- (b) Total revenue = price per unit × number of units sold.
- (c) Opportunity cost is also called alternative cost.
- (d) If total revenue is divided by the number of units sold we get marginal revenue

Q60) A discriminating monopolist to reach equilibrium position, his decision on total output depends upon **(June 2019)**

- (a) How much total output should be produce
- (b) How the total output should be distributed between the two sub-markets?
- (c) Both a & b
- (d) None of these

Q61) Which of the following is correct?

(MTP Oct 2018)

- (a) Firms that earn accounting profits are economically profitable.

(b) Opportunity cost plus accounting cost equals economic cost.

(c) When a firm's demand curve slopes down marginal revenue will rise as output rises.

(d) Firms increase profits by selling more output than their rivals

Q62) Price leadership is used to explain firm's behavior under: **(Nov 2018)**

- (a) Monopoly
- (b) Oligopoly
- (c) Perfect competition
- (d) Discriminating monopoly

Q63) Which one of the following is not a feature of oligopoly? **(Nov 2018)**

- (a) Inter dependence
- (b) Selling cost
- (c) Group behavior
- (d) Free entry

Q64) If in a short run perfect competition earn super normal profit then which condition satisfy. **(Nov 2019)**

- (a) $ATC > MC$
- (b) $ATC < MC$
- (c) $MR < AR$
- (d) $MR > AR$

Q65) Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude **(Nov 2019)**

- (a) The firm operates in perfectly competitive market
- (b) The firm can sell all that it wants to at the established market price.
- (c) The XYZ Co. is not a price taker in the market because it must lower price to sell additional units of output
- (d) The XYZ Co. will not be able to maximize profits because price and revenue are subject to change

Q66) Extreme Product differentiation is found in which market? **(Nov 2019)**

- (a) Monopolistic Competition
- (b) Monopoly
- (c) Perfect Competition
- (d) Oligopoly

Q67) On the basis of nature of transaction, a market may be classified into **(Dec 2020)**

- (a) Regulated and unregulated market
- (b) Wholesale and retail market
- (c) Spot and forward rate
- (d) National and international market

Q68) The kinked demand curve of Oligopoly is useful in explaining **(MTP Oct 21)**

- (a) The process by which oligopolistic merge
- (b) How the collusion work
- (c) Price and output are sensitive to change in marginal cost.

(d) Why oligopolistic price might charge only infrequently

Q69) Monopoly Market and Monopsony market combination is called : **(MTP Oct 21)**

- (a) Duopoly Market
- (b) Oligopoly Market
- (c) Bilateral Monopoly Market
- (d) Monopolistic Market

Q70) A firm maximizes profit in the short run in Perfect Competition by deciding : **(MTP Oct 21)**

- (a) What Price to charge
- (b) How much output to produce
- (c) To enter a market or not
- (d) None of these

Q71) In kinked demand curve model the Oligopolist : **(MTP Oct 21)**

- (a) Do not collude
- (b) Recognise their independence
- (c) Tend to keep price constant
- (d) All the above

Q72) Full capacity is utilized only when there is: **(MTP Nov 21)**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) Price discrimination

Q73) Price taker firms: **(MTP Oct 2020, MTP Oct 2018)**

- (a) Advertise to increase the demand for their products.
- (b) Do not advertise because most advertising is harmful for the society.
- (c) Do not advertise because they can sell as much as they want at the current price.
- (d) Who advertise will get more profits than those who do not

Q74) Which of the following statements is incorrect? **(MTP Oct 2020)**

- (a) Under monopoly there is no difference between a firm and an industry.
- (b) A monopolist may restrict the output and raise the price.
- (c) Commodities offered for sale under a perfect competition will be heterogeneous.
- (d) Product differentiation is peculiar to monopoly and monopolistic competition.

Q75) In the long run under which competition a firm may earn super normal profits? **(MTP Apr 2019)**

- (a) Monopolistic competition
- (b) Perfect competition
- (c) Oligopoly
- (d) Monopoly



Solutions to Questions of MCQ Compiler

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A	B	A	D	A	A	A	C	C	A
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
C	B	A	D	D	B	A	A	D	C
(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
D	A	C	C	D	A	C	B	A	C
(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
A	D	C	B	A	D	A	A	A	A
(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
B	B	A	A	A	D	C	B	C	B
(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
D	A	B	D	A	B	B	C	D	A
(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)
B	B	D	B	C	B	C	D	C	B
(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)
D	A	C	C	D	D	B	A	A	A
(81)	(82)	(83)	(84)	(85)	(86)	(87)	(88)	(89)	(90)
A	B	A	A	A	C	C	B	C	B
(91)	(92)	(93)	(94)	(95)	(96)	(97)	(98)	(99)	(100)
B	C	A	A	D	C	D	C	B	A

