

**PRE EXAM MARATHON
(BUSINESS ECONOMICS)
MOST EXPECTED
QUESTIONS**

CHAPTERS TO BE COVERED -

1. NATURE AND SCOPE OF BUSINESS
ECONOMICS
2. THEORY OF DEMAND AND SUPPLY
3. THEORY OF PRODUCTION AND COST

**4. PRICE DETERMINATION IN DIFFERENT
MARKETS**

5. BUSINESS CYCLES

Question.1

Which of the following is a normative statement?

- a)Planned economies allocate resources via government departments.**
- b)Most transitional economies have experienced problems of falling output and rising prices over the past decade.**
- c)There is a greater degree of consumer sovereignty in market economies than planned economies.**
- d)Reducing inequality should be a major priority for mixed economies.**

Question.2

An example of 'positive' economic analysis would be:

- a)an analysis of the relationship between the price of food and the quantity purchased.**
- b)determining how much income each person should be guaranteed.**
- c)determining the 'fair' price for food.**
- d)deciding how to distribute the output of the economy.**

Question.3

Which of the following is not a subject matter of Micro-economies?

a)The price of mangoes.

b)The cost of producing a fire truck for the fire department of Delhi, India.

c)The quantity of mangoes produced for the mangoes market.

d)The national economy's annual rate of growth.

Question.4

Which of the following is not the subject matter of Business Economics?

a)Should our firm be in this business?

b)How much should be produced and at price should be kept?

c)How will the product be placed in the market?

d)How should we decrease unemployment in the economy?

Question.5

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.**

Question.6

Which of the following is not within the scope of Business Economics?

a)Capital Budgeting

b)Risk Analysis

c)Business Cycles

d)Accounting Standards

Question.7

In a mixed economy -

- a)all economic decisions are taken by the central authority.**
- b)all economic decisions are taken by private entrepreneurs.**
- c)economic decisions are partly taken by the state and partly by the private entrepreneurs.**
- d)none of the above.**

Question.8

The economic system in which all the means of production are owned and controlled by private individuals for profit.

a) Socialism

b) Capitalism

c) Mixed economy

d) Communism

Question.9

Freedom of choice is the advantage of -

a) Socialism

b) Capitalism

c) Communism

d) None of the above

Question.10

A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of -

- a) Macro-Economics.**
- b) Micro-economics.**
- c) Normative economics.**
- d) None of them**

Question.11

Scarcity definition of Economics is given by-

a) Alfred Marshall

b) Samuelson

c) Robinson

d) Adam Smith

Question.12

Which of the following is not one of the features of capitalist economy?

a) Right of private property

b) Freedom of choice by the consumers

c) No profit, No Loss motive

d) Competition

Question.13

Which of the following is not a characteristic of land?

a)Its supply for the economy is limited.

b)It is immobile.

c)Its usefulness depends on human efforts.

d)It is produced by our forefathers.

Question.14

Capital intensive technique would get chosen in a

a)labour surplus economy where the relative price of capital is lower.

b)capital surplus economy where the relative price of capital is lower.

c)developed economy where technology is better.

d)developing economy where technology is poor.

Question.15

The short run, as economists use the phrase, is characterized by:

- a)at least one fixed factor of production and firms neither leaving nor entering the industry.**
- b)generally a period which is shorter than one year.**
- c)all factors of production are fixed and no variable inputs.**
- d)all inputs are variable and production is done in less than one year.**

Question.16

Which of the following is the best definition of “production function”?

- a)The relationship between market price and quantity supplied.**
- b)The relationship between the firm’s total revenue and the cost of production.**
- c)The relationship between the quantities of inputs needed to produce a given level of output**
- d)The relationship between the quantity of inputs and the firm’s marginal cost of production.**

Question.17

Answer from the given information.

Hours of Labour	Total Output	Marginal Product
0	–	–
1	100	100
2	–	80
3	240	–

What is the total output when 2 hours of labour are employed?

- a) 80
- b) 100
- c) 180
- d) 200

Use the following information and answer.

Hours of Labour	Total Output	Marginal Product
0	-	-
1	100	100
2	-	80
3	240	-

What is the marginal product of the third hour of labour?

- a) 60**
- b) 80**
- c) 100**
- d) 240**

Use the following information and answer the question.

Hours of Labour	Total Output	Marginal Product
0	-	-
1	100	100
2	-	80
3	240	-

What is the average product of the first three hours of labour?

- a) 60**
- b) 80**
- c) 100**
- d) 240**

Question.18

In the short run, when the output of a firm increases, its average fixed cost:

a) increases.

b) decreases.

c) remains constant.

d) first declines and then rises.

Question.19

The marginal product of a variable input is best described as:

- a)total product divided by the number of units of variable input.**
- b)the additional output resulting from a one unit increase in the variable input.**
- c)the additional output resulting from a one unit increase in both the variable and fixed inputs.**
- d)the ratio of the amount of the variable input that is being used to the amount of the fixed input that is being used.**

Question.20

Which of the following is an example of an “implicit cost”?

- a) Interest that could have been earned on retained earnings used by the firm to finance expansion.**
- b) The payment of rent by the firm for the building in which it is housed.**
- c) The interest payment made by the firm for funds borrowed from a bank.**
- d) The payment of wages by the firm.**

Question.21

Use the following data to answer the questions .

Output (O)	0	1	2	3	4	5	6
Total Cost (TC)	₹240	₹330	₹410	₹480	₹540	₹610	₹690

The average fixed cost of 2 units of output is:

- a) ₹80
- b) ₹85
- c) ₹120
- d) ₹205

Output (O)	0	1	2	3	4	5	6
Total Cost (TC)	₹240	₹330	₹410	₹480	₹540	₹610	₹690

The marginal cost of the sixth unit of output is:

- a) ₹133**
- b) ₹75**
- c) ₹80**
- d) ₹450**

Question.22

Which of the following is a function of an entrepreneur?

- a) Initiating a business enterprise.**
- b) Risk bearing.**
- c) Innovating.**
- d) All of the above.**

Question.23

Which of the following is true of the relationship between the marginal cost function and the average cost function?

- a) If MC is greater than ATC, then ATC is falling.**
- b) The ATC curve intersects the MC curve at minimum MC.**
- c) The MC curve intersects the ATC curve at minimum ATC.**
- d) If MC is less than ATC, then ATC is increasing.**

Question.24

A firm's average total cost is ₹300 at 5 units of output and ₹320 at 6 units of output. The marginal cost of producing the 6th unit is:

- a) ₹20**
- b) ₹120**
- c) ₹320**
- d) ₹420**

Question.25

A firm producing 7 units of output has an average total cost of ₹150 and has to pay ₹350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs?

- a) ₹200**
- b) ₹50**
- c) ₹300**
- d) ₹100**

Question.26

Which of the following statements is correct concerning the relationships among the firm's cost functions?

a) $TC = TFC - TVC.$

b) $TVC = TFC - TC.$

c) $TFC = TC - TVC.$

d) $TC = TVC - TFC.$

Question.27

A firm's average fixed cost is ₹20 at 6 units of output. What will it be at 4 units of output?

- a) ₹60**
- b) ₹30**
- c) ₹40**
- d) ₹20**

Question.28

Which of the following statements is true?

- a)The services of a doctor are considered production.**
- b)Man can create matter.**
- c)The services of a housewife are considered production.**
- d)When a man creates a table, he creates matter.**

Question.29

The positively sloped (i.e. rising) part of the long run average total cost curve is due to which of the following?

a) Diseconomies of scale.

b) Increasing returns.

c) The firm being able to take advantage of large-scale production techniques as it expands its output.

d) The increase in productivity that results from specialization.

Question.30

If decreasing returns to scale are present, then if all inputs are increased by 10% then:

a) output will also decrease by 10%.

b) output will increase by 10%.

c) output will increase by less than 10%.

d) output will increase by more than 10%.

Question.31

The average product of labour is maximized when marginal product of labour:

- a) equals the average product of labour.**
- b) equals zero.**
- c) is maximized.**
- d) none of the above.**

Question.32

An iso-quant shows

- a) All the alternative combinations of two inputs that can be produced by using a given set of output fully and in the best possible way.**
- b) All the alternative combinations of two products among which a producer is indifferent because they yield the same profit.**
- c) All the alternative combinations of two inputs that yield the same total product.**
- d) Both b) and c).**

Question.33

Laws of production does not include

.....

- a) returns to scale.**
- b) law of diminishing returns to a factor.**
- c) law of variable proportions.**
- d) least cost combination of factors.**

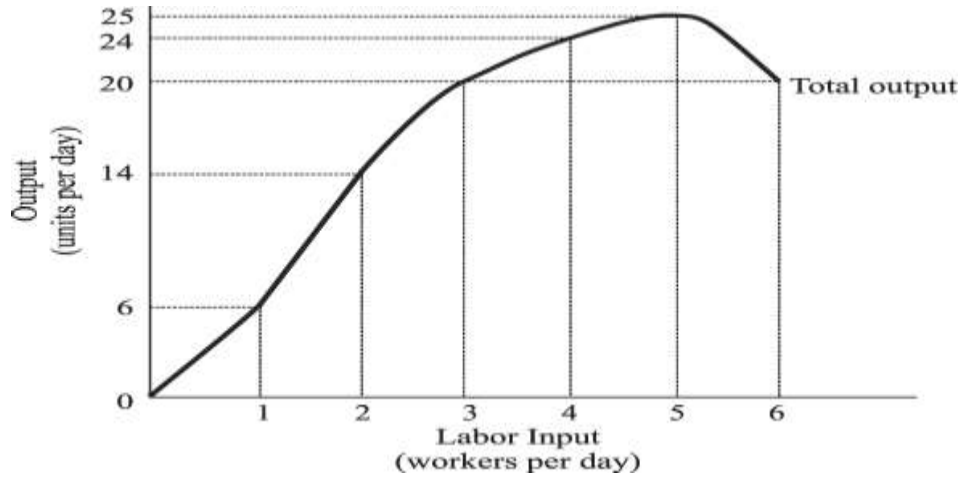
Question.33

Marginal product, mathematically, is the slope of the

- a) total product curve.**
- b) average product curve.**
- c) marginal product curve.**
- d) implicit product curve.**

Question.34

Use the following diagram to answer the question given below it



The marginal physical product of the third unit of labour is _____, the MP of the _____ labour is Negative

- a) Six; fourth
- b) Six; third
- c) Six; fifth
- d) Six; sixth

Question.35

**Marginal cost changes due to changes in ———
—————**

- a) Total cost**
- b) Average cost**
- c) Variable cost**
- d) Quantity of output**

Question.36

Which of the following statements is incorrect?

- a) The LAC curve is also called the planning curve of a firm.**
- b) Total revenue = price per unit \times 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.**

Question.37

Which of the following statements is correct?

- a) Micro economics is important for study of a particular household and a particular firm**
- b) Macro economics is important for study of economic conditions of a country**
- c) None of the above**
- d) Both a) and b)**

Question.38

The production process described below exhibits.

Number of Workers

Output

0

0

1

23

2

40

3

50

- a) constant marginal product of labour.**
- b) diminishing marginal product of labour.**
- c) increasing return to scale.**
- d) increasing marginal product of labour.**

Question.39

Unlimited ends and limited means together present the problem of _____.

a) Scarcity of resources

b) Choice

c) Distribution

d) None of the above

Question.40

Which of the following statements is/are correct regarding business economics?

- a) Business economics attempts to indicate how business policies are firmly rooted in economic principles.**
- b) Business economics uses micro economic analysis of the business unit and macro economic analysis of business environment.**
- c) Business economics takes a pragmatic approach towards facilitating an integration between economic theory and business practices.**
- d) All the above.**

Question.41

Mr. Rahul hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using?

- a)Micro economics**
- b)Macro economics**
- c)None of the above**
- d)Both a) and b)**

Question.42

**There is need of economic study,
because -**

- a) The resources are limited**
- b) The wants are unlimited**
- c) The resources are unlimited**
- d) Both a) and b)**

Question.43

Larger production of _____ goods would lead to higher production in future.

- a) consumer goods**
- b) capital goods**
- c) agricultural goods**
- d) public goods**

Question.44

Larger production of _____ goods would lead to higher production in future.

- a) consumer goods**
- b) capital goods**
- c) agricultural goods**
- d) public goods**

Question.45

If the demand for a good is inelastic, 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.**

Question.46

Which of the following statements about price elasticity of supply is correct?

- a) Price elasticity of supply is a measure of how much the quantity supplied of a good responds to a change in the price of that good**
- b) Price elasticity of supply is computed as the percentage change in quantity supplied divided by the percentage change in price**
- c) Price elasticity of supply in the long run would be different from that of the short run**
- d) All the above**

Question.47

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.**

Question.48

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**

Question.49

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.**

Question.50

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.**

Question.51

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**

Question.52

Suppose that workers in a steel plant managed to force a significant increase in their wage package. How would the new wage contract be likely to affect the market supply of steel, other things remaining the same?

- a) Supply curve will shift to the left.**
- b) Supply curve will shift to the right.**
- c) Supply will not shift, but the quantity of cars produced per month will decrease.**
- d) Supply will not shift, but the quantity of cars produced per month will increase.**

Question.53

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.**

Question.54

By consumer surplus, economists mean

- a)The area inside the budget line above the price of the commodity**
- b)The area between the average revenue and marginal revenue curves.**
- c)The difference between the maximum amount that a person is willing to pay for a good and its market price.**
- d)The difference between the market price and the supply curve**

Question.55

When economists speak of the utility of a certain good, they are referring 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.**

Question.56

For a normal good with a downward sloping demand curve:

- a) The price elasticity of demand is negative; the income elasticity of demand is negative.**
- b) The price elasticity of demand is positive; the income elasticity of demand is negative.**
- c) The price elasticity of demand is positive; the income elasticity of demand is positive.**
- d) The price elasticity of demand is negative; the income elasticity of demand is positive.**

Question.57

Contraction of supply is the result of:

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

Question.58

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

Question.59

The luxury goods like jewellery and fancy articles will have-

- a) low income elasticity of demand**
- b) high income elasticity of demand**
- c) zero income elasticity of demand**
- d) none of the above**

Question.60

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 combinations 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**

Question.61

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**

Question.62

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.

Question.63

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

Question.64

An increase in the number of sellers of bikes will increase the

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

Question.65

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**

Question.66

Supply is a _____ concept.

a) Stock

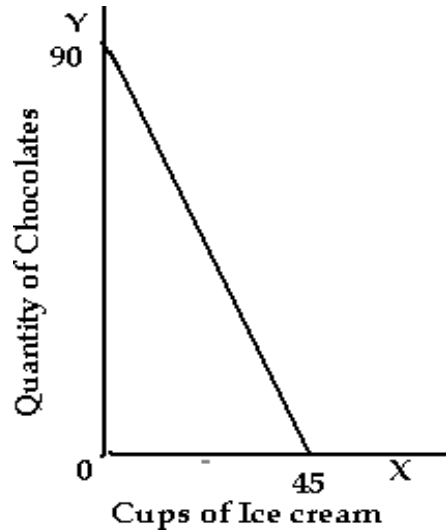
b) Flow and stock

c) Flow

d) None of the above

Question.67

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.



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

Question.68

Conspicuous goods are also known as

a)Prestige goods

b)Snob goods

c)Veblen goods

d)All of the above

Question.69

Which of the following is not a characteristic of land?

a)Its supply for the economy is limited.

b)It is immobile.

c)Its usefulness depends on human efforts.

d)It is produced by our forefathers.

Question.71

The short run, as economists use the phrase, is characterized by:

- a)at least one fixed factor of production and firms neither leaving nor entering the industry.**
- b)generally a period which is shorter than one year.**
- c)all factors of production are fixed and no variable inputs.**
- d)all inputs are variable and production is done in less than one year.**

Question.72

In the table below what will be equilibrium market price?

Price (₹)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	1000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

a) ₹2

b) ₹3

c) ₹4

d) ₹5

Question.73

The economy-wide fluctuations in production, trade and general economic activity is referred as :

- a)Business Cycle**
- b)Economic cycle**
- c)Boom-bust Cycle**
- d)All of the above.**

Question.74

Greatest depression suffered by economy in which year.

a)1924

b)1930

c)2008

d)2009

Question.75

Which is not related to great depression of 1930?

a)It stated in USA

b)John Maynard Keynes regarded lower aggregate expenditure as the cause

c)Excess Money Supply

d)Both a) and b)

Question.76

Select the odd out:

a)Expansion

b)Boom

c)Upswing

d)Trough

Question.77

The term business cycle refers to _____.

- a)The ups and downs in production of commodities.**
- b)The fluctuating levels of economic activity over a period of time.**
- c)Decline in economic activities over prolonged period of time.**
- d)Increasing unemployment rate and diminishing rate of savings.**

Question.78

_____ represents the steady growth line or the growth of the economy when there are no business cycles.

a) Peak

b) Trend

c) Depression

d) Expansion

Question.79

_____ state continues till there is full employment of resources and production is at its maximum possible level using available productive resources.

a)Expansion

b)Peak

c)Contraction

d)Depression

Question.80

In _____ phase, the overall economic activities (i.e. Production and Employment) are at the lowest level.

a)Expansion

b)Trough

c)Peak

d)Bottom

Question.81

The business Cycles or the periodic booms and slumps in economic activities reflect the _____ in economic activities.

- a) Upward movements**
- b) Downward movements**
- c) Upward and downward movements**
- d) Extreme rise**

Question.82

Peaks and troughs of the business cycle are known collectively as _____.

a) Volatility.

b) Turning points.

c) Equilibrium points.

d) Real business cycle events.

Question.83

The expansion phase is characterized by high growth rate. What is the next phase after expansion?

a) Peak

b) Contraction

c) Downstream

d) None of the above

Question.84

Which of the following does not occur during an expansion?

- a)Consumer purchases of all types of goods tend to increase.**
- b)Employment increases as demand for labour rises.**
- c)Business profits and business confidence tend to increase**
- d)None of the above.**

Question.85

Which phase is the Highest point of the business Cycle?

a)Upswing

b)Downswing

c)Peak

d)Trough

Question.86

The different phases of a business cycle _____

a) Do not have the same length and severity

b) Expansion phase always last more than ten years

c) Last many years and are difficult to get over in short periods

d) None of the above

Question.87

 is the turning point and the beginning of recession.

a) Contraction

b) Depression

c) Upswing

d) Boom

Question.88

A significant decline in general economic activity extending over a period of time is _____.

- a) Business cycle**
- b) Contraction phase**
- c) Recession**
- d) Recovery**

Question.89

When aggregate economic activity is declining, the economy is said to be in _____

a) Contraction.

b) An expansion.

c) A trough.

d) A turning point.

Question.90

Economic recession shares all of these characteristics except.

- a) Fall in the levels of investment, employment**
- b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services**
- c) Investor confidence is adversely affected and new investments may not be forthcoming**
- d) Increase in the price of inputs due to increased demand for inputs**

Question.91

During recession, the unemployment rate and output

- a) Rises; falls**
- b) Rises; rises**
- c) Falls; rises**
- d) Falls; falls**

Question.92

_____ phase of business cycle marks the end of pessimism and the beginning of optimism.

- a) Recovery**
- b) Depression**
- c) Upswing**
- d) Downswing**

Question.93

The trough of a business cycle occurs when _____ hits its lowest point.

- a) Inflation in the economy**
- b) The money supply**
- c) Aggregate economic activity**
- d) The unemployment rate**

Question.94

The lowest point in the business cycle is referred to as the _____.

a)Expansion.

b)Boom.

c)Peak.

d)Trough.

Question.95

The period 1929-33 is cited for _____ of world economy.

a)Great depression

b)Great Recovery

c)Great upswing

d)Great downswing

Question.96

In Recovery phase of business Cycle, the process of reversal is initially felt in the _____.

- a)Capital market**
- b)Labour market**
- c)Production level**
- d)Financial market.**

Question.97

Which of the following is not the phase of business cycles?

a) Prosperity

b) Upswing

c) Reconstruction

d) Depression

Question.98

Which one of the following is not a feature of Contraction?

- a) Decrease in input demand pulls input prices down**
- b) Increases of wage and interest earns gradually decline**
- c) Producers lower their prices in order to dispose of their inventories**
- d) Business Firms become optimistic about future state of economy.**

Question.99

Which of the following is not an example of coincident indicator?

a) Industrial production

b) Inflation

c) Retail sales

d) New orders for plant and equipment

Question.100

Leading economic indicators _____.

- a)Are used to forecast probable shifts in economic policies**
- b)Are generally used to forecast economic fluctuations**
- c)Are indicators of stock prices existing in an economy**
- d)Are indicators of probable recession and depression**

Question.101

A leading indicator is _____.

- a)A variable that tends to move along with the level of economic activity.**
- b)A variable that tends to move in advance of aggregate economic activity.**
- c)A variable that tends to move consequent on the level of aggregate economic activity.**
- d)None of the above.**

Question.102

Which of the following best describes a typical business cycle?

- a) Economic expansions are followed by economic contractions.**
- b) Inflation is followed by rising income and unemployment.**
- c) Economic expansions are followed by economic growth and development.**
- d) Stagflation is followed by inflationary economic growth.**

Question.103

A variable that tends to move later than aggregate economic activity is called _____.

- a) A leading variable.**
- b) A coincident variable.**
- c) A lagging variable.**
- d) A cyclical variable.**

Question.104

Which of the following macro economic variables would you include in an index of leading economic indicators?

a)Employment

b)Inflation

c)Real interest rates

d)Presidential investment

Question.105

Fashion Retailer is business of?

- a)Cyclical business**
- b)Sun rise business**
- c)Sluggish business**
- d)None of these**

Question.106

Rampant unemployment is found in:

a) Boom

b) Recovery

c) Contraction

d) Depression

Question.107

Economics activities will be declining in the phase of _____.

a)Expansion

b)Depression

c)Contraction

d)Peak

Question.108

In the later stages of expansion, inputs are difficult to find as they are _____ of their demand and there-fore & input prices _____.

- a) Short, increase**
- b) Excess, increases**
- c) Short, decrease**
- d) Excess, decrease**

Question.109

When once peak is reached, increase in demand is halted, then _____ phase begins?

- a)Trough**
- b)Contraction**
- c)Expansion**
- d)Trend**

Question.110

The economy cannot continue to grow endlessly. Once Peak is reached, _____ in demand is halted & starts _____ in certain sectors.

- a) Increase, decreasing**
- b) Decrease, Increasing**
- c) Increase, Increasing**
- d) Decrease, Decreasing.**

Question.111

_____ is the severe form of _____.

- a) Depression, Recovery**
- b) Depression, Recession**
- c) Recession, Depreciation**
- d) Recession, Recovery.**

Question.112

The great depression of _____ is still cited for the enormous misery and human sufferings it caused.

a)1929- 1930

b)1929- 1931

c)1929 – 1932

d)1929 – 1933

Question.113

Industries that are extremely sensitive to the business cycle are the _____.

- a) Durable goods and service sectors.**
- b) Non-durable goods and service sectors.**
- c) Capital goods and non-durable goods sectors.**
- d) Capital goods and durable goods sectors.**

Question.114

Features of business cycles include?

a) occur periodically

b) Have four different phases

c) Originate in free Market Economy

d) All of the above.

Question.115

Which of the following is not a characteristic of business cycles _____.

- a)Business cycles have serious consequences on the well being of the society.**
- b)Business cycles occur periodically, although they do not exhibit the same regularity.**
- c)Business cycles have uniform characteristics and causes.**
- d)Business cycles are contagious and unpredictable.**

Question.116

Assume that when price is ₹20, the quantity demanded is 9 units, and when price is ₹19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.

- a) ₹20
- b) ₹19
- c) ₹10
- d) ₹1

Question.117

Assume that when price is ₹20, the quantity demanded is 15 units, and when price is ₹18, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?

- a) ₹18**
- b) ₹16**
- c) -₹12**
- d) ₹28**

Question.118

Suppose a firm is producing a level of output such that $MR > MC$, what should the firm do to maximize its profits?

- a) The firm should do nothing.**
- b) The firm should hire less labour.**
- c) The firm should increase price.**
- d) The firm should increase output.**

Question.119

Marginal Revenue is equal to:

- a)The change in price divided by the change in output.**
- b)The change in quantity divided by the change in price.**
- c)The change in $P \times Q$ due to a one unit change in output.**
- d)Price, but only if the firm is a price searcher.**

Question.120

Business Cycle occurs _____.

a)Periodically

b)In different phases

c)Both a) and b)

d)None of the above

Question.121

Which of the following is not an essential condition of pure competition?

- a) Large number of buyers and sellers**
- b) Homogeneous product**
- c) Freedom of entry**
- d) Absence of transport cost**

Question.122

What is the shape of the demand curve faced by a firm under perfect competition?

a) Horizontal

b) Vertical

c) Positively sloped

d) Negatively sloped

Question.123

Which is the first order condition for the profit of a firm to be maximum?

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

Question.124

Which of the following is not a characteristic of a “price-taker”?

a) $TR = P \times Q$

b) $AR = Price$

c) Negatively - sloped demand curve

d) $Marginal Revenue = Price$

Question.125

With a given supply curve, a decrease in demand causes

- a)an overall decrease in price but an increase in equilibrium quantity.**
- b)an overall increase in price but a decrease in equilibrium quantity.**
- c)an overall decrease in price and a decrease in equilibrium quantity.**
- d)no change in overall price but a reduction in equilibrium quantity.**

Question.126

It is assumed in economic theory that

- a) decision making within the firm is usually undertaken by managers, but never by the owners.**
- b) the ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organisation.**
- c) as the firm's size increases, so do its goals.**
- d) the basic decision making unit of any firm is its owners.**

Question.127

If supply increases in a greater proportion than demand

- a)The new equilibrium price and quantity will be greater than the original equilibrium price and quantity.**
- b)The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher.**
- c)The new equilibrium price and quantity will be lower than the original equilibrium price and quantity.**
- d)The new equilibrium price will be lower than the original equilibrium and the new equilibrium quantity will be higher.**

Question.128

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?

- 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.**

Question.129

Which of the following is not a characteristic of monopolistic competition?

- a)Ease of entry into the industry.**
- b)Product differentiation.**
- c)A relatively large number of sellers.**
- d)A homogeneous product.**

Question.130

Which of the following statements is false?

- a) Economic costs include the opportunity costs of the resources owned by the firm.**
- b) Accounting costs include only explicit costs.**
- c) Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs.**
- d) Accounting profit is equal to total revenue less implicit costs.**

Question.131

Monopoly may arise in a product market because

- a)A significantly important resource for the production of the commodity is owned by a single firm.**
- b)The government has given the firm patent right to produce the commodity.**
- c)The costs of production and economies of scale makes production by a single producer more efficient.**
- d)All the above.**

Question.132

Oligopolistic industries are characterized by:

- a) a few dominant firms and substantial barriers to entry.**
- b) a few large firms and no entry barriers.**
- c) a large number of small firms and no entry barriers.**
- d) one dominant firm and low entry barriers.**

Question.133

Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be “small” relative to the market. Which of the following best describes this smallness?

- a)The individual firm must have fewer than 10 employees.**
- b)The individual firm faces a downward-sloping demand curve.**
- c)The individual firm has assets of less than ₹20 lakhs.**
- d)The individual firm is unable to affect market price through its output decisions.**

Question.134

Monopolistic competition differs from perfect competition primarily because

- a)in monopolistic competition, firms can differentiate their products.**
- b)in perfect competition, firms can differentiate their products.**
- c)in monopolistic competition, entry into the industry is blocked.**
- d)in monopolistic competition, there are relatively few barriers to entry.**

Question.135

The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures

- a)the efficient output level will be produced in the long run.**
- b)firms will be producing at minimum average cost.**
- c)firms will only earn a normal profit.**
- d)firms realise all economies of scale.**

Question.136

Which of the following is not a condition of perfect competition?

a) A large number of firms.

b) Perfect mobility of factors.

c) Informative advertising to ensure that consumers have good information.

d) Freedom of entry and exit into and out of the market.

Question.137

In which form of the market structure is the degree of control over the price of its product by a firm very large?

- a) Monopoly**
- b) Imperfect Competition**
- c) Oligopoly**
- d) Perfect competition**

Question.138

Average revenue curve is also known as:

- a) Profit Curve**
- b) Demand Curve**
- c) Average Cost Curve**
- d) Indifference Curve**

Question.139

Under which of the following forms of market structure does a firm have no control over the price of its product?

a) Monopoly

b) Monopolistic competition

c) Oligopoly

d) Perfect competition

Question.140

Price discrimination will be profitable only if the elasticity of demand in different sub- markets is:

- a)uniform**
- b)different**
- c)Less**
- d)zero**

Question.141

In the context of oligopoly, the kinked demand hypothesis is designed to explain

- a) Price and output determination**
- b) Price rigidity**
- c) Price leadership**
- d) Collusion among rivals.**

Question.142

Discriminating monopoly implies that the monopolist charges different prices for his commodity:

- a)from different groups of consumers**
- b)for different uses**
- c)at different places**
- d)any of the above.**

Question.143

The firm in a perfectly competitive market is a price-taker. This designation as a price-taker is based on the assumption that -

- a)the firm has some, but not complete, control over its product price.**
- b)there are so many buyers and sellers in the market that any individual firm cannot affect the market.**
- c)each firm produces a homogeneous product.**
- d)there is easy entry into or exit from the market place.**

Question.144

Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that

- a)the firm operates in a 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 maximise profits because price and revenue are subject to change.**

Question.145

Suppose that, at the profit-maximizing level of output, a firm finds that market price is less than average total cost, but greater than average variable cost. Which of the following statements is correct?

- a) The firm should shutdown in order to minimise its losses.**
- b) The firm should raise its price enough to cover its losses.**
- c) The firm should move its resources to another industry.**
- d) The firm should continue to operate in the short run in order to minimize its losses.**

Question.146

A purely competitive firm's supply schedule in the short run is determined by

a)its average revenue.

b)its marginal revenue.

c)its marginal utility for money curve.

d)its marginal cost curve.

Question.147

When price is less than average variable cost at the profit-maximising level of output, a firm should:

- a) produce where marginal revenue equals marginal cost if it is operating in the short run.**
- b) produce where marginal revenue equals marginal cost if it is operating in the long run.**
- c) shut down, since it will lose nothing in that case.**
- d) shut down, since it cannot even cover its variable costs if it stays in business.**

Question.148

One characteristic not typical of oligopolistic industry is

a)horizontal demand curve.

b)too much importance to non-price competition.

c)price leadership.

d)a small number of firms in the industry.

Question.149

The structure of the toothpaste industry in India is best described as

a) perfectly competitive.

b) monopolistic.

c) monopolistically competitive.

d) oligopolistic.

Question.150-

The structure of the cold drink industry in India is best described as

a) perfectly competitive.

b) monopolistic.

c) monopolistically competitive.

d) oligopolistic.