



CA Foundation June 2024
(New Syllabus)
Business Economics

MCQ Shastra

1st Edition

by CA Mohnish Vora (MVSIR)

Contains-

- All MCQs of Micro & Macro Economics from latest ICAI SM
- Extra MCQs of Micro Economics for practice

Connect with MVSIR



Telegram

[@camvsir](#)
(Click here)



Instagram

[@ca_mohnishvora](#)
(Click here)

YouTube

[@ca_mohnishvora](#)
(Click here)



Website

mvsir.in
(Click here)

Scan the above QR codes



INDEX

Micro Economics - MCQs

Business Economics – MCQ Shastra				
Chp No.	Chapter Name	Approx Marks	ICAI SM MCQs	Extra MCQs
1	Nature & Scope of Business Economics	5 Marks	1.1 – 1.7	1.8 – 1.13
2	Theory of Demand & Supply	10 - 15 Marks	2.1 – 2.18	2.19 – 2.32

Note: This pdf is only a **part of MCQ Shastra**, if a student wants whole book

1) Buy from www.mvsir.in

OR

2) Enroll in Vishwaas Regular Batch for CA Foundation June 2024 from www.ultimateca.com (Option to buy individual subjects also)

CA Foundation – June 2024
Business Economics

Chapter 1
Nature & Scope of Business
Economics

ICAI SM MCQs

MCQ Shastra – Volume I
(Micro Economics)
by MVSIR



UNIT 2

Basic

ICAI SM

1 Economists regard decision making as important because

- a) The resources required to satisfy our unlimited wants and needs are finite, or scarce.
- b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs.
- c) Resources have alternative uses.
- d) All the above.

ICAI SM

2 Business Economics is -

- a) Abstract and applies the tools of Microeconomics.
- b) Involves practical application of economic theory in business decision making.
- c) Incorporates tools from multiple disciplines.
- d) (b) and (c) above.

ICAI SM

3 In Economics, we use the term scarcity to mean -

- a) Absolute scarcity and lack of resources in less developed countries.
- b) Relative scarcity i.e. scarcity in relation to the wants of the society.
- c) Scarcity during times of business failure and natural calamities.
- d) Scarcity caused on account of excessive consumption by the rich.

ICAI SM

4 What implication(s) does resource scarcity have for the satisfaction of wants?

- a) Not all wants can be satisfied.
- b) We will never be faced with the need to make choices.
- c) We must develop ways to decrease our individual wants.
- d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.

ICAI SM

5 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.

ICAI SM

6 In every economic system, scarcity imposes limitations on

- a) households, business firms, governments, and the nation as a whole.
- b) households and business firms, but not the governments.
- c) local and state governments, but not the federal government.
- d) households and governments, but not business firms.

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
7	Macroeconomics is also called---- economics
a) applied b) aggregate c) experimental d) none of the above	

ICAI SM	
8	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.	

ICAI SM	
9	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) Descriptive Economics. c) Micro-economics. d) Normative economics.	

ICAI SM	
10	Which of the following does not suggest a macro approach for India?
a) Determining the GNP of India. b) Finding the causes of failure of ABC Ltd. c) Identifying the causes of inflation in India. d) Analyse the causes of failure of industry in providing large scale employment	

ICAI SM	
11	Ram: My corn harvest this year is poor. Krishan: Don't worry. Price increases will compensate for the fall in quantity supplied. Vinod: Climate affects crop yields. Some years are bad, others are good. Madhu: The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by -
a) Ram b) Krishan c) Vinod d) Madhu	

ICAI SM	
12	Consider the following and decide which, if any, economy is without scarcity:
a) The pre-independent Indian economy, where most people were farmers. b) A mythical economy where everybody is a billionaire. c) Any economy where income is distributed equally among its people. d) None of the above.	

ICAI SM	
13	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.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
14	The branch of economic theory that deals with the problem of allocation of resources is-
a) Micro-Economic theory. b) Macro-economic theory. c) Econometrics. d) None of the above.	

ICAI SM	
15	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?	

ICAI SM	
16	Which of the following is a normative economic statement?
a) Unemployment rate decreases with industrialization b) Economics is a social science that studies human behaviour. c) The minimum wage should be raised to Rs.200/- per day d) India spends a huge amount of money on national defence.	

ICAI SM	
17	Which of the following would be considered a topic of study in Macroeconomics?
a) The effect of increase in wages on the profitability of cotton industry b) The effect on steel prices when more steel is imported c) The effect of an increasing inflation rate on living standards of people in India d) The effect of an increase in the price of coffee on the quantity of tea consumed	

ICAI SM	
18	The difference between positive and normative Economics is:
a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance. b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people. c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people. d) Positive Economics prescribes while normative Economics describes.	

ICAI SM	
19	Which of the following is not within the scope of Business Economics?
a) Capital Budgeting b) Risk Analysis c) Business Cycles d) Accounting Standards	

ICAI SM	
20	Which of the following statements is incorrect?
a) Business economics is normative in nature. b) Business Economics has a close connection with statistics. c) Business Economist need not worry about macro variables. d) Business Economics is also called Managerial Economics.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
21	Economic goods are considered scarce resources because they.
a) cannot be increased in quantity. b) do not exist in adequate quantity to satisfy the requirements of the society. c) are of primary importance in satisfying social requirements. d) are limited to man made goods.	

ICAI SM	
22	In a free market economy the allocation of resources is determined by
a) voting done by consumers. b) a central planning authority. c) consumer preferences. d) the level of profits of firms.	

ICAI SM	
23	A capitalist economy uses _____ as the principal means of allocating resources.
a) demand b) supply c) efficiency d) prices	

ICAI SM	
24	Which of the following is considered as a disadvantage of allocating resources using the market system?
a) Income will tend to be unevenly distributed. b) People do not get goods of their choice. c) Men of Initiative and enterprise are not rewarded. d) Profits will tend to be low.	

ICAI SM	
25	Which of the following statements does not apply to a market economy?
a) Firms decide whom to hire and what to produce. b) Firms aim at maximizing profits. c) Households decide which firms to work for and what to buy with their incomes. d) Government policies are the primary forces that guide the decisions of firms and households.	

ICAI SM	
26	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.	

ICAI SM	
27	The central problem in economics is that of
a) comparing the success of command versus market economies. b) guaranteeing that production occurs in the most efficient manner. c) guaranteeing a minimum level of income for every citizen. d) allocating scarce resources in such a manner that society's unlimited needs or e) wants are satisfied in the best possible manner.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
28	Capital intensive technique would get chosen in a
<ul style="list-style-type: none"> 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. 	

ICAI SM	
29	Which of the following is not one of the four central questions that the study of economics is supposed to answer?
<ul style="list-style-type: none"> a) Who produces what? b) When are goods produced? c) Who consumes what? d) How are goods produced? 	

ICAI SM	
30	Larger production of _ _ goods would lead to higher production in future.
<ul style="list-style-type: none"> a) consumer goods b) capital goods c) agricultural goods d) public goods 	

ICAI SM	
31	The economic system in which all the means of production are owned and controlled by private individuals for profit.
<ul style="list-style-type: none"> a) Socialism b) Capitalism c) Mixed economy d) Communism 	

ICAI SM	
32	Macro Economics is the study of _____.
<ul style="list-style-type: none"> a) all aspects of scarcity. b) the national economy and the global economy as a whole. c) big businesses. d) the decisions of individual businesses and people. 	

ICAI SM	
33	Freedom of choice is the advantage of -
<ul style="list-style-type: none"> a) Socialism b) Capitalism c) Communism d) None of the above 	

ICAI SM	
34	Exploitation and inequality are minimal under:
<ul style="list-style-type: none"> a) Socialism b) Capitalism c) Mixed economy d) None of the above 	

ICAI SM	
35	Administered prices refer to:
<ul style="list-style-type: none"> a) Prices determined by forces of demand and supply b) Prices determined by sellers in the market c) Prices determined by an external authority which is usually the government d) None of the above 	

ICAI SM	
36	In Economics, the central economic problem means:
<ul style="list-style-type: none"> a) Output is restricted to the limited availability of resources b) Consumer do not have as much money as they would wish c) There will always be certain level of unemployment d) Resources are not always allocated in an optimum way 	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
37	Scarcity definition of Economics is given by-
<ul style="list-style-type: none"> a) Alfred Marshall b) Samuelson c) Robinson d) Adam Smith 	

ICAI SM	
38	The definition "Science which deals with wealth of Nation" was given by:
<ul style="list-style-type: none"> a) Alfred Marshall b) A C Pigou c) Adam Smith d) J B Say 	

ICAI SM	
39	Which of the following is not one of the features of capitalist economy?
<ul style="list-style-type: none"> a) Right of private property b) Freedom of choice by the consumers c) No profit, No Loss motive d) Competition 	

ICAI SM	
40	There is need of economic study, because -
<ul style="list-style-type: none"> a) The resources are limited b) The wants are unlimited c) The resources are unlimited d) Both a and b 	

ICAI SM	
41	study is -
<ul style="list-style-type: none"> a) It ensure that all problems will be appropriately tackled b) It helps in identifying problems c) It enable to examine a problem in its right perspective d) It gives exact solutions to every problem 	

ICAI SM	
42	The managerial economics -
<ul style="list-style-type: none"> a) Is Applied Economics that fills the gap between economic theory and business practice b) Is just a theory concept c) Trains managers how to behave in recession d) Provides the tools which explain various concepts 	

ICAI SM	
43	Which of the following statements is correct?
<ul style="list-style-type: none"> 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 	

ICAI SM	
44	Mr. Satish 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?
<ul style="list-style-type: none"> a) Micro economics b) Macro economics c) None of the above d) Both a and b 	

ICAI SM	
45	Profit motive is a merit of
<ul style="list-style-type: none"> a) Socialism b) Capitalism c) Mixed economy d) None of the above 	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
46	_____ is also called as command economy
a) Socialist b) Capitalist c) Mixed economy d) None of the above	

ICAI SM	
48	Unlimited ends and limited means together present the problem of _____.
a) Scarcity of resources b) Choice c) Distribution d) None of the above	

ICAI SM	
47	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.	

Answer Key – Chapter 1 (unit – 2)

1.	(d)	2.	(d)	3.	(b)	4.	(a)	5.	(d)	6.	(a)
7.	(b)	8.	(a)	9.	(a)	10.	(b)	11.	(d)	12.	(d)
13.	(d)	14.	(a)	15.	(d)	16.	(c)	17.	(c)	18.	(b)
19.	(d)	20.	(c)	21.	(b)	22.	(c)	23.	(d)	24.	(a)
25.	(d)	26.	(c)	27.	(d)	28.	(b)	29.	(b)	30.	(b)
31.	(b)	32.	(b)	33.	(b)	34.	(a)	35.	(c)	36.	(a)
37.	(c)	38.	(c)	39.	(c)	40.	(d)	41.	(c)	42.	(a)
43.	(d)	44.	(a)	45.	(b)	46.	(a)	47.	(d)	48.	(b)

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties

CA Foundation – June 2024
Business Economics

Chapter 1
Nature & Scope of Business
Economics

Extra MCQs for Practice

MCQ Shastra – Volume I
(Micro Economics)
by MVSIR



A.Q., MTP Apr 23

1 In the beginning the name of economics was _____

- a) Economics of wealth
- b) Political economy
- c) Welfare economics
- d) None of these

MTP Mar 18

2 Economics is a Science which deals with wealth' was referred by

- a) Alfred Marshal
- b) J.B. Say
- c) Adam Smith
- d) A.C. Pigou.

A.Q.

3 Which of the following is/are limitation(s) of the wealth definitions of economics given by classical economists?

- a) By considering the problem of production distribution & exchange of wealth, they focused attention on important issues with which economics is concerned.
- b) By restricting the definition of wealth to material wealth & the neglect of immaterial services, they narrowed down the scope of economics.
- c) Both (A) and (B)
- d) None of these

MTP Dec 22, A.Q.

4 "If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce." On the basis of the above statement, which of the following conclusion can be made?

- a) The possession of goods and services by USA has enormously increased to exceed their wants.
- b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants remain a head of their increased resources and capacity to produce.
- c) The affluent and developed countries are not facing the problem of scarcity.
- d) None of these

MTP Dec 22, A.Q.

5 Economics is a branch of _____ focused on the production, distribution and consumption of goods and services.

- a) Natural science
- b) Physical science
- c) Social science
- d) None of these

MTP Nov 22, MTP Aug 18, MTP Oct 20

6 _____ expressed the view the "Economics is neutral between end".

- a) Robbins
- b) Marshall
- c) Pigou
- d) Adam Smith

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Jun 22

7	Most of the economic problems are of _____ nature and are affected by _____
----------	--

a) Complex, Several forces
b) Simple, Several forces
c) Simple, single factor
d) Complex, Single factor

MTP Nov 22

8	Which of the following statements is true?
----------	---

a) The study of economics ensures that all problems will be appropriately tackled.
b) The study of economics cannot ensure that all problems will be appropriately tackled.
c) The study of economics does not enable a student to examine a problem in its right perspective.
d) None of these

PYQ Jun 23

9	Economic is classified into _____
----------	--

a) Normative and positive
b) Micro and macro
c) Internal and external
d) None of the above

A.Q.

10	Which of the following statements is correct?
-----------	--

a) Employment and economic growth are studied in micro-economics.
b) Micro economics deals with balance of trade
c) Economic condition of a section of the people is studied in micro-economics
d) External value of money is dealt with in micro-economics

MTP Mar 18

11	When we study why saving rates are high or low, we are studying :
-----------	--

a) Macro Economics
b) Micro Economics
c) Econometrics
d) Both (a) and (b)

PYQ Jun 22, Jun 23

12	Which of the following is not a subject matter of micro economics ?
-----------	--

a) Behaviour of firms
b) Location of industry
c) Consumer behaviour
d) Foreign exchange rate

MTP Nov 22, A.Q.

13	_____ is concerned with welfare Proposition
-----------	--

a) Normative Economics
b) Positive Economics
c) Both (A) and (B)
d) None of these

A.Q.

14	Business economics is ____ in its Approach
-----------	---

a) Idealistic
b) Pragmatic
c) Both (A) and (B)
d) None of these

A.Q.

15	"Generally a business manager is concerned with problems of his own business units. He does not study the economic problems of an economy as a whole. "State whether the above statement is _____"
-----------	---

a) True
b) False
c) Partly True
d) Partly False

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Aug 18, MTP May 20

16 Which of the following statements would you consider to be a normative one?

- a) Faster economic growth should result if an economy has a higher level of investment.
- b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
- c) Higher levels of unemployment will lead to higher levels of inflation.
- d) The average level of growth in the economy was faster in the 1990s than the 1980s

MTP Mar 22, Dec 22

17 Taxation involves which aspects of normative economics:

- a) Incidence
- b) Fairness
- c) Incentive to work
- d) All of the above

MTP Nov 22.

18 Business economics is _____

- a) science
- b) An art
- c) Both science and art
- d) None of these

PYQ Jun 23

19 Which of the following refers to the sum total of arrangements for the product and distribution of goods and services in society?

- a) Economic system
- b) Business system
- c) Capitalist economic system
- d) Socialist economic system

A.Q.

20 "A wise individual or a society likes to provide for its growth of productive capacity." This requires that a part of its resources should be devoted to the production of _____

- a) Consumer goods
- b) Capital goods
- c) Defense goods
- d) None of these

MTP Dec 22

21 The problem of "what to produce relate to

- a) The choice of goods and service
- b) Distribution of income
- c) The choice of technique
- d) None of these

MTP Nov 22, MTP Apr 19, Oct 20,

22 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

MTP Jun 22, MTP Nov 22

23 The regulatory mechanism of the market system is-

- a) Self interest
- b) Private property
- c) Competition
- d) Specialization

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q.

24

If there is no central planning authority to make the fundamental economic decisions and thus to allocate productive resources, how can then free enterprise or capitalist economy solve its central problems?

- a) Through the power of God
- b) On the basis of decision taken by industrial groups.
- c) The free market economy uses the impersonal forces of the market to solve its central problems
- d) None of these

A.Q.

25

The industrialization and economic development of the USA, Great Britain and other Western European countries have taken place under the condition of__?

- a) Socialism and planned structure
- b) Capitalism and laissez faire
- c) Mixed economic structure
- d) None of these

MTP Dec 22

26

The Characteristic of capitalist economics does not include?

- a) Right to Private property
- b) Freedom of economic choice
- c) Absence of Consumer choice
- d) Competition

PYQ Jun 22

27

Which of the following economic system is self regulating and run by invisible hands ?

- a) Mixed economic system
- b) Socialistic economic system
- c) Capitalist economic system
- d) Planned economic system

PYQ Jun 22

28

In a socialist ___ economy the allocation of resources is done by

- a) Market Price
- b) Consumer preferences
- c) A central planning authority
- d) The level of corporate profits

MTP Dec 22, A.Q.

29

A socialist economy is a system of production where goods and services are produced _____

- a) to generate profit
- b) directly for use
- c) Both (A) and (B)
- d) None of these

A.Q.

30

Which of the following is not a merit of socialist economy?

- a) It provides equal access to health care and education
- b) Workers are no longer exploited because they own the means of production
- c) Profits are not spread equitably among all workers according to their individual contributions.
- d) Natural resources are preserved for the good of the whole

MTP Mar 19

31

Which economy is now a myth only, as no country in the world is having that type of economy?

- a) Capitalist Economy
- b) Socialist Economy
- c) Mixed Economy
- d) None of the above

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q.

32 Which of the following statements is/are correct about mixed economic system?

- a) Mixed economic system depends on both markets and governments for allocation of resources
- b) Mixed economy is not always a golden path between capitalism and socialism.
- c) It is very difficult to maintain a proper balance between private and public sectors.
- d) All of the above

Extra MCQs

33 Which of the following statements is correct?

- a) In a two-good economy, the production possibilities frontier reflects the maximum amount of one good that can be produced when a given amount of the other good is produced.
- b) Microeconomics is the study of the behavior of the economy as a whole.
- c) Positive economics focuses on welfare of the people of a society
- d) None of the above

Extra MCQs

34 Which of the following statement is correct?

- a) Mixed economy is not always a 'golden path' between capitalistic and socialistic economy
- b) Socialistic economy is not always a 'golden path' between mixed economy and capitalism
- c) Capitalistic economy is not always a 'golden path' between mixed economy and socialism
- d) Local economy is not always a 'golden path' between internal and international economy

35 Capitalist system offers incentives for _____

- a) Efficient business decisions
- b) Efficient government decisions
- c) Efficient non-governmental decisions
- d) Efficient economic decisions

MTP May 23

36 The 'Communist Manifesto' was published in:

- a) 1848
- b) 1905
- c) 1952
- d) None of these.

PYQ Jun 23

37 Encourage enterprise and risk taking is considered as a merit of which of the following economy?

- a) Social economy
- b) Political Economy
- c) Mixed Economy
- d) Managerial economy

PYQ Jun 22

38 _____ involves the predominance of bureaucracy and resulting inefficiencies and delays

- a) Socialistic economy
- b) Capitalist economy
- c) Mixed economy
- d) Free market economy

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



Answer Key – Economics Chapter 1

1	B	11	A	21	A	31	B
2	B	12	D	22	C	32	D
3	B	13	A	23	C	33	A
4	B	14	B	24	C	34	A
5	C	15	A	25	B	35	D
6	A	16	B	26	C	36	A
7	A	17	B	27	C	37	C
8	B	18	C	28	c	38	D
9	B	19	A	29	B		
10	c	20	B	30	C		

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties

CA Foundation – June 2024
Business Economics

Chapter 2
THEORY OF DEMAND
AND SUPPLY

ICAI SM MCQs

MCQ Shastra – Volume I
(Micro Economics)
by MVSIR



UNIT 3

Basic

ICAI SM

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.

ICAI SM

2 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.

ICAI SM

3 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.

ICAI SM

4 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.

ICAI SM

5 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

ICAI SM

6 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.

ICAI SM

7 Identify the factor which generally keeps the price-elasticity of demand for a good low:

- a) Variety of uses for that good.
- b) Very low price of a commodity
- c) Close substitutes for that good.
- d) High proportion of the consumer's income spent on it.

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
8	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) Less than one. d) Zero.	

ICAI SM	
9	In the case of an inferior good, the income elasticity of demand is:
a) positive. b) Zero. c) Negative. d) infinite.	

ICAI SM	
10	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.	

ICAI SM	
11	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.	

ICAI SM	
12	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	

ICAI SM	
13	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.	

ICAI SM	
14	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.	

ICAI SM	
15	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.	

ICAI SM	
16	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.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
17	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.	

ICAI SM	
18	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	

ICAI SM	
19	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.	

20	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	

ICAI SM	
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	

ICAI SM	
22	Suppose the price of movies seen at a theatre rises from Rs.120 per person to Rs.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	

ICAI SM	
23	Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from Rs.300 to Rs.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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
24	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	

ICAI SM	
25	If the local pizzeria raises the price of a medium pizza from Rs.60 to Rs.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	

ICAI SM	
26	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.	

ICAI SM	
27	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.	

ICAI SM	
28	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 percent. c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by Rs.100. d) None of the above.	

ICAI SM	
29	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.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
30	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.	

ICAI SM	
31	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.	

ICAI SM	
32	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.	

ICAI SM	
33	Suppose a consumer's income increases from Rs.30,000 to Rs.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	

ICAI SM	
34	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	

ICAI SM	
35	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) Diminishing marginal utility of money d) Consumers would always prefer more of a particular good to less of it, other things remaining the same.	

ICAI SM	
36	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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
37	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.	

ICAI SM	
38	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.	

ICAI SM	
39	The successive units of stamps collected by a little boy give him greater and greater satisfaction. This is a clear case of
a) Operation of the law of demand. b) Consumer surplus enjoyed in hobbies and rare collections c) Exception to the law of diminishing utility. d) None of the above	

ICAI SM	
40	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 and the demand curve will shift to the right b) The demand for rice will decrease and the demand curve will shift to the left c) The demand for rice will be unaffected as it is a necessity d) The demand for wheat will increase and the demand curve will shift to the right	

ICAI SM	
41	In the case of a Giffen good, the demand curve will usually be:
a) horizontal. b) downward-sloping to the right. c) vertical. d) upward-sloping to the right	

ICAI SM	
42	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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM

43 Which of the following is a property of an indifference curve?

- a) It is convex to the origin due to diminishing marginal rate of substitution
- 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 budget line cuts the indifference curve.

ICAI SM

44 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.

ICAI SM

45 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.

ICAI SM

46 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.

ICAI SM

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

- a) Improvements in its production technology
- b) Fall in the prices of other goods which can be produced using the same inputs.
- c) Fall in the prices of factors of production used in its production.
- d) all of the above.

ICAI SM

48 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.

ICAI SM

49 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.

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
50	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.	

ICAI SM	
51	Conspicuous goods are also known as
a) Prestige goods b) Snob goods c) Veblen goods d) All of the above	

ICAI SM	
52	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	

ICAI SM	
53	As income increases, the consumer will go in for superior goods and consequently the demand for inferior goods will fall. This means inferior goods have
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	

ICAI SM	
54	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	

ICAI SM	
55	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	

ICAI SM	
56	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	

ICAI SM	
57	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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
58	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	

ICAI SM	
59	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 remaining the same c) willingness to pay for a good if income is larger enough d) ability to pay for a good	

ICAI SM	
60	Suppose potatoes have (-).0.4 as income elasticity. We can say from the data given that:
a) Potatoes are superior goods. b) Potatoes are necessities. c) Potatoes are inferior goods. d) There is a need to increase the income of consumers so that they can purchase potatoes.	

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	

ICAI SM	
62	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.	

ICAI SM	
63	Potato chips and popcorn are substitutes. A rise in the price of potato chips will ----- the demand for popcorn and the quantity of popcorn sold will ----
a) increase; increase b) increase; decrease c) decrease; decrease d) decrease; increase	

ICAI SM	
64	If the price of orange Juice increases, the demand for apple Juice will .
a) increase because they are substitutes b) decrease because they are substitutes c) remain the same because real income is increased d) decrease as real income decreases	

ICAI SM	
65	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.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
66	When total demand for a commodity whose price has fallen increases, it is due to:
<ul style="list-style-type: none"> a) Income effect. b) Substitution effect c) Complementary effect d) Price effect 	

ICAI SM	
67	With a fall in the price of a commodity:
<ul style="list-style-type: none"> a) Consumer's real income increases b) Consumer's real income decreases c) There is no change in the real income of the consumer d) None of the above 	

ICAI SM	
68	With an increase in the price of diamond, the quantity demanded also increases. This is because it is a:
<ul style="list-style-type: none"> a) Substitute good b) Complementary good c) Conspicuous good d) None of the above 	

ICAI SM	
69	An example of goods that exhibit direct price-demand relationship is
<ul style="list-style-type: none"> a) Giffen goods b) Complementary goods c) Substitute goods d) None of the above 	

ICAI SM	
70	In Economics, when demand for a commodity increases with a fall in its price it is known as:
<ul style="list-style-type: none"> a) Contraction of demand b) Expansion of demand c) No change in demand d) None of the above 	

ICAI SM	
71	The quantity supplied of a good or service is the amount that
<ul style="list-style-type: none"> 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 	

ICAI SM	
72	Supply is the
<ul style="list-style-type: none"> 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 	

ICAI SM	
73	In the book market, the supply of books will decrease if any of the following occurs except
<ul style="list-style-type: none"> 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. 	

ICAI SM	
74	If price of computers increases by 10% and supply increases by 25%. The elasticity of supply is :
<ul style="list-style-type: none"> a) 2.5 b) 0.4 c) (-) 2.5 d) (-) 0.4 	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
75	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	

ICAI SM	
76	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	

ICAI SM	
77	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) Decrease in quantity of camera demanded d) Decrease the price and decrease in the number of cameras bought.	

ICAI SM	
78	Which of the following statements about inferior goods is/are false? 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.	

ICAI SM	
79	Comforts lie between
a) inferior goods and necessities b) luxuries and inferior goods c) necessities and luxuries d) none of the above	

ICAI SM	
80	In a very short period, the supply
a) can be changed b) can not be changed c) can be increased d) none of the above	

ICAI SM	
81	When supply curve moves to the left, it means
a) lesser quantity is supplied at a given price b) larger quantity is supplied at a given price c) prices have fallen and quantity is supplied at a lower price d) none of the above	

ICAI SM	
82	When supply curve moves to right, it means
a) supply increases and more quantity is supplied at a given price b) supply decreases and less quantity is supplied at a given price c) supply remains constant at a given price d) none of the above	

ICAI SM	
83	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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
84	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	

ICAI SM	
88	The price of a commodity decreases from Rs.6 to Rs.4 and the quantity demanded of the good increases from 10 units to 15 units. Find the coefficient of price elasticity.
a) 1.5 b) 2.5 c) -1.5 d) 0.5	

ICAI SM	
85	Elasticity of supply is zero means
a) perfectly inelastic supply b) perfectly elastic supply c) imperfectly elastic supply d) none of the above	

ICAI SM	
89	The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is Rs.15.
a) 4 b) -3 c) -5 d) 3	

ICAI SM	
86	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	

ICAI SM	
90	<p>The figure below shows the budget constraint of a consumer with an income of Rs.900/- to spend on two commodities, namely ice cream and chocolates.</p> <p>The prices of these two commodities respectively are:</p>
a) Rs. 10 and Rs.20 b) Rs. 20 and Rs.10 c) Rs. 10 and Rs.5 d) Any of the above	

ICAI SM	
87	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	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
91	'No matter what the price of coffee is, Arjun always spend a total of exactly 100 per week on coffee.' The statement implies that:
a) Arjun is very fond of coffee and therefore he has an inelastic demand for coffee b) Arjun has elastic demand for coffee c) Arjun's demand for coffee is relatively less elastic d) Arjun's demand for coffee is unit elastic	

ICAI SM	
94	If the price of air-conditioner increases from Rs.30,000 to Rs.30,010 and resultant change in demand is negligible, we use the measure of _____ to measure elasticity.
a) Point elasticity of demand since it is a small change b) Arc elasticity of demand since it is a small change c) Price elasticity based on average prices method d) Any of the above	

ICAI SM	
92	A firm learns that the own price elasticity of a product it manufactures is 3.5. What would be the correct action for this firm to take if it wishes to raise its total revenue?
a) Lower the price because demand for the good is elastic. b) Raise the price because demand for the product is inelastic. c) Raise the price because demand is elastic. d) We need information in order to answer this question.	

ICAI SM	
95	Given the following four possibilities, which one will result in an increase in total expenditure of the consumer?
a) Demand is unit elastic and price rises b) Demand is elastic and price rises c) Demand is inelastic and price falls d) demand is inelastic and price rises	

ICAI SM	
93	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) Giffens paradox c) Speculative effect d) None of the above	

ICAI SM	
96	The supply curve shifts to the right because of-----
a) improved technology b) increased price of factors of production c) increased excise duty d) all of the above	

ICAI SM	
97	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.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
98	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	

ICAI SM	
103	The cross elasticity between Bread and DVDs is:
a) Positive b) Negative c) Zero d) One	

ICAI SM	
99	The supply curve for highly perishable commodities during very short period is generally --
a) Elastic b) Inelastic c) Perfectly elastic d) Perfectly inelastic	

ICAI SM	
104	Which of the following statements is correct?
a) With the help of statistical tools, the demand can be forecasted with perfect accuracy b) The more the number of substitutes of a commodity, the more elastic is the demand. c) Demand for butter is perfectly elastic. d) Gold jewellery will have negative income elasticity.	

ICAI SM	
100	Supply is a _____ concept.
a) Stock b) Flow and stock c) Flow d) None of the above	

ICAI SM	
105	Suppose the income elasticity of education in private school in India is 3.6. What does this indicate:
a) Private school education is highly wanted by rich b) Private school education is a necessity. c) Private school education is a luxury. d) We should have more private schools.	

ICAI SM	
101	The cross elasticity between Rye bread and Whole Wheat bread is expected to be:
a) Positive b) Negative c) Zero d) Can't say	

ICAI SM	
102	The cross elasticity between personal computers and soft wares is:
a) Positive b) Zero c) Negative d) One	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM

106

If the organizers of an upcoming cricket match decide to increase the ticket price in order to raise its revenues, what they have learned from past experience is;

- a) The percentage increase in ticket rates will be always equal the percentage decrease in tickets sold
- b) The percentage increase in ticket rates will be always greater than the percentage decrease in tickets sold
- c) The percentage increase in ticket rates will be less than the percentage decrease in tickets sold
- d) (a) and (c) above are true

ICAI SM

107

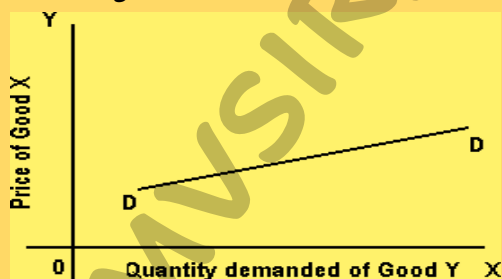
Data on production of vegetables for the past two years showed that, despite stable prices, there is a substantial decline in output of cabbage leading to lower supply into the market. Which of the following can possibly be the reason?

- a) An increase in the price of cauliflower which is equally preferred by consumers
- b) Announcement of a subsidy by government on vegetable production
- c) More farmers producing cabbage and the increasing competition among them
- d) A substantial decrease in the price of capsicum

ICAI SM

108

The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is;

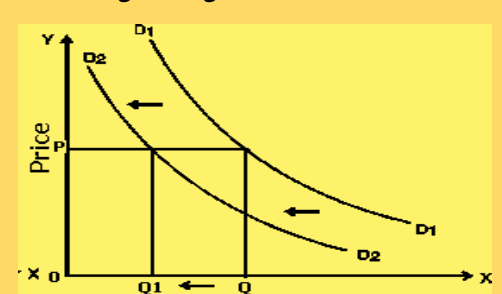


- a) Good X and Good Y are perfect complements
- b) Good X and Good Y are perfect substitutes
- c) Good X and Good Y are remote substitutes
- d) Good X and Good Y are close substitutes

ICAI SM

109

The diagram given below shows



- a) A change in demand which may be caused by a rise in income and the good is a normal good
- b) A shift of demand curve caused by a fall in the price of a complementary good
- c) A change in demand which is caused by a rise in income and the good is an inferior good
- d) A shift of demand curve caused by a rise in the price of a substitute and the good is a normal good.

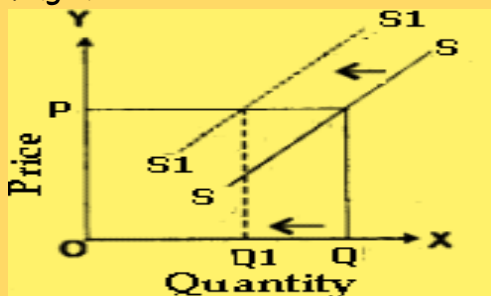
Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM

110

Which of the following alternatives would be true if the event presented in the following diagram occurs?



- a) A fall in wage costs of the firm along with a fall in consumer incomes
- b) A shortage of raw materials and consequent increase in raw material price
- c) An increase in subsidy by the government and a reduction in taxes
- d) Decrease in the market price of the commodity in question

ICAI SM

111

The demand curve of a normal good has shifted to the right. Which of the four events would have caused the shift?

- a) A fall in the price of a substitute with the price of the good unchanged
- b) A fall in the nominal income of the consumer and a fall in the price of the normal good
- c) A fall in the price of a complementary good with the price of the normal good unchanged
- d) A fall in the price of the normal good, other things remaining the same

ICAI SM

112

If roller-coaster ride is a function of amusement park visit, then, if the price of amusement park entry falls

- a) The demand for roller-coaster rides will rise and the demand curve will shift to right
- b) The demand for roller coaster ride cannot be predicted as it depends on the tastes of consumers for the ride
- c) There will be an expansion in the demand for roller coaster drive as it complementary
- d) None of the above

ICAI SM

113

If a short run supply curve is plotted for the following table which presents price and quantity of fighter aircrafts, what will be its shape?

Price in millions of \$	Number of Aircrafts
124	28
140	28
150	28
160	28
175	28

- a) Horizontal straight line parallel to the quantity axis
- b) Steeply rising with elasticity less than one
- c) Vertical straight line parallel to Y axis
- d) A perfectly elastic supply curve

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM

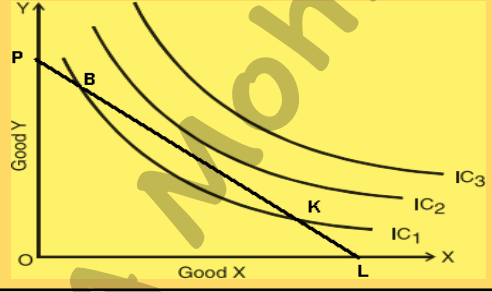
114 The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true?

City	%Incr In Inco me	% change in dem and for Good X	% change in demand for Good Y
A	12	6.5	- 2.3
B	9	5.6	1.6

- a) Both goods are normal goods in both cities A and B
- b) Good X is a normal good in both cities; good Y is an inferior good in city A
- c) Good X is a normal good in both cities; good Y is an inferior good in city B
- d) Need more information to make an accurate comment

ICAI SM

115 If this consumer is spending her entire income and consuming at point B, what advise will you give her?



- a) No advise needed, as she is maximizing her utility at B
- b) Consume more of Good X and less of Good Y
- c) Consume more of X and less of Y and reach point K
- d) Consume same quantity of Good Y and more of Good X

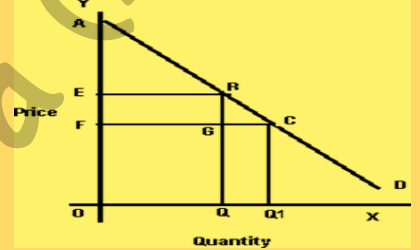
ICAI SM

116 Which of the following statements is true about this consumer?

- a) The consumer is not maximizing her utility at point K
- b) The consumer is spending her entire income on both goods
- c) The consumer gets equal pleasure at points B and K
- d) All the above

ICAI SM

117 The effect on consumer surplus of a fall in price from E to F is



- a) A decrease in consumer surplus by EFGR
- b) A decrease in consumer surplus by AER
- c) A decrease in consumer surplus by EFCR
- d) None of the above

ICAI SM

118 When price rises from F to E, the increase in revenue earned by the seller is

- a) Equivalent to area EFGR
- b) Equivalent to area EFCR
- c) Equivalent to area AER
- d) None of the above

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



ICAI SM	
119	How would that budget line be affected if the price of both goods fell?
a) The budget line would not shift. b) The new budget line must be parallel to the old budget line. c) The budget line must be shifting to the left d) The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion.	

ICAI SM	
120	During a recession, economies experience increased unemployment and a reduced level of income. How would a recession likely to affect the market demand for new cars?
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.	

Answer Key –Chapter 2 (unit – 3)

1.	(d)	2.	(b)	3.	(c)	4.	(b)	5.	(b)	6.	(b)
7.	(b)	8.	(c)	9.	(c)	10.	(b)	11.	(b)	12.	(b)
13.	(b)	14.	(c)	15.	(d)	16.	(c)	17.	(a)	18.	(b)
19.	(d)	20.	(d)	21.	(c)	22.	(b)	23.	(c)	24.	(c)
25.	(d)	26.	(b)	27.	(a)	28.	(c)	29.	(b)	30.	(a)
31.	(b)	32.	(c)	33.	(b)	34.	(a)	35.	(c)	36.	(a)
37.	(a)	38.	(c)	39.	(c)	40.	(a)	41.	(d)	42.	(c)
43.	(a)	44.	(c)	45.	(a)	46.	(d)	47.	(d)	48.	(b)
49.	(b)	50.	(b)	51.	(d)	52.	(c)	53.	(b)	54.	(d)
55.	(b)	56.	(b)	57.	(c)	58.	(b)	59.	(b)	60.	(c)
61.	(c)	62.	(b)	63.	(a)	64.	(a)	65.	(d)	66.	(d)
67.	(a)	68.	(c)	69.	(a)	70.	(b)	71.	(c)	72.	(c)
73.	(b)	74.	(a)	75.	(c)	76.	(a)	77.	(c)	78.	(a)
79.	(c)	80.	(b)	81.	(a)	82.	(a)	83.	(a)	84.	(c)
85.	(a)	86.	(a)	87.	(c)	88.	(a)	89.	(d)	90.	(b)
91.	(d)	92.	(a)	93.	(a)	94.	(a)	95.	(d)	96.	(a)
97.	(d)	98.	(a)	99.	(d)	100.	(c)	101.	(a)	102.	(c)
103.	(c)	104.	(b)	105.	(c)	106.	(b)	107.	(a)	108.	(d)
109.	(c)	110.	(b)	111.	(c)	112.	(a)	113.	(c)	114.	(b)
115.	(b)	116.	(d)	117.	(d)	118.	(a)	119.	(d)	120.	(b)

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties

CA Foundation – June 2024
Business Economics

Chapter 2
THEORY OF DEMAND
AND SUPPLY

Extra MCQs for Practice

MCQ Shastra – Volume I
(Micro Economics)
by MVSIR



A.Q.

1

The economist's concept of demand is _____ as desire or need or choice or preference or order.

- a) the same thing
- b) not the same thing
- c) (A) or (B)
- d) None of these

MTP Dec 22, A.Q.

2

The most crucial determinant of demand for an item is _____

- a) Income of consumer
- b) Prices of other related goods
- c) Taste and preference of consumer
- d) It's own price

MTP Mar 18

3

If distribution of income is more equal, then the propensity to consumer of the country is

- a) Relatively High
- b) Relatively Low
- c) Unaffected
- d) None of the above

MTP Mar 18, MTP Dec 22

4

When price of a substitute of X commodity falls, the demand for X _____

- a) Rises
- b) Falls
- c) Remains unchanged
- d) Any of the above.

PYQ Jun 23

5

Increase in price of pulses leads to increase in demand of green vegetables

- a) Substitutes
- b) Complimentary goods
- c) Normal goods
- d) None of the above

Extra MCQ

6

Which of the following statements are true or false-

1. Snob Effect represents the desire of people to be exclusive; to be different; to dissociate themselves from the "common herd.
2. Snob Effect is a function of price

- a) (1) & (2) are false
- b) (1) & (2) are true
- c) (1) is true & (2) is false
- d) (1) is false & (2) is true

Extra MCQ

7

Highly priced goods are consumed by status seeking rich people to satisfy their need for conspicuous consumption. This happens because of-

- a) Veblen Effect
- b) Snob Effect
- c) Bandwagon Effect
- d) Price Effect

MTP Nov 22

8

Match the following

LIST-I

- a) Tea and Coffee
- b) Car and Petrol
- c) Gold & Diamond
- d) Ragi and Bajara

LIST II

1. Veblen goods
2. Substitutes
3. Giffen goods
4. Complementary

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

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q.	
9	An important generalization about demand is described by____
a) Law of demand b) Factors affecting demand c) Quantity demanded d) None of these	

A.Q.	
10	'Ceteris Paribus' clause in Law of demand does not mean-
a) Price of commodity does not change b) Price of substitutes does not change c) Income of consumer does not change d) Price of complementary goods does not change	

MTP Apr 21	
11	In case of inferior goods:
a) Income effect and substitution effect work in opposite direction b) Income effect and substitution effect work in same direction c) It leads consumer to purchase less of a good and more of the substitute d) None of these	

Extra MCQ	
12	In the case of inferior goods, the expansion in demand due to a price fall will take place only if the
a) Income effect outweighs the substitution effect b) Substitution effect outweighs the income effect c) substitution effect equals the income effect d) None of the above	

MTP Dec 22, MTP Mar 21	
13	When violation of law of demand occurs:
a) substitution effect is negative b) income effect is negative c) Negative income effect is less than substitution effect d) negative income effect is greater than substitution effect	

PYQ Jun 22	
14	The substitution effect will be what when the price of the product falls?
a) Zero b) Negative c) Positive d) Lower cost	

A.Q.	
15	The price of a piece of jewellery rises, the demand for it may also rise as consumers attach a ___ to owning & displaying expensive items.
a) money value b) use value c) snob value d) None of these	

MTP Mar 22, Apr 23	
16	For Giffen good the Engel curve is:
a) Positive sloped b) Vertical c) horizontal d) Negative sloped	

MTP Dec 22	
17	Inspite of the fact that the price of the television sets refrigerators, air conditions etc. have been continuously rising their demand does not stand any tendency to fall because they are
a) Conspicuous goods b) Giffen goods c) Speculative goods d) Conspicuous necessities.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



PYQ Jun 22	
18	In case of Veblen goods, the demand curve is
a) Horizontal b) Vertical c) Upward sloping to the right d) Downward sloping to the right	

PYQ Jun 22	
19	Which of the following statements is not correct?
a) Giffen goods exhibit negative relationship between price and demand b) Conspicuous goods exhibit positive relationship between price and demand c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand d) Law of demand states inverse relationship between price of a commodity and its quantity demanded	

MTP Dec 22	
20	When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity, the demand curve is negatively sloped,
a) Always b) Never c) Sometimes d) Often.	

MTP Dec 22	
21	Empirical demand curves refer to demand curves estimated from
a) utility theory b) the new approach to consumer theory c) Information provided by individual consumers d) Actual market price-quantities observations.	

PYQ Jun 22	
22	The demand for petrol decreases due to increases in its price, it is termed as
a) A decreases in demand b) A change in demand c) A contraction in demand d) An increases in demand	

A.Q.	
23	Let $QX = 1500/Px$ the elasticity of demand of the good X when its price falls from \$ 8 to \$ 2 per unit, will be ____ (Use Arc Method)
a) greater than one b) less than one c) equal to one d) can't say	

Extra MCQ	
24	The price of a good decreases from Rs 80 to Rs 60 per unit. If price elasticity of demand = 2 Original Qty demanded = 50 units. Calculate the new qty demanded.
a) 25 units b) 75 units c) 100 units d) 0 units	

MTP Oct 18	
25	If R point bisects the demand curve in two equal part, then elasticity at R equals__
a) Zero b) Five c) Two d) One	

MTP Apr 21	
26	From the following demand curve determine the elasticity at the given price $Q = 1200 - 10P$ When $P = 5$, $dQ/dP = 10$
a) Elastic b) Inelastic c) Unitary elastic d) None of these	

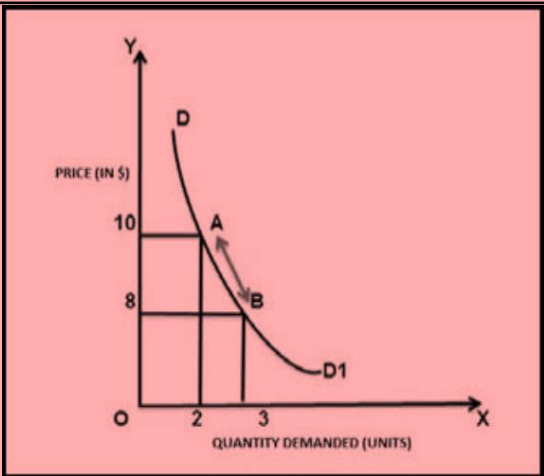
Making pdfs, photocopies, xerox, sharing or selling MVSIR'S books is **not allowed**. It will lead to strict legal action with monetary penalties



Q128 in MCQ Compiler (Pg 2.17)

A.Q.

27



In the above figure, DD1 is the demand curve of a commodity. There are two points on demand curve i.e., A and B with (P, Q) as (10, 2) & (8, 3) respectively. If initial point is A OR initial point is B, price elasticity of demand will be

- a) same in both cases by point method of price elasticity of demand
- b) different in both cases by Arc method of price elasticity of demand
- c) same in both cases by Arc method & different by point method of price elasticity of demand
- d) None of these

MTP Mar 22

28

The Coefficient of Price elasticity of demand between two points on a demand curve is _____

- a) Arc elasticity
- b) Point elasticity
- c) Price elasticity
- d) None of these

MTP Jun 22

29

Which of the following statements is correct?

- a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
- b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.
- c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.
- d) None of these

MTP Jun 22

30

The share of the tax borne by seller will be larger

- a) If demand for product is less elastic.
- b) If demand for product is inelastic.
- c) If demand for product has greater elasticity.
- d) If elasticity of supply of product is larger.

MTP Mar 22

31

A movement along a curve rather than a shift in the curve can be measured by:-

- a) Cross elasticity of demand
- b) Income elasticity of demand
- c) Price elasticity of demand & Price elasticity of Supply
- d) None of these

Extra MCQ

32

If demand for a good is inelastic, then as per total outlay method

- a) Quantity Effect > Price Effect
- b) Quantity Effect = Price Effect
- c) Quantity Effect < Price Effect
- d) (a) or (c)

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Aug 18, May 20, Nov 22, SEQ

33 If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:

a) Zero
b) Greater than zero but less than one
c) One
d) Greater than one

A.Q.

34 If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will ____

a) Decrease
b) Increase
c) Remain same
d) Can't Say

MTP Mar 22

35 When the demand curve is a rectangular hyperbola an increase in the price of the commodity causesthe total expenditure of consumers of the commodity to :

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

A.Q.

36 Commodities such as prescribed medicines and salt have ____ and ____ hence, have an ____ demand

a) Several substitutes, elastic
b) Several substitutes, inelastic
c) No close substitutes, inelastic
d) No close substitutes, elastic

A.Q.

37 Demand for water is –

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

MTP Dec 22, A.Q.

38 During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy ____ vegetables than/as her usual demand showing the demand of vegetables is ____

a) more, inelastic demand
b) less, elastic demand
c) same, inelastic demand
d) same, elastic demand

MTP Mar 18, SEQ

39 The income of a household rises by 20 per cent, the demand for computer rises by 25 per cent, this means computer (in Economics) is a/an

a) inferior good
b) luxury good
c) Necessity
d) can't say

MTP Oct 19

40 Suppose income elasticity of bread is 0.25, its means that bread is–

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

MTP Aug 18

41 Which of the following is incorrect?

a) The cross elasticity of demand for two substitutes is positive.
b) The income elasticity of demand is the percentage change in quantity demanded of a good due to a change in the price of a substitute.
c) The cross elasticity of demand for two complements is negative.
d) The price elasticity of demand is always negative, except for Giffen goods.

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



Extra MCQ	
42	When the numerical value of cross elasticity between two goods is very high, it means
<ul style="list-style-type: none"> a) Goods are perfect complements and therefore have to be used together b) 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) Goods are neutral and therefore cannot be considered as substitutes 	

Extra MCQ	
43	The cross elasticity between personal computers and soft wares is:
<ul style="list-style-type: none"> a) Positive b) Zero c) Negative d) One 	

MTP Mar 22	
44	Between two perfect substitute The elasticity of Substitution is ____
<ul style="list-style-type: none"> a) < Zero b) >Zero c) < Infinity d) Infinity 	

Extra MCQ	
45	If the value of cross-price elasticity between 2 goods is only slightly below zero, then it is a case of _____
<ul style="list-style-type: none"> a) Remote substitutes b) Close substitutes c) Weak complements d) Strong complements 	

PYQ Jun 22	
46	Advertising elasticity of demand is typically _____
<ul style="list-style-type: none"> a) Negative b) Positive c) Always zero d) None of the above 	

Extra MCQ	
47	The objective of advertisement is to
<ul style="list-style-type: none"> a) Shift demand Curve to left & Reduce elasticity of demand b) Shift demand Curve to right & increase elasticity of demand c) Shift demand Curve to left & increase elasticity of demand d) Shift demand Curve to right & Reduce elasticity of demand 	

MTP May 23	
48	There will be _____ in the demand Curve of cars with an increase in the Price of Petrol
<ul style="list-style-type: none"> a) Leftward shift b) Rightward Shift c) Upward Movement d) Downward Movement 	

PYQ Jun 23	
49	Movement along the same demand curve represents
<ul style="list-style-type: none"> a) Change in demand b) Change in Quantity demand c) Increase in demand d) Decrease in demand 	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q.

50 Luxuries are goods that are

- a) Enjoyable and essential
- b) Enjoyable but not essential
- c) Essential but not enjoyable
- d) Neither enjoyable nor essential

A.Q.

51 People know utility of goods by means of _____

- a) price
- b) introspection
- c) demand
- d) desire

A.Q.

52 By way of an optimal choice, a consumer tends to

- a) save money
- b) purchase large quantity
- c) maximize satisfaction
- d) Maximize satisfaction subject to constraints like tastes and preferences

SEQ

53 Consumer stops purchasing the additional units of the commodity when

- a) marginal utility starts declining
- b) marginal utility become zero
- c) marginal utility is equal to marginal utility of money
- d) total utility is increasing

MTP Dec 22, A.Q.

54 At saturation point of TU curve , the slope of TU curve is _____

- a) 1
- b) Infinity
- c) Zero
- d) Positive

A.Q.

55 MU curve will be below X-axis when

- a) MU is zero
- b) TU is falling
- c) MU is negative
- d) Both (B) and (C)

MTP Mar 21

56 MU from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. Consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y _____

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

MTP Oct 18, Oct 20

57 Marginal utility approach to demand was given by _____

- a) J R Hicks
- b) Alfred Marshall
- c) Robbins
- d) A C Pigou

Extra MCQ

58 Which of the following is incorrect relating to Law of Diminishing Marginal Utility ?

- a) Law may not apply in case of prestigious goods
- b) Law may not hold in case of hobbies
- c) Law applies in case of habit forming commodities
- d) Law may not be operating in cases such as creative art

MTP Nov 22, MTP Apr 19

59 Cardinal Measurability of utility means:

- a) Utility can be measured
- b) Utility cannot be measured
- c) Utility can be ranked
- d) Utility can be measured in some case

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Mar 18	
60	Law of diminishing marginal utility may not apply to:
a) Money b) Butter c) Pepsi, Coke etc. d) Ice cream	

MTP Jun 22	
61	A consumer is in equilibrium when s/he is deriving _____ satisfaction from the goods.
a) maximum b) possible c) maximum possible d) None of these	

MTP Mar 22	
62	After reaching the saturation point, consumption of additional units of the commodity cause:
a) Total utility to fall and marginal utility to increase b) Total utility and marginal utility both to increase c) Total utility to fall and marginal utility to become negative d) Total utility to become negative and marginal utility to fall	

PYQ Jun 22	
63	When total utility is diminishing, the marginal utility is
a) Diminishes b) Zero c) Negative d) Increases	

MTP Nov 22, MTP Aug 18, Mar 19, SEQ	
64	The law of consumer surplus is based on :
a) indifferent curve analysis b) revealed preference theory c) law of substitution d) the law of diminishing marginal utility	

MTP Mar 18, Mar 19	
65	In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
a) Infinite b) Zero c) Marginally positive d) Marginally Negative	

Extra MCQ	
66	Consumer surplus is represented by the _____
a) Area above the demand curve and below the price b) Area below the demand curve and above the price c) Area on the right of demand curve d) None of the above	

SEQ, MTP Apr 23	
67	Under income effect, consumer
a) Move along original indifference curve b) moves to higher or lower indifference curve c) always purchases higher quantities of both the commodities d) none of the above	

MTP Nov 22, A.Q.	
68	A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____
a) more of one of the goods b) less of at least one of the goods c) more of at least one of the goods and less of the other good. d) more of at least one of the goods and no less of the other good.	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q.

69 According to ordinal approach of consumer's behavior-

- a) Consumer is able to indicate the exact amounts of utilities that he derives from commodity or any combinations of them.
- b) Utility being psychological feeling is not quantifiable.
- c) The consumer is capable of simply comparing the different levels of satisfaction.
- d) Both (B) and (C)

A.Q., MTP Jun 22

70 Which of the following statements is correct regarding indifference curve?

- a) Two ICs may not intersect each other.
- b) Two ICs may intersect each other
- c) Two ICs are always parallel to each other
- d) None of these

MTP Mar 21

71 When goods are complementary the indifference curve is :

- a) is a straight line
- b) is convex to the origin
- c) consist of two straight line with a right angle bent.
- d) none of these

MTP MAR 18, Apr 19

72 Which is not the assumption of Indifference curve Analysis?

- a) The consumer is rational and possesses full information about all the aspects of economic environment
- b) The consumer is not capable of ranking all combinations
- c) If consumer prefers combination A to B, and B to C, then he must prefer combination A to C
- d) If combination A has more commodities than combination B, then A must be preferred to B.

MTP Apr 19

73 Indifference curve is convex to the origin due to:

- a) Falling MRS
- b) Rising MRS
- c) Constant MRS
- d) None of the above

MTP Mar 19

74 _____ depicts complete picture of consumer tastes and preferences.

- a) Budget line
- b) Average cost curve
- c) Indifference map
- d) Marginal revenue curve

Extra MCQ

75 Which of the following is not a property of the indifference curve ?

- a) Indifference curves slope downward to the right
- b) Indifference curves slope downward to the right
- c) Indifference curves may or may not intersect each other
- d) Indifference curve will not touch either axes

MTP Mar 22

76 When two goods are perfect substitute for each other:

- 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)

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Dec 22	
77	The substitution effect for a fall in the price of a commodity (ceteris paribus) is given by
a) a movement up a given indifference curve b) a movement from a higher to a lower indifference curve c) A movement down a given indifference curve d) any of the above.	

MTP Nov 22	
78	Match the following LIST-I a) Two perfect substitute goods b) Two perfect complementary goods c) Indifference curve is always d) Higher IC gives higher level of satisfaction
	LIST – II 1. Linear indifference curve 2. Monotonic preference 3. L-Shape Indifference curve 4. Convex to the origin
Codes: a b c d (a) 1 2 3 4 (b) 3 1 4 2 (c) 1 3 4 2 (d) 1 3 2 4	

A.Q.	
79	While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be- [Where, Pp – Price of Pepsi, PN – Price of Nachos & M – Money income of consumer]
a) $\frac{P_p}{P_N}$ b) $\frac{P_N}{P_p}$ c) $\frac{M}{P_N}$ d) $\frac{M}{P_p}$	

Extra MCQ	
80	We can write the budget constraint for two goods X and Y as -
a) $P_x.Q_x + P_y.Q_y \leq B$ b) $P_x.Q_x + P_y.Q_y < B$ c) $P_x.Q_x + P_y.Q_y > B$ d) $P_x.Q_x + P_y.Q_y = B$	

MTP Oct 19	
81	The slope of consumer's budget line is -
a) Positive and constant b) Negative and decreasing c) Negative and constant d) Positive and increasing	

MTP Dec 22	
82	Shift in the budget line when prices are constant are due to
a) Change in income b) Change in demand c) Change in utility d) None of these	

MTP Mar 19	
83	When the consumer is in equilibrium his price line is _____ to indifference curve
a) Parallel b) At right angle c) Diagonally opposite d) Tangent	

MTP May 23	
84	The budget line is also known as:
a) Production Possibility Curve b) Consumption Possibility Curve c) Iso Utility Curve d) None of these	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



A.Q., MTP Apr 23

85 Supply and stock are _____

- a) same things
- b) different
- c) having no comparison
- d) Both (B) and (C)

MTP Mar 22

86 Behavior of Supply depends upon:

- a) Phenomenon Considered
- b) Degree of possible adjustment in supply
- c) Time Period under Consideration
- d) All the above

MTP Mar 22

87 Suppose we are drawing a supply curve of a farmer which of the following will not be held constant. :

- a) Price of Inputs
- b) Weather Conditions
- c) Technology
- d) The price of the Commodity under consideration

SEQ

88 Yesterday, seller A supplied 400 units of a good X at Rs. 10 per unit. Today, seller A supplies the same quantity of units at Rs. 5 per unit. Based on this evidence, seller A has experienced a (an)

- a) Decrease in supply.
- b) Increase in supply.
- c) Increase in the quantity supplied.
- d) Decrease in the quantity supplied

Extra MCQ

89 The supply function is given as: $-55 + 15p$. Find elasticity of supply using point method, if price = Rs 20

- a) -2
- b) 1.56
- c) 1.22
- d) 1.82

MTP Aug 18, SEQ

90 If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is _____

- a) zero.
- b) infinite.
- c) one.
- d) unable to be determined from this information.

A.Q.

91 Relationship between slope of supply curve and elasticity of supply can be defined as -

- a) Product of slope of supply curve and ratio of quantity supply to price
- b) Elasticity of supply is equal to the slope of supply curve.
- c) Product of reciprocal of slope of supply curve and ratio of price to quantity supplied
- d) Elasticity of supply is equal to reciprocal of slope of supply curve.

MTP Apr 21

92 When price of a good rises from Rs. 20 to Rs. 30 the producer supplier 20 percent more the Price elasticity of supply is

- a) 0.5
- b) 0.4
- c) 1
- d) None of these

Extra MCQ

93 To improve price elasticity of supply an organisation can

- a) Improve the technology used
- b) Increase production capacity
- c) Expand storage space for stock while making sure that products can last long while stored
- d) All of the above

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



MTP Jun 22	
94	Slope of supply curve is 0.6, calculate elasticity of supply when initial price is \$ 30 per unit & initial qty is 100 units.
a) 0.5 b) 5.55 c) (-) 0.5 d) (-) 0.18	

MTP Dec 22	
95	Elasticity of supply at any point on a supply curve passing through origin point making angle of 35 degree with X-axis is _____
a) Greater than one b) Less than one c) Equal to one d) Any of the above	

PYQ Jun 22	
96	If price of sugar increases from Rs. 8,000/- to 10,000/- per tone & due to that quantity supplied of sugar increases from 2000 to 2500 tones. Elasticity of supply will be _____
a) (-) 1 b) 1 c) (-) 0.4 d) 0.4	

PYQ Jun 22	
97	Supply will be _____ if firms are not working to full capacity
a) Inelastic b) Perfectly Inelastic c) Elastic d) Any of the above	

A.Q.	
98	Supply is _____ when there is large number of producers and there is high degree of competition
a) Less elastic b) More elastic c) Perfectly inelastic d) Any of the above	

MTP Apr 21	
99	Products that involve more complex production processes or require relatively longer time to produce exhibit _____
a) Greater elasticity of supply b) Lower elasticity of supply c) Zero elasticity of supply d) None of the above	

MTP Jun 22	
100	The market demand curve for a perfectly competitive industry is: $Q_d = 12 - 2P$ and the market supply curve is: $Q_s = 3 + P$. The market will be in equilibrium if _____
a) $P = 6$ and $Q = 9$ b) $P = 5$ and $Q = 2$ c) $P = 4$ and $Q = 4$ d) $P = 3$ and $Q = 6$	

Extra MCQ	
101	_____ represents the net gains to society from all exchanges that are made in a particular market
a) Market Equilibrium b) Consumer welfare c) Social Efficiency d) None of the above	

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



Extra MCQ

102

_____ is represented by the area above the supply curve and below the price line

- a) Consumer surplus
- b) Producer surplus
- c) Consumer Welfare
- d) (a) or (c)

A.Q.

103

Elasticity of demand and supply are _____ concepts

- a) Relative
- b) Absolute
- c) Both (A) and (B)
- d) Neither (A) and (B)

MTP Mar 22

104

A theory is :

- a) An assumption
- b) A hypothesis
- c) A validated hypothesis
- d) None of these

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties



Answer Key – Economics Chapter 2

1	B	21	D	41	B	61	C	81	A	101	B
2	D	22	C	42	C	62	C	82	D	102	A
3	A	23	C	43	C	63	D	83	B	103	C
4	B	24	B	44	D	64	A	84	B	104	C
5	A	25	D	45	C	65	B	85	D		
6	C	26	B	46	B	66	B	86	D		
7	A	27	C	47	D	67	D	87	B		
8	B	28	A	48	A	68	D	88	C		
9	A	29	A	49	B	69	D	89	A		
10	A	30	C	50	B	70	C	90	B		
11	A	31	C	51	B	71	B	91	C		
12	B	32	C	52	D	72	A	92	D		
13	D	33	B	53	C	73	C	93	A		
14	C	34	B	54	D	74	C	94	C		
15	C	35	A	55	A	75	D	95	B		
16	D	36	C	56	B	76	D	96	C		
17	D	37	B	57	C	77	C	97	B		
18	C	38	C	58	A	78	A	98	B		
19	A	39	B	59	A	79	A	99	D		
20	A	40	C	60	C	80	C	100	C		

Making pdfs, photocopies, xerox, sharing or selling MVSIR's books is **not allowed**. It will lead to strict legal action with monetary penalties

Connect with MVSIR



Telegram

[@camvsir](#)
(Click here)



Instagram

[@ca_mohnishvora](#)
(Click here)

YouTube

[@ca_mohnishvora](#)
(Click here)



Website

mvsir.in
(Click here)

Scan the above QR codes