

# 1

## CHAPTER

# NATURE AND SCOPE OF BUSINESS ECONOMICS

## UNIT 1 : (INTRODUCTION)

### Introduction

1. The term 'Economics' owes its origin to the Greek word.

- (a) Aikonomia
- (b) Wikonomia
- (c) Oikonomia
- (d) None of the above

2. Economics in terms of Dynamic Growth and development defined by

- (a) Adam Smith
- (b) Robbins
- (c) Alfred Marshall
- (d) Paul A Samuelson

[Nov. 2020]

3. Adam Smith published his masterpiece "An enquiry into the nature and causes of wealth of nations" in the year

- (a) 1776
- (b) 1786
- (c) 1789
- (d) 1790

4. Which book of economics is known as first book of modern economics?

- (a) An Inquiry into nation
- (b) An inquiry into wealth of nation

(c) An inquiry into wealth

(d) Wealth of nation

[Nov. 2019]

5. Oikonomia means

- (a) Industry
- (b) Management of household
- (c) Services
- (d) None of these

6. The book "Wealth of Nations" was written by \_\_\_\_\_

- (a) Alfred Marshall
- (b) Join Robinson
- (c) Adam Smith
- (d) Robert Malthus

[Jan. 2021]

7. 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 of the above.

8. \_\_\_\_\_ are responsible for all economic problems

- (a) Alternative resources
- (b) Unlimited wants
- (c) Scarcity of resources
- (d) Others

[Nov. 2020]

9. 'Economics is the science of choice making'. It implies:

- (a) No choice is to be made
- (b) Choice to be made between alternative uses
- (c) Choice to be made between means and ends
- (d) None of the above

[CA CPT Dec. 2012]

10. The famous book abbreviated as "The Wealth of Nations", which is also considered as the first modern work of Economics, was written by \_\_\_\_\_

- (a) Frederic Engels
- (b) Karl Marx
- (c) David Ricardo
- (d) Adam Smith

[July 2021]

11. The concept of socialist economy was propounded by Karl Marx and Frederic Engels in their work. The Communist Manifesto was published in the year.

- (a) 1947
- (b) 1848
- (c) 1949
- (d) 1950

12. Which one is the feature of Marshall's definition?

- (a) Limited ends
- (b) Scarce means
- (c) Study of wealth as well as study of man

- (d) Study of allocation of resources
- [CA CPT June 2010]

13. According to Robbins, 'means' are:

- (a) Scarce
- (b) Unlimited
- (c) Undefined
- (d) All of these

[CA CPT Nov. 2007]

14. Scarcity definition of Economics is given by.

- (a) Alfred Marshall
- (b) Samuelson
- (c) Robinson
- (d) Adam Smith

15. The definition "Science which deals with wealth of Nation" was given by:

- (a) Alfred Marshall
- (b) A C Pigou
- (c) Adam Smith
- (d) J B Say

16. Economics is the study of:

- (a) How society manages its unlimited resources
- (b) How to reduce our wants until we are satisfied
- (c) How society manages its scarce resources
- (d) How to fully satisfy our unlimited wants

[CA CPT June 2008]

17. In Economics, we use "scarcity" the term 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.

[Nov. 2019]

18. 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.

19. An economy exists because of two basic facts i.e. \_\_\_\_\_

- (a) Human wants are limited and resources are unlimited
- (b) Human wants are unlimited and resources are unlimited
- (c) Human wants are unlimited and resources are scarce
- (d) Human wants are limited and resources are abundant

[Jan. 2021]

20. 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.

21. Adam Smith defined Economics in terms of:

- (a) The Science of welfare
- (b) The Science of scarcity
- (c) The Science of wealth
- (d) The Science of wealth and welfare

22. Who defines Economics in terms of Dynamic Growth and Development?

- (a) Robbins
- (b) Paul A Samuelson
- (c) Adam Smith
- (d) None of these

[CA CPT Dec. 2008]

23. Which of the following is not a basic problem of an economy?

- (a) Whether to produce more of consumer goods or capital goods
- (b) Whether to lay emphasis on labour-intensive techniques or on capital intensive techniques
- (c) Whether to produce for rich people or for poor people
- (d) Whether to accept foreign direct investment in the economy

24. 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.

(c) Business firms, governments, and the nation as a whole.

25. 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.

26. 'Economics is the study of mankind in the ordinary business of life' was given by:

- (a) Adam Smith  
 (b) Lord Robbins  
 (c) Alfred Marshall  
 (d) Samuelson

[CA CPT Nov. 2006]

27. 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.

28. Human wants are \_\_\_\_\_ in response to satisfy their wants?

- (a) Unlimited  
 (b) Limited  
 (c) Scarce  
 (d) Multiple

[CA CPT Nov. 2018]

29. There is need of economic study, because—

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

30. The benefit of economic study is—

- (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

31. Economic goods are considered as scarce resources because

- (a) Inadequate quantity to satisfy the needs of the society  
 (b) Not possible to increase in quantity  
 (c) Limited hands to make goods  
 (d) Primary importance in satisfying social requirements

[CA CPT May 2019]

32. The meaning of time element in Economics is:

- (a) Calendar time  
 (b) Clock time  
 (c) Operational time in which supply adjusts with the market demand  
 (d) None of the above

[CA CPT June 2015]

33. All wants of an individual are not of:

- (a) Equal importance  
 (b) Immediate importance

(c) Fixed importance

(d) All of the above

[CA CPT June 2015]

### Meaning of Business Economics

34. \_\_\_\_\_ refers to the process of selecting an appropriate alternative that will provide the most efficient means of attaining a desired end, from two or more alternative courses of action.

- (a) Decision making  
 (b) Strategy  
 (c) Problem Solving  
 (d) Effectiveness

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

- (a) Capital Budgeting  
 (b) Risk Analysis  
 (c) Business Cycles  
 (d) Accounting Standards

[Nov. 2019]

36. 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.

37. Business Economics is also known as?

- (a) Applied Economics  
 (b) Managerial Economics

(c) Micro Economics

(d) All of the above

[CA CPT Nov. 2018]

38. The question of choice arises because our productive resources

- (a) Are limited  
 (b) Can be employed in alternatives  
 (c) Both (a) & (b)  
 (d) None of the above

39. The management of a business unit generally needs to make

- (a) Strategic Decision  
 (b) Tactical Decision  
 (c) Operational Decision  
 (d) All of the above

40. Concept of Business Economics was given by:

- (a) Joel Dean  
 (b) Alfred Marshall  
 (c) Adam Smith  
 (d) L. Robbins

[CA CPT May 2018]

41. Which one of the following is incorrect about Business Economics?

- (a) It is applied economics that fills the gap between economic theory and business practice.  
 (b) Business Economics integrates economic theory with business practice.  
 (c) Business Economics is also referred to as Managerial Economics.  
 (d) Business Economics is more concerned with Macro Economics.

## 42. The managerial economics—

- (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

## Definitions of Business Economics

43. \_\_\_\_\_ defined Business Economics in terms of the use of economics analysis in the formulation of business policies.

- (a) Joel Dean
- (b) Karl Marks
- (c) Adam Smith
- (d) Schumpeter

44. Business Economics is essentially a component of \_\_\_\_\_ as it includes application of selected quantitative techniques.

- (a) Pure Economics
- (b) Applied Economics
- (c) Statistical Economics
- (d) None of the above

45. Which of the following is not included in Economics?

- (a) Family Structure
- (b) Managerial Economics
- (c) Micro Economics
- (d) Macro Economics

46. The heart of Business Economics is

- (a) Micro Economic Theory of the behaviour of consumers and firms in competitive markets.
- (b) Macro-Economic Theory of the national income
- (c) Income Economic analysis to analyze the industry
- (d) All of the above

[CA CPT Nov. 2018]

## Micro and Macro Economics

47. Which one of the following is not a subject matter of Micro-Economics?

- (a) Behaviour of Firms
- (b) External Value of Currency
- (c) Factor Pricing
- (d) Location of Industry

48. Micro economics does not study

- (a) Consumer behaviour
- (b) Factor pricing
- (c) General price level
- (d) Firms equilibrium

[CA CPT Dec. 2015]

49. Micro Economics is also known as \_\_\_\_\_

- (a) Public Economics
- (b) Income Theory
- (c) Demand Theory
- (d) Price Theory

[Nov. 2020]

50. Micro Economics is the study of:

- (a) Individual parts of the economy
- (b) The economy as a whole
- (c) Choice making
- (d) Development of the economy

[CA CPT June 2016]

51. Micro economics is also known as \_\_\_\_\_

- (a) Public Economics
- (b) Price Theory
- (c) Income Theory
- (d) Demand Theory

[Jan. 2021]

52. Economics is classified into \_\_\_\_\_

- (a) Normative & positive
- (b) Micro & Macro
- (c) Internal & External
- (d) None of the above

[June 2023]

53. Mrs. Reshma, a CEO of a company had decided to expand the business by introducing a new product into market. She hires a consultant to guide her for deciding the pricing of the new product, study the consumer behaviour and the staff requirements.

Approach of consultant will be towards \_\_\_\_\_

- (a) Applied Economics
- (b) Econometrics
- (c) Macro Economics
- (d) Micro Economics

[Dec. 2021]

54. 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.

55. Which of the following is not the subject matter of micro economics?

- (a) Consumer Behaviour
- (b) Foreign Exchange Rate
- (c) Behaviour of Firms
- (d) Location of Industry

[June 2023]

56. Micro economics theories deal with \_\_\_\_\_

- (a) Productions and Cost analysis
- (b) Government Policies
- (c) Total Consumption
- (d) Social and political environment

[Dec. 2021]

57. Which of the following is used for allocation of resources?

- (a) Micro-Economics
- (b) Macro-Economics
- (c) Econometrics
- (d) Descriptive Economics

[Nov. 2019]

58. 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?

59. The branch of economic theory that deals with the problem of allocation of resources is:

- (a) Micro Economics
- (b) Macro Economics
- (c) Econometrics
- (d) None of these

[CA CPT Nov. 2006]

60. 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

[June 2022]

61. Micro Economics Covers:

- (a) National Income and National Output
- (b) External Value of Currency
- (c) Overall level of Savings and Investment
- (d) Location of Industry

62. Which of the following is not an example of Micro-Economics?

- (a) The effect of increase in general price on living standards
- (b) The effect of increase in steel import of a country on steel prices
- (c) The effect of increase in wages on Automobile Industry
- (d) The effect of increase in real estate prices on the location of industry

[Dec. 2021]

63. The study of behaviour of different individuals, organisations with in an economic system is known as

- (a) Micro economics
- (b) Macro economics
- (c) Welfare economics
- (d) None

[Nov. 2020]

64. A study of how increase in the corporate income tax rate will affect the natural unemployment rate is an example of:

- (a) Micro Economics
- (b) Descriptive Economics

- (c) Macro Economics
- (d) Normative Economics

[CA CPT Feb. 2007]

65. \_\_\_\_\_ examines how the individual units (Consumers or firms) make decisions as to how to efficiently allocate their scarce resources.

- (a) Macro Economics
- (b) Micro Economics
- (c) Mathematical Economics
- (d) Consumer Economics

66. Which of the following falls under micro economics?

- (a) National Income
- (b) General price level
- (c) Factor pricing
- (d) National saving and investment

[CA CPT May 2007]

67. Which of these is a part of micro economics?

- (a) Factor pricing
- (b) National Income
- (c) Balance of payment
- (d) None of the above

[CA CPT June 2011]

68. Which of the issue is not considered by micro economics?

- (a) Production and cost analysis
- (b) Demand analysis and forecasting
- (c) Accounting standards
- (d) Resource allocation Scope of Micro economics

[Dec. 2021]

69. Micro economics is also known as \_\_\_\_\_.

- (a) Public economics
- (b) Price theory

- (c) Income theory
- (d) Demand theory

[CA CPT June 2010]

70. Micro Economics is concerned with:

- (a) Consumer Behaviour
- (b) Product pricing
- (c) Factor Pricing
- (d) All of the above

[CA CPT Dec. 2010]

71. Macro-economic is also called \_\_\_\_\_ economics.

- (a) Applied
- (b) Aggregate
- (c) Micro
- (d) Experimental

[Jan. 2021]

72. Macro Economics is also called \_\_\_\_\_ economics.

- (a) Applied
- (b) Aggregate
- (c) Experimental
- (d) None of the above

73. Study of the behaviour of different individuals and organizations within an economic system is called?

- (a) Industrial Economics
- (b) Macro Economics
- (c) Micro Economics
- (d) Welfare Economics

[July 2021]

74. 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

75. Macro Economics is the study of \_\_\_\_\_.

- (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.

76. 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

77. Which of these is an example of macro economics:

- (a) Problem of unemployment in India
- (b) Rising price level in the country
- (c) Increase in disparities of income
- (d) All of the above

[CA CPT June 2011]

78. Analysis of impact of Covid-19 on the Indian economy is a subject matter of \_\_\_\_\_.

- (a) Macro economics
- (b) Micro economics
- (c) Economics of slicing
- (d) Normative economics

**79. Macro economics include**

- (a) Product pricing  
 (b) Consumer behaviour  
 (c) External value of money  
 (d) Location of industry

[CA CPT May 2019]

**80. 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.

**81. Which of the following statements is correct?**

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

**82. 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?**

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

**83. Which of the following would be considered a topic of study in Macro economics?**

- (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

**84. Which of the following is not a study of Macro-economics?**

- (a) Consumer behaviour  
 (b) National Income  
 (c) General price level  
 (d) Level of employment

[July 2021]

**85. Which of the following is a part of the subject matter of macro economics?**

- (a) Study of firms  
 (b) Aggregate profits of a firm  
 (c) Market demand for a product  
 (d) Net national product

[CA CPT Dec. 2012]

**86. A study of how increases in the corporate income tax rate will affect the national unemployment rate an example of**

- (a) Macro-Economics  
 (b) Descriptive Economics  
 (c) Micro-economics  
 (d) Normative Economics

[Nov. 2019]

**87. The Macro Economics does not cover the area of**

- (a) General price level and interest rates  
 (b) Level of employment and rate of economic growth  
 (c) Balance of trade & Balance of payments  
 (d) Product Pricing

**88. Normative science suggests which of the following?**

- (a) What should be  
 (b) What to produce  
 (c) How to produce  
 (d) When to produce

[June 2022]

**89. Shyam : This year due to heavy rainfall my option crop was damaged**

**Krishna: Climates affects crop yields. Some years are bad, other are good**  
**Hari: Don't worry - Price increase will compensate for the fall in quantity supplied**

**Radhe: The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by**

- (a) Shyam  
 (b) Krishna  
 (c) Hari  
 (d) Radhe

[CA CPT May 2019]

**90. Which of the following statements is incorrect about Macro Economics?**

- (a) Macro-Economics is the branch of Economics that deals with the study of the behaviour and

performance of the economy in total.

- (b) Macro-Economics studies the particular market segment of the economy.  
 (c) Macro-Economics deals with various issues like national income, distribution, employment, general price level, money and more.  
 (d) It is applied to environmental and external issues.

[Dec. 2021]

**91. Which one of the area comes under macro-economics?**

- (a) Product pricing  
 (b) Consumer behaviour  
 (c) The general price level and interest rates  
 (d) Economics conditions of a Section of people

[Jan. 2021]

**Nature of Business Economics**

**92. Business Economics enables application of economic logic and analytical tools to**

- (a) Bridge the gap between theory and practice.  
 (b) Increase the implementation science.  
 (c) Increase the effectiveness.  
 (d) Apply tools of macro economics.

**93. Business Economics relies heavily on the techniques of \_\_\_\_\_.**

- (a) Micro Economics  
 (b) Macro Economics  
 (c) Normative Science only  
 (d) Economics discipline only

94. Which one of the following is not the scope of business economics?

- (a) Cost standards
- (b) Cost analysis
- (c) Demand analysis
- (d) Inventory management

[July 2021]

95. Business Economic is pragmatic in approach because of which of the following cause?

- (a) Based on assumptions
- (b) Tackles practical problems
- (c) Considers profit only
- (d) Considers internal value

[June 2022]

96. 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.

97. 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.

98. Which of the following is not a correct statement?

- (a) Business Economics is a normative science
- (b) Business Economics is an art
- (c) Business Economics is based largely on Micro Economics
- (d) Business Economics does not incorporate elements of Macro Economics

[June 2023]

99. Which of the following is not a correct statement?

- (a) Business economics is a normative science
- (b) Business economics is an art
- (c) Business economics is based largely on micro economics
- (d) Business economics does not incorporate elements of macro economic analysis

[June 2022]

100. Business Economics is \_\_\_\_\_ in its approach as it tackles practical problems which the firm faces in the real world.

- (a) Scientific
- (b) Programmatic
- (c) Theoretical
- (d) Mathematical

101. 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.

(a) 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.

102. Normative aspect of Economics is given by:

- (a) Marshall
- (b) Robbins
- (c) Adam Smith
- (d) Samuelson

[CA CPT Dec. 2008]

103. Normative Economics is based on:

- (a) Ethical Considerations
- (b) Facts and Generalization
- (c) What is?
- (d) All of the above

[CA CPT June 2012]

104. Deductive and Inductive methods are complimentary to each other. It is:

- (a) Absolutely correct
- (b) Absolutely incorrect
- (c) Partially incorrect
- (d) None of the above

[CA CPT June 2013]

105. In inductive method, logic proceeds from:

- (a) General to Particular
- (b) Particular to General
- (c) Both (a) and (b)
- (d) None of these \*

[CA CPT June 2012]

106. 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 ₹ 200 per day
- (d) India spends a huge amount of money on national defence.

107. 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

108. Positive Science only explains

- (a) What is?
- (b) What ought to be?
- (c) What is right or wrong?
- (d) None of the above

[Nov. 2020]

109. Positive science only explains

- (a) What is?
- (b) What ought to be?
- (c) What is right or wrong
- (d) None of the above

[ICA CPT Dec. 2013]

110. Under Inductive method logic proceeds from:

- (a) General to particular
- (b) Positive to normative
- (c) Normative to positive
- (d) Particular to general

[ICA CPT Dec. 2014]

111. \_\_\_\_\_ economics explain economics phenomenon according to their causes and effects

- (a) positive
- (b) Normative
- (c) Empirical
- (d) Applied

[Nov. 2020]

112. \_\_\_\_\_ analyses causes and effect relationship between variables in an objective and scientific manner.

- (a) Positive Science
- (b) Normative Science
- (c) Negative Science
- (d) Analytical Science

113. Business Economics is generally \_\_\_\_\_ in nature.

- (a) Normative
- (b) Prescriptive
- (c) Normative or Prescriptive
- (d) Theoretical

114. 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.

115. Under Inductive method, the logic proceeds from:

- (a) General to particulars
- (b) Particular to general
- (c) Both (a) and (b)
- (d) None

[ICA CPT Nov. 2007]

116. Rama : My corn harvest this year is poor.

Manoj : Don't worry. Price increase will compensate for this fall in quantity supplied.

Meera : Climate affects crop yield. Some years are bad, others are good.

Bharti : The Government ought to guarantee that our income will not fall.

In this conversation, the normative statement is made by:

- (a) Rama
- (b) Manoj
- (c) Meera
- (d) Bharti

[Jan. 2021]

117. Who gave the positive aspect of science?

- (a) Alfred Marshall
- (b) A.C. Pigou

(c) Adam Smith

(d) Robbins

[ICA CPT June 2011]

118. Although business economics combines the essentials of normative and positive economic theory but the emphasis is on :

- (a) Positive
- (b) Normative
- (c) Both Positive and Normative
- (d) Neither Positive nor Normative

119. Business Economics is

- (a) Normative in nature
- (b) Interdisciplinary in nature
- (c) Both
- (d) None

[ICA CPT May 2019]

120. Find out the correct statement

- (a) Higher the prices, lower the quality demanded of a product are a normative statement

(b) Micro and macro-economics are interdependent

(c) In a capitalist economy, the economic problems are solved by planning commission

(d) In deductive method logic proceeds from particular to the general

[ICA CPT Dec. 2015]

121. "Economics is neutral between ends". The statement is given by:

- (a) L. Robbins
- (b) Mrs. Joan
- (c) Alfred Marshall
- (d) A.C. Pigou

[ICA CPT June 2013]

122. Economics which is concerned with welfare propositions is called

- (a) Socialistic economics
- (b) Capitalistic economics
- (c) Positive economics
- (d) Normative economics

[ICA CPT Dec. 2013]

123. The Business Economics incorporates tools from other disciplines such as Mathematics, operations Research, Management theory, Accounting, etc. Therefore, Business Economics is \_\_\_\_\_

- (a) Intra-disciplinary
- (b) Inter-disciplinary
- (c) Multi-disciplinary
- (d) Flex-disciplinary

124. Under inductive method logic proceeds from:

- (a) General to particular
- (b) Positive to narrative
- (c) Normative to positive
- (d) Particular to general

[ICA CPT May 2018]

125. Business Economics involves the elements of

- (a) Micro Environment
- (b) Macro Environment
- (c) Both (a) and (b)
- (d) None of the above

[ICA CPT Nov. 2018]

126. In which of the following methods conclusions are drawn on the basis of collection and analysis of facts?

- (a) Deductive method
- (b) Scientific method



- Inductive method  
 (d) Experimental method

[CA CPT June 2017]

127. Business economy involves theory of Business economics with \_\_\_\_\_.

- (a) Normative Economics  
 Business practices  
 (c) Micro Economics  
 (d) Macro Economics

[CA CPT Nov. 2018]

### Scope of Business Economics

128. The operational or interval issues to which economic theories can be directly applied are related with.

- Micro Economics  
 (b) Macro Economics  
 (c) Business Economics  
 (d) Environmental Economics

129. The scope of business Economics encompasses all of the following except \_\_\_\_\_

- Accounting Standards  
 (b) Resource Allocation  
 (c) Inventory Management  
 (d) Profit Analysis

[Dec. 2021]

130. Business Economics is essentially a component of Applied Economics as it includes application of selected quantitative techniques. Which technique is not included in it?

- (a) Regression analysis  
 (b) Capital budgeting  
 Economic analysis  
 (d) Linear programming

[July 2021]

131. Which factor is included in business Economics?

- (a) Business Economics is an art  
 (b) Inter-disciplinary in nature  
 (c) Normative in nature  
 All of the above

[CA CPT Nov. 2018]

132. Business economics is pragmatic in its approach because?

- It tackles practical problem which the firm faces in real world.  
 (b) It tackles practical problem which the firm faces due to WTO policies  
 (c) It tackles practical problem which the firm faces due to lack of directors.  
 (d) Business economics is abstracts and purely theoretical.

[July 2021]

133. Which of the below enables application of economic logic and analytical tools to bridge the gap between theory and practice?

- (a) Macro economics  
 (b) Micro economics  
 Business economics  
 (d) Traditional economics

[June 2023]

134. Applied economics includes

- (a) Regression analysis and mathematical linear programming  
 (b) Capital budgeting  
 Both (a) and (b)  
 (d) None

[CA CPT May 2019]

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

- (a) Capital Budgeting  
 (b) Risk Analysis

- (c) Business Cycles  
 Accounting Standards

136. \_\_\_\_\_ explains the relationship between inputs and output.

- Production Theory  
 (b) Demand Analysis  
 (c) Inventory Management  
 (d) None of the above

137. Business Economics with the help of advanced tools like \_\_\_\_\_ enables the firm to arrive at the best course of action for optimum utilisation of available resources.

- (a) Accounting  
 (b) Finance  
 Linear Programming  
 (d) Marketing Mix

138. The nature of business economics is

- (a) Positive in nature  
 (b) Pure science  
 Pragmatic  
 (d) Independent

[Nov. 2020]

139. Business Economists use method(s) \_\_\_\_\_ to maintain optimum stock of inventories.

- (a) ABC Analysis  
 (b) Simple simulation exercises  
 (c) Mathematical models  
 All of the above

140. Which of the following Macro-Economic Factor is considered in Business Economics?

- (a) Business Cycles  
 (b) Employment, Prices

- (c) Saving & investment  
 All of the above

### Difference between Economics and Business Economics

141. Which of the following involves the application of economic principles to solve economic problems?

- (a) Macro Economics  
 (b) Economics  
 Business Economics  
 (d) Practical Economics

142. What is the character of Economics?

- (a) Micro-economics  
 (b) Macro-economics  
 Micro as well as Macro Economic  
 (d) Positive Economics

143. What is the character of Business Economics?

- Micro-economics  
 (b) Macro-economics  
 (c) Micro as well as Macro Economic  
 (d) Positive Economics

144. What is the nature of Economics?

- (a) Positive  
 (b) Negative  
 (c) Normative

Positive as well as Normative

145. What is the nature of Business Economics?

- (a) Positive  
 (b) Negative

Normative

(d) Positive as well as Normative

**146. Business Economics concentrates on \_\_\_\_\_ aspects of any business problem.**

(a) Economic

(b) Non-Economic

Both Economic as well as Non-Economic

(d) Macro Economic

**147. Business Economics makes use of micro-economic analysis. Which of the following is NOT a part of such analysis?**

(a) Demand analysis and forecasting

(b) Production and Cost Analysis.

(c) Theory of Capital and Investment decisions.

National Income

**148. Which of the following is NOT a part of Macro Economics?**

(a) Business Cycles

(b) National Income

(c) Saving and Investment

Demand Analysis and Forecasting

**149. Unlimited ends and limited means together present the problem of \_\_\_\_\_**

(a) Scarcity of resources

Choice

(c) Distribution

(d) None of the above

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

(a) Business economics attempts to indicate how business policies are firmly rooted to 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.

All of the above

## UNIT 2 : BASIC PROBLEMS OF AN ECONOMY AND ROLE OF PRICE MECHANISM

### Basic Problems of an Economy

**151. Which of the following statement is false?**

(a) The Resources are limited.

(b) The Resources have alternative uses.

(c) If resources are unlimited, people would be able to satisfy all their wants.

The economics problem arises because resource has only a single use.

**152. The central economic problem of an economy arises due to \_\_\_\_\_**

Scarcity of resources relative to the wants

(b) Co-existences of private and public sector

(c) Govt. interference in economic activities

(d) Federal structure of Constitution

[July 2021]

**153. The basic problem of scarcity give rise to:**

(a) Technological problems

(b) Social problems

(c) Cultural problems

Economic problems

**154. Which of the following economic system has to deal with the control problem of scarcity of resources?**

(a) Capitalist

(b) Socialist

(c) Mixed

All of the above

**155. In economics, the central economic problem means:**

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

**156. Which of the following is the central problem of economy?**

Scarcity of resources

(b) Unemployment

(c) Poverty

(d) Inflation

[June 2023]

**157. Which of the following is the central problem of the economy?**

(a) Unemployment

(b) Poverty

Scarcity of resources

(d) Inflation

[June 2022]

**158. The Central problem in every economic society is:**

(a) To ensure a minimum level of income for every individual.

To allocate scarce resources in such a manner that societies unlimited wants are satisfied in the best possible manner.

(c) To ensure that production occurs in the most efficient manner.

(d) To provide job to every job seeker.

[CA CPT June 2017]

**159. A developed economy uses \_\_\_\_\_ technique in production.**

(a) Labour intensive.

Capital intensive

(c) Home-based

(d) Traditional

[CA CPT June 2010]

**160. The 'Central Economics Problem' does not deal with which of the following economic problems?**

(a) What to produce?

(b) How to produce?

(c) For whom to produce?

Where to produce?

[July 2021]

**161. 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.

Allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.

162. 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

[June 2023]

163. Capital intensive technique would get chosen in a

- (a) Labour surplus economy where the relative price of capital is lower.
- (b) Capital surplus economy where the relative price of capital is lower.
- (c) Developed economy where technology is better.
- (d) Developing economy where technology is poor.

164. Which of the following is not a part of central economic Problem?

- (a) What to Produce?
- (b) How to Produce?
- (c) For whom to Produce?
- (d) Price fixation of Production.

165. \_\_\_\_\_ refers to the sum total of arrangements for the production and distribution of goods and services in a Society.

- (a) Economic System
- (b) Social System
- (c) Business system
- (d) Comprehensive System

166. Economic Problem arises when:

- (a) Wants are unlimited
- (b) Resources are limited

- (c) Alternative uses of resources
- (d) All of the above

[CA CPT Dec. 2009]

167. Which of the following is not one of the four central questions that the study of economics is supposed to answer?

- (a) Who produces what?
- (b) When are goods produced?
- (c) Who consumes what?
- (d) How are goods produced?

168. The classification of economies into Capitalist, Socialist and Mixed is based on their:

- (a) Mode of Production, exchange and distribution
- (b) Government's role in economic activity.
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

169. The choice between labour and Capital intensive techniques is related with.

- (a) What to Produce?
- (b) How to Produce?
- (c) For whom to Produce?
- (d) All of the above

### Capitalist Economy

170. Which one of the following is not an example of capitalist economy?

- (a) Japan
- (b) Mexico
- (c) Germany
- (d) Cuba

171. The capitalist Economy uses \_\_\_\_\_ as principle means of allocation of resources -

- (a) Price
- (b) Demand
- (c) Supply
- (d) None of the above

[Nov. 2019]

172. Freedom of choice is the advantage of \_\_\_\_\_.

- (a) Socialism
- (b) Capitalist
- (c) Mixed economy
- (d) None of the above

[CA CPT May 2019]

173. A capitalist economy consists of

- (a) Central planning authority
- (b) A mechanism to decide as what, how and for whom to produce
- (c) Both (a) and (b)
- (d) None of the above

[CA CPT May 2019]

174. Capitalist system offer incentives for:

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

175. In capitalistic economy \_\_\_\_\_ and \_\_\_\_\_ will be more

- (a) Equalities, non-exploitation
- (b) Inequalities, exploitation
- (c) Exploitation, equalities
- (d) Non-exploitation, inequalities

[Nov. 2020]

176. 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.

177. An economy is called capitalist economy, when \_\_\_\_\_ is given.

- (a) Right to private property
- (b) Freedom of Government interference
- (c) Freedom of business choices
- (d) Discrimination

[Jan. 2021]

178. A capitalist economy uses \_\_\_\_\_ as the principal means of allocating resources.

- (a) Demand
- (b) Supply
- (c) Efficiency
- (d) Prices

179. An economic system in which all means of production are owned and controlled by private individuals for profit is called as?

- (a) Free economy
- (b) Capitalist economy
- (c) Normative economy
- (d) Socialist economy

[June 2023]

180. Laissez-Faire economy is also known as :

- (a) Capitalist economy
- (b) Socialist economy
- (c) Mixed economy
- (d) Communist economy

[Jan. 2021]

181. Capitalist system offer incentives for \_\_\_\_\_

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

[Jan. 2021]

182. One of the demerits of capitalism is that it leads to formation of \_\_\_\_\_

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

[Dec. 2021]

183. Price Mechanism is the main feature of which economy

- (a) Capitalistic Economy  
(b) Mixed Economy  
(c) Socialist Economy  
(d) All of the above

[CA CPT Nov. 2018]

184. Profit motive is a merit of

- (a) Socialism  
 (b) Capitalism  
(c) Mixed economy  
(d) None of the above

185. Which out of these are the feature of capitalism?

- (i) Profit motive  
(ii) Human welfare  
(iii) Work through price mechanism

- (a) (i) and (ii)  
(b) (ii) and (iii)

- (i) and (iii)  
(d) All of these

[CA CPT Nov. 2018]

186. 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

187. Capitalist economy solve their economic problems through which of the following?

- (a) Central Planning Authority  
 (b) Price mechanism  
(c) Administered Prices  
(d) Voting done by customers

[June 2023]

188. \_\_\_\_\_ is an economic system in which all means of production are owned and controlled by private individuals for profit.

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

189. 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.

190. Exploitation and inequality will be more in \_\_\_\_\_

- (a) Socialism  
 (b) Capitalism  
(c) Mixed  
(d) All of the above

[CA CPT May 2019]

191. \_\_\_\_\_ means that buyers ultimately determine which goods and services will be produced and in what quantities.

- (a) Capitalist Economic  
(b) Socialist Economy  
(c) Mixed Economy  
 (d) Consumer Sovereignty

192. Consumers' sovereignty is a typical feature of \_\_\_\_\_.

- (a) Command economy  
(b) Socialistic economy  
(c) Mixed economy  
 (d) Capitalist economy

193. In which type of economy do consumers and producers make their choices based on the market forces of demand and supply?

- (a) Open Economy  
(b) Controlled Economy  
(c) Command Economy  
 (d) Market Economy

[CA CPT Feb. 2007]

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

- (a) Socialism  
 (b) Capitalism  
(c) Mixed economy  
(d) Communism

195. In a free market economy, when consumers increase their purchase of a goods and the level of \_\_\_\_\_ exceeds \_\_\_\_\_ then prices tend to rise:

- (a) Demand, supply  
(b) Supply, demand  
(c) Prices, demand  
(d) Profits, supply

[CA CPT Aug. 2007]

196. Capitalistic Economy uses \_\_\_\_\_ as principal means of allocating resources.

- (a) Demand  
(b) Supply  
 (c) Price  
(d) All of the above

[CA CPT Nov. 2006]

197. In a capitalist economy, allocation of resources is done by:

- (a) Producers  
(b) Government  
(c) Planners  
 (d) Price mechanism

[CA CPT June 2012]

198. A Free Market economy solves its Central Problems through \_\_\_\_\_.

- (a) Planning authority  
 (b) Market mechanism  
(c) Both  
(d) None

[CA CPT Dec. 2008]

199. Capitalistic economy uses \_\_\_\_\_ as principal means of allocating resources

- (a) Demand  
(b) Supply

Price

(d) All of the above

[Nov. 2019]

200. A capitalist economy is by and large \_\_\_\_\_.

(a) A closed economy

A free market economy

(c) A centrally controlled economy

(d) An economy in which a government neither collects any taxes nor incurs any expenditure.

[CA CPT Dec. 2012]

201. Which one is not the characteristic of capitalistic economy?

(a) Profit motive

(b) Income inequality

(c) Free employment

Collective ownership

[CA CPT June 2009]

202. Consumer sovereignty is found in which economy?

Capitalist Economy

(b) Socialist Economy

(c) Mixed Economy

(d) Communist Economy

[Nov. 2019]

203. Capitalistic Economy uses \_\_\_\_\_ as principal means of allocating resources.

(a) Demand

(b) Supply

Price

(d) All of the above

[CA CPT Dec. 2009]

204. Which one of the following is not true about capitalist economy?

(a) There is freedom of economic choice.

(b) Profit motive is the driving force.

(c) It is also called as free market economy or laissez- Faire economy.

Producer is the king under capitalism

205. The merits of Capitalist economy do not include:

(a) Faster process of economic growth

(b) Efficient economic decisions and their implementation

(c) Incentives for innovation and technological progress

Welfare of labour

206. A free market economy's driving force is:

Profit motive

(b) Welfare of the people

(c) Rising income and levels of living

(d) None of the above.

[CA CPT June 2013]

207. Capitalist or Laissez faire economy has which of the following characteristics?

(a) Relatively equal income distribution

Competition

(c) Price mechanism

(d) Collective ownership

[Dec. 2021]

208. An economic system in which all means of production are owned and controlled by private individuals for profit is called:

(a) Mixed Economy

(b) Socialist Economy

Capitalist Economy

(d) Developed Economy

[CA CPT Dec. 2016]

209. Where does price mechanism exist?

Capitalist Economy

(b) Socialist Economy

(c) Both type of economies

(d) None of the above.

[CA CPT Dec. 2013]

210. In which among the following systems the 'right to property' exists

(a) Mixed economy

Capitalist economy

(c) Socialist economy

(d) Traditional economy

[CA CPT Dec. 2013]

211. A system of economy in which all the means of production are owned and controlled by the private individuals for the purpose of profit, is called:

(a) Socialist Economy

Capitalist Economy

(c) Mixed Economy

(d) All of the above

[CA CPT June 2013]

212. Capitalistic Economy uses \_\_\_\_\_ as principal means of allocating resources:

(a) Demand

(b) Supply

Price

(d) All of the above

[CA CPT May 2018]

213. Factors of production are owned by \_\_\_\_\_ in market economies.

(a) Govt.

(b) Investors

Privately

(d) None

[Nov. 2019]

214. Which of the following is not demerit of Capitalism?

(a) Precedence of property rights over human rights.

(b) Misallocation of resources.

Punishment for inefficient & imprudent men.

(d) Environmental degradation due to excessive materialism.

215. Freedom of choice is the advantage of

(a) Socialism

Capitalism

(c) Mixed Economy

(d) Communism

[CA CPT Dec. 2016]

216. Under a free economy, prices are:

(a) Regulated

Determined through free interplay of demand and supply

(c) Partly regulated

(d) None of these

[CA CPT May 2007]

217. 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.

218. Economic system is self-regulating and run by invisible hands.

- (a) Mixed  
 (b) Socialistic  
 (c) Capitalistic  
 (d) Planned

219. Which of the following is not a feature of a capitalist economy?

- (a) Right to private property  
 (b) Restrictions on consumers Right to choose  
 (c) Profit motive  
 (d) Freedom of enterprise

[CA CPT June 2014]

220. Freedom of choice is the advantage of

- (a) Socialism  
 (b) Capitalism  
 (c) Communism  
 (d) None of the above

221. A Capitalist Economy follows the policy of:-

- (a) Laissez faire  
 (b) Regulated markets  
 (c) Promoting public sector  
 (d) None of the above

[CA CPT Dec. 2012]

222. In a capitalist economy the allocation of resources is performed by:

- (a) Producers  
 (b) Government  
 (c) Planners  
 (d) Price mechanism

[CA CPT Dec. 2011]

223. Which of the following statement does not apply to a market economy?

- (a) Firms decide whom to hire and what to produce  
 (b) Firms 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.

[Nov. 2019]

### Socialist Economy

224. The Concept of socialist economy was propounded by

- (a) Karl Mark  
 (b) Frederic Engels  
 (c) Adam Smith  
 (d) Both (a) & (b)

225. Which of the following is NOT a characteristic of a socialist economy?

- (a) Absence of consumer choice  
 (b) Central planning  
 (c) Relatively equal income distribution  
 (d) Competition

226. Socialist economy is \_\_\_\_\_

- (a) Self regulation  
 (b) Profit Oriented

- (a) Command economy  
 (d) Allocation of resources as per market requirements

[CA CPT May 2019]

227. Under which of the following economy the consumer has limited freedom of choice?

- (a) Social  
 (b) Mixed  
 (c) Capital  
 (d) Restricted

[June 2023]

228. The concept of socialist economy was propounded by \_\_\_\_\_

- (a) Alfred Marshall  
 (b) Joel dean  
 (c) Albert Einstein  
 (d) Karl Marx and Fredric Engles

[Dec. 2021]

229. Exploitation and inequality are minimal under:

- (a) Socialism  
 (b) Capitalism  
 (c) Mixed economy  
 (d) None of the above

230. Socialist Economy was propounded by:

- (a) Karl Marx  
 (b) Samuelson  
 (c) A.C. Pigou  
 (d) Adam Smith

[CA CPT May 2018]

231. Socialist economy is also called as

- (a) Command Economy  
 (b) Centrally Planned Economy

- (c) Free market Economy  
 (d) Both (a) & (b)

232. The economic system in which production and distribution of goods are aimed at maximizing the welfare of the community as a whole is known as \_\_\_\_\_

- (a) Capitalism  
 (b) Socialism  
 (c) Mixed economy  
 (d) Communist Economy

[July 2021]

233. Which of the following statements is not correct?

- (a) Scarcity of resources is the key problem of all economies  
 (b) Economic inequalities lead to wide difference in economic opportunities to people  
 (c) Economic instability is very common under capitalism  
 (d) Freedom of enterprise is one of the main characteristic of command economy

[June 2022]

234. Although Price mechanism exists in \_\_\_\_\_, but it has only a secondary role.

- (a) Capitalist economy  
 (b) Socialist economy  
 (c) Mixed Economy  
 (d) Price Economy

235. Inequalities of income do not perpetuate in \_\_\_\_\_.

- (a) Socialism  
 (b) Mixed economy  
 (c) Capitalism  
 (d) None

[CA CPT Dec. 2011]

236. Administered prices refer to:

- (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

237. Socialism ensures

- (a) Rapid growth and balanced development
- (b) Right to work
- (c) Incentives for efficient economic decisions
- (d) Both (a) and (b)

[CA CPT May 2019]

238. A socialistic economy is also called as

- (a) Profit oriented economy
- (b) Centrally planned economy
- (c) self-regulatory economy
- (d) Unorganized economy

[Nov. 2020]

239. Which of the following is one of the merits of socialism?

- (a) Importance given to personal efficiency
- (b) Importance given to productivity
- (c) Incentive for economic decisions
- (d) Rapid growth and balanced economic development.

[June 2023]

240. In a socialistic economy the allocation of resources is done by

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

[June 2022]

241. \_\_\_\_\_ involves the predominance of bureaucracy and resulting in inefficiencies and delays.

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

242. The erstwhile U.S.S.R. is an example of \_\_\_\_\_ economy.

- (a) Capitalist
- (b) Socialist
- (c) Mixed
- (d) Price

243. The concept of Socialist economy was propounded by \_\_\_\_\_

- (a) Karl Marx and Adam Smith
- (b) Frederic Engels and Adam Smith
- (c) Frederic Engels
- (d) Karl Marx and Frederic Engels

[July 2021]

244. Which one of the following is Not a feature of socialist economy?

- (a) Collective ownership
- (b) Absence of consumer choice
- (c) Minimum role of Price Mechanism
- (d) High Competition

245. Which of the following is an example of Socialist economy?

- (a) Erstwhile U.S.S.R.
- (b) North Korea
- (c) China and Cuba
- (d) All of the above

246. A socialist economy is called as which of the following

- (a) Command economy
- (b) Military economy

- (c) Behaviouralist economy
- (d) Applied economy

[June 2022]

247. The demerits of Socialism do not include:

- (a) Predominance of bureaucracy
- (b) Red tapism & favouritism
- (c) Corruption
- (d) Consumer Sovereignty

248. \_\_\_\_\_ involves the predominance of bureaucracy and resulting inefficiencies and delays

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

[June 2022]

249. Under \_\_\_\_\_, the Consumers have no freedom of choice.

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

250. Socialist Economy is also known as

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

[CA CPT Dec. 2013]

251. Socialist economy is called as \_\_\_\_\_

- (a) Centrally planned economy
- (b) Mixed economy
- (c) Private economy
- (d) Consumer economy

[Dec. 2021]

252. In which economic system production and distribution of goods and services aim at maximizing the welfare of community as a whole

- (a) Normative
- (b) Mixed
- (c) Socialism
- (d) Capitalistic economy

[Nov. 2020]

### Mixed Economy

253. In which economy market and government both play on important role?

- (a) Mixed economy
- (b) Socialistic economy
- (c) Capitalistic economy
- (d) Business economy

[CA CPT Nov. 2018]

254. Important feature of mixed economy is \_\_\_\_\_

- (a) Only Public Sector
- (b) Absence of consumer behaviour
- (c) Absence of government interferences
- (d) Co-existences of both private and public enterprises

[Dec. 2021]

255. Which economic system is described by Schumpeter as capitalism in the oxygen tent?

- (a) Laissez-faire Economy
- (b) Command Economy
- (c) Mixed Economy
- (d) Agrarian Economy

[CA CPT May 2018]

256. The Government itself must run important and selected industries and eliminate the free play of profit motive and self-interest. It is applicable in case of \_\_\_\_\_ economy.

- (a) Capitalist  
(b) Socialist  
 (c) Mixed  
(d) Price

257. \_\_\_\_\_ both are the tools used in the Mixed economy.

- (a) Price mechanism and market  
(b) Central planning and bureaucracy  
 (c) Price mechanism and central planning  
(d) Administered prices and competition

258. Co-existence of public and private sector is the feature of \_\_\_\_\_

- (a) Capitalist Economy  
 (b) Mixed Economy  
(c) Socialist Economy  
(d) Federal Economy

[Jan. 2021]

259. The term "Mixed Economy" denotes:

- (a) Co-existence of both consumers and producers goods' industries in the economy.  
 (b) Co-existence of both private and public sectors in the economy.  
(c) Co-existence of both rural and urban sectors in the economy.  
(d) Co-existence of both large and small industries in the economy

[CA CPT June 2014]

260. In which economy, cost benefit analysis is used to answer the fundamental questions of economy

- (a) Socialistic economy  
(b) Capitalistic economy  
(c) Regulatory economy  
 (d) Mixed economy

[Nov. 2020]

261. Mixed economy means

- (a) All economic decisions are taken by Central Authority  
(b) All economic decisions are taken by private entrepreneurs  
 (c) Economic decisions are partly taken by the state and partly by private entrepreneurs  
(d) None of these

[CA CPT June 2009]

262. Which of the following are the features of a mixed economy?

- (a) Planned economy  
(b) Dual system of pricing exists  
(c) Balance regional development  
 (d) All of the above

[CA CPT June 2012]

263. 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.

264. \_\_\_\_\_ is also called as command economy

- (a) Socialist  
(b) Capitalist

- (c) Mixed economy  
(d) None of the above

265. In a mixed economy, there are \_\_\_\_\_ sectors of industries.

- (a) Two  
 (b) Three  
(c) Four  
(d) Five

[Jan. 2021]

266. 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

[June 2022]

267. Dual system of pricing exist in:

- (a) Free market economy  
(b) Socialistic economy  
 (c) Mixed economy  
(d) None of the above

[CA CPT June 2012]

268. Which Economic System is described by Schumpeter as 'capitalism in the oxygen tent'?

- (a) Laissez-Faire Economy  
(b) Command Economy  
 (c) Mixed Economy  
(d) Agrarian Economy

[CA CPT June 2017]

269. The existence of three sectors of industries (Private, Public and Combine sector) is one of the features of \_\_\_\_\_

- (a) Capitalist  
(b) Socialist  
 (c) Mixed  
(d) Price

270. Which of the following statement is correct?

- (a) Mixed economy is not always a 'golden path' between capitalism and socialism.  
(b) Socialistic economy is not always a 'golden path' between mixed and capitalism.  
(c) Capitalistic economy is not always a 'golden path' between mixed and socialism.  
(d) Mixed economy is always a 'golden path' between capitalism and socialism.

[July 2021]

271. Mixed economy means:

- (a) Co-existence of both private and public sector  
(b) Co-existence of poor and rich people  
(c) Both (a) and (b)  
(d) None

[CA CPT June 2011]

272. Which of the following economic system is self regulating and run by in available hands?

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

[June 2022]



273. Mixed economy means:

- (a) Co-existence of small and large industries  
 (b) Promoting both agriculture and industries in the economy  
 (c) Co-existence of rich and poor  
 (d) Co-existence of public and private sectors

[CA CPT June 2008]

274. \_\_\_\_\_ is a sector in which both the government and the private enterprises have equal access and join hands to produce commodities and services, leading to the establishment of joint sector.

- (a) Private Sector  
 (b) Public Sector  
 (c) Combined sector  
 (d) Price

275. Indian economy is example of:

- (a) Mixed economy  
 (b) Socialist economy  
 (c) Capitalist economy  
 (d) Unregulated economy

276. Encourage enterprise & risk taking is considered as a merit of which of the following economy?

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

[June 2023]

277. In India Mixed Economy exists due to:

- (a) Co-existence of public sector and private sector.  
 (b) Individual forces of demand and supply.

- (c) Orders by government.  
 (d) None of these.

[CA CPT May 2018]

### Miscellaneous

278. Larger production of \_\_\_\_\_ goods would lead to higher production in future.

- (a) Consumer goods  
 (b) Capital goods  
 (c) Agricultural goods  
 (d) Public goods

279. \_\_\_\_\_ refers to the work area where surplus manpower is employed out of which some individuals have zero or almost zero marginal productivity, such that if they are removed the total level of output remains unchanged.

- (a) Voluntary  
 (b) Disguised  
 (c) Structural  
 (d) Technological

[CA CPT May 2019]

280. Which of the following statements is incorrect?

- (a) Alfred Marshall propagated the wealth definition of Economics  
 (b) L. Robbins introduces the "Scarcity" definition of Economics  
 (c) Samuelson emphasized upon the "growth" aspect of Economics  
 (d) A.C. Pigou believed in "welfare" aspect of Economics

[CA CPT Dec. 2011]

281. Who has defined economics as "Science which deals with wealth"?

- (a) Adam Smith  
 (b) Canon

- (a) J.B. Say  
 (d) A.C. Pigou

[CA CPT June 2014]

282. Who is the author of "The Nature and causes of wealth of Nation"?

- (a) Karl Marx  
 (b) Adam Smith  
 (c) J.B. Say  
 (d) A.C. Pigou

[CA CPT Dec. 2015]

283. "Features of the book wealth of nations"

- (a) It was the first book user on economics.  
 (b) It was created in 1776.  
 (c) It was also known as 'wealth of nations'.  
 (d) All of the above.

[CA CPT May 2018]

### Answers

1.	(c)	2.	(d)	3.	(a)	4.	(b)	5.	(b)	6.	(c)	7.	(d)
8.	(c)	9.	(b)	10.	(d)	11.	(b)	12.	(c)	13.	(a)	14.	(c)
15.	(c)	16.	(c)	17.	(b)	18.	(b)	19.	(c)	20.	(a)	21.	(c)
22.	(b)	23.	(d)	24.	(a)	25.	(b)	26.	(c)	27.	(d)	28.	(a)
29.	(d)	30.	(c)	31.	(a)	32.	(c)	33.	(a)	34.	(a)	35.	(d)
36.	(d)	37.	(b)	38.	(c)	39.	(d)	40.	(a)	41.	(d)	42.	(a)
43.	(a)	44.	(b)	45.	(a)	46.	(a)	47.	(b)	48.	(c)	49.	(d)
50.	(a)	51.	(b)	52.	(b)	53.	(d)	54.	(a)	55.	(b)	56.	(a)
57.	(a)	58.	(d)	59.	(a)	60.	(d)	61.	(d)	62.	(a)	63.	(c)
64.	(a)	65.	(b)	66.	(c)	67.	(a)	68.	(c)	69.	(b)	70.	(d)
71.	(b)	72.	(b)	73.	(c)	74.	(b)	75.	(b)	76.	(a)	77.	(d)
78.	(a)	79.	(c)	80.	(d)	81.	(d)	82.	(a)	83.	(c)	84.	(a)
85.	(d)	86.	(a)	87.	(d)	88.	(a)	89.	(d)	90.	(b)	91.	(c)
92.	(a)	93.	(a)	94.	(a)	95.	(b)	96.	(d)	97.	(a)	98.	(d)
99.	(d)	100.	(b)	101.	(b)	102.	(a)	103.	(a)	104.	(a)	105.	(b)
106.	(c)	107.	(d)	108.	(a)	109.	(a)	110.	(d)	111.	(a)	112.	(a)
113.	(c)	114.	(c)	115.	(b)	116.	(d)	117.	(d)	118.	(b)	119.	(a)
120.	(b)	121.	(a)	122.	(d)	123.	(b)	124.	(d)	125.	(c)	126.	(c)
127.	(b)	128.	(a)	129.	(a)	130.	(c)	131.	(d)	132.	(a)	133.	(c)
134.	(c)	135.	(d)	136.	(a)	137.	(c)	138.	(c)	139.	(d)	140.	(d)
141.	(c)	142.	(c)	143.	(a)	144.	(d)	145.	(c)	146.	(c)	147.	(d)
148.	(d)	149.	(b)	150.	(d)	151.	(d)	152.	(a)	153.	(d)	154.	(d)
155.	(a)	156.	(a)	157.	(c)	158.	(b)	159.	(b)	160.	(d)	161.	(d)
162.	(a)	163.	(b)	164.	(d)	165.	(a)	166.	(d)	167.	(b)	168.	(c)
169.	(b)	170.	(d)	171.	(a)	172.	(b)	173.	(b)	174.	(d)	175.	(b)

176.	(c)	177.	(a)	178.	(d)	179.	(b)	180.	(a)	181.	(d)	182.	(c)
183.	(a)	184.	(b)	185.	(c)	186.	(c)	187.	(b)	188.	(a)	189.	(a)
190.	(b)	191.	(d)	192.	(d)	193.	(d)	194.	(b)	195.	(a)	196.	(c)
197.	(d)	198.	(b)	199.	(c)	200.	(b)	201.	(d)	202.	(a)	203.	(c)
204.	(d)	205.	(d)	206.	(a)	207.	(b)	208.	(c)	209.	(a)	210.	(b)
211.	(b)	212.	(c)	213.	(c)	214.	(c)	215.	(b)	216.	(b)	217.	(d)
218.	(c)	219.	(b)	220.	(b)	221.	(a)	222.	(d)	223.	(d)	224.	(d)
225.	(d)	226.	(c)	227.	(a)	228.	(d)	229.	(a)	230.	(a)	231.	(d)
232.	(b)	233.	(d)	234.	(b)	235.	(a)	236.	(c)	237.	(d)	238.	(b)
239.	(d)	240.	(c)	241.	(a)	242.	(b)	243.	(d)	244.	(d)	245.	(d)
246.	(a)	247.	(d)	248.	(a)	249.	(b)	250.	(d)	251.	(a)	252.	(c)
253.	(a)	254.	(d)	255.	(c)	256.	(c)	257.	(c)	258.	(b)	259.	(b)
260.	(d)	261.	(c)	262.	(d)	263.	(c)	264.	(a)	265.	(b)	266.	(a)
267.	(c)	268.	(c)	269.	(c)	270.	(a)	271.	(a)	272.	(c)	273.	(d)
274.	(c)	275.	(a)	276.	(c)	277.	(a)	278.	(b)	279.	(b)	280.	(a)
281.	(c)	282.	(b)	283.	(d)								

### Hints of selected questions

6. Adam Smith published his masterpiece "An enquiry into the nature and causes of wealth and Nations" in the year 1776.

Ans. : (c)

115. A normative science involves value judgments. It is prescriptive in nature and suggests 'What should be' a particular course of action under given circumstances.

Ans. : (d)

147. National Income is a part of Macro-economics.

Ans. : (d)

148. The Option (d) is a part of Micro economic analysis.

Ans. : (d)

178. Laissez-faire is the policy of allowing private businesses to develop without government control.

Ans. : (a)

264. There are three sectors of industries in mixed economy namely Private Sector, Public Sector and Combined Sector.

Ans. : (b)

# 2

## CHAPTER

## THEORY OF DEMAND AND SUPPLY

### UNIT 1: LAW OF DEMAND & ELASTICITY OF DEMAND

#### Meaning of Demand

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.

2. The term 'demand' refers to:

- (a) Demand of money
- (b) Need for the commodity
- (c) Need for services
- (d) The quantity of a good or service that buyers are willing and able to purchase at various prices during a given period of time

[Dec. 2021]

3. 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.

4. The quantity demanded is always expressed \_\_\_\_\_

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

5. Which of the following statements is correct?

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

[Nov. 2019]

6. The demand for a firm's product when expressed as a percentage

of industry demand it signifies the \_\_\_\_\_ of the firm

- (a) Product share
- (b) Market share
- (c) Demand
- (d) Supply

[June 2022]

7. The quantity demanded is a \_\_\_\_\_.

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

8. Effective demand depends on.

- (a) Price
- (b) Cost
- (c) Desire
- (d) Product

[Jan. 2021]

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

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

### Determinants of Demand

10. 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.

11. \_\_\_\_\_ is not a determinant of demand for commodity.

- (a) Price of substitute commodities
- (b) Price of complementary goods
- (c) Consumer expectations about future price of the commodity
- (d) Quantity of stock of the commodity

12. Which is not an important factor that determines demand?

- (a) Price of commodity
- (b) Disposable income of consumer
- (c) Tastes and preferences of buyers
- (d) Educational qualification of buyer

[Dec. 2021]

13. Price of goods expresses value.

- (a) Exchange
- (b) Cost
- (c) Demand
- (d) Fair

[June 2023]

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

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

[CA CPT May 2019]

15. What is not a determinant of demand?

- (a) Consumer's expectations
- (b) Consumer's tastes and preferences
- (c) Income of the consumers
- (d) Prices of unrelated goods.

[Jan. 2021]

16. The term "Ceteris Paribus" refers to \_\_\_\_\_.

- (a) Other things being equal
- (b) Other things also change
- (c) Other things may change
- (d) None of the above

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

- (a) Income Effect
- (b) Substitution Effect
- (c) Both (a) & (b)
- (d) None of above

18. \_\_\_\_\_ is/are the types of Related Commodities.

- (a) Complementary
- (b) Substitutes
- (c) Complementary and Substitutes
- (d) Complementary or Substitutes

19. The increase in demand on account of an increase in real income is known as:

- (a) Substitution effect
- (b) Income effect
- (c) Marginal effect
- (d) Demand effect

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

- (a) Tea and Sugar
- (b) Automobile and Petrol
- (c) Pen and ink
- (d) All of the above

21. \_\_\_\_\_ are those goods which are consumed together or simultaneously.

- (a) Complementary
- (b) Substitutes
- (c) Similar
- (d) Unrelated

22. Goods which are inferior, with no close substitutes easily available and which occupy a substantial place in consumer's budget are called \_\_\_\_\_ goods.

- (a) Speculative
- (b) Prestige
- (c) Conspicuous
- (d) Giffen

[July 2021]

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

- (a) Fall
- (b) Rise
- (c) Remain constant
- (d) Fall substantially

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

- (a) Substitutes
- (b) Complementary
- (c) Unrelated
- (d) Opposite

25. There is a \_\_\_\_\_ relation between the demand for a product and the price of its substitutes.

- (a) Direct
- (b) Positive
- (c) Indirect
- (d) Both (a) & (b)

26. 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

[June 2022]

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

- (a) Veblen Effect
- (b) Snob Effect
- (c) Helen Effect
- (d) None of these

[July 2021]

28. Name the term which refers to the demand for consumer goods which is decreased owing to the fact that others are also consuming the same commodity.

- (a) Halo effect
- (b) Snob effect
- (c) Veblen effect
- (d) Demonstration effect

29. \_\_\_\_\_ are the commodities for which the quantity demanded rises only up to a certain level of income and decreases with an increase in money income beyond this level.

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

30. The substitution effect will be what when the price of the product falls?

- (a) Zero
- (b) Negative
- (c) Positive
- (d) Lower cost

[June 2022]

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

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

32. A group of people decrease or altogether stop consumption of a common to which of the following effect?

- (a) Bandwagon effect
- (b) Veblen effect
- (c) Snob effect
- (d) Marshall effect

[July 2021]

33. The term demonstration effect was coined by \_\_\_\_\_

- (a) Hicks
- (b) Veblen
- (c) James Duesen berry
- (d) Marshall

[Dec. 2021]

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

- (a) Disposable income
- (b) Price

- (c) Demography
- (d) All of the above

35. 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.

36. When the price of petrol decreases, people reduce the consumption of diesel, then the goods are:

- (a) Complementary
- (b) Substitutes
- (c) Superior
- (d) Any of the above

[Nov. 2020]

37. 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.

38. 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.

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

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

40. Conspicuous goods are also known as:

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

41. 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

42. A relative price is

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

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

- (a) Normal goods.
- (b) Complements.

Substitutes.

(d) Inferior goods.

44. 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.

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.

45. If the price of X commodity increases and due to that the demand for Y commodity increases, then x and y goods are \_\_\_\_\_.

(a) Complementary

Substitutes

(c) Normal

(d) Giffen

46. Potato chips and popcorn are substitutes. A rise in the price of potato chips will \_\_\_\_\_ the demand for popcorn and the quantity of popcorn will \_\_\_\_\_.

Increase; increase.

(b) Increase; decrease.

(c) Decrease; decrease.

(d) Decrease; increase.

47. Increase in price of pulses leads to increase in demand of green vegetables. The pulses and green vegetables are \_\_\_\_\_.

Substitutes

(b) Complimentary goods

(c) Normal goods

(d) None of the above

[June 2023]

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

Veblen effect

(b) Bandwagon effect

(c) Snob effect

(d) Demonstration effect

[CA CPT May 2018]

49. Which of the following is the price at which the quantity demanded of a commodity is equal to the quantity supplied of the commodity and there is no unsold stock or no unsupplied demand.

(a) Selling price

(b) Asking price

(c) Future price

Market clearing price

[July 2021]

50. If the price of Orange Juice increases, the demand for Apple Juice will \_\_\_\_\_.

Increase

(b) Decrease

(c) Remain the same

(d) Become negative

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

Veblen effect.

(b) Giffen paradox.

(c) Speculative effect

(d) None of the above

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

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.

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

(a) Substitute good.

(b) Complementary good.

Conspicuous good.

(d) None of the above.

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

(a) Complementaries

Substitutes

(c) Inferior goods

(d) Normal goods

[CA CPT May 2019]

55. 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

Vertical straight line parallel to Y axis

(d) A perfectly elastic supply curve

### Demand Function

56. A Symbolic statement of a relationship between the dependent and the independent variables is called as \_\_\_\_\_.

Function

(b) Sets

(c) Equation

(d) Variable

57. In a demand function, the demand for a product is the \_\_\_\_\_.

(a) Independent Variable

(b) Explanatory Variable

Dependent Variable

(d) Complex Variable

58. In a demand function, the determinants of demand like price, money income, tastes & preferences, etc. may be regarded as

(a) Dependent Variables

Independent Variables

(c) Related Variables

(d) Complex Variables

59. 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

- 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

### The Law of Demand

60. 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.
- 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.

61. What are exceptions to Law of Demand?

- (a) Law of Diminishing Marginal Utility
- (b) Substitution effect
- Complementary goods
- (d) Different uses

[Jan. 2021]

62. When Price of a commodity increases, what will be the effect on Quantity demanded?

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

[ICAI CPT Nov. 2018]

63. 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.
- Increase the price and number of computers bought.

64. In case of Normal goods, Rise in price leads to \_\_\_\_\_?

- Fall in demand
- (b) Rise in demand
- (c) No Change
- (d) Initially rise then ultimately fall

[ICAI CPT Nov. 2018]

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

- (a) Increase the number of cameras bought.
- (b) Decrease the price but increase the number of cameras bought.
- (c) Increase the price of camera.
- Decrease the price and decrease in the number of camera bought.

66. Comforts lies between

- (a) Inferior goods and necessities.
- (b) Luxuries and inferior goods.
- Necessaries and luxuries.
- (d) None of the above.

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

- Decreases
- (b) Increases

- (c) No change
- (d) Can't say

[ICAI CPT Nov. 2018]

68. Due to increase in price of coffee, the demand for tea increases. The two commodities under consideration are

- Substitute goods
- (b) Complementary goods
- (c) Unrelated goods
- (d) Producers goods

[June 2022]

69. Who has given the law of Demand?

- Alfred Marshall
- (b) Paul Samuelson
- (c) Robbins
- (d) J.B. Say

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

- (a) Demand Curve
- (b) Demand Table
- Demand Schedule
- (d) Demand Tabulation

71. The Demand Schedule depicts \_\_\_\_\_ relationship between price and quantity demanded.

- (a) Direct
- Inverse
- (c) Adverse
- (d) None of these

72. \_\_\_\_\_ is a graphical presentation of the \_\_\_\_\_.

- Demand Curve, Demand Schedule
- (b) Demand Schedule, Demand Curve

- (c) Demand Curve, Supply Schedule
- (d) Supply Curve, Demand Schedule

73. 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.
- Price of the commodity.
- (d) Price of related goods.

74. The demand curve has a \_\_\_\_\_ Slope.

- (a) Positive
- Negative
- (c) Circular
- (d) No

75. The demand for petrol decreases due to increase in its price, it is termed as

- (a) A decrease in demand
- (b) A change in demand
- A contraction in demand
- (d) An increase in demand

[June 2022]

76. The \_\_\_\_\_ sloping Demand Curve is in accordance with the law of demand which describes an \_\_\_\_\_ price demand relationship.

- (a) Upward, inverse
- Downward, Inverse
- (c) Upward, direct
- (d) Downward, direct

77. The sum of individual demands for a product at a price per unit of time is called as \_\_\_\_\_.

- (a) Firm's Demand
- Market Demand

- (c) Goods available in market  
(d) Goods to be sold in market
78. The table which represents the sum of various quantities demanded by different consumers in the market is called as \_\_\_\_\_  
(a) Demand Schedule  
(b) Individual Demand Schedule  
 (c) Market Demand Schedule  
(d) Market Demand Curve.
79. The market Demand Schedule indicates \_\_\_\_\_ relationship between price and quantity demanded of a commodity.  
(a) Direct  
 (b) Inverse  
(c) Circular  
(d) No
80. If we plot the market demand schedule on a graph, we get \_\_\_\_\_  
(a) Demand Chart  
(b) Market Demand Chart  
(c) Demand Curve  
 (d) Market Demand Curve
81. The lateral summation of individual demand Curves is regarded as \_\_\_\_\_.  
(a) Economy Demand Curve  
 (b) Market Demand Curve  
(c) Product Demand Curve  
(d) Marginal Demand Curve
82. According to \_\_\_\_\_, the consumer has diminishing utility for each additional unit of a commodity and therefore, he will be willing to pay only less for each additional unit.  
 (a) Marshall  
(b) Robbins  
(c) Samuelson  
(d) None of these
83. A Consumer maximizes his satisfaction when the Marginal utility of the commodity is \_\_\_\_\_ its price.  
 (a) Equal to  
(b) Less than  
(c) More than  
(d) Less than or equal to
84. The operations of diminishing marginal utility and the act of the Consumer to equalize the utility of the commodity with its price result in a \_\_\_\_\_ demand curve.  
 (a) Downward Sloping  
(b) Upward Sloping  
(c) Straight line  
(d) Hyperbola upward
85. \_\_\_\_\_ has/have explained the law of demand in terms of Substitution Effect and Income Effect.  
(a) Marshall  
(b) Hicks  
(c) Allen  
 (d) Both (b) & (c)
86. As a result of fall in the price of a commodity, consumer's real income or purchasing power increases. This increase in the real income induces him to buy more of that commodity. This is technically termed as:  
(a) Price Effect  
(b) Substitution Effect  
 (c) Income Effect  
(d) Both (b) & (c)
87. Which one of the following is not the rationale of the law of Demand?  
(a) Law of Diminishing Marginal Utility

- (b) Price Effect  
(c) Arrival of New Customers  
 (d) Change of Taste & Performances
88. Certain commodities have multiple uses. These different uses of a commodity make the demand curve \_\_\_\_\_ reacting to changes in price.  
 (a) Slope downwards  
(b) Slope Upwards  
(c) Straight Line  
(d) Both (a) & (b)
89. When total demand for a commodity whose price has fallen increases, it is due to:  
(a) Income effect.  
(b) Substitution effect.  
(c) Complementary effect.  
 (d) Price effect.
90. Which of the following is not an exception to the law of demand?  
(a) Giffen goods  
(b) Speculative goods  
(c) Conspicuous goods  
 (d) White goods
- [June 2022]
91. Suppose the demand for automobile decreases due to increase in price of petrol. Both the goods are.  
(a) Perishable  
 (b) Complementary  
(c) Substitute  
(d) Normal
- [July 2021]
92. Which one of the following may be considered as a rationale of the law of demand?  
 (a) Price Effect  
(b) Giffen Goods  
(c) Returns to Scale  
(d) None of these
93. Which of the following is not an exception to the law of demand?  
(a) Speculative goods  
(b) Giffen goods  
(c) Necessary goods  
 (d) Normal goods
- [June 2023]
94. 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
- [June 2022]
95. In which of the following cases, the law of demand holds true?  
 (a) Normal Goods  
(b) Giffen Goods  
(c) Speculative Goods  
(d) Necessary Goods
96. Higher the price of diamonds, higher is the prestige value attached to them and hence higher is the demand for them. These goods are called as \_\_\_\_\_.  
 (a) Conspicuous goods

- (b) Giffen goods.  
(c) Normal goods  
(d) None of these

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

- (a) Future expectations about prices  
(b) Demand for necessities  
(c) Speculative Goods  
(d) All of these

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

- (a) Inferior goods  
(b) Substitutes  
(c) Luxuries  
(d) Necessities

[CA CPT May 2018]

99. A situation where after a price decrease, more units are sold causing increase in revenue is called as which of the following?

- (a) Price effect  
(b) Quantity effect  
(c) Income effect  
(d) Substitution effect

[June 2022]

100. Price effect is described as which of following?

- (a) Income effect + Veblen effect  
(b) Substitution effect + Veblen effect  
(c) Income effect + Substitution effect  
(d) Veblen effect + Demonstration effect

[June 2023]

101. In case of inferior goods, with rise of income of consumers, demand of goodwill?

- (a) Increases  
(b) Decreases

- (c) No change  
(d) None of these

[CA CPT Nov. 2018]

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

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

103. In case \_\_\_\_\_, there is an inverse relationship between income and demand for a product.

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

[CA CPT May 2019]

104. If the demand of Bajra decreases due to decrease in its price, then Bajra is a:

- (a) Superior good  
(b) Inferior good  
(c) Necessary good  
(d) Luxury good

[June 2023]

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

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

### Expansion & Contraction of DD

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

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

107. When, as a result of increase in price, the quantity demanded decreases, it is called as \_\_\_\_\_.

- (a) Expansion of Demand  
(b) Increase in demand  
(c) Both (a) & (b)  
(d) None of these

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

- (a) Price of Related Goods  
(b) Price of goods  
(c) Change in income  
(d) Change in Taste & Preferences.

109. Movement along the same demand curve represents

- (a) Change in demand  
(b) Change in Quantity demand  
(c) Increase in demand  
(d) Decrease in demand

[June 2023]

110. When price of apple is ₹ 120 per kg. Ram buys one kg. of apples at that price. Now if other things remains the same but the price of apples falls to ₹ 90 per kg. Now Ram buys 2 kg. of apples. It is called as

- (a) Demand schedule  
(b) Market demand  
(c) Contraction of demand  
(d) Expansion of demand

[Nov. 2020]

111. \_\_\_\_\_ refers to a change along a curve i.e. movement from one point to another on the same curve.

- (a) Expansion/Contraction of Demand  
(b) Increase/Decrease in Demand  
(c) Shift of Demand Curve  
(d) None of these

112. In case of \_\_\_\_\_ goods, the expansion in demand due to a price fall will take place only if the substitution effect outweighs the income effect

- (a) Inferior goods  
(b) Necessaries  
(c) Giffen goods  
(d) Luxuries goods

[Dec. 2021]

113. Movement along the demand curve may be due to \_\_\_\_\_.

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

114. 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.

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

- (a) An increase in demand.  
(b) A decrease in demand.



- A change in quantity demanded.  
 (d) A change in demand.

### Increase & Decrease in DD

116. \_\_\_\_\_ the demand curve indicates that there is a change in demand at each possible price because one or more other factors, such as income, tastes or the price of some other goods, etc. have changed.

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

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

- 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

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

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

119. Leftward shift of demand curve of coffee represents

- Decrease in demand  
 (b) Increase in demand  
 (c) Contraction  
 (d) Expansion

[June 2023]

120. An Increase in demand can result from:

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

[CA CPT May 2018]

121. By 'Change in demand' represents which of the following?

- (a) Movement upward and downwards on the same demand curve  
 (b) Change in budget line with change income  
 (c) Shift in the indifference curve  
 Shift of the demand curve to the right or left

[July 2021]

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

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

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

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

124. 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.  
 Demand curve will 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.

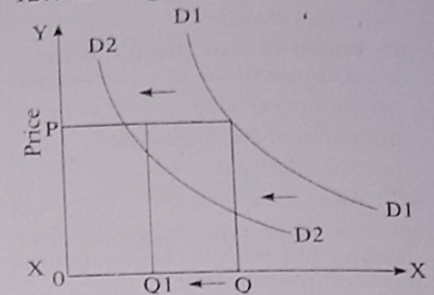
125. The movement upwards or downwards on the same demand curve resulting from a change in the price of the commodity is called as \_\_\_\_\_.

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

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

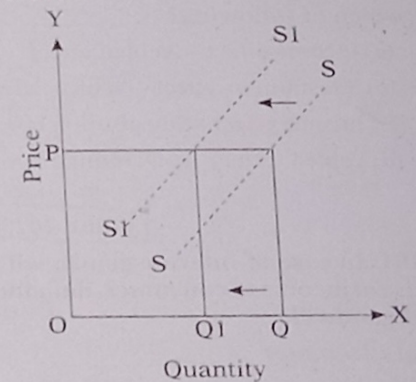
- Rise in price of substitute  
 (b) Fall in price of substitute  
 (c) Rise of price of same commodity  
 (d) Fall in price of same commodity

127. 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  
 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.

128. 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 increases 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

### Price Elasticity of Demand

129. Elasticity of demand is the percentage change in \_\_\_\_\_ divided by the percentage change in \_\_\_\_\_ on which demand depends.

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

130. Which of the following is CORRECT for determination of Price Elasticity of Demand?

- (a)  $E_p = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$
- (b)  $E_p = \frac{\text{Change in Quantity}}{\text{Original Quantity}} \times \frac{\text{Original Price}}{\text{Change in Price}}$
- (c)  $E_p = \frac{\Delta q}{\Delta P} \times \frac{P}{q}$
- (d) All of the above

131. What is reason behind the fact that Price Elasticity is negative?

- (a) Price of commodity always fall
- (b) Quantity of commodity always fall
- (c) Price and Quantity are inversely related (with few exceptions)
- (d) Price and Quantity are positively related

132. The price of a commodity decreases from ₹ 6 per unit to ₹ 4 per unit and quantity demanded of the goods increased from 10 units to 15 units. The Co-efficient of Price Elasticity will be \_\_\_\_\_.

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

133. The demand for the commodity is \_\_\_\_\_ when a consumer is a habitual consumer.

- (a) Relative elasticity
- (b) Inelastic
- (c) Unit elasticity
- (d) Perfectly elastic

[June 2022]

134. Identify the factor which generally keeps the price elasticity of 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

[Jan. 2021]

135. A 5% fall in the price of a good leads to a 15% rise in its demand. The Price Elasticity is \_\_\_\_\_ and

the good in question has \_\_\_\_\_ demand.

- (a) 1/3, Elastic
- (b) 3, Elastic
- (c) 1/3, Inelastic
- (d) 3, Inelastic

136. The quantity demanded by a consumer at price ₹ 9 per unit is 800 units. As price falls by 25%, the quantity demanded rises by 160 units. What is the Price Elasticity of Demand?

- (a) 1.3
- (b) 1
- (c) 0.8
- (d) None of these

137. A Consumer buys 80 Units of a good at a price of ₹ 4 per unit. The Price Elasticity of demand is 4. At what price, consumer will buy 60 Units?

- (a) ₹ 4 per unit
- (b) ₹ 4.25 Per unit
- (c) ₹ 4.80 Per unit
- (d) None of these

138. The numerical value of elasticity of demand can assume any value between

- (a) Zero and -1
- (b) Zero and infinity
- (c) -1 and +1
- (d) Zero and +1

[Dec. 2021]

139. The extent of responsiveness of demand due to changes in any of its determinants is regarded as \_\_\_\_\_

- (a) Price Elasticity of Demand

- (b) Income Elasticity of Demand
- (c) Cross Elasticity of Demand
- (d) Elasticity of Demand

140. Suppose the income elasticity of demand of Air Conditioner (AC) is +1.8. We can conclude from this that the AC is \_\_\_\_\_.

- (a) Superior good
- (b) Inferior good
- (c) Necessary good
- (d) Conspicuous good

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

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

142. There is decrease in price of LED TV after budget announcement from ₹ 60,000 to ₹ 50,000. As a result of which demand for it has increases from 1,500 units to 2,000 units. The Elasticity of demand for LED TV will be \_\_\_\_\_

- (a) 1.27
- (b) -2
- (c) 0.63
- (d) 0.67

[June 2023]

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

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

- (a) The ARC elasticity method  
 (b) Cross elasticity method  
 (c) The income elasticity method  
 (d) The point elasticity method
158. To know the base price and quantity, which method of elasticity is used?  
 (a) Arc elasticity  
 (b) Point elasticity  
 (c) Cross elasticity  
 (d) Cannot be measured
- [Nov 2020]
159. Point elasticity is useful for which of the following situations?  
 (a) The bookstore is considering doubling the price of notebooks.  
 (b) A restaurant is considering lowering the price of its most expensive dishes by 50 per cent.  
 (c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100.  
 (d) None of the above.
160. The price of a commodity decreases from ₹ 6 to ₹ 4 and the quantity demanded of the good increases from 10 units to 15 units, and the co-efficient of price elasticity. (Use Point Elasticity Method)  
 (a) 1.5  
 (b) 2.5  
 (c) -1.5  
 (d) 0.5
161. If the price of air-conditioner increases from ₹ 30,000 to ₹ 30,010 and resultant change in demand is negligible, we use the measure of \_\_\_\_\_ to measure elasticity.

- (a) Point elasticity.  
 (b) Perfect elasticity.  
 (c) Perfect inelasticity.  
 (d) Price elasticity
162. Elasticity between two points:  
 (a) Point elasticity  
 (b) Arc elasticity  
 (c) Cross elasticity  
 (d) None
- [CA CPT May 2018]
163. Suppose the price of movies seen at a theatre rises from ₹ 120 per person to ₹ 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movies? (Use Arc Elasticity Method)  
 (a) .5  
 (b) .8  
 (c) 1.0  
 (d) 1.2
164. Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 plate-settings to 5,000 plate-settings, what is the price elasticity of demand for silverware? (Use Arc Elasticity Method)  
 (a) .8  
 (b) 1.0  
 (c) 1.25  
 (d) 1.50
165. If the local pizzeria raises the price of a medium pizza from ₹ 60 to ₹ 100 and quantity demanded falls from 700 pizzas a night to 100

- pizzas a night, the price elasticity of demand for pizzas is: (Use Arc Elasticity Method)  
 (a) .67  
 (b) 1.5  
 (c) 2.0  
 (d) 3.0
166. Which of the following method is used to calculate Elasticity of demand when price and quantity demand are large?  
 (a) Zero elasticity  
 (b) Cross elasticity  
 (c) Point elasticity  
 (d) Arc elasticity
- [June 2023]
167. The price of a commodity decreases from ₹ 200 to ₹ 120 per unit. If the price elasticity of demand for this commodity is 2 and the original quantity demanded is 60 units, calculate the new quantity demanded.  
 (a) 48 units  
 (b) 100 units  
 (c) 108 units  
 (d) 120 units
- [July 2021]
168. 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.
169. 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.
- [Dec. 2022]
170. The demand for a generic good like soap and for Lux soap are \_\_\_\_\_ respectively.  
 (a) Elastic and elastic  
 (b) Inelastic and inelastic  
 (c) Inelastic and elastic  
 (d) Elastic and inelastic
- [July 2021]
171. 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.
172. 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.

173. 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.

174. 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.

175. Using total outlay method,

- (a) We cannot find exact co-efficient of Price Elasticity.  
 (b) We can find exact co-efficient of Price Elasticity.  
 (c) We cannot determine whether the good is elastic or inelastic.  
 (d) None of the above.

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

- (a) Zero  
 (b) Unity

- (c) More than one  
 (d) Less than one

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

- (a) Availability of substitutes.  
 (b) Time period  
 (c) Price range  
 (d) All of the above

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

- (a) Less elastic  
 (b) Inelastic  
 (c) Highly inelastic  
 (d) Highly elastic

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

- (a) 18 Units  
 (b) 30 Units  
 (c) 48 Units  
 (d) 60 Units

180. The electricity board wants to reduce the consumption of electricity by 5%. The price elasticity of demand for electricity is (-) 0.5. The board should \_\_\_\_\_.

- (a) Raise the price of electricity by 2.5%  
 (b) Decrease the price of electricity by 2.5%  
 (c) Raise the price of electricity by 10%

(d) Raise the price of electricity by 0.1%

[Dec. 2021]

181. If there is no change at all in the quantity demanded, when price changes, the elasticity will be \_\_\_\_\_.

- (a) Zero  
 (b) Unitary  
 (c) Greater than one  
 (d) Less than one

182. If elasticity is \_\_\_\_\_ then the quantity demanded does not respond at all to a price change.

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

183. The demand is said to be \_\_\_\_\_ when the percentage change in quantity demanded is less than the percentage change in price.

- (a) Elastic  
 (b) Inelastic  
 (c) Perfectly elastic  
 (d) None of the above

184. In case of wheat & Common salt, the nature of Price elasticity of demand is \_\_\_\_\_.

- (a) Elastic  
 (b) Inelastic  
 (c) Perfectly Elastic  
 (d) None of the above

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

- (a) Elastic

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

186. The greater the proportion of income spent on a commodity, generally the \_\_\_\_\_ will be its elasticity of demand and vice versa.

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

187. 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.

188. 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.

### Income Elasticity of Demand

189. Suppose a consumer's income increases from ₹ 30,000 to ₹ 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity

of demand for CDs? (Use Arc Elasticity Method)

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

190. The household income rises by 20% in a year. Consequently the demand for TV rises by 30%. What is income elasticity of demand.

- (a) 1.5
- (b) 0.5
- (c) 0.4
- (d) 5

191. Income Elasticity of demand is the degree of responsiveness of quantity demanded to a good to change in the \_\_\_\_\_ of Consumers.

- (a) Taste and Preferences
- (b) Income
- (c) Status of Living
- (d) Fashion

192. Which of the following formula can be used for calculation of income Elasticity of Demand?

(a)  $E_i = \frac{\Delta q}{\Delta y} \times \frac{y}{q}$

(b)  $E_i = \frac{\Delta y}{\Delta q} \times \frac{q}{y}$

(c)  $E_i = \frac{\Delta q}{\Delta y} \times \frac{q}{y}$

- (d) None of the above

193. Income elasticity of luxury goods

- (a) Zero
- (b) Positive and greater than one

- (c) Positive and lesser than one
- (d) Negative and greater than -1

[Nov. 2019]

194. Suppose there is an increase in income by 15%, which increases demand by 30% the income elasticity of demand will be \_\_\_\_\_

- (a) 0.67
- (b) 0.5
- (c) 2
- (d) 1.0

[June 2023]

195. 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.

196. 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.

197. 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	% Increase in income	% change in demand 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 in both cities; good Y is an inferior good in city B
- (d) Need more information to make and accurate comment

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

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

199. Income elasticity of demand is calculated by dividing percentage change in \_\_\_\_\_ by the percentage change in \_\_\_\_\_.

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

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

- (a) If the proportion of income on a good remains the same as income increase, then income elasticity for the good is equal to one.

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

201. For all \_\_\_\_\_ goods, the income elasticity is positive.

- (a) Normal
- (b) Inferior
- (c) Luxury
- (d) All of the above

202. For all \_\_\_\_\_ goods, the income elasticity is greater than one.

- (a) Normal
- (b) Inferior
- (c) Luxury
- (d) All of the above.

203. 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.

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

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

205. When oranges has - (0.58) income elasticity the commodity orange is called as \_\_\_\_\_

- (a) Orange is a necessary good

- (b) Orange is a inferior good  
 (c) Orange is a substitute good  
 (d) None

[June 2023]

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

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

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

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

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

- (a) Potatoes are inferior goods.  
 (b) Potatoes are superior goods.  
 (c) Potatoes are necessities.  
 (d) There is a need to increase the income of consumers so that they can purchase potatoes.

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

- (a) Inferior  
 (b) Luxury  
 (c) Necessity  
 (d) None of these

210. The income elasticity of demand of commodity "Buttons" is \_\_\_\_\_.

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

211. In the case of inferior goods, the income elasticity of demand is:

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

[Jan. 2021]

212. 'Bajra' is an inferior commodity in the eyes of the household. Its income elasticity of demand will be \_\_\_\_\_.

- (a) More than 1  
 (b) Equal to 1  
 (c) Less than 1, but greater than 0  
 (d) Negative

213. Assume that Wheat have (-) 0.4 as income elasticity. By this, we can say that wheat is a \_\_\_\_\_ good

- (a) Inferior  
 (b) Normal  
 (c) superior  
 (d) luxurious

[July 2021]

### Cross Elasticity of Demand

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

- (a) Income of consumer

- (b) Price of same commodity  
 (c) Price of Related commodity  
 (d) Both (b) & (c)

215. In case of substitute commodities, the cross demand curve slopes \_\_\_\_\_.

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

216. What is numerical measure of elasticity for "Perfectly Elastic"?

- (a) Zero  
 (b) Infinity  
 (c) Greater than one and less than infinity  
 (d) Less than one

[Jan. 2021]

217. A shopkeeper sells only two brands of notebooks "Classmate" and "Neelgagan". It is observed that when the price of "classmate" rises by 10%, the demand for "Neelgagan" increases by 15%. What is the cross price elasticity for "Neelgagan" against the price of "classmate"?

- (a) 0.5  
 (b) 1  
 (c) 1.5  
 (d) None of these

218. The cross price elasticity between two goods x and y is known to be - 0.8. If the price of good y rises to 20%, how will the demand for x change?

- (a) + 10%  
 (b) + 16%

- (a) -18%  
 (d) None of these

219. The Price of 1 Kg. of coffee is ₹ 80. At this price 10 kg. of coffee is demanded. If the price of tea rises from ₹ 50 to ₹ 70 per kg. the quantity demanded of coffee rises from 10 kg. to 16 kg. The cross-price elasticity of coffee is

- (a) -1.5  
 (b) +1.5  
 (c) +0.3  
 (d) -0.3

[Dec. 2021]

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

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

221. Cross elasticity of perfect substitutes is:

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

[CA CPT May 2018]

222. The cross elasticity between Bread and DVDs is:

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

223. If the quantity demand of mutton increases by 5% when the

price of chicken increases by 20%, the cross-price elasticity of demand between mutton and chicken

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

224. When two goods are unrelated then cross elasticity of demand will be \_\_\_\_\_

- (a) 0  
 (b) 00  
 (c) 1  
 (d) (-)

[June 2023]

225. The quantity demanded of coffee increases by 2% when the price of tea increases by 8%, the cross elasticity of demand between two products are \_\_\_\_\_

- (a) + 0.25  
 (b) - 0.25  
 (c) - 0.4  
 (d) + 0.4

[July 2021]

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

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

227. If two goods are perfect substitutes for each other, the cross elasticity between them is \_\_\_\_\_

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

228. 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.

229. If the goods are substituted (like tea and coffee), the cross elasticity between them is \_\_\_\_\_

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

230. 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

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

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

232. 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.

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

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

[Jan. 2021]

234. The Cross elasticity is -1.2. It represents that the commodities are: \_\_\_\_\_ in nature.

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

### Advertisement Elasticity

235. Advertisement elasticity of sales or promotional elasticity of demand is the responsive of a good demanded to changes in \_\_\_\_\_

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

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

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

237. Ram and sons are going for heavy advertisement campaign to enhance their sales. When analysed it was realised that the expenditure on advertisement by the company has gone up from ₹ 2,00,000 to ₹ 3,00,000 and the sales of this product increased from 10 lakh units to 20 lakh units. What is the advertising elasticity of demand?

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

238. Advertisement elasticity of demand values between \_\_\_\_\_ and \_\_\_\_\_

- (a) One, infinity  
 (b) Zero, infinity  
 (c) Zero, one  
 (d) (-) Infinity to (+) Infinity

239. Advertising elasticity of demand is typically \_\_\_\_\_

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

[June 2022]

240. What will be the advertisement elasticity?

% Change in Demand = 30%

% change in Price = Nil

% change in advertisement Expenditure = 25%

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

241. When the demand changes at a higher rate than change in advertisement expenditure, the advertisement elasticity will be \_\_\_\_\_.

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

242. If the advertisement expenditure on X commodity increase by 20% and demand for it increases only by 5%. The advertisement elasticity of demand for X commodity is

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

[June 2022]

243. The zero advertisement Elasticity represents :

- (a) Demand responds proportionately  
(b) Demand does not respond proportionately  
 (c) Demand does not respond at all  
(d) None of the above

244. When the change in demand is less than proportionate change in advertisement expenditure, the advertisement elasticity ( $E_a$ ) will be equal to \_\_\_\_\_.

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

### Demand Forecasting

245. Which of the following statements is correct?

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

246. Method of demand forecasting does not include?

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

[CA CPT Nov. 2018]

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

- (a) Actual demand of a product at same future date  
 (b) Probable demand in future  
(c) Total demand in future  
(d) None of these

[CA CPT Nov. 2018]

248. The Delphi technique of demand forecasting is also called an \_\_\_\_\_.

- (a) Survey of buyers intentions  
 (b) Expert opinion method  
(c) Barometric method  
(d) Controlled experiments

249. Of the following, who developed the Delphi technique of demand forecasting?

- (a) Olaf Helmer  
(b) David Richardson  
(c) Michael Porter  
(d) J.M. Keynes

[July 2021, June 2023]

250. Forecasting refers to knowing or measuring the status or nature of an event or variable \_\_\_\_\_ it occurs.

- (a) Before  
(b) When  
(c) After  
(d) Both (b) & (c)

251. The demand for cement in India is forecasted. It refers to \_\_\_\_\_.

- (a) Micro level forecasting  
(b) Long-Term forecasting

- (c) Industry level forecasting  
(d) Firm level forecasting

252. Method of demand forecasting does not include?

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

[June 2023]

253. \_\_\_\_\_ demand forecasting is generally useful in tactical decisions.

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

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

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

255. If the demand for a product is independent of the demand for other goods, then it is called as \_\_\_\_\_.

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

256. Which of the following are consumer's goods?

- (a) Readymade clothes  
(b) Prepared Food



- (c) Residential Houses  
 (d) All of the above
257. Identify Producer's goods out of following :
- (a) Plant and Equipment  
 (b) Readymade clothes  
 (c) Residential Houses  
 (d) All of the above
258. Which of the following factors affects demand for non-durable consumer goods?
- (a) Disposable Income  
 (b) Price  
 (c) Demography  
 (d) All of the above
259. In order to find out turning points, it is necessary to find out the general behaviour of the economy. This method of forecasting is called as :
- (a) Controlled Experiments  
 (b) Barometric Method  
 (c) Statistical Method  
 (d) None of these
260. \_\_\_\_\_ method of forecasting includes the methods:
- # Complete Enumerations  
 # Sample Survey  
 # End Use
- (a) Collective opinion  
 (b) Survey of Buyer's intentions  
 (c) Expert Opinion  
 (d) Barometric

261. Under \_\_\_\_\_ method of demand forecasting, the future demand is estimated by conducting market studies and experiments on consumer behaviour under actual, though controlled, market conditions.

- (a) Controlled Experiment method  
 (b) Market Experiment Method  
 (c) Barometric Method  
 (d) Both (a) & (b)
262. Which one of the following is the statistical method of demand forecasting?
- (a) Trend Projection Method  
 (b) Fitting Equation Method  
 (c) Regression Analysis  
 (d) All of the above
263. Which of the following is not a statistical method of demand forecasting.
- (a) Regression Analysis  
 (b) Survey of Buyer's intentions  
 (c) Least Square method  
 (d) Free hand projection method
264. Demand forecasting by means of asking customer what they are going to buy comes under
- (a) Statistical method  
 (b) Grass roots method  
 (c) Survey of buyers intention  
 (d) Experts opinion method

[Nov. 2020]

## UNIT 2 : THEORY OF CONSUMER BEHAVIOUR

### Nature of Human wants

265. All \_\_\_\_\_ of human beings are called wants in Economics.

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

266. Wants may arise due to \_\_\_\_\_ causes.

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

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

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

268. Wants arise from multiple causes including \_\_\_\_\_

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

### Classification of Wants

269. Which of the following is one of the categories of wants?

- (a) Necessaries

(b) Comforts

(c) Luxuries

(d) All of the above

270. Which of the following is NOT an example of Luxuries?

- (a) Expensive clothing  
 (b) Exclusive vintage cars  
 (c) Classy furniture

(d) Labour saving equipments

271. Which of the following is NOT an example of Necessaries?

- (a) Nourishing food  
 (b) Adequate clothing & clean water  
 (c) Comfortable dwelling

(d) Expensive clothing

### Law of Diminishing Marginal Utility

272. \_\_\_\_\_ is the \_\_\_\_\_ by the Consumer and \_\_\_\_\_ is the actual satisfaction derived :

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

273. \_\_\_\_\_ is the want satisfying power of a Commodity.

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

274. Which of the following statements about utility is incorrect?

- (a) Utility is ethically neutral

- (b) A commodity has utility even when it is not consumed
- (c) Utility is subjective and varies from person to person
- (d) Utility is the same thing as usefulness
- (a) Marginal Utility
- (b) Average Utility
- (c) Total Utility
- (d) Incremental Marginal Utility

[Dec. 2021]

275. Which of the following theories explains consumer behaviours?

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

276. Utility is the numerical score in terms of '\_\_\_\_' representing the satisfaction that a consumer obtains from the consumption of a particular good.

- (a) Points
- (b) Utils
- (c) Units
- (d) Numbers

[Dec. 2021]

277. Marginal Utility Analysis has been propounded by :

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

278. Alfred Marshall was a \_\_\_\_\_ economist.

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

279. \_\_\_\_\_ is the sum of marginal utilities derived from the consumption of different units.

280. \_\_\_\_\_ is the additional made to total utility by the consumption of an additional unit of a commodity.

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

281. 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.

282. When total utility is diminishing, the marginal utility is

- (a) Diminisher
- (b) Zero
- (c) Negative
- (d) Increases

[June 2022]

283. The aim of the consumer in allocating his income is to \_\_\_\_\_.

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

284. Additional made to total utility refers to? Total utility derived from 2nd unit?

- (a) 380
- (b) 20
- (c) 100
- (d) 280
- (a) Total utility
- (b) Average utility
- (c) Marginal utility
- (d) All of the above

[CA CPT Nov. 2018]

285. At the point of satiation, TU is \_\_\_\_\_ and MU is \_\_\_\_\_

- (a) Maximum, Zero
- (b) Minimum, Zero
- (c) Zero, Zero
- (d) Maximum, diminishing
- (a) 200
- (b) 280
- (c) 100
- (d) 50

[CA CPT Nov. 2018]

[Dec. 2021]

289. Marginal utility of 3rd unit is?

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

[CA CPT Nov. 2018]

290. When marginal utility is zero then total utility is \_\_\_\_\_.

- (a) Maximum
- (b) Lower
- (c) Negative
- (d) Increasing

286. Which Equation is correct-

- (a)  $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
- (b)  $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
- (c)  $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
- (d)  $\frac{MU_x}{MU_y} \neq \frac{P_x}{P_y}$

[CA CPT Nov. 2018]

287. Marginal rate of Substitution of X for Y is calculated as \_\_\_\_\_

- (a) Change in X/change in Y
- (b)  $P_x/P_y$
- (c)  $P_y/P_x$
- (d) Change in Y/change in X
- (a) 8
- (b) 100
- (c) 108
- (d) 101

[Dec. 2021]

288. From the following data given below answer questions 251 and 252-

Units	TU	MU
1	200	
2	-	180
3	480	-

292. Budget line is otherwise called as

- (a) Money line
- (b) Preference line
- (c) Income line
- (d) Price line

[June 2023]

[Nov. 2019]

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

(a) Budget line is tangent to the I<sub>c</sub> curve

$$(b) \frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z}$$

(c) Both (a) and (b)

(d) None of the above

[CA CPT May 2019]

294. An indifference curve is a curve which represents all those combinations of two goods which give \_\_\_\_\_ to the consumer.

(a) Equal satisfaction

(b) Greater satisfaction

(c) Lesser satisfaction

(d) Variable satisfaction

295. Cardinal approach is related to:

(a) Indifference curve

(b) Equi marginal utility

(c) Law of diminishing returns

(d) None of these

[CA CPT May 2018]

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

(a) A.C. Pigou

(b) Marshall

(c) Adam Smith

(d) Robbins

[CA CPT May 2018]

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

(a) When MU is positive, Total utility rises at a diminishing rate

(b) When marginal utility is zero, total utility is maximum

(c) When marginal utility is negative, total utility is diminishing

(d) All of the above

[CA CPT May 2019]

298. 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.

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

(a) Law of demand.

(b) Law of diminishing returns.

(c) Law of diminishing utility.

(d) Law of supply.

[Jan. 2021]

300. When  $TU_{n-1}$  is deducted from  $TU_n$ , the resultant is \_\_\_\_\_.

(a) Marginal Utility

(b) Average Utility

(c) Total Utility

(d) Incremental Marginal Utility

301. Marginal Utility Analysis is \_\_\_\_\_ Concept.

(a) Cardinal

(b) Ordinal

(c) Sequential

(d) None of these

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

(a) Rationality

(b) Cardinal Measurability of Utility

(c) Hypothesis of independent utility

(d) Increasing Marginal Utility of Money

303. Law of Diminishing Marginal Utility is derived from which of the following concept?

(a) Consumer Surplus

(b) Additional Utility

(c) Total utility

(d) Producer Surplus

[Dec. 2021]

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

(a) Dependent

(b) Independent

(c) Related

(d) Affected

Read the following table and answer questions (265-266)

Quantity Consumed	0	1	2	3	4	5	6	7	8
Total Utility	0	300	500	650	750	830	890	930	960

305. What is marginal utility when consumption increases from 4 units to 5 units?

(a) 130

(b) 80

(c) 160

(d) 100

[July 2021]

306. What is marginal utility when consumption increases from 7 units to 8 units?

(a) 60

(b) 100

(c) 40

(d) 30

[July 2021]

307. According to neo-classical economists, utility is a cardinal concept. It means:

(a) Utility is a measurable and quantifiable entity.

(b) A psychological unit of measurement of utility is available called as 'UTILS'.

(c) Utilities from different units of the commodity can be added.

(d) All of the above.

308. Hicks and Allen believed that utility \_\_\_\_\_

(a) Can be measured in ordinal numbers

(b) Can be measured in cardinal numbers

(c) Cannot be measured

(d) Cannot be expressed

[Dec. 2021]

309. The Marginal Utility can be \_\_\_\_\_

(a) Positive

(b) Zero

(c) Negative

(d) Any of above

### Consumer's Surplus

310. The concept of Consumer's Surplus was propounded by \_\_\_\_\_.

(a) Alfred Marshall

(b) Hicks & Allen

(c) J.B. Say

(d) None of these

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

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

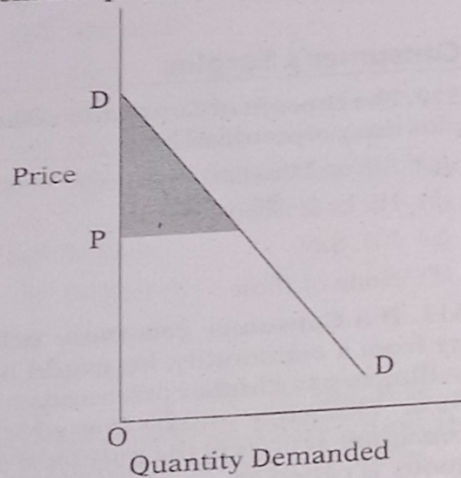
312. Which of the following statement is incorrect as regards Consumer's Surplus?

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

313. By consumer surplus, economists mean

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

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



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

- (b) Monopoly price of the commodity.  
 (c) Consumer surplus.  
 (d) None of the above.

315. Consumer's surplus = what the consumer is ready to pay minus \_\_\_\_\_?

- (a) What is actual price of the product  
 (b) What is income of the consumer  
 (c) What he actually pays  
 (d) What is actual surplus

[June 2022]

316. Purushotham wanted to buy laptop by paying ₹ 60,000 but the actual price is ₹ 55,000, then consumer surplus is

- (a) 6,500  
 (b) 55,000  
 (c) 5,000  
 (d) 60,000

[Nov. 2020]

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

- (a) Consumer gains extra utility or surplus  
 (b) Consumer surplus for the last commodity is zero  
 (c) Both  
 (d) None

[CA CPT May 2019]

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

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

[CA CPT May 2018]

319. The concept of consumer surplus is derived from \_\_\_\_\_

- (a) The law of Demand  
 (b) The law of Supply  
 (c) The law of diminishing marginal utility  
 (d) Indifference curve Analysis

[Dec. 2021]

320. In case of necessities, consumer surplus is?

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

[CA CPT Nov. 2018]

321. Producer surplus arises when:

- (a) The price of the product is less than the minimum price at which they would be prepared to supply the product.  
 (b) The price of a product is equal to the minimum price at which they would be prepared to supply the product.  
 (c) The price of a product is greater than the minimum price at which they would be prepared to supply the product.  
 (d) The price of a product is equal to the marginal cost of the product.

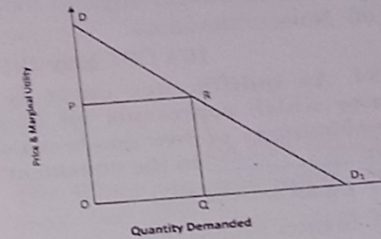
322. Marshall defined the concept of consumer surplus as the \_\_\_\_\_

- (a) Area covered in between the average revenue and marginal revenue curves.  
 (b) Area inside the budget line.  
 (c) Difference between the minimum amount a person is willing to pay

for a good and its market price.  
 (d) Difference between the maximum amount a person is willing to pay for a good and the amount he actually pays.

[July 2021]

323. Consider the following:

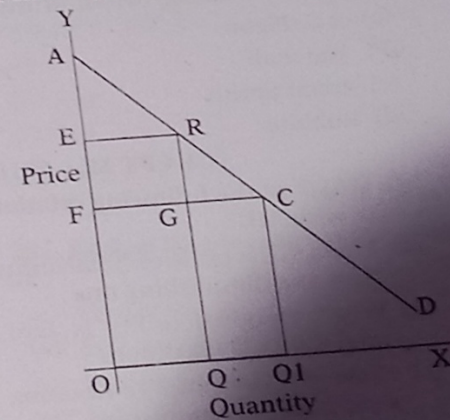


The Consumer's surplus in above diagram is \_\_\_\_\_

- (a) OQRP  
 (b) RQD<sub>1</sub>  
 (c) DPR  
 (d) ODD<sub>1</sub>

Refer to the figure below. Answer questions 283 and 284

324. The effect on consumer surplus of 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

325. 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

### Indifference Curve Analysis

326. The indifference curve analysis is based on \_\_\_\_\_ utility.

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

327. Which of the following is a property of indifference curves?

- (a) Indifference curves are always concave to the origin  
 (b) Indifference curves slope upwards to the left  
 (c) Two indifference curves can touch or cut each other  
 (d) An indifference curve will not touch either the X-axis or Y-axis

[Dec. 2021]

328. Let assume that in OY-axis we have good A and on OX-axis good B. If the price of good B increases by ₹ 1 but the price of good A remains constant and income also remains unchanged, the budget line will shift

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

[Nov. 2020]

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

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

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

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

[CA CPT May 2019]

331. Indifference Curve analysis is based on which approach?

- (a) Ordinal  
 (b) Cardinal  
 (c) Marginal  
 (d) All of the above

[July 2021]

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

- (a) IC is convex to the origin  
 (b) IC slopes downwards from left to right

- (c) Two IC can touch each other  
 (d) IC cannot touch either of the axes

[CA CPT Nov. 2018]

333. 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.

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

- (a) It is convex to the origin.  
 (b) The marginal rate of substitution is constant as you move along an indifference curve.  
 (c) Marginal utility is constant as you move along an indifference curve.  
 (d) Total utility is greatest where the 45 degree line cuts the indifference curve.

335. An IC shows \_\_\_\_\_ MRS between the commodity?

- (a) Increasing  
 (b) Decreasing  
 (c) Constant  
 (d) Zero

[CA CPT Nov. 2018]

336. The indifference curve for two perfect complementary goods is \_\_\_\_\_

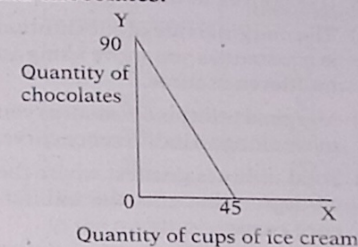
- (a) Slopes downward  
 (b) L-shaped  
 (c) U-shaped  
 (d) Straight line

[June 2022]

337. 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.

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



The prices of these two commodities respectively are:

- (a) ₹ 10 and ₹ 20  
 (b) ₹ 20 and ₹ 10  
 (c) ₹ 10 and ₹ 5  
 (d) Any of the above

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

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

[CA CPT May 2018, Nov. 2020]

340. 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.

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

- (a) It is convex to the origin.  
 (b) The marginal rate of substitution is constant as you move along an indifference curve.  
 (c) Marginal utility is constant as you move along an indifference curve.  
 (d) Total utility is greatest where the 45-degree line cuts the indifference curve.

[Nov. 2019]

342. 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 consumer's income.

343. \_\_\_\_\_ is a curve which represents all those combinations of

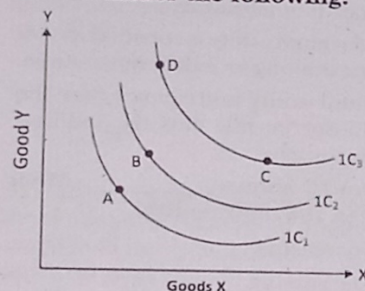
two goods which give same satisfaction to the consumer.

- (a) Indifference Curve  
 (b) Iso-Utility Curve  
 (c) Equal-Utility Curve  
 (d) All of the above

344. \_\_\_\_\_ represents a collection of many indifference curves where each curve represents a certain level of satisfaction.

- (a) Indifference Group  
 (b) Indifference Map  
 (c) Indifference Aggregate  
 (d) Market Map

345. Consider the following:



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

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

346. The Indifference curve for two perfect complementary goods is \_\_\_\_\_

- (a) U-shaped  
 (b) Straight line  
 (c) Z-shaped  
 (d) L-shaped

[July 2021]

347. A shift in budget line occurs, when prices of the two goods remain constant, is due to \_\_\_\_\_

- (a) Change in preferences  
 (b) Change in demand  
 (c) Change in income  
 (d) Change in utility

[Dec. 2021]

348. \_\_\_\_\_ is the rate at which a consumer is prepared to exchange good X and Y.

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

349. When  $MU_A$  is divided by  $MU_B$ , then it is the marginal rate of substitution of \_\_\_\_\_.

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

350. Why does demand curve slopes downwards?

- (a) Law of diminishing marginal cost  
 (b) Arrival of old Consumers  
 (c) Cost effect  
 (d) Different users

[Jan. 2021]

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

- (a) Falling MRS  
 (b) Rising MRS

- (c) Constant MRS  
 (d) None of the above.

352. If indifference curve is 'L' shaped then two goods will be called as \_\_\_\_\_

- (a) Perfect superior goods  
 (b) Perfect inferior goods  
 (c) Perfect quality goods  
 (d) Perfect complementary goods

[June 2023]

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

- (a) Always Convex to the origin  
 (b) Never intersects each other  
 (c) Higher Curve represents higher level of satisfaction.  
 (d) It may touch X axis but never Y axis.

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

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

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

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

356. The scope of the indifference curve shows consumer equilibrium

at point where  $MRS_{xy}$  \_\_\_\_\_

$\frac{P_x}{P_y}$  (Price line)

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

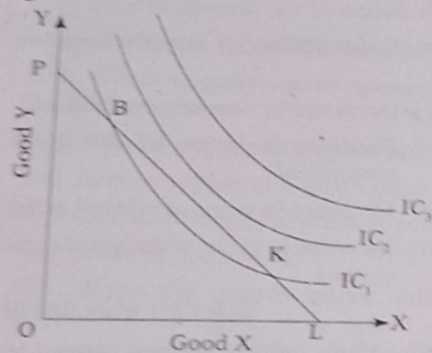
[CA CPT Nov. 2018]

357. The Slope of Indifference curve is \_\_\_\_\_

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

Refer to the figure below. Answer questions 316 and 317

358. 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

359. 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

360. The slope of the 'Price line' indicates the ratio between \_\_\_\_\_ of the two goods.

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

361. Indifference curve slopes downwards as one product increase and another decreases because they give.

- (a) Equal satisfaction  
(b) Greater Satisfaction  
(c) Lesser Satisfaction  
(d) None

[Nov. 2019]

### UNIT 3 : SUPPLY

#### Introduction

362. The supply of a good refers to:

- (a) Actual production of the good.  
(b) Total existing stock of the good.

(c) Stock available for sale.

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

[Nov. 2019]

363. Supply is a \_\_\_\_\_ concept.

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

[CA CPT May 2018, Jan. 2021]

364. Supply is the:

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

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

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

366. In a very short period, the supply:

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

367. Which of the following statement is correct?

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

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

Price in Million \$	Number of Aeroplanes
248	52
280	52
300	52
320	52
350	52

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

[Dec. 2021]

369. The term supply refers to the amount of goods or services that the producers are \_\_\_\_\_ to the market at value prices during a given period of time.

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

Determinants of Supply

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

- (a) Price of the good
- (b) Price of related goods
- (c) Price of factor of Production
- (d) All of the above

371. Other things being equal, the \_\_\_\_\_ the relative price of a good the \_\_\_\_\_ the quantity of it that will be supplied.

- (a) Higher, Lesser
- (b) Higher, Greater
- (c) Lower, Lower
- (d) None of these

372. Under \_\_\_\_\_ conditions, Supply will be more than that under \_\_\_\_\_ conditions.

- (a) Competitive, Monopolized
- (b) Monopolized, Competitive
- (c) Monopolized, Oligopoly
- (d) Duopoly, Monopolized

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

- (a) More
- (b) Better
- (c) Lesser
- (d) More and/or Better

Law of Supply

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

- (a) Price of goods
- (b) Price of related goods

- (c) Factors of production
- (d) None of the above

[CA CPT Nov. 2018]

375. 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

376. 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.

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

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

378. 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.

379. If good growing conditions increases the supply of strawberries

and hot weather increases the demand for strawberries, the quantity of strawberries bought.

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

380. The supply curve for perishable commodities is \_\_\_\_\_.

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

381. When supply price increase in the short run, the profit of the producer \_\_\_\_\_.

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

[CA CPT May 2018]

382. The \_\_\_\_\_ is a graphical presentation of the \_\_\_\_\_.

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

Increase or Decrease in the Quantity Supplied

383. 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.

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

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

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

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

386. Contraction of supply implies \_\_\_\_\_.

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

[CA CPT May 2019]

387. When supply curves moves to right, it means \_\_\_\_\_

- (a) Supply increases
- (b) Supply decreases
- (c) Supply remains constant
- (d) Supply expands

[Jan. 2021]



**Shifts in Supply Curve**

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

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

389. When supply curve moves to the right, it means

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

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

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

[CA CPT May 2018]

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

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

392. When the supply curve shifts to the left or right, it is called as \_\_\_\_\_ or \_\_\_\_\_ in supply, respectively.

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

**Elasticity of Supply**

393. 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.

394. If there are large number of producers in the market of a product and there is high competition among them, then the elasticity of supply will be:

- (a) More
- (b) Less
- (c) Zero
- (d) Infinity

395. A vertical supply curve parallel to the Y-axis exhibits that the elasticity of supply is

- (a) Zero
- (b) Infinite
- (c) Elastic
- (d) Inelastic

[June 2022]

396. If elasticity of supply is infinite, the supply curve will be:

- (a) Parallel to x axis
- (b) Parallel to y axis
- (c) Upward sloping
- (d) Downward sloping

397. Price elasticity of supply refers to change in responsiveness of quantity to change in:

- (a) Price
- (b) Price in substitute

- (c) Income
- (d) Preference

[Nov. 2019]

398. 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.

399. 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.

400. 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.

401. When price of a commodity Rises from 200 to ₹ 300 and Quantity

supply increases from 2,000 to 5,000 units find elasticity of supply?

- (a) 3.0
- (b) 2.5
- (c) 0.3
- (d) 3.5

[CA CPT Nov. 2018]

402. If the price of sugar increases from ₹ 8,000 to 10,000 per tone and due to that quantity supplies of sugar increases from 2000 to 2500 tones. Compute the elasticity of supply

- (a) (-) 1
- (b) 1
- (c) (-) 0.4
- (d) 0.4

[June 2022]

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

- (a) 2.5
- (b) 0.4
- (c) (-) 2.5
- (d) (-) 0.4

404. Due to introduction of 5G mobiles in the market, the price of such mobiles has increased by 20% and there by supply increased by 40% the elasticity of supply will be which of the following?

- (a) 0.5
- (b) - 0.5
- (c) - 2
- (d) 2

[June 2023]

405. When No. of tourists increase at a place for which the room rent

of hostel also increases. Then the elasticity of supply of room will be \_\_\_\_\_

- (a) Zero  
 (b)  $< 1$   
 (c)  $> 1$   
 (d)  $= 1$

[June 2023]

406. If quantity supplied changes substantially in response to small changes in price of the good, then it is

- (a) Perfect elastic  
 (b) Unitary elastic  
 (c) Relatively less elastic supply  
 (d) Relatively greater elastic supply

[Nov. 2020]

407. When elasticity is measured at a given point on the supply curve is called as which of the following?

- (a) Unit elasticity  
 (b) Point elasticity  
 (c) Supply elasticity  
 (d) Limited elasticity

[June 2022]

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

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

409. The supply function is given as  $Q = 20p - 200$ . The elasticity of supply using point method, when the price is ₹ 30 will be

- (a) -1.5  
 (b) +1.5  
 (c) +0.66  
 (d) -0.66

[Dec. 2021]

410. Perishable commodities will have \_\_\_\_\_.

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

[CA CPT May 2019]

411. 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.

412. 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.

413. In case of a perfectly elastic supply, price elasticity of supply is \_\_\_\_\_ and the supply curve becomes \_\_\_\_\_

- (a) Zero, vertical  
 (b) One, upward sloping  
 (c) One, downward sloping  
 (d) Infinite, horizontal

[Dec. 2021]

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

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

415. Elasticity of supply is zero means?

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

[CA CPT Nov. 2018]

416. 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.

417. 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.

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

- (a) Parallel to Y - axis  
 (b) Parallel to X - axis

- (c) At the angle of  $45^\circ$   
 (d) Sloping upwards

[CA CPT May 2019]

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

- (a) Positive  
 (b) Negative  
 (c) Zero  
 (d) Can't say

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

- (a) 4  
 (b) -3  
 (c) -5  
 (d) 3

### Equilibrium Price

421. Equilibrium refers to a market situation where quantity demanded is \_\_\_\_\_ to quantity supplied.

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

422. The equilibrium price is determined by the inter-section between \_\_\_\_\_ and \_\_\_\_\_. It is also called as the \_\_\_\_\_ equilibrium.

- (a) Demand, Supply, Static  
 (b) Demand Supply, Dynamic  
 (c) Supply, Demand, Partial  
 (d) Demand, Supply, Market



101. The following are the determinants of demand:

- Price of commodity
- Price of related commodities
- Income of the consumer
- Tastes and preferences of consumers
- Consumer's expectations
- Size & consumption of population
- Level of National Income and its distribution

Ans. : (F)

15. The prices of related commodities are included in determinant of demand, which may be either complimentary goods or substitutes.

Ans. : (d)

18. Related commodities are of two types :

- Complementary goods
- Competing or Substitute goods

Ans. : (c)

20. Complementary goods are those goods which are consumed together or simultaneously. All the goods given under options (a) to (c) are complementary goods.

Ans. : (d)

23. There is an inverse relation between the demand for a good and the price of its complement.

Ans. : (b)

37. When goods are substitutes, a fall in the price of one (Ceteris Paribus) leads to a fall in the quantity demanded of its substitutes. In fact, there is direct or positive relation between the demand for a product and the price of its substitutes.

Ans. : (d)

54. Tea and Coffee are substitutes as they satisfy the same want and can be used with ease in place of one another. It may be noted that there is direct or positive relation between the demand for a product and the price of its substitutes.

Ans. : (b)

61. In case of articles of conspicuous goods, these become more attractive if their prices go up. Such articles will not conform to the usual law of demand.

Ans. : (c)

89. The total increase in quantity demanded due to fall in price is termed as 'Price Effect'. The Price Effect manifests itself in the Form of income effect and Substitution Effect.

Price Effect = Income Effect + Substitution Effect.

Ans. : (d)

93. The following are the exceptions to the law of demand:

- Conspicuous goods
- Giffen goods
- Conspicuous necessities
- Future expectations about prices
- Incomplete information and irrational behaviour
- Demand for necessities
- Speculative goods

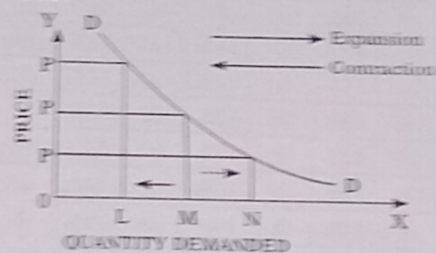
The Law of Demand duly applies on Normal Goods.

Ans. : (d)

106. The expansion and contraction of demand takes place as a result of changes in the price while all other determinants viz. Income, tastes, propensity to consume and price of related goods remain constant.

Ans. : (b)

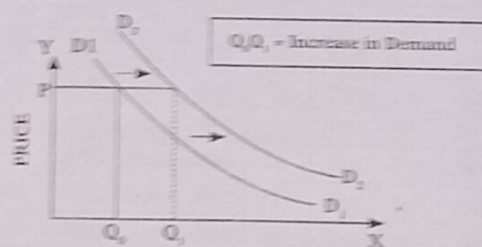
113.



Expansion and contraction of Demand

Ans. : (d)

118.



Quantity per period of Time

Rightward shift in the demand Curve

Ans. : (a)

124. Change in demand is caused by the change in consumer's tastes and preferences, income, the price of the related goods or other factors on which demand depends.

Ans. : (d)

128.

	Price (P)	Quantity (Q)
Original	₹ 2	10 Units
New	₹ 4	15 Units
Change	$\Delta P = 2$	$\Delta Q = 5$
Price Elasticity =	$\frac{-\Delta Q}{\Delta P} \times \frac{P}{Q} = (-) \frac{5}{2} \times \frac{2}{10} = (-) 1.5$	

135.

Ans. : (a)

$$\text{Price Elasticity} = \frac{\% \text{ change in Quantity Demanded}}{\% \text{ Change in Price}}$$

$$= \frac{15\%}{5\%} = 3$$

136.

$$\text{Change in quantity demanded} = 18$$

$$\% \text{ Change in quantity demanded} = \frac{18}{80} \times 100 = 22\%$$

$$\% \text{ Change in Price} = 26\%$$

$$\text{Price Elasticity of Demand} = \frac{\% \text{ change in Quantity Demanded}}{\% \text{ change in Price}}$$

$$= \frac{22\%}{26\%} = 0.85$$

137.

$$\text{Price Elasticity of Demand} = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$4 = \frac{20}{x-4} \times \frac{4}{80}$$

$$4 = \frac{1}{x-4}$$

$$4(x-4) = 1$$

$$4x - 16 = 1$$

$$x = \frac{17}{4} = 4.25$$

$$141. \text{ Price Elasticity} = \frac{\text{Percentage change in Quantity Demanded}}{\text{Percentage change in Price}}$$

If % change in Quantity is less than the % change in Price then Price Elasticity will be less than one.

Ans. : (c)

$$142. \text{ Elasticity of Demand} = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} = \frac{500}{-10,000} \times \frac{80,000}{1,500} = -2$$

$$149. \% \text{ change in Price} = \frac{80 - 80}{80} = 25\%$$

$$\text{Price Elasticity of Demand} = 1.25$$

$$\text{Price Elasticity} = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

$$1.25 = \frac{\% \text{ change in Quantity}}{25\%}$$

$$\text{Increase in Demand} = 31.25\%$$

Ans. : (d)

$$151. \text{ Price elasticity of Demand} = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} = \frac{5}{10} \times \frac{40}{15} = 1.3$$

$$153. \text{ Price Elasticity} = \frac{\text{Lower Segment}}{\text{Upper Segment}}$$

At mid-point, Lower Segment = Upper Segment.

Hence, Price Elasticity will be equal to 1

Ans. : (b)

$$155. \text{ Price Elasticity } (E_p) = \frac{\text{Lower Segment}}{\text{Upper Segment}}$$

Ans. : (a)

156. Refer Q. 134

Ans. : (b)

$$160. \text{ Price Elasticity } (E_p) = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} = \frac{5}{10} \times \frac{5}{10} = 0.25$$

Ans. : (c)

2.58

## THEORY OF DEMAND AND SUPPLY

## 163. Using Arc Elasticity Method

$$\begin{aligned} \text{Price Elasticity (E}_p) &= \frac{q_1 - q_2}{q_1 + q_2} \times \frac{P_1 + P_2}{P_1 - P_2} = \frac{300 - 200}{300 + 200} \times \frac{120 + 200}{120 - 200} \\ &= \frac{-100 \times 320}{500 \times 80} = -0.8 \end{aligned}$$

Ans. : (b)

## 164. Using Arc Elasticity Method

$$\begin{aligned} \text{Price Elasticity (E}_p) &= \frac{q_1 - q_2}{q_1 + q_2} \times \frac{P_1 + P_2}{P_1 - P_2} = \frac{300 - 5000}{300 + 5000} \times \frac{300 + 200}{300 - 200} \\ &= \frac{-2000 \times 500}{8000 \times 100} = -1.25 \end{aligned}$$

Ans. : (c)

## 165. Using Arc Elasticity Method

$$\begin{aligned} \text{Price Elasticity (E}_p) &= \frac{q_1 - q_2}{q_1 + q_2} \times \frac{P_1 + P_2}{P_1 - P_2} = \frac{700 - 100}{700 + 100} \times \frac{60 + 100}{60 - 100} \\ &= \frac{600 \times 160}{800 \times (-40)} = -3 \end{aligned}$$

Ans. : (d)

167.

	Price (P)	Quantity (Q)
Original	₹ 200	60 Units
New	₹ 120	?
Change	$\Delta P = 80$	$\Delta Q = ?$

$$\text{Price Elasticity (E}_p) = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$2 = \frac{\Delta q}{80} \times \frac{200}{60}$$

$$\Delta q = \frac{2 \times 80 \times 60}{200} = 48$$

Therefore, **New Quantity Demanded** = 60 + 48 = **108 units**

Ans. : (c)

## THEORY OF DEMAND AND SUPPLY

2.59

$$169. \text{ Price Elasticity} = \frac{\% \text{ Change in Quantity Demanded}}{\% \text{ Change in Price}} = \frac{25\%}{22\%} = 1.136$$

Therefore, demand is elastic

Ans. : (a)

170. It means the quantity demanded changes by a larger percentage than the price.

Ans. : (a)

$$179. \text{ Price Elasticity (E}_p) = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$1.5 = \frac{\Delta q}{40} \times \frac{100}{30}$$

$$\Delta q = \frac{1.5 \times 1200}{100} = 18$$

Therefore, **New Quantity Demanded** = 30 + 18 = **48 units**

Ans. : (c)

$$\begin{aligned} 189. E_1 &= \frac{q_1 - q_2}{q_1 + q_2} \times \frac{Y_1 + Y_2}{Y_1 - Y_2} = \frac{25 - 30}{25 + 30} \times \frac{30,000 + 36,000}{30,000 - 36,000} \\ &= \frac{(-5)}{55} \times \frac{66,000}{(-6,000)} = 1 \end{aligned}$$

Ans. : (b)

$$191. \text{ Income elasticity for demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in Income}}$$

$$\text{Income elasticity for demand} = \frac{30\%}{15\%} = 2$$

Ans. : (c)

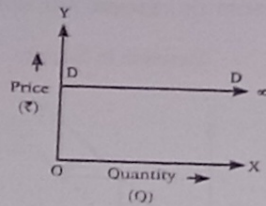
211. When income increases, consumers choose to consume superior substitutes. Thus, income elasticity is negative in case of inferior goods.

Ans. : (c)

213. If the proportion of Income spent on a good decrease as income rises, then income elasticity for the good is less than one.

Ans. : (a)

216. Perfectly elastic means the demand raises from zero to infinity when a small price reduction takes place. In this case, the demand curve is parallel to the X-axis.



Ans. : (b)

217.

$$E_c = \frac{\% \text{ Change in quantity demanded of good x}}{\% \text{ Change in price of good y}}$$

$$= \frac{15\%}{10\%} = 1.5$$

218.

$$E_c = \frac{\% \text{ Change in quantity demanded of good x}}{\% \text{ Change in price of good y}}$$

$$-0.8 = \frac{x}{20\%}$$

$$x = -0.8 \times 20\% = -0.16$$

$$= -16\%$$

Since cross elasticity is negative, X and Y are complementary goods

224. Cross demand refers to the quantities of a commodity or service which will be purchased with reference to changes in price, not of that particular commodity, but of other inter-related commodities, other things remaining the same

If two goods are totally unrelated, the cross-price elasticity between them is zero.

Ans. : (a)

225.  $E_c$ 

$$= \frac{\text{Percentage change in demand}}{\text{Percentage change in price of substituted}}$$

$$= \frac{2\%}{8\%} = + 0.25$$

Ans. : (a)

$$230. E_c = \frac{\% \text{ Change in Quantity Demanded}}{\% \text{ Change in Price of related goods}} = \frac{5\%}{20\%} = 0.25$$

Ans. : (b)

$$233. E_c = \frac{\Delta q_x}{\Delta P_y} \times \frac{P_y}{q_x} \text{ [Where X = Tea and Y = Coffee]}$$

$$E_c = \frac{5-8}{-10} \times \frac{25}{5} = \frac{-3}{-10} \times \frac{25}{5} = + 1.5$$

Ans. : (c)

$$240. E_n = \frac{\% \text{ Change in Demand}}{\% \text{ Change in Spending an advertising}} = \frac{30}{25} = 1.2$$

Ans. : (a)

267.

The option (d) falls under the Category of "Comforts".

$$288. TU_2 = TU_1 + M_{U2}$$

$$= 200 + 180 = 380$$

Ans. : (a)

$$289. MU_n = TU_n - TU_{n-1}$$

$$MU_3 = TU_3 - TU_2$$

$$= 480 - 380 = 100$$

Ans. : (c)

291. Marginal utility = The addition made to the total utility by the addition of consumption of one more unit of a commodity. Symbolically,

$$U_n = TU_n - TU_{n-1}$$

$$MU_{11} = TU_{11} - TU_{10} = 108 - 100 = 8$$

Ans. : (a)

293. The conditions for consumer attaining equilibrium is the point where :

(a) The budget line is tangent to the indifference curve and

$$(b) \frac{MU_x}{P_x} = \frac{MU_y}{P_y}$$

Ans. : (c)

$$305. MU_5 = TU_5 - TU_4 = 830 - 750 = 80$$

Ans. : (b)

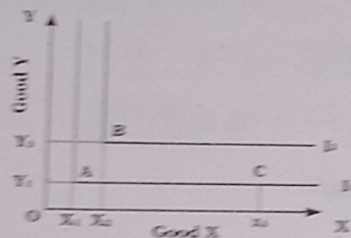
$$306. MU_1 = TU_1 - TU_0 = 950 - 930 = 30$$

Ans. : (d)

345. Higher indifference curve represents a higher level of satisfaction than the lower curve. Therefore, consumer's satisfaction will be highest on  $IC_3$ . Since, all the combinations on an indifference curve give equal satisfaction to the consumer, there will be same level of satisfaction on C and D.

Ans. : (d)

346. When two goods are perfect complementary goods (e.g. left shoe and right shoe), the consumer consumes only bundles in which both X and Y in equal proportions. With a bundle like A or B, he will not substitute X for Y because an extra piece of the other good (here a single shoe) is worthless for him. The reason is that neither an additional left shoe nor a right shoe without a paired one of each, adds to his total utility. In such a case, the indifference curve will consist of two straight lines with a right angle bent which is convex to the origin, or in other words, it will be L shaped.



Indifference Curve of Perfect Complements

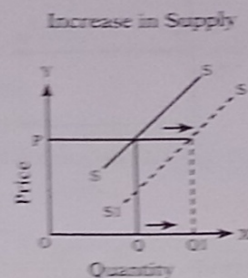
Ans. : (d)

350. The main reasons for downward sloping demand curve are:

- (i) Law of diminishing marginal utility
- (ii) Price effect
- (iii) Arrival of new customers
- (iv) Different uses of the product

Ans. : (a)

387. When the supply curve shifts to the right, more is offered for sale at each price. In figure, we find that at price P, the quantity supplied rises from Q to  $Q_1$ .



Ans. : (a)

401. Elasticity of Supply ( $E_s$ )

$$= \frac{\Delta q}{q} \times \frac{P}{\Delta p} = \frac{3,000}{2,000} \times \frac{200}{100} = 3.0.$$

Ans. : (a)

$$403. E_s = \frac{\% \text{ Change in Supply}}{\% \text{ Change in Price}} = \frac{25\%}{10\%} = 2.5$$

Ans. : (a)

$$404. \text{Elasticity of Supply} = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in Price}} = \frac{40\%}{20\%} = 2$$

Ans. : (d)

$$408. E_s = \frac{\Delta q}{\Delta P} \times \frac{P}{Q} = \frac{500}{100} \times \frac{2000}{2500} = 4$$

Ans. : (b)



# 3

## CHAPTER

# THEORY OF PRODUCTION AND COST

### UNIT 1: THEORY OF PRODUCTION

#### Meaning of Production

##### 1. What is Production in Economics?

- (a) Creating/Addition of Utility
- (b) Production of food grains
- (c) Creation of services
- (d) Manufacturing of goods

[ICAI CPT Dec. 2008]

##### 2. Which of the following is considered as production in economics?

- (a) Helping a blind person in crossing the road
- (b) Group dance performance in a college annual function
- (c) Holding a child who is falling from a wall
- (d) Performing an act in a theatre

[ICAI CPT May 2009]

##### 3. Which of the following is considered production in Economics?

- (a) Tilling of soil.
- (b) Singing a song before friends.
- (c) Preventing a child from falling into a manhole on the road.
- (d) Painting a picture for pleasure.

##### 4. Which of the following statements is true?

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

##### 5. Production may be defined as an act of:

- (a) Creating utility
- (b) Destroying utility
- (c) Earning profit in best way
- (d) Providing services professionally

[Jan. 2020]

##### 6. In Economics, entire process of \_\_\_\_\_ is nothing but creation of utilities in the form of goods and services.

- (a) Consumption
- (b) Production
- (c) Exchange
- (d) Distribution

[ICAI CPT June 2017]

##### 7. Which activity is the base of all production activities

- (a) Consumption
- (b) Production

- (c) Exchange  
(d) Investment

[Nov. 2020]

8. Production is defined as:

- (a) Creation of matter  
(b) Creation of utility in matter  
(c) Creation of infrastructural facilities  
(d) None of the above

[CA CPT June 2015]

9. According to \_\_\_\_\_, Production is the organized activity of transforming resources into finished products in the form of goods and services, and the objective of production is to satisfy the demand of such transformed "resources".

- (a) James Bates  
(b) J.R. Parkinson  
(c) Marshall  
(d) Both (a) and (b)

10. \_\_\_\_\_ to exchange in the market is an essential component of production.

- (a) Intention  
(b) Ability  
(c) Capacity  
(d) Possibility

11. Production does not include work done \_\_\_\_\_.

- (a) Within a household out of love & affection  
(b) Voluntary services  
(c) For self consumption  
(d) All of the above.

### Factors of Production

12. Factors of production refer to :

- (a) Inputs  
(b) Outputs  
(c) Both (a) & (b)  
(d) Either (a) or (b)

13. \_\_\_\_\_ are the factors or resources which make it possible to produce goods and services.

- (a) Land, Labour, and Bank  
(b) Capital, Owner and manpower  
(c) Land, Labour and Entrepreneurial ability  
(d) Land, Labour, Capital and Entrepreneurial ability

14. Which of the following factors of production is a free gift of nature and refers to Natural resources?

- (a) Land  
(b) Labour  
(c) Capital  
(d) Entrepreneurial Ability

15. Which of the following is not a characteristic of land?

- (a) Its supply for the economy is limited.  
(b) It is immobile.  
(c) Its usefulness depends on human efforts.  
(d) It is produced by our forefathers.

16. Which of the following is not a characteristics of Land?

- (a) It is a free gift of nature  
(b) It is a mobile factor of production  
(c) It is limited in quantity  
(d) Its productive power is indestructible [CA CPT Dec. 2012]

17. The term \_\_\_\_ means any mental or physical exertion directed to produce goods or services.

- (a) Land  
(b) Labour  
(c) Capital  
(d) Entrepreneur

[Dec. 2021]

18. Which among the following is not a characteristic of land?

- (a) It is an active factor  
(b) It has variety of uses  
(c) Its production powers are indestructible  
(d) Its supply is limited

[CA CPT Dec. 2016]

19. Which one of the following is not a characteristic of land?

- (a) Land is immobile  
(b) Land is active factor  
(c) Land has multiple uses  
(d) Land is heterogeneous

[June 2023]

20. Which of the following statement about factors of production is not true?

- (a) Land is a passive factor  
(b) Land is a free gift of nature  
(c) Land is immobile  
(d) Land is perishable

[CA CPT Nov. 2018]

21. 'Land is heterogeneous' implies which of the following?

- (a) Two lands are alike  
(b) Two lands are not alike  
(c) Two lands are fixed  
(d) Two lands are mobile

[June 2022]

22. No two pieces of land are alike. They differ in fertility and situation. Therefore, Land is \_\_\_\_\_.

- (a) Homogeneous  
(b) Heterogeneous  
(c) Bitrogenous  
(d) None of these.

23. Which of the following is correct about Land?

- (a) It is mobile  
(b) It has single use  
(c) Its supply is fixed  
(d) It is homogeneous.

24. Supply of land is :

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

[Nov. 2019]

25. The total supply of Land is \_\_\_\_\_ from the point of view of the economy. However, it is relatively \_\_\_\_\_ from the point of view of a firm.

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

26. Labour force wants more \_\_\_\_\_.

- (a) Facility  
(b) Leisure  
(c) Benefit  
(d) All of the above

[CA CPT Dec. 2009]

27. Which of the following is not a characteristic of labour?

- (a) It is perishable
- (b) It has weak bargaining power
- (c) Labour and Labour power cannot be separated
- (d) Labour is not mobile

[CA CPT Dec. 2016]

28. The concept of "innovative entrepreneurship" was given by

- (a) Adam Smith
- (b) Marshall
- (c) J.K. Mehta
- (d) Schumpeter

[Nov. 2020]

29. The labour power or efficiency of labour depends upon the \_\_\_\_\_

- (a) Labourer's inherent and acquired qualities.
- (b) Features of work environment.
- (c) Incentive to work.
- (d) All of the above.

30. Labour is highly perishable in the sense that \_\_\_\_\_

- (a) A labourer cannot store his labour.
- (b) The life of labour is short.
- (c) The labourer sells his labour against wages but retains the capacity to work.
- (d) The labour is always low priced.

31. Without the active participation of labour, land and capital may not produce anything. It means labour is \_\_\_\_\_ factor.

- (a) Passive
- (b) Active

(c) Working

(d) Executing

32. Profit is income from which of the following?

- (a) Labour
- (b) Business
- (c) Land
- (d) Investment.

[June 2022]

33. Which one of the following is not a necessary function of an entrepreneur?

- (a) Innovations.
- (b) Risk and uncertainty bearing
- (c) Initiating a business enterprise
- (d) Supervision of day-to-day production activities.

[July 2021]

34. Human capital refers to:

- (a) Savings by individuals
- (b) Mobilisation of saving
- (c) Human skills and abilities
- (d) Productive investment

[CA CPT June 2016]

35. \_\_\_\_\_ Capital performs its function in production in a single use and is not available for future use.

- (a) Circulating
- (b) Fixed
- (c) Tangible
- (d) Human

36. Which of the following is not a passive factor of production?

- (a) Building
- (b) Machine

(c) Land

(d) Labour

[July 2021]

37. Which one of the following may be regarded as a part of social capital?

- (a) Roads
- (b) Bridges
- (c) Machinery
- (d) Both (a) & (b)

38. The three stages of capital formation are:

- (a) Savings, Mobilization of Savings and investment
- (b) Mobilization of Saving, Savings and investment
- (c) Investment, Saving and mobilization of Saving
- (d) Saving, Investment and mobilization of savings.

39. \_\_\_\_\_ means a sustained increase in the stock of real capital in a Country.

- (a) Capital formation
- (b) Savings
- (c) Mobilization of Savings
- (d) Mobilization of Capital

40. Which one of the following statements is not correct?

- (a) Land has indestructible powers
- (b) Labour is mobile
- (c) Capital is nature's gift
- (d) Land is a passive factor.

[CA CPT June 2016]

41. Functions of the entrepreneur are:

(a) Risk bearing

(b) Initiating a business enterprise and resource co-ordinating

(c) Introducing new innovations

(d) All of the above

[CA CPT June 2009]

42. An Entrepreneur undertakes which one of the following functions?

- (a) Initiating a business and resource co-ordination.
- (b) Risk or uncertainty bearing
- (c) Innovations
- (d) All of the above

[CA CPT June 2014]

43. Innovation theory of entrepreneurship is propounded by:

- (a) Knight
- (b) Schumpeter
- (c) Max Weber
- (d) Peter Drucker

[CA CPT Dec. 2015]

44. The concept of innovative entrepreneurship was propounded by \_\_\_\_\_

- (a) Jevons
- (b) Schumpeter
- (c) Marshall
- (d) Karl Marx

[June 2023]

45. The most important function of an entrepreneur is to \_\_\_\_\_

- (a) Innovate
- (b) Bear the sense of responsibility
- (c) Finance
- (d) Earn profit

46. Who has given the concept of Innovative Entrepreneurship?

- (a) Robbins
- (b) Adam Smith
- (c) Schumpeter
- (d) Sweezy

[CA CPT June 2008]

47. The basic minimum objective of all kinds of enterprises is to survive or to stay alive. It may be regarded as \_\_\_\_\_ objective of the enterprise.

- (a) Organic
- (b) Economic
- (c) Social
- (d) National

48. \_\_\_\_\_ objective implies the profit maximizing behaviour of the firm.

- (a) Organic
- (b) Economic
- (c) Social
- (d) National

49. \_\_\_\_\_ mobilizes factors of production, combines them in the right proportion, initiates the process of production and bears the risks involved in it.

- (a) Businessman
- (b) Manager
- (c) CEO
- (d) Entrepreneur

50. Which one of the following function is performed by entrepreneur?

- (a) Initiating Business Enterprise and resource Co-ordination
- (b) Risk-bearing or uncertainty bearing
- (c) Innovations
- (d) All of the above

51. According to \_\_\_\_\_, the true function of an entrepreneur is to introduce innovations.

- (a) Schumpeter
- (b) Peter Ducker
- (c) Paul Samuelson
- (d) None of the above

### Production Function

52. Which of the following is the best definition of "production function"?

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

53. Technological relationship between inputs & output

- (a) Production function
- (b) Marketing
- (c) Supply function
- (d) Social function

[June, 2023]

54. A production function is defined as the relationship between \_\_\_\_\_.

- (a) The quantity of physical inputs and physical output of a firm
- (b) Stock of inputs and stock of output
- (c) Prices of inputs and output
- (d) Price and supply of a firm

[CA CPT Dec. 2012]

55. The production function is a relationship between a given combination of inputs and:

- (a) Another combination that yields the same output.
- (b) The highest resulting output.
- (c) The increase in output generated by one-unit increase in one output.
- (d) All levels of output that can be generated by those inputs.

56. What is a production function?

- (a) Technical relationship between physical inputs and physical output.
- (b) Relationship between fixed factors of production and variable factors of production.
- (c) Relationship between a factor of production and the utility created by it.
- (d) Relationship between quantity of output produced and time taken to produce the output.

57. Production function is:

- (a) Purely a technical relationship between input & output
- (b) Purely an economic relationship between input & output
- (c) Both the technical & economical relationship between input & output
- (d) None of the above

[CA CPT Dec. 2013]

58. The production function:

- (a) Is the relationship between the quantity of inputs used and the resulting quantity of product.
- (b) Tells us the maximum attainable output from a given combination of inputs.

(c) Expresses the technological relationship between inputs and output of a product.

(d) All the above

59. \_\_\_\_\_ shows the overall output generated at a given level of input:

- (a) Cost function
- (b) Production function
- (c) ISO cost
- (d) Marginal rate of technical substitution

[CA CPT Nov. 2006]

60. Which function shows relationship between input and output?

- (a) Consumption function
- (b) Investment function
- (c) Production function
- (d) Cost function

[CA CPT Dec. 2010]

61. A functional relationship between inputs and output is called \_\_\_\_\_.

- (a) Cost function
- (b) Revenue function
- (c) Production function
- (d) Consumption function

[Nov. 2020]

62. Which of the following statements is true?

- (a) After the inflection point of the production function, a greater use of the variable input induces a reduction in the marginal product.
- (b) Before reaching the inevitable point of decreasing marginal returns, the quantity of output obtained can increase at an increasing rate.
- (c) The first stage corresponds to the range in which the AP is

increasing as a result of utilizing increasing quantities of variable inputs.

(d) All the above.

63. Which one of the following is the assumption underlying any production function?

(a) Relationship between inputs and outputs exists for a period of time.

(b) There is a given "State-of-the-art" in the production technology.

(c) Whatever input combinations one included in a particular function, the output resulting from their utilization is at the maximum level.

(d) All of the above.

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

(a) At least one fixed factor of production and firms neither leaving nor entering the industry.

(b) Generally a period which is shorter than one year.

(c) All factors of production are fixed and no variable inputs.

(d) All inputs are variable and production is done in less than one year.

65. To economists, the main difference between the short run and the long run is that:

(a) In the short run all inputs are fixed, while in the long run all inputs are variable.

(b) In the short run the firm varies all of its inputs to find the least-cost combination of inputs.

(c) In the short run, at least one of the firm's input levels is fixed.

(d) In the long run, the firm is making a constrained decision about how to use existing plant and equipment efficiently.

66. In describing a given production technology, the short run is best described as lasting:

(a) Up to six months from now.

(b) Up to five years from now.

(c) As long as all inputs are fixed.

(d) As long as at least one input is fixed.

67. In the short run, the firm's product curves show that

(a) Total product begins to decrease when average product begins to decrease but continues to increase at a decreasing rate.

(b) When marginal product is equal to average product, average product is decreasing but at its highest.

(c) When the marginal product curve cuts the average product curve from below, the average product is equal to marginal product.

(d) In stage two, total product increases at a diminishing rate and reaches maximum at the end of this stage.

68. Long period production function is related to:

(a) Law of variable proportions

(b) Laws of returns to scale

(c) Law of diminishing returns

(d) None of the above

[CA CPT June 2015]

69. Long-run does not have:

(a) Average Cost

(b) Total Cost

(c) Fixed Cost

(d) Variable Cost

[CA CPT Dec, 2008]

70. A fixed input is defined as:

(a) That input whose quantity can be quickly changed in the short run, in response to the desire of the company to change its production.

(b) That input whose quantity cannot be quickly changed in the short run, in response to the desire of the company to change its production.

(c) That input whose quantities can be easily changed in response to the desire to increase or reduce the level of production.

(d) That input whose demand can be easily changed in response to the desire to increase or reduce the level of production.

71. In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience

(a) An increase in pollution level.

(b) Diseconomies of scale.

(c) Economies of scale.

(d) Constant returns to scale.

**Cobb-Douglas Production Function**

72. Paul Douglas and Cobb studied the production function of the \_\_\_\_\_ manufacturing industries.

(a) American

(b) Japanese

(c) British

(d) Asian

73. In its original form, the Cobb-Douglas production function applies:

(a) To individual firm

(b) To selected Firms

(c) To whole of manufacturing in the USA

(d) None of the above.

74. In Cobb-Douglas production function, two inputs are:

(a) Land and Labour

(b) Labour and Capital

(c) Capital and Entrepreneur

(d) Entrepreneur and land

[CA CPT Dec, 2013]

75. The famous Cobb-Douglas production function is based on studies of \_\_\_\_\_ industries in the United States of America.

(a) Manufacturing

(b) Construction

(c) Consumer

(d) Aviation

[CA CPT June 2017]

76. If Cobb-Douglas function is given by  $Q = KL^aC^b$ , then there will be \_\_\_\_\_ when  $(a+b)$  \_\_\_\_\_

(a) Increasing returns,  $> 1$

(b) Increasing returns to scale,  $> 1$

(c) Diminishing returns,  $< 1$

(d) Decreasing returns to scale,  $= 1$

[CA CPT May 2018]

77. The conclusion drawn from Cobb-Douglas production function is that labour contributed about \_\_\_\_\_ and capital about \_\_\_\_\_ of the increase in the manufacturing production.

(a)  $\frac{3^{\text{rd}}}{4}$ ,  $\frac{1^{\text{st}}}{4}$

(b)  $\frac{1}{2} \cdot \frac{1}{2}$

(c)  $\frac{1^{\text{th}}}{4} \cdot \frac{3^{\text{th}}}{4}$

(d) None of the above

[CA CPT Dec. 2015]

78. According to Cobb-Douglas production function, will get \_\_\_\_\_ returns to scale?

- (a) Constant  
(b) Diminishing  
(c) Increasing  
(d) Any of the above

[CA CPT Nov. 2018]

79. According to Cobb-Douglas production function, labour contribution in increasing manufacturing production is

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

[Jan. 2021]

### Total, Average and Marginal Product

80. What will be the total product when two labourers are hired according to the table given below?

No. of labourers	Total Product	Marginal product
0	-	-
1	350	350
2	-	250

- (a) 680  
(b) 580  
(c) 350  
(d) 230

[CA CPT Dec. 2010]

81. Marginal product is the slope of:

- (a) Total Product  
(b) Average Product  
(c) Marginal Product  
(d) Implicit Product

[Nov. 2019]

82. The marginal product of a variable input is described as:

- (a) The additional output resulting from one unit increases in both the variable and fixed inputs.  
(b) The additional output resulting from one unit increase in fixed inputs.  
(c) The additional output resulting from one unit increase in variable inputs.  
(d) The additional output resulting from all units increase in variable inputs.

83. Consider the following table:

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

What is the total output, when 2 labour are employed?

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

[CA CPT June 2008]

84. Which of the following is correct:

- (a)  $TFC = TVC - TC$   
(b)  $TC = TVC - TFC$

(c)  $TFC = TC - TVC$

(d)  $TC = TFC - TVC$

[Nov. 2019]

85. \_\_\_\_\_ is the total output resulting from the efforts of all the factors of production combined together at any time.

- (a) Total Product  
(b) Average Product  
(c) Marginal Product  
(d) None of the above.

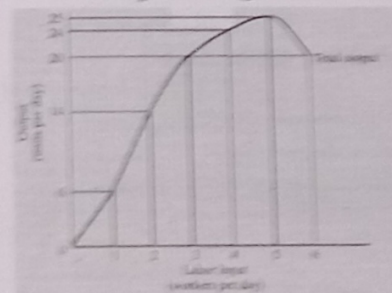
86. Average product is defined as

- (a) Total product divided by the total cost.  
(b) Total product divided by marginal product.  
(c) Total product divided by the number of units of variable input.  
(d) Marginal product divided by the number of units of variable input.

87. Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is:

- (a) 50  
(b) 100  
(c) 150  
(d) 200

88. Use the following diagram to answer the question given below it



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

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

89. At the point of inflexion, the marginal product is:

- (a) Increasing  
(b) Decreasing  
(c) Maximum  
(d) Negative

[CA CPT May 2007, 2018]

90. Marginal product will be \_\_\_\_\_ at the point of inflexion is

- (a) Minimum  
(b) Maximum  
(c) Negative  
(d) Zero

[Nov. 2020]

91. Suppose the first four units of a variable input generate corresponding total output of 150, 200, 350, 550. What will be the marginal product of the third unit of input?

- (a) 50  
(b) 100  
(c) 150  
(d) 200

[CA CPT Dec. 2016]

92. When Average Product falls, marginal product is \_\_\_\_\_ the Average Product.

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

[Jan. 2021]

93. The production process described below exhibits.

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

- (a) Constant marginal product of labour.
- (b) Diminishing marginal product of labour.
- (c) Increasing return to scale.
- (d) Increasing marginal product of labour.

94. Marginal product, mathematically, is the slope of the

- (a) Total product curve.
- (b) Average product curve.
- (c) Marginal product curve.
- (d) Implicit product curve.

95. Which of the following is correct?

- (a)  $MP_n = TP_n - TP_{n-1}$
- (b)  $MP_n = MP_n - MP_{n-1}$
- (c)  $MP_n = TP_n + TP_{n-1}$
- (d) None of the above.

Use table below to answer questions 92-95.

Output	TP	MP
0	-	-
1	10	10
2	—	8
3	24	-

96. What is the MP of 3rd unit of output?

- (a) 6
- (b) 8
- (c) 10
- (d) 11

[Nov. 2019]

97. What is the total product of producing 2nd unit of output?

- (a) 8
- (b) 10
- (c) 18
- (d) 24

[Nov. 2019]

98. What is the AP of 1st three units of output?

- (a) 8
- (b) 10
- (c) 18
- (d) 72

[Nov. 2019]

99. If variable cost of 5 units of output is 100 and fixed cost is 40. Find average cost at 5 units of output.

- (a) 8
- (b) 100
- (c) 108
- (d) 540

[Nov. 2019]

100. Marginal, average and total product of a firm in the short run will not comprise with

- (a) When marginal production is at a maximum, average product is equal to marginal product, and total product is rising
- (b) When average product is maximum, average product is equal to marginal product, and total product is rising

- (c) When marginal product is negative, total product and average product are falling
- (d) When total product is increasing, average product and marginal product may be either rising or falling

[CA CPT May 2019]

101. When average product rises as a result of an increase in the quantity of variable factor, marginal product is:

- (a) Equal to average product
- (b) More than average product
- (c) Less than average product
- (d) Becomes negative

[CA CPT Dec. 2016]

102. The marginal product curve is above the average product curve when the average product is:

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) None

[CA CPT Feb. 2007]

103. Identify the correct statement:

- (a) The average product is at its maximum when marginal product is equal to average product.
- (b) The law of increasing returns to scale relates to the effect of changes in factor proportions.
- (c) Economies of scale arise only because of indivisibilities of factor proportions.
- (d) Internal economies of scale can accrue when industry expands beyond optimum.

104. Which of the following is correct in relation to Marginal Product?

- (a) What is produced units when all factors of production are employed at optimum efficiency?
- (b) The extra output obtained from employing an additional unit of a factor
- (c) The left revenue to the entrepreneur after he has incurred all expenses
- (d) None of the above

[Jan. 2021]

105. If the marginal product of labour is below the average product of labour, it must be true that:

- (a) The marginal product of labour is negative.
- (b) The marginal product of labour is zero.
- (c) The average product of labour is falling.
- (d) The average product of labour is negative.

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

- (a) Equals the average product of labour.
- (b) Equals zero.
- (c) Is maximized.
- (d) None of the above.

107. The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except:

- (a) When total product is rising, average and marginal product may be either rising or falling
- (b) When marginal product is negative, total product and average product are falling.

- (c) When average product is at a maximum, marginal product equals average product, and total product is rising.
- (d) When marginal product is at a maximum, average product equals marginal product, and total product is rising.

**108. If the marginal product of labour is below the average product of labour. It must be true that:**

- (a) Marginal product of labour is negative
- (b) Marginal product of labour is zero
- (c) Average product of labour is falling
- (d) Average product of labour is negative

[CA CPT Aug. 2007]

### Law of Diminishing Returns

**109. In the production of wheat, all of the following are variable factors that are used by the farmer except:**

- (a) The seed and fertilizer used when the crop is planted.
- (b) The field that has been cleared of trees and in which the crop is planted.
- (c) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley.
- (d) The number of hours that the farmer spends in cultivating the wheat fields.

**110. Law of variable proportion is valid when:**

- (a) Only one input is fixed and all other inputs are kept variable
- (b) All factors are kept constant

- (c) All inputs are varied in the same proportion
- (d) None of these

[CA CPT Nov. 2007]

**111. Diminishing marginal returns implies:**

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) Increasing marginal costs
- (d) Decreasing average fixed costs

[Nov. 2019]

**112. Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence:**

- (a) 50, 50, 50, 50
- (b) 50, 110, 180, 260
- (c) 50, 100, 150, 200
- (d) 50, 90, 120, 140

[Nov. 2019]

**113. In short run the Law of variable proportions is also known as \_\_\_\_\_**

- (a) Law of increasing returns
- (b) Law of diminishing returns
- (c) Law of decreasing returns
- (d) Law of constant returns

[Jan. 2021]

**114. Production activity in the short period is analysed with the help of:**

- (a) Law of variable proportion
- (b) Laws of returns to scale
- (c) Both (a) & (b)
- (d) None of the above

[CA CPT Dec. 2012]

**115. The Law of Variable Proportions is associated with:**

- (a) Short period
- (b) Long period
- (c) Both short and long periods
- (d) Neither short nor long period

[CA CPT June 2016]

**116. The "law of diminishing returns" applies to:**

- (a) The short run, but not the long run.
- (b) The long run, but not the short run.
- (c) Both the short run and the long run.
- (d) Neither the short run nor the long run.

[Nov. 2019]

**117. The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that:**

- (a) The technology is changing.
- (b) There must be some inputs whose quantity is kept fixed.
- (c) We consider only physical inputs and not economically profitability in monetary terms.
- (d) The technology is given and stable.

**118. Law of increasing returns is applicable because of \_\_\_\_\_.**

- (a) Indivisibility of factors.
- (b) Specialization.
- (c) Economies of scale.
- (d) Both (a) & (b) above.

[CA CPT June 2010]

**119. In the first stage of law of variable proportions, total product increases at the \_\_\_\_\_.**

- (a) Decreasing rate
- (b) Increasing rate
- (c) Constant rate
- (d) Both (a) and (b).

[CA CPT Dec. 2010]

**120. During 2nd stage of law of Diminishing returns:**

- (a) MP and TP is maximum
- (b) MP and AP are decreasing
- (c) AP is negative
- (d) TP is negative

[CA CPT June 2008]

**121. A rational producer will produce in the stage in which marginal product is positive and:**

- (a)  $MP > AP$
- (b)  $MP = AP$
- (c)  $MP < AP$
- (d) MP is zero

[CA CPT June 2016]

**122. Diminishing marginal returns implies:**

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) Increasing marginal costs
- (d) Decreasing average fixed costs

[CA CPT May 2007]

**123. The phenomenon of diminishing returns rests upon the \_\_\_\_\_ of the fixed factor:**

- (a) Divisibility
- (b) Flexibility
- (c) Indivisibility
- (d) None of these



124. Law of diminishing returns is applicable in:

- (a) Manufacturing industry
- (b) Agriculture
- (c) Neither (a) nor (b)
- (d) Any economic activity at a point of time.

[CA CPT June 2009, 2010, June 2012]

125. In the third of the three stages of production:

- (a) The marginal product curve has a positive slope.
- (b) The marginal product curve lies completely below the average product curve.
- (c) Total product increases.
- (d) Marginal product is positive.

126. Diminishing marginal returns implies

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) Increasing marginal costs
- (d) Decreasing fixed costs.

[CA CPT Dec. 2015, May 2019]

127. The "law of diminishing returns" applies to

- (a) The short run, but not the long run
- (b) The long run, but not the short run
- (c) Both the short run and the long run
- (d) Neither the short run nor the long run

[CA CPT May 2018]

128. Diminishing returns occur:

- (a) When units of a variable input are added to a fixed input and total product falls.
- (b) When units of a variable input are added to a fixed input and marginal product falls.
- (c) When the size of the plant is increased in the long run.
- (d) When the quantity of the fixed input is increased and returns to the variable input falls.

### Returns to Scale

129. The concept of Returns to Scale is related with:

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) None of above

[CA CPT June 2012, 2013]

130. The Law of returns to scale is.

- (a) Short run
- (b) Long run
- (c) Short and Long run
- (d) Medium run

[Jan. 2021]

131. The scale of production can be changed in \_\_\_\_\_.

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) Both very short period and short period

132. Increasing returns to scale can be explained in terms of:

- (a) External and internal economies
- (b) External and internal dis-economies

- (c) External economies and internal dis-economies
- (d) All of these

[CA CPT Feb. 2007, May 2018]

133. Increasing returns to scale occurs due to:

- (a) Economies of scale
- (b) Specialization
- (c) Indivisibility of factors
- (d) All of these

[CA CPT Dec. 2009]

134. Which of the following statements describes increasing returns to scale?

- (a) Doubling of all inputs used leads to doubling of the output.
- (b) Increasing the inputs by 50% leads to a 25% increase in output.
- (c) Increasing inputs by 1/4 leads to an increase in output of 1/3.
- (d) None of the above.

135. The stage of "Decreasing returns to scale" will occur when \_\_\_\_\_

- (a) Decrease in output is less than increase in input
- (b) Decrease in output is greater than increase in input
- (c) Increase in output is greater than increase in input
- (d) Increase in output is less than increase in input

[June 2023]

136. Returns to scale will said to be in operation when quantity of :

- (a) All inputs are changed
- (b) All inputs are changed in already established proportion

- (c) All inputs are not changed
- (d) One input is changed while quantity of all other inputs remain the same

[CA CPT Feb. 2008]

137. Diminishing returns occur -

- (a) When units of a variable input are added to a fixed input and total product falls
- (b) When units of a variable input are added to a fixed input and marginal product falls
- (c) When the size of the plant is increased in the long run.
- (d) When the quantity of the fixed input is increased and returns to the variable input falls

[Nov. 2019]

138. Which of the following is the reason of the working of law of increasing returns?

- (a) Fuller utilisation of fixed factors
- (b) Indivisibility of the factors
- (c) Greater specialization of labour
- (d) All of the above

[CA CPT June 2013]

139. Consider the following combinations of inputs and outputs:

This production technology satisfies

Labour	Capital	Output
5	10	1
6	12	2
7	14	3
8	16	4
9	18	5
10	20	6

- (a) Increasing returns to scale
- (b) Diminishing returns to scale

- (c) Constant returns to scale  
 (d) Increasing returns initially, following by decreasing returns to scale.

[CA CPT Feb. 2008]

140. Linear homogeneous production function is based on:

- (a) Increasing returns to scale  
 (b) Decreasing returns to scale  
 (c) Constant returns to scale  
 (d) None of the above

[CA CPT Dec. 2014, May 2018]

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

- (a) Output will also decrease by 10%.  
 (b) Output will increase by 10%.  
 (c) Output will increase by less than 10%.  
 (d) Output will increase by more than 10%.

142. In Cobb-Douglas Production function  $[Q = KL^aC^b]$ , there will be increasing returns to scale if:

- (a)  $a + b > 1$   
 (b)  $a + b = 1$   
 (c)  $a + b = 0$   
 (d)  $a + b < 1$

143. A change in scale means that \_\_\_\_\_ factors of production are increased or decreased in the same production.

- (a) Two  
 (b) Three  
 (c) No  
 (d) All

144. Increase in all input leading to less than proportional increase in output is called \_\_\_\_\_.

- (a) Increasing returns to scale  
 (b) Decreasing returns to scale  
 (c) Constant returns to scale  
 (d) Both increasing and decreasing returns to scale

[CA CPT Feb. 2008]

145. When output decreases by 20% due to increase in inputs by 20%, this stage is called the law of \_\_\_\_\_.

- (a) Increasing returns to scale.  
 (b) Decreasing returns to scale.  
 (c) Constant returns to scale.  
 (d) None of the above.

[CA CPT June 2010]

146. Constant Returns to Scale are also called as \_\_\_\_\_ Production Function.

- (a) Linear  
 (b) Curvilinear  
 (c) Linear Homogenous  
 (d) Curvilinear Homogenous

147. With a view to increase his production, Hariharan a manufacturer of shoes, increases all the factors of production in his unit by 100%. But at the end of the year, he finds that instead of an increase of 100%, his production has increased by only 80%. Which law of returns to scale is operating in this case?

- (a) Increasing returns to scale  
 (b) Decreasing returns to scale  
 (c) Constant returns to scale  
 (d) None of the above

[CA CPT June 2014]

148. When output increase in a smaller proportion with an increase in all inputs \_\_\_\_\_ returns to scale set in.

- (a) Increasing  
 (b) Decreasing  
 (c) Constant  
 (d) Circular

153. Large production of \_\_\_\_\_ goods would lead to higher production in future.

- (a) Consumer Goods  
 (b) Capital Goods  
 (c) Agricultural Goods  
 (d) Public Goods

[Nov. 2019]

154. An ISO quant shows

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

155. ISO quants are negatively sloped & \_\_\_\_\_ to the origin due to \_\_\_\_\_ Marginal Rate of Technical Substitution (MRTS).

- (a) Convex, Increasing  
 (b) Convex, Decreasing  
 (c) Concave, Increasing  
 (d) Concave, Decreasing

156. Which of the following statement is true in relation to an ISO Quant Curve?

- (a) It represents those combination of two factors of production that will give the same level of output  
 (b) It represents those combinations of all the factors that will give the same level of output  
 (c) It slopes upward to the right  
 (d) It can touch either axis

[CA CPT June 2015]

### Production Optimization

149. ISO quants are equal to:

- (a) Product Lines  
 (b) Total utility lines  
 (c) Cost lines  
 (d) Revenue lines

[CA CPT Nov. 2006, May 2018]

150. Among the following statements which is incorrect in relation to isoquants

- (a) These are negatively sloped  
 (b) These are concave to origin  
 (c) These are not intersecting  
 (d) These are convex to origin

[Nov. 2020]

151. ISO quants are also known as:

- (a) Production possibility curves  
 (b) Indifference curves  
 (c) Production indifference curves  
 (d) None of the above

[CA CPT June 2016]

152. An Isoquant is \_\_\_\_\_ to an Isocost line at equilibrium point:

- (a) Convex  
 (b) Concave  
 (c) Tangent  
 (d) Perpendicular

[CA CPT May 2007]

## UNIT 2 : THEORY OF COST

### Accounting Costs and Economic Costs

157. Suppose, the total cost of production of commodity X is ₹ 1,25,000. Out of this cost implicit cost is ₹ 35,000 and normal profits is ₹ 25,000. What will be the explicit cost of commodity X?
- 90,000
  - 65,000
  - 60,000
  - 1,00,000
- [CA CPT Aug. 2007, Dec. 2011, June 2013]
158. Which of the following is an example of "explicit cost"?
- The wages a proprietor could have made by working as an employee of a large firm.
  - The income that could have been earned in alternative uses by the resources owned by the firm.
  - The payment of wages by the firm.
  - The normal profit earned by a firm.
159. Which of the following is an example of an "implicit cost"?
- Interest that could have been earned on retained earnings used by the firm to finance expansion.
  - The payment of rent by the firm for the building in which it is housed.
  - The interest payment made by the firm for funds borrowed from a bank.
  - The Payment of wages by the firm.
160. Implicit cost can be defined as:
- Money payments made to the non-owners of the firm for the self-owned factors employed in the business and therefore not entered into books of account.
  - Money not paid out to the owners of the firm for the self owned factors employed in a business and therefore not entered into books of account.
  - Money payments which the self owned and employed resources could have earned in their next best alternative employment and therefore entered into books of account.
  - Money payments which the self owned and employed resources earn in their best use and therefore entered into books of account.
161. Total Cost = Explicit cost + Implicit cost + \_\_\_\_\_
- Super Normal Profit
  - Normal Profit
  - Super Normal Losses
  - Average Fixed Cost
- [Nov. 2019]
162. Implicit cost may be defined as the:
- Costs which do not change over a period of time
  - Costs which the firm incurs but doesn't disclose
  - Payment to the non-owners of the firm for the resources
  - Money payment which the self employed resources could have

earned in their best alternative employment.

[CA CPT Nov. 2007]

163. Which of the following is including in cost of production and is termed as accounting cost?

- Wages to workers employed
- Prices for the raw materials
- Fuel and Power Used
- All of these

164. Which of the following Statements is false?

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

Accounting profit is equal to total revenue less implicit cost  
Accounting profit = TR - Implicit Cost

[Jan. 2021]

165. Economic cost excludes which of the following :

- Accounting cost + explicit cost
- Accounting cost + implicit cost
- Explicit cost + Implicit cost
- Accounting cost + opportunity cost

[CA CPT May 2007]

166. Economic cost includes:

- Explicit cost only
- Implicit cost only

- Sunk cost only
- Both explicit costs and implicit costs.

167. The cost of resources owned and employed by the entrepreneur himself in his business is termed as \_\_\_\_\_ cost.

- Explicit
- Implicit
- Fixed
- Variable

[CA CPT June 2012]

168. Cost in terms of pain, discomfort, disability involved in supplying the various factors of production by their owners are termed as \_\_\_\_\_.

- Social cost
- Explicit cost
- Real cost
- Implicit cost

[CA CPT June 2012]

169. Total economic costs = Explicit costs + Implicit cost + \_\_\_\_\_

- Super Normal Profit
- Super Normal Loss
- Normal Profit
- Economic Profit

[June 2022]

170. Economic costs of production differ from accounting costs of production because

- Economic costs include expenditures for hired resources while accounting costs do not.
- Accounting costs include opportunity costs which are deducted later to find paid out costs.

(c) Accounting costs include expenditures for hired resources while economic costs do not.

(d) Economic costs add the opportunity cost of a firm which uses its own resources.

171. Accounting cost is \_\_\_\_\_ of Economic cost

- (a) Equal to
- (b) Less than
- (c) More than
- (d) Not Included

[CA CPT Nov. 2018]

172. Economic Costs comprises

- (a) Accounting Costs
- (b) Implicit Cost
- (c) Explicit Cost
- (d) Both (a) & (b)

173. Which of the following will be included in implicit Cost?

- (a) Normal return on money Capital invested by the entrepreneur himself in his own business.
- (b) The wages or Salary not paid to the entrepreneur, but could have earned if the services has been sold somewhere else.
- (c) Wages or Salary paid to workers
- (d) Both (a) and (b)

174. Accounting Costs are also called as \_\_\_\_\_ costs whereas the cost of factors owned by the entrepreneur himself and employed in his own business is called as \_\_\_\_\_ costs.

- (a) Explicit, Implicit
- (b) Implicit, Explicit
- (c) Economic, Non-Economic
- (d) Explicit, Non-Economic.

### Outlay costs and Opportunity Costs

175. Outlay Costs involve \_\_\_\_\_ expenditure of funds on wages, material, returns interest, etc.

- (a) Actual
- (b) Expected
- (c) Fixed
- (d) Planned

176. Outlay costs involve \_\_\_\_\_ expenditure at some point of time and hence \_\_\_\_\_ recorded in the books of account.

- (a) Financial, are not
- (b) Financial, are
- (c) Non-Financial, are not
- (d) Non-Financial, are

177. Opportunity Cost is \_\_\_\_\_.

- (a) Direct Cost
- (b) Total Cost
- (c) Accounting Cost
- (d) Cost of forgone opportunity

[CA CPT Nov. 2006]

178. The cost of one thing in terms of alternative given up is known as:

- (a) Opportunity Cost
- (b) Real Cost
- (c) Production Cost
- (d) Physical Cost

[CA CPT June 2017, May 2018]

179. If the market price of good is more than the opportunity cost of producing it, then:

- (a) The market price of the product will increase in the long-run
- (b) Producers will increase supply in the long-run

(c) Resources will flow away from production of the good, causing supply to decline with the passage of time

(d) The situation will remain unchanged as long as supply and demand remain in balance.

[CA CPT June 2016]

180. In which of the following cases opportunity cost concept applies?

- (a) Resources have alternative uses
- (b) Resources have limited uses
- (c) Resources have no use
- (d) None of the above.

[CA CPT June 2013]

181. Opportunity Cost is:

- (a) Marginal cost
- (b) Variable cost
- (c) Total fixed cost
- (d) None of these

[CA CPT May 2018]

182. Opportunity Cost is \_\_\_\_\_.

- (a) Recorded in the books of account
- (b) Sacrificed alternative
- (c) Both (a) and (b)
- (d) None of the above

[CA CPT May 2019]

183. The concept of opportunity cost has to be considered whenever :

- (a) Resources are scarce
- (b) Decision involving choice of one option over other(s) is involved
- (c) Both (a) & (b)
- (d) Neither (a) nor (b)

184. Opportunity cost is the \_\_\_\_\_ value that is foregone in choosing

one activity over the \_\_\_\_\_ alternative.

- (a) Subjective, other
- (b) Subjective, next best
- (c) Principal, other
- (d) Principal, next best

185. Opportunity Cost is the cost of the \_\_\_\_\_ opportunity and involves a comparison between the policy that was \_\_\_\_\_ and the policy that was \_\_\_\_\_.

- (a) Other, Chosen, Should be chosen
- (b) Missed, Chosen, should be chosen
- (c) Missed, Chosen, rejected
- (d) None of these

### Direct and Indirect Costs

186. Direct Cost is also known as :

- (a) Indirect Cost
- (b) Traceable Cost
- (c) Opportunity Cost
- (d) Accounting Cost

[CA CPT June 2010, June 2013]

187. \_\_\_\_\_ costs are the costs that are readily identified and are traceable to a particular product, operations or plant.

- (a) Direct Cost
- (b) Traceable Cost
- (c) Indirect Cost
- (d) Both (a) & (b)

188. \_\_\_\_\_ may vary according to the changes accruing to the product, process or machine.

- (a) Direct Cost
- (b) Implicit-Cost

- (c) Indirect Cost  
(d) Non-Traceable Cost.

189. Indirect Costs are not easily and definitely identifiable in relation to a plants, products, process or department. These are \_\_\_\_\_ changed to different jobs or products in standard accounting practice.

- (a) Not  
(b) Never  
(c) Nevertheless  
(d) Cannot

190. Identify the indirect Cost.

- (a) Common cost incurred for general operations  
(b) Wages paid to worker  
(c) Material Purchased  
(d) Commission Paid

### Incremental Costs and Sunk Costs

191. Theoretically, incremental costs are related to the concept of \_\_\_\_\_.

- (a) Marginal Cost  
(b) Fixed Cost  
(c) Judgmental Cost  
(d) Semi Variable Cost

192. Which of the following is part of incremental costs?

- (a) Change in product line  
(b) Replacement of worn-out machinery  
(c) Buy a new production facility  
(d) All of these

193. \_\_\_\_\_ refer to those costs which are already incurred once and for all and cannot be recovered.

- (a) Sunk Cost  
(b) Fixed Cost  
(c) Variable Cost  
(d) Incremental

194. Which one of the following is an example of Sunk Cost?

- (a) Expenses on advertising  
(b) Research & Development Expenditure  
(c) Specialized equipment & fixed facilities  
(d) All of these.

### Historical Costs and Replacement Costs

195. Which of the following is incurred first?

- (a) Historical Cost  
(b) Replacement Cost  
(c) Realized Value  
(d) None of these

196. \_\_\_\_\_ Cost refers to the cost incurred in the past on the acquisition of a productive asset.

- (a) Current Cost  
(b) Historical Cost  
(c) Future Cost  
(d) Desired Cost.

197. A Company is willing to change its existing Machinery (5 years old) by a new machinery at a cost of ₹ 10,00,000. The cost of ₹ 10,00,000 may be regarded as:

- (a) Historical Cost  
(b) Replacement Cost  
(c) New Cost  
(d) Market Cost

198. Other things remaining the same, an increase in price will make \_\_\_\_\_ cost higher than \_\_\_\_\_ cost.

- (a) Historical, Replacement  
(b) Replacement, Historical  
(c) Historical, reliable  
(d) Fixed, Historical.

199. Usually in the case of continuous decrease in price of an asset, which one of the following shall be the highest?

- (a) Replacement Cost  
(b) Historical Cost  
(c) Realisable Value  
(d) Variable Cost.

### Private Costs and Social Costs

200. Private Costs are costs actually incurred or provided for by firms. These may be

- (a) Explicit  
(b) Implicit  
(c) Either (a) or (b)  
(d) None of these

201. The Cost of resources for which the firm is not required to pay price is called as \_\_\_\_\_ cost.

- (a) Fixed  
(b) Private  
(c) Social  
(d) Welfare

202. \_\_\_\_\_ Costs normally figure in business decisions as they form part of total cost and are internalized by the firm.

- (a) Fixed  
(b) Private

- (c) Social  
(d) Welfare

### Cost Function

203. Which of the following is not a determinant of the firm's cost function?

- (a) The production function.  
(b) The price of labour.  
(c) Taxes.  
(d) The price of the firm's output.

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

- (a)  $TC = TFC - TVC$ .  
(b)  $TVC = TFC - TC$ .  
(c)  $TFC = TC - TVC$ .  
(d)  $TC = TVC - TFC$ .

205. In the long-run all factors are -

- (a) Fixed  
(b) Variable  
(c) All factors remain unchanged  
(d) None

[CA CPT June 2010]

206. Cost Function is the mathematical relation between \_\_\_\_\_ of a Product and the various determinants of \_\_\_\_\_.

- (a) Cost, Costs  
(b) Revenue, Revenues  
(c) Cost, Revenues  
(d) Revenue, Costs.

207. In a cost function, the dependent variable is unit cost or total cost and the independent variable(s) are \_\_\_\_\_.

- (a) Units sold and purchased.  
(b) Price of factor, & size of output

- (c) Relevant phenomenon which has a bearing on cost like technology, level of capacity utilisation, efficiency, etc.  
(d) Both (b) & (c)
208. Cost function is a function which is obtained from \_\_\_\_\_.
- (a) Production Function  
(b) Market Supply of inputs  
(c) Market Supply of outputs  
(d) Both (a) & (b).
209. The Cost function expresses the relationship between \_\_\_\_\_ and \_\_\_\_\_.
- (a) Costs, input  
(b) Costs, Output  
(c) Dependent Variable, Cost  
(d) None of these
210. Cost Functions are derived from \_\_\_\_\_ cost data of the firms.
- (a) Actual  
(b) Expected  
(c) Desired  
(d) Standard.
211. Which of the following is a kind of Cost function?
- (a) Short-Run Cost Function  
(b) Long-Run Cost Function  
(c) Short/Long Run Cost Curve  
(d) Both (a) and (b)

### SHORT RUN COST

#### Total Cost

212. A company produces 10 units of output and incurs ₹ 30 per unit as variable cost and ₹ 5 per unit of

fixed cost. What will be its total cost of producing 10 units?

- (a) ₹ 300  
(b) ₹ 35  
(c) ₹ 305  
(d) ₹ 350

[CA CPT Dec. 2014]

213. What is the total cost of production of 20 units, if fixed cost ₹ 5,000 and variable cost is ₹ 2/-?

- (a) 5,400  
(b) 5,040  
(c) 4,960  
(d) 5,020

[CA CPT Aug. 2007, June 2010]

214. Suppose output increases in the short run. Total cost will:

- (a) Increase due to an increase in fixed costs only.  
(b) Increase due to an increase in variable costs only.  
(c) Increase due to an increase in both fixed and variable costs.  
(d) Decrease if the firm is in the region of diminishing returns.

215. Calculate total cost of 4 units :

Units	Total cost (₹)	Marginal cost (₹)
2	80	40
4	-	30

- (a) 140  
(b) 120  
(c) 50  
(d) 40

[CA CPT Dec. 2008]

216. Calculate total cost of 4 units :

Output	0	10	20
Total cost	₹ 200	₹ 400	₹ 800

- (a) ₹ 40  
(b) ₹ 20  
(c) ₹ 200  
(d) ₹ 400

[CA CPT June 2009]

#### Fixed Cost

217. \_\_\_\_\_ Costs do not change with changes in Output.

- (a) Fixed  
(b) Valuable  
(c) Semi Valuable  
(d) Both (a) & (b)

218. If fixed cost is plotted on a graph taking output on X-axis and Cost on Y axis, the Fixed cost will be represented by \_\_\_\_\_.

- (a) Straight line parallel to Y axis  
(b) Straight line parallel to X axis  
(c) U Shaped Curve  
(d) Hyper-parabola Curve.

219. Fixed costs are \_\_\_\_\_ a function of output.

- (a) Not  
(b) Always  
(c) Treated as  
(d) Directly related

220. Fixed costs may also be called as :

- (a) Inescapable  
(b) Uncontrollable  
(c) Constant  
(d) All of the above

221. Fixed cost curve normally:

- (a) Starts from the origin  
(b) Is U shaped  
(c) Is vertical line  
(d) Is horizontal line.

[CA CPT June 2016]

222. The vertical difference between TVC and TC curves is equal to:

- (a) MC  
(b) AVC  
(c) TFC  
(d) None of the above

[CA CPT June 2016]

223. Average fixed cost for producing 8 units of output was 60, what is the average Fixed cost at 6 units of output

- (a) 40  
(b) 60  
(c) 80  
(d) 50

[Nov. 2019]

#### Variable Cost

224. What will be the TVC if we produce 2 units?

Units	0	1	2
Total cost	20	37	50

- (a) 15  
(b) 05  
(c) 17  
(d) 30

[CA CPT June 2010]

225. The total cost is ₹ 4200 and fixed cost is ₹ 1200 then find the variable cost

- (a) 1,200  
(b) 3,000

- (c) 4,200
- (d) 5,450

[Nov. 2020]

226. A firm producing 9 units of output has an average total cost of ₹ 200 and has to pay ₹ 630 to its fixed cost of production. How much of the average total cost is made up of variable cost?

- (a) ₹ 150
- (b) ₹ 130
- (c) ₹ 70
- (d) ₹ 300

[CA CPT June 2017]

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

- (a) ₹ 200
- (b) ₹ 60
- (c) ₹ 100
- (d) ₹ 1,400

[Nov. 2019]

228. Which cost decreases continuously with increase in production

- (a) Average fixed cost
- (b) Average variable cost
- (c) Marginal cost
- (d) Average total cost

[June 2022]

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

- (a) 200
- (b) 50
- (c) 300
- (d) 100

[Jan. 2021]

230. Which cost increases continuously with the increase in production?

- (a) Average cost.
- (b) Marginal cost.
- (c) Fixed cost.
- (d) Variable cost.

231. The difference between Total Cost and Total Fixed Cost is equal to \_\_\_\_\_.

- (a) Zero
- (b) MC
- (c) AFC
- (d) TVC

[July 2021]

232. Total cost in the short run is classified into fixed costs and variable costs. Which one of the following is a variable cost?

- (a) Cost of raw materials.
- (b) Cost of equipment.
- (c) Interest payment on past borrowings.
- (d) Payment of rent on building.

233. Which of the following is a variable cost in the short-run?

- (a) Rent of the factory.
- (b) Wages paid to the factory labour.
- (c) Interest payments on borrowed financial capital.
- (d) Payment on the lease for factory equipment.

234. What will be the TVC if we produce 2 units?

Units	0	1	2	3	4
Total cost	20	30	40	45	50

- (a) 2
- (b) 3
- (c) 4
- (d) 5

[CA CPT June 2010]

235. If a Firm shuts down for a short period, it will not incur any \_\_\_\_\_ cost.

- (a) Fixed
- (b) Semi-Variable
- (c) Variable
- (d) Both (a) & (b)

236. \_\_\_\_\_ are those costs which change with changes in output.

- (a) Fixed
- (b) Semi-Variable
- (c) Variable
- (d) Both (a) & (b)

### Semi-Variable Cost

237. Semi-Variable Costs are \_\_\_\_\_ Variable, \_\_\_\_\_ fixed in relation to the changes in the size of output.

- (a) Neither, nor
- (b) Neither, nor absolutely
- (c) Absolutely, but relatively
- (d) Absolutely, but is by nature.

238. Electricity charges include both a fixed charge and a charge based on consumption. It should be classified as \_\_\_\_\_.

- (a) Fixed Cost
- (b) Variable Cost
- (c) Semi-Variable Cost
- (d) Quasi Cost.

239. The Semi-Variable Cost: \_\_\_\_\_

- (a) Remains Constant
- (b) Remains variable proportionately
- (c) Increases in stair-step fashion
- (d) Increases proportionately

240. Which of the following cost remains fixed over certain range of output but suddenly jump to a new higher level when output goes beyond a given limit?

- (a) Total Fixed cost
- (b) Total Variable Cost
- (c) Both (a) & (b)
- (d) Semi-Variable Cost

241. The total Cost Curve is obtained by adding \_\_\_\_\_ the \_\_\_\_\_ curve and the \_\_\_\_\_ Curve.

- (a) Vertically, Total Fixed Cost, Total Variable Cost
- (b) Horizontally, Cost, Total
- (c) Vertically, Total Cost, Total Variable cost
- (d) Horizontally, Cost Valuable

242. The costs which remain fixed over certain range of output but suddenly jump to a new higher level when production goes beyond a given limit are called:

- (a) Variable cost
- (b) Semi-variable cost

(c) Stair-step variable cost

(d) Jumping cost.

[CA CPT June 2017, May 2018]

**Average Fixed Cost**

243. Average fixed cost can be obtained through:

(a)  $AFC = \frac{TFC}{TS}$

(b)  $AFC = \frac{EC}{TU}$

(c)  $AFC = \frac{TC}{PC}$

(d)  $AFC = \frac{TFC}{TU}$

[CA CPT Nov. 2006, Jan. 2021]

244. Which one of the following is correct?

(a)  $AFC = AVC + ATC$

(b)  $ATC = AFC - AVC$

(c)  $AVC = AFC + ATC$

(d)  $AFC = ATC - AVC$

[CA CPT June 2009, May 2018]

245. Which of the following cost curves is never 'U' shaped?

(a) Average Total Cost Curve

(b) Marginal Cost Curve

(c) Total Cost Curve

(d) Total Fixed Cost Curve

[CA CPT Aug. 2007, June 2009, Dec. 2015, May 2018, Nov. 2019]

246. AFC curve is :

(a) Convex &amp; downward sloping

(b) Concave &amp; downward sloping

(c) Convex &amp; upward sloping

(d) Concave &amp; upward rising

[CA CPT Feb. 2007]

247. Which of the following curves never touch any axis but is downward

(a) Marginal cost curve

(b) Total cost curve

(c) Average fixed cost curve

(d) Average variable cost curve

[CA CPT Feb. 2008, June 2013]

248. The slope of Average Fixed cost curve is?

(a) Falls from left to right

(b) Rises from left to right

(c) Parallel to x-axis

(d) Parallel to y-axis

[CA CPT Nov. 2018]

249. When the output of a firm increase in the short run, its average fixed cost.

(a) Increases

(b) Decreases

(c) Remains constant

(d) First declines and then rises.

[CA CPT, Nov. 2006, Dec. 2015, Dec. 2017]

250. Which statement among below is correct in reference in Average Fixed Cost.

(a) Never becomes zero

(b) Curve never touches x-axis

(c) Curve never touches y-axis

(d) All of the above

[CA CPT Dec. 2013]

251. Average fixed cost curve is always:

(a) Declining when output increases

(b) U-Shaped, if there are increasing returns to scale

(c) U-Shaped, if there are decreasing returns to scale

(d) Intersected by marginal cost at its minimum point

[CA CPT Dec. 2014]

252. Which of the following curves never touch any axis but is downward.

(a) Marginal cost curve

(b) Total cost curve

(c) Average fixed cost curve

(d) Average variable cost curve

[CA CPT May 2018]

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

(a) ₹ 60

(b) ₹ 30

(c) ₹ 40

(d) ₹ 20

254. A firm's average fixed cost is ₹ 40 at 12 units. What will be the average fixed cost at 8 units:

(a) ₹ 60

(b) ₹ 70

(c) ₹ 90

(d) ₹ 80

[CA CPT Feb. 2007, Feb. 2008, June 2008, June 2012, Dec. 2011, Dec. 2016]

255. A firm's AFC is ₹ 200 at 10 units of output what will be it at 20 units of output?

(a) 500

(b) 100

(c) 150

(d) 200

[CA CPT June 2010]

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

(a) 100

(b) 200

(c) 50

(d) 300

257. Average cost of producing 50 units of any commodity is ₹ 250 and fixed cost is ₹ 1,000. What will be the average fixed cost of producing 100 units of the commodity?

(a) ₹ 10

(b) ₹ 30

(c) ₹ 20

(d) ₹ 05

[CA CPT Dec. 2014, Dec. 2016]

258. Average Fixed Cost = ₹ 20

Quantity Produced = 10 units

What will be the Average Fixed Cost of 20th unit?

(a) ₹ 10

(b) ₹ 20

(c) ₹ 5

(d) None

[CA CPT Dec. 2008]

259. Find AFC of 3 units :

Unit	0	1	2	3
Total cost	15	25	35	45

(a) 5

(b) 10

(c) 15

(d) 25

[CA CPT Dec. 2009]

260. What will be the AFC of 2 units according to the table given below:



Units	0	1	2
Total cost (in ₹)	580	689	850

- (a) 105  
(b) 135  
(c) 235  
(d) 290

[CA CPT June 2010, May 2018]

261. Average cost curve is \_\_\_\_\_

- (a) 'U' Shaped  
(b) Positively sloped  
(c) Negatively sloped  
(d) Rectangular hyperbola

[Jan. 2021]

### Average Variable Cost

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

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

263. For 15 units of output, average cost was ₹ 250 and fixed cost per unit of output was 125, then the average variable cost per at 15 units?

- (a) 25  
(b) 50  
(c) 125  
(d) 250

[Nov. 2019]

264. Consider the following data

Units of output	0	1	2	3	4
Total Cost	25	45	60	85	105

The Average Variable Cost (AVC) for an output of 4 units will be :-

- (a) ₹ 20  
(b) ₹ 35  
(c) ₹ 25  
(d) ₹ 26

[CA CPT June 2012, Dec. 2017, June 2017]

265. A firm produces 10 units of a commodity at an average total cost of ₹ 200 and with a fixed cost of ₹ 500. Find out the component of average variable cost in the total cost :

- (a) ₹ 300  
(b) ₹ 200  
(c) ₹ 150  
(d) ₹ 100

[CA CPT June 2014]

266. A Firm has a variable cost of ₹ 2,000 at 5 units of output. If fixed costs are ₹ 800, what will be the average total cost at 5 units of output?

- (a) 560  
(b) 120  
(c) 240  
(d) 2,800

[Nov. 2021]

267. A firm producing 15 units of output has average cost of ₹ 250 and ₹ 125 as per unit cost for fixed

factors of production. Then average variable cost will be

- (a) 180  
(b) 150  
(c) 125  
(d) None of the above

[CA CPT May 2019]

268. If a firm's output is zero, then:

- (a) AFC will be positive  
(b) AVC will be zero  
(c) Both of (a) and (b)  
(d) None of (a) and (b)

[CA CPT June 2009]

### Average Total Cost

269. Which of the following statements is true of the relationship among the average cost functions?

- (a)  $ATC = AFC - AVC$ .  
(b)  $AVC = AFC + ATC$ .  
(c)  $AFC = ATC + AVC$ .  
(d)  $AFC = ATC - AVC$ .

270. A firm has a variable cost of ₹ 1000 at 5 units of output. If fixed costs are ₹ 400, what will be the average total cost at 5 units of output?

- (a) ₹ 280  
(b) ₹ 60  
(c) ₹ 120  
(d) ₹ 1400

271. U-shaped average cost curve is based on:

- (a) Law of increasing cost  
(b) Law of decreasing cost  
(c) Law of constant returns to scale  
(d) Law of variable proportions

[CA CPT Feb. 2007]

272. A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production. How much of the average total cost is made up of variable cost?

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

[CA CPT June 2008, Dec. 2016]

### Marginal Cost

273. Marginal Cost is defined as;

- (a) The change in total cost due to a one unit change in output.  
(b) Total cost divided by output.  
(c) The change in output due to a one unit change in an input.  
(d) Total product divided by the quantity of input.

274. The change in total cost due to one unit change in the output is called \_\_\_\_\_ cost.

- (a) Marginal  
(b) Average  
(c) Average variable  
(d) Average fixed.

[CA CPT June 2012]

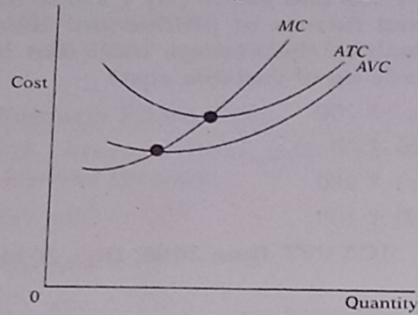
275. Marginal cost changes due to change in \_\_\_\_\_ cost.

- (a) Total  
(b) Fixed  
(c) Average  
(d) Variable

[CA CPT June 2014]

276. In figure below, possible reason why the average variable cost

curve approaches the average total cost curve as output rises is:



- (a) Fixed costs are falling while total costs are rising at rising output.
- (b) Total costs are rising and average costs are also rising.
- (c) Marginal costs are above average variable costs as output rises.
- (d) Average fixed costs are falling as output rises.

277. MC curve of a firm in a perfectly competitive industry depicts?

- (a) Demand curve
- (b) Supply curve
- (c) Average cost curve
- (d) Total cost curve

[CA CPT Nov. 2018]

278. When shape of average cost curve is upward, marginal cost :

- (a) Must be decreasing
- (b) Must be constant
- (c) Must be rising
- (d) Any of these

[CA CPT May 2007]

279. With which of the following is the concept of marginal cost closely related?

- (a) Variable Cost
- (b) Fixed Cost

- (c) Opportunity Cost
- (d) Economic Cost

280. What will be marginal cost of 67 units of production accounting to the table given below:

Units of Production	0	10	25	37	67
Total cost	160	200	300	500	1,400

- (a) 10
- (b) 20
- (c) 30
- (d) 50

[CA CPT Dec. 2011]

281. On the basis of the following data what will be the marginal cost of the 6th unit of output?

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

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

[CA CPT Dec. 2014, June 2015]

282. Consider the following table:

Output (Units)	TFC (in ₹)	TVC (in ₹)	MC (in ₹)
0	500	-	-
1	500	400	400
5	500	1600	-

What will be marginal cost, when output is 5 units?

- (a) 300
- (b) 400
- (c) 500
- (d) 600

[CA CPT Dec. 2015]

283. Marginal cost changes due to changes in \_\_\_\_\_.

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

284. Which of the following statements is correct?

- (a) Fixed costs vary with change in output.
- (b) If we add total variable cost and total fixed cost we get the average cost.
- (c) Marginal cost is the result of total cost divided by number of units produced.
- (d) Total cost is obtained by adding up the fixed cost and total variable cost.

285. If total cost at 10 units is ₹ 600 and ₹ 640 for 11th unit. The marginal cost of 11th unit is:

- (a) ₹ 20
- (b) ₹ 30
- (c) ₹ 40
- (d) ₹ 50

[CA CPT May 2007]

Use table below to answer questions 286-288

Output	0	1	2	3	4	5	6
Total Cost (₹)	360	495	615	720	810	915	1035

286. The average fixed cost of 3 units of output is .....

- (a) ₹ 180
- (b) ₹ 225
- (c) ₹ 120
- (d) ₹ 134

[July 2021]

287. The marginal cost of the fifth unit of output is \_\_\_\_\_

- (a) ₹ 105
- (b) ₹ 174
- (c) ₹ 225
- (d) ₹ 675

[July 2021]

288. Diminishing marginal returns starts to occur between \_\_\_\_\_ Units

- (a) 1 and 2
- (b) 2 and 3
- (c) 3 and 4
- (d) 4 and 5

[July 2021]

289. AT 10 units Total Cost - ₹ 200  
20 units Total Cost - ₹ 600  
Marginal Cost = ?

- (a) 50
- (b) 40
- (c) 30
- (d) 400

[CA CPT Dec. 2008]

290. The total cost incurred for 10 units is ₹ 400 and 20 units is ₹ 800. Find the marginal cost.

- (a) ₹ 400
- (b) ₹ 40
- (c) ₹ 200
- (d) ₹ 20

[CA CPT June 2009, June 2010, June 2012, June 2014]

291. Use the table and answer for the following questions:

Output	0	1	2	3	4	5	6
Total Cost (₹)	100	180	250	310	360	420	490

The average fixed cost of 4 units of output is

- (a) 350
- (b) 80
- (c) 90
- (d) 25

[Nov. 2020]

292. The average variable cost of 5 units of output

- (a) 84
- (b) 64
- (c) 104
- (d) 420

[Nov. 2020]

293. The marginal cost of 5th unit of output is

- (a) 60
- (b) 70
- (c) 90
- (d) 540

[Nov. 2021]

### Relationship between AC & MC

294. Which of the following statements is correct?

- (a) When the average cost is rising, the marginal cost must also be rising.
- (b) When the average cost is rising, the marginal cost must be falling.
- (c) When the average cost is rising, the marginal cost is above the average cost.
- (d) When the average cost is falling, the marginal cost must be rising.

295. When AC curve is rising, the MC curve must be \_\_\_\_\_ to it.

- (a) Equal
- (b) Above
- (c) Below
- (d) Parallel

[CA CPT June 2012]

296. What happens to marginal cost when average cost increases?

- (a) Marginal cost is below average cost
- (b) Marginal cost is above average cost
- (c) Marginal cost is equal to average variable cost
- (d) Marginal cost is equal to average cost

[CA CPT June 2016]

297. When AC Curve is at minimum then MC Curve is \_\_\_\_\_?

- (a) Minimum then AC Curve
- (b) Equals to AC Curve
- (c) Above AC Curve
- (d) Less than AC Curve

[CA CPT Nov. 2018]

298. Which of the following statement is incorrect?

- (a) AC is sloping downwards, MC is below AC
- (b) AC is sloping downwards, MC must fall
- (c) AC is sloping upwards, MC is above AC
- (d) MC cuts AC from its lowest point.

[CA CPT May 2019]

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

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

### Long Run Average Cost Curve

300. If LAC curve falls as output expands, this is due to \_\_\_\_\_:

- (a) Law of diminishing returns
- (b) Economics of scale
- (c) Law of variable proportion
- (d) Dis-economics of scale

[CA CPT Nov. 2006]

301. Planning curve is related to which of the following?

- (a) Short run average cost curve
- (b) Long run average cost curve
- (c) Average variable cost
- (d) Average total cost

[CA CPT June 2015]

302. Which of the following is known as Envelope curve?

- (a) Marginal Cost Curve
- (b) Average Fixed Cost Curve
- (c) Long Run Average cost Curve
- (d) Total Fixed Cost Curve

[CA CPT Feb. 2008, Dec. 2011, June 2012]

303. Which of the following statements concerning the long-run average cost curve is false?

- (a) It represents the least-cost input combination for producing each level of output.

- (b) It is derived from a series of short-run average cost curves.
- (c) The short-run cost curve at the minimum point of the long-run average cost curve represents the least-cost plant size for all levels of output.
- (d) As output increases, the amount of capital employed by the firm increases along the curve.

304. The negatively-sloped (i.e. falling) part of the long-run average total cost curve is due to which of the following?

- (a) Diseconomies of scale.
- (b) Diminishing returns.
- (c) The difficulties encountered in coordinating the many activities of a large firm.
- (d) The increase in productivity that results from specialization.

305. A firm's long-run average total cost curve is.

- (a) Identical to its long-run marginal-cost curve as all factors are variable.
- (b) Also its long-run total cost curve because it explains the relationship cost and quantity supplied in the long run.
- (c) In fact the average total cost curve of the optimal plant in the short run as it tries to produce at least cost.
- (d) Tangent to all short-run average total cost the curves and represents the lowest average total cost for producing each level of output.

**Economies and Diseconomies of scale**

306. The positively sloped (rising) part of the long run average cost curve indicates working of the \_\_\_\_\_

- (a) Diseconomies of scale
- (b) Increasing returns to scale
- (c) Constant returns to scale
- (d) Economies of scale

[CA CPT Dec. 2014]

307. External economies accrue due to \_\_\_\_\_:

- (a) Increasing returns to scale
- (b) Increasing returns to factor
- (c) Law of variable proportion
- (d) Low cost

[CA CPT Nov. 2007, May 2018]

308. External Economies arise due to:

- (a) Growth of ancillary industries
- (b) High cost of technologies
- (c) Increase in the price of factors of production
- (d) None of the above

[CA CPT June 2013]

309. External economies can be achieved through:

- (a) Foreign trade only
- (b) Superior managerial skill
- (c) Extension of transport and credit facilities
- (d) External assistance

310. When output increases more than the increase in input, it occurs due to:

- (a) External and internal diseconomies
- (b) External and internal economies
- (c) External diseconomies and internal economies
- (d) External economies and internal diseconomies

[Nov. 2020]

311. External economies can be achieved through

- (a) External assistance
- (b) Development of unskilled labour
- (c) Superior managerial efficiency
- (d) Technological external economies

[Nov. 2020]

312. Economies of scale exist because as a firm increases its size in the long-run:

- (a) Labour and management can specialize in their activities more.
- (b) As a larger input buyer, the firm can get finance at lower cost and purchase inputs at a lower per unit cost.
- (c) The firm can afford to employ more sophisticated technology in production.
- (d) All of these.

313. External Economies of Scale are obtained by:

- (a) A firm
- (b) A group of firm
- (c) Small Production
- (d) Society

[CA CPT Dec. 2008]

314. External economies are enjoyed:

- (a) By large producers only
- (b) As firm expands

- (c) Both (a) and (b)
- (d) None of the above

[CA CPT June 2011]

315. How many kinds are of Economies of scale?

- (a) 5
- (b) 3
- (c) 2
- (d) 1

[Jan. 2021]

**Miscellaneous**

316. Issue requiring decision making in the context of business are:

- (a) How much should be the optimum output at what price should the firm sell?
- (b) How will the product be placed in the market?
- (c) How to combat the risks and uncertainties involved?
- (d) All of the above

[CA CPT Nov. 2018]

317. Long-run price is also called by the name of \_\_\_\_\_.

- (a) Market price
- (b) Normal price
- (c) Administered price
- (d) Wholesale price.

[CA CPT June 2010]

318. Which of the following equation represents profit maximization condition?

- (a)  $MC = MR$
- (b)  $MC > MR$
- (c)  $MC < MR$
- (d) None

[CA CPT Nov. 2018]

319. Large scale production is associated with

- (a) Technical Economies
- (b) Un-managerial economies
- (c) Commercial Economies
- (d) Financial Economies

[Nov. 2019]

320. Which of the following statements is true?

- (a) Accumulation of capital depends solely on income of individuals.
- (b) Savings can be influenced by government policies.
- (c) External economies go with size and internal economies with location.
- (d) The supply curve of labour is an upward slopping curve.

321. Supply curve remaining unchanged, an increase in demand will lead to.

- (a) A fall in price
- (b) A rise in price
- (c) No change in price
- (d) AN increase in supply

[CA CPT June 2010]

322. Marginal Cost changes due to changes in \_\_\_\_\_

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

[Nov. 2019]

323. Price of a commodity is best expressed as

- (a) Exchange value
- (b) Cost of goods sold

- (c) Production cost  
(d) Nominal value

[CA CPT Nov. 2018]

324. A firm will close down in the short period if its average revenue is less than its:

- (a) Average cost  
(b) Average variable cost  
(c) Marginal cost  
(d) Average fixed cost

[CA CPT June 2012]

325. Which of the following statements is incorrect?

- (a) The LAC curve is also called the planning curve of a firm.

(b) Total revenue = price per unit  $\times$  number of units sold.

(c) Opportunity cost is also called alternative cost.

(d) If total revenue is divided by the number of units sold we get marginal revenue.

326. Average Revenue Curve is also known as \_\_\_\_\_

- (a) Profit curve  
(b) Demand curve  
(c) Supply curve  
(d) Average cost curve

[CA CPT June 2010]

**Answer**

1.	(a)	2.	(d)	3.	(a)	4.	(a)	5.	(a)	6.	(b)	7.	(a)
8.	(b)	9.	(d)	10.	(a)	11.	(d)	12.	(a)	13.	(d)	14.	(a)
15.	(d)	16.	(b)	17.	(b)	18.	(a)	19.	(b)	20.	(d)	21.	(b)
22.	(b)	23.	(c)	24.	(c)	25.	(b)	26.	(b)	27.	(d)	28.	(d)
29.	(d)	30.	(a)	31.	(b)	32.	(b)	33.	(d)	34.	(c)	35.	(a)
36.	(d)	37.	(d)	38.	(a)	39.	(a)	40.	(c)	41.	(d)	42.	(d)
43.	(b)	44.	(b)	45.	(a)	46.	(c)	47.	(a)	48.	(b)	49.	(d)
50.	(d)	51.	(a)	52.	(c)	53.	(a)	54.	(a)	55.	(b)	56.	(a)
57.	(a)	58.	(d)	59.	(b)	60.	(c)	61.	(c)	62.	(d)	63.	(d)
64.	(a)	65.	(c)	66.	(d)	67.	(d)	68.	(b)	69.	(c)	70.	(b)
71.	(c)	72.	(a)	73.	(c)	74.	(b)	75.	(a)	76.	(b)	77.	(a)
78.	(a)	79.	(b)	80.	(b)	81.	(a)	82.	(c)	83.	(c)	84.	(c)
85.	(a)	86.	(c)	87.	(b)	88.	(d)	89.	(c)	90.	(b)	91.	(d)
92.	(a)	93.	(b)	94.	(a)	95.	(a)	96.	(a)	97.	(c)	98.	(a)
99.	(c)	100.	(a)	101.	(b)	102.	(a)	103.	(a)	104.	(b)	105.	(c)
106.	(a)	107.	(d)	108.	(a)	109.	(b)	110.	(a)	111.	(c)	112.	(d)
113.	(b)	114.	(a)	115.	(a)	116.	(a)	117.	(a)	118.	(d)	119.	(b)
120.	(b)	121.	(c)	122.	(c)	123.	(c)	124.	(d)	125.	(b)	126.	(c)
127.	(a)	128.	(b)	129.	(c)	130.	(b)	131.	(c)	132.	(a)	133.	(d)
134.	(c)	135.	(d)	136.	(b)	137.	(b)	138.	(d)	139.	(c)	140.	(c)

141.	(c)	142.	(a)	143.	(d)	144.	(b)	145.	(d)	146.	(c)	147.	(b)
148.	(b)	149.	(a)	150.	(b)	151.	(c)	152.	(c)	153.	(b)	154.	(c)
155.	(b)	156.	(a)	157.	(b)	158.	(c)	159.	(a)	160.	(b)	161.	(b)
162.	(d)	163.	(d)	164.	(d)	165.	(a)	166.	(d)	167.	(b)	168.	(c)
169.	(c)	170.	(d)	171.	(b)	172.	(d)	173.	(d)	174.	(a)	175.	(a)
176.	(b)	177.	(d)	178.	(a)	179.	(b)	180.	(a)	181.	(d)	182.	(b)
183.	(c)	184.	(b)	185.	(c)	186.	(b)	187.	(d)	188.	(a)	189.	(c)
190.	(a)	191.	(a)	192.	(d)	193.	(a)	194.	(d)	195.	(a)	196.	(b)
197.	(b)	198.	(b)	199.	(b)	200.	(c)	201.	(c)	202.	(b)	203.	(d)
204.	(c)	205.	(b)	206.	(a)	207.	(d)	208.	(d)	209.	(b)	210.	(a)
211.	(d)	212.	(d)	213.	(b)	214.	(b)	215.	(a)	216.	(b)	217.	(a)
218.	(b)	219.	(a)	220.	(d)	221.	(d)	222.	(c)	223.	(c)	224.	(d)
225.	(b)	226.	(b)	227.	(c)	228.	(a)	229.	(d)	230.	(d)	231.	(d)
232.	(a)	233.	(b)	234.	(d)	235.	(c)	236.	(c)	237.	(b)	238.	(c)
239.	(c)	240.	(d)	241.	(a)	242.	(c)	243.	(d)	244.	(d)	245.	(d)
246.	(a)	247.	(c)	248.	(a)	249.	(b)	250.	(d)	251.	(a)	252.	(c)
253.	(b)	254.	(a)	255.	(b)	256.	(a)	257.	(a)	258.	(a)	259.	(a)
260.	(d)	261.	(a)	262.	(d)	263.	(c)	264.	(a)	265.	(c)	266.	(a)
267.	(c)	268.	(c)	269.	(d)	270.	(a)	271.	(d)	272.	(d)	273.	(a)
274.	(a)	275.	(d)	276.	(d)	277.	(b)	278.	(c)	279.	(a)	280.	(c)
281.	(c)	282.	(a)	283.	(a)	284.	(d)	285.	(c)	286.	(c)	287.	(a)
288.	(d)	289.	(b)	290.	(b)	291.	(d)	292.	(b)	293.	(a)	294.	(c)
295.	(b)	296.	(d)	297.	(b)	298.	(b)	299.	(c)	300.	(b)	301.	(b)
302.	(c)	303.	(c)	304.	(d)	305.	(d)	306.	(a)	307.	(a)	308.	(a)
309.	(c)	310.	(b)	311.	(d)	312.	(d)	313.	(b)	314.	(c)	315.	(c)
316.	(d)	317.	(b)	318.	(a)	319.	(a)	320.	(b)	321.	(b)	322.	(a)
323.	(a)	324.	(b)	325.	(d)	326.	(b)						

**Hints of selected questions**

1. In Economics, the word "Production" is used in a wider sense to denote the process by which man utilizes resources such as men, material, capital, time, etc., working upon them to transform them into commodities and services so as to make them satisfy human wants.

Ans. : (a)

2. Production does not include work done within a household by anyone out of love and affection, voluntary services and goods produced for self-Consumption.

Ans. : (d)

3.42

THEORY OF PRODUCTION AND COST

5. Production is any economic activity which converts inputs into outputs which are capable of satisfying human wants.

Ans. : (a)

12. Factors of production refer to inputs. An input is a goods or service which a firm buys for use in its production process.

Ans. : (a)

72. Paul H. Douglas and C.W. Cobb of the U.S.A. studied the production function of the American manufacturing industries.

Ans. : (a)

76. For Cobb-Douglas production function,  $Q = KL^aC^b$

If $a + b > 1$	Increasing Returns to Scale
If $a + b = 1$	Constant Returns to Scale
If $a + b < 1$	Decreasing Returns to Scale

Ans. : (b)

77. As per Cobb-Douglas production function, labour contributed about 3/4th and Capital about 1/4th of the increase in the manufacturing production.

Ans. : (a)

78. Refer Q. 67

Ans. : (a)

79. Paul H. Douglas and C.W. Cobb of the U.S.A. studied the production function of the American manufacturing industries. The conclusion drawn from this famous statistical study is that labour contributed about 3/4th and capital about 1/4th of the increase in the manufacturing production.

Ans. : (b)

80. When only 1 unit of labour is employed, the total output is 350 units. The 2nd unit of labour is contributing 230 additional units. Therefore,

$$TP_n = TP_{n-1} + MP_n$$

$$TP_2 = TP_1 + MP_2 = 350 + 230 = 580 \text{ Units.}$$

Ans. : (b)

$$83. TP_n = TP_{n-1} + MP_n$$

$$TP_2 = TP_1 + MP_2$$

$$= 100 + 80$$

$$= 180 \text{ Units}$$

Ans. : (c)

THEORY OF PRODUCTION AND COST

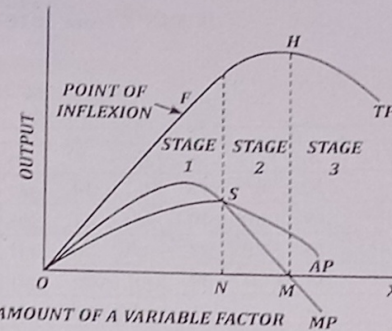
3.43

83

Variable Input	Total Product	Marginal Product
0	-	-
1	200	200
2	350	150
3	450	100
4	500	50
$MP_3 = TP_3 - TP_2 = 450 - 350 =$		100 Units.

Ans. : (b)

89.



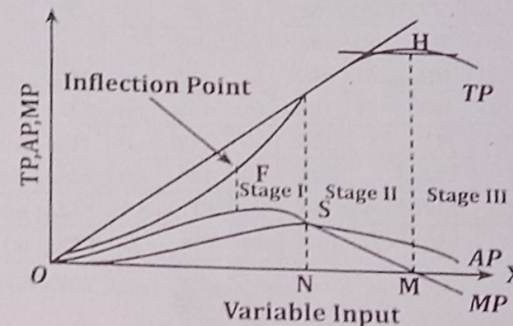
Law of Variable Proportions

Ans. : (c)

$$91. MP_3 = TP_3 - TP_2 = 350 - 200 = 150 \text{ Units}$$

Ans. : (d)

92. When average product falls, marginal product is less than the average product.



Ans. : (a)

93.

No. of workers	Total Output	Marginal Output
0	-	-
1	23	23
3	50	10

There is diminishing marginal product of labour

Ans. : (b)

95. Marginal product is the change in total product per unit change in the quantity of variable factor. In fact, it is the addition made to the total production by an additional unit of input.

$$MP_n = TP_n - TP_{n-1}$$

Ans. : (a)

100. Refer Q. 85

Ans. : (a)

102. Refer Q. 85

Ans. : (a)

104. Marginal product is the change in total product per unit change in the quantity of variable factor. In other words, it is the addition made to the total production by an additional unit of input. Symbolically,

$$MP_n = TP_n - TP_{n-1}$$

Ans. : (b)

120. Refer Q. 85

Ans. : (b)

140. Constant returns to scale means with the increase in the scale in some proportion, output increases in the same proportion. Constant returns to Scale is also called as "Linear Homogenous Production function".

Ans. : (c)

141. The decreasing returns to scale are said to prevail when output increases in a smaller proportion with an increase in all inputs.

Ans. : (c)

142. Refer Q. 73

Ans. : (a)

157. Total cost = Explicit Cost + Implicit Cost + Normal Profit

$$1,25,000 = \text{Explicit Cost} + 35,000 + 25,000$$

$$\text{Explicit Cost} = ₹ 65,000$$

Ans. : (b)

204. The total Cost is composed of two major elements namely, total Fixed Cost and the total Variable Cost. Symbolically,

$$TC = TFC + TVC$$

$$\text{Or } TFC = TC - TVC$$

Ans. : (c)

205. Long run is the period of time during which the firm can vary all of its inputs. Hence, all factors are variable in the long run.

Ans. : (b)

212.

$$\text{Total Fixed Cost} = 10 \text{ units @ ₹ 5} = ₹ 50$$

$$\text{Total Variable Cost} = 10 \text{ units @ ₹ 30} = ₹ 300$$

$$\text{Total Cost} = \text{Total Fixed Cost} + \text{Total Variable Cost}$$

$$= ₹ 50 + ₹ 300 = ₹ 350$$

Ans. : (d)

213.

$$\text{Total Fixed Cost} = ₹ 5,000$$

$$\text{Total Valuable Cost} = 20 \text{ units @ ₹ 2} = ₹ 40$$

$$\text{Total Cost} = \text{Total Fixed Cost} + \text{Total Variable Cost}$$

$$= ₹ 5,000 + ₹ 40 = ₹ 5,040$$

Ans. : (b)

$$215. \text{ Marginal Cost} = \frac{\text{Change in Total Cost}}{\text{Change in Total Quantity}}$$

Let us assume that the total cost of producing 4 units is ₹ x

$$30 = \frac{X - 80}{4 - 2}$$

$$30 = \frac{X - 80}{2}$$

$$X - 80 = 60$$

$$X = 60 + 80 = ₹ 140$$

Ans. : (a)

216. At zero output, Total Cost is ₹ 200. It implies that Fixed Cost is ₹ 200.

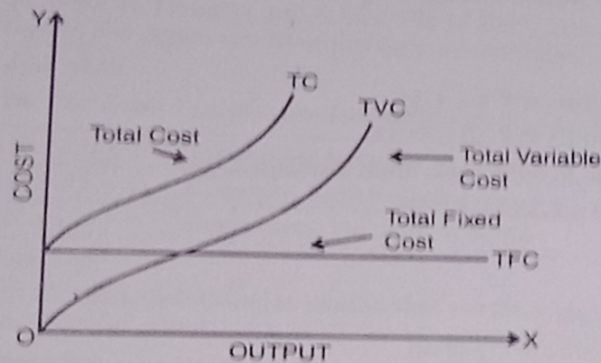
$$\text{Total Cost (10 units)} = ₹ 400$$

$$\text{Total Valuable Cost (10 units)} = ₹ 200$$

$$\begin{aligned} \text{Variable Cost per Unit} &= \frac{\text{₹ } 200}{10} = \text{₹ } 20 \text{ per unit} \\ \text{Total Cost} &= \text{Fixed Cost} + \text{Variable Cost (4 Units)} \\ &= \text{₹ } 200 + (4 @ \text{₹ } 20) = \text{₹ } 280 \end{aligned}$$

Ans. : (b)

222.



Short run Total Cost Curves

The total cost curve is obtained by adding vertically the total Fixed Cost (TFC) Curve and the total Variable Cost (TVC) Curve. The slopes of TC and TVC are the same at every level of output and at each point; the two curves have vertical distance equal to total fixed cost.

Ans. : (c)

$$224. \text{ Variable Cost Per unit} = \frac{\text{Change in Total Cost}}{\text{Change in Units}} = \frac{35-20}{1-0} = \text{₹ } 15$$

$$\text{Total Valuable Cost (2 units)} = 2 \text{ units} @ \text{₹ } 15 = \text{₹ } 30$$

Ans. : (d)

$$226. \text{ TC}_9 = \text{ATC}_9 \times 9 \text{ units} = 200 \times 9 = \text{₹ } 1800$$

$$\text{FC} = \text{₹ } 630$$

$$\text{TVC}_9 = 1800 - 630 = \text{₹ } 1,170$$

$$\text{AVC}_9 = \frac{1,170}{9} = \text{₹ } 130$$

Ans. : (b)

229. Average Fixed Cost

$$= \text{Total Fixed Cost/No. of units}$$

$$= \text{₹ } 350/7$$

$$= \text{₹ } 50$$

Average Total Cost

Given at ₹ 150

Average Variable Cost

= Average Fixed Cost

- Average Total Cost

$$= 150 - 50 = \text{₹ } 100$$

Ans. : (d)

$$234. \text{ FC} = \text{₹ } 20$$

$$\text{TVC}_4 = \text{TC}_4 - \text{FC} = \text{₹ } 40 - \text{₹ } 20 = \text{₹ } 20$$

Ans. : (d)

$$253. \text{ AFC} = \frac{\text{TFC}}{\text{No. of Units}}$$

$$\text{TFC} = \text{AFC} \times \text{No. of Units} = \text{₹ } 20 \times 6 = \text{₹ } 120$$

$$\text{AFC}_4 = \frac{\text{TFC}}{4} = \frac{120}{4} = \text{₹ } 30$$

Ans. : (b)

$$254. \text{ TFC} = \text{AFC} \times \text{No. of Units} = \text{₹ } 40 \times 12 = \text{₹ } 480$$

$$\text{AFC}_8 = \frac{\text{TFC}}{8} = \frac{\text{₹ } 480}{8} = \text{₹ } 60$$

Ans. : (a)

$$\begin{aligned} 255. \text{ TFC} &= \text{AFC} \times \text{No. of Units} \\ &= \text{₹ } 200 \times 10 = \text{₹ } 2,000 \end{aligned}$$

$$\text{AFC}_{20} = \frac{\text{TFC}}{20} = \frac{\text{₹ } 2,000}{20} = \text{₹ } 100$$

Ans. : (b)

$$257. \text{ AFC}_{100} = \frac{\text{TFC}}{100} = \frac{\text{₹ } 1,000}{100} = \text{₹ } 10$$

Ans. : (a)

$$258. \text{ TFC} = \text{₹ } 20 \times 10 = \text{₹ } 200$$

$$\text{AFC}_{20} = \frac{200}{20} = \text{₹ } 10$$

Ans. : (a)

$$259. \text{ TFC} = \text{₹ } 15$$

$$\text{AFC}_3 = \frac{\text{TFC}}{3} = \frac{15}{3} = \text{₹ } 5$$

Ans. : (a)



280. Variable Cost per unit = ₹ 2,000 / 5 = ₹ 400  
 Fixed Cost = ₹ 800  
 Total Cost of producing 5 units of output = ₹ 400 × 5 + ₹ 800 = ₹ 2,800  
 Average Total Cost (5 units) = ₹ 2,800 / 5 = ₹ 560  
 Ans. (d)  
 281. ATC<sub>1</sub> = ₹ 250  
 ATC<sub>2</sub> = ₹ 125  
 AVC<sub>2</sub> = ₹ 125  
 Ans. (d)

278. ATC<sub>1</sub> = ₹ 100  
 FC = ₹ 400  
 TC<sub>1</sub> = FC + TVC<sub>1</sub>  
 = ₹ 400 + 100  
 = ₹ 500  
 ATC<sub>1</sub> =  $\frac{TC_1}{Q_1} = \frac{500}{5} = ₹ 100$   
 Ans. (d)  
 279. ATC<sub>1</sub> = ₹ 150  
 ATC<sub>2</sub> =  $\frac{TC_2}{Q_2} = ₹ 50$   
 AVC<sub>2</sub> = 150 - 50 = ₹ 100  
 Ans. (d)

280. Marginal Cost per unit =  $\frac{\text{Change in Total Cost}}{\text{Change in units}} = \frac{400 - 50}{5 - 1} = ₹ 90$   
 Ans. (c)

281. MC<sub>1</sub> = TC<sub>1</sub> - TC<sub>2</sub>  
 = 650 - 610  
 = ₹ 40  
 Ans. (c)

282. TC<sub>1</sub> = 50 - 40 = ₹ 90  
 TC<sub>2</sub> = 50 - 160 = ₹ 210  
 MC =  $\frac{\Delta TC (\text{Change in Total Cost})}{\Delta Q (\text{Change in Quantity})}$   
 =  $\frac{210 - 90}{3 - 1}$   
 =  $\frac{120}{2} = ₹ 60$   
 Ans. (d)

285. MC<sub>1</sub> = TC<sub>1</sub> - TC<sub>2</sub>  
 = ₹ 640 - ₹ 600  
 = ₹ 40  
 Ans. (c)

286. Fixed Cost = ₹ 360

3.50

THEORY OF PRODUCTION AND COST

AFC (3 Units) = ₹ 360/3 = 120

Ans. : (c)

287.  $MC_5 = TC_5 - TC_4 = 915 - 810 = 105$

Ans. : (a)

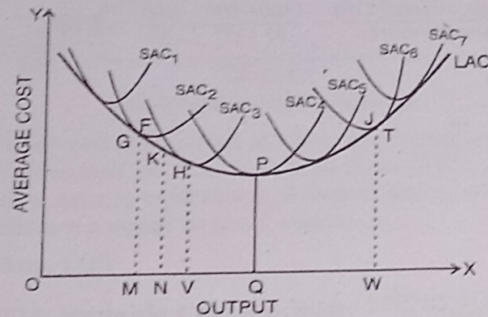
289.  $MC = \frac{\Delta TC}{\Delta Q} = \frac{600 - 200}{20 - 10} = \frac{400}{10}$

Ans. : (b)

290.  $MC = \frac{\Delta TC}{\Delta Q} = \frac{800 - 400}{20 - 10}$   
 $= \frac{₹ 400}{10} = ₹ 40$

Ans. : (b)

302.



Long-run Average Cost Curves

Ans. : (c)

315. Economies arising out of large-scale production can be grouped into two categories; viz., internal economies and external economies.

Ans. : (c)

# 4

## CHAPTER

### PRICE DETERMINATION IN DIFFERENT MARKETS

#### UNIT 1: MEANING & TYPES OF MARKETS

##### Meaning of Market

1. In Economics, the term 'market' refers to a:

- (a) place where buyer and seller bargain a product or service for a price.
- (b) place where buyer does not bargain
- (c) place where seller does not bargain
- (d) none of the above

2. Which one is not a part of the elements of a market?

- (a) Buyers and sellers
- (b) A product or service
- (c) Bargaining for a price
- (d) Volume of business

[Jan. 2021]

3. A market is a network of dealings between which of the following?

- (a) Dealers and wholesalers
- (b) Buyers and sellers
- (c) Owners and channel partners
- (d) Sales man and competitors

[June 2022]

4. Which of the following is not an element of a market?

- (a) Knowledge about market condition
- (b) No bargaining for a price
- (c) A product or service
- (d) Buyers and seller

[July 2021]

5. Which of the following is not the element of markets?

- (a) A product/service
- (b) Bargaining of price
- (c) Knowledge about market conditions
- (d) Advertisement (or) brand awareness

6. Which one of the following is not element of market?

- (a) buyer
- (b) service
- (c) firm
- (d) bargaining for price

[June 2023]

7. Market consists of:

- (a) Buyer and Seller
- (b) One price for one product at a given time

(c) Both (a) and (b)

(d) None [CA CPT May 2019]

**Classification of Market****8. The Price Elasticity of demand of a firm in Pure Competition is :**

(a) Infinite

(b) Finite

(c) Large

(d) Small

**9. On the basis of nature of transaction, a market may be classified into:**

(a) Wholesale and retail market

(b) Cash and forward rate

(c) National and international market

(d) Regulated and unregulated market

[Nov. 2020]

**10. When commodities are sold in small quantities are called as which of the following?**

(a) Wholesale market

(b) Regulated market

(c) Spot market

(d) Retail market

**11. For market the essential condition is:**

(a) A particular geographical place

(b) Control of the government

(c) Close contact between buyers and sellers

(d) None of these

**12. Who conceived the 'time element' in markets?**

(a) Alfred Marshall

(b) Adam Smith

(c) Robert Malthus

(d) Schumpeter

**13. On the basis of nature of transaction, a market can be classified into which of the following?**

(a) Cash and forward market

(b) National and international market

(c) Organized and unorganized market

(d) Retail and wholesale market

[June 2023]

**14. \_\_\_\_\_ conceived the "Time" element in markets and on the basis of this markets are classified into very short period, Short-Period, Long-Period & Very Long period.**

(a) Alfred Marshall

(b) Schumpeter

(c) Adam Smith

(d) Paul Samuelson

**15. On the basis of nature of transactions, a market may be classified into:**

(a) Spot market and future market

(b) Regulated market and unregulated market

(c) Wholesale market and retail market

(d) Local market and national market. [CA CPT June 2017]

**16. Secular period is also known as:**

(a) Very short period

(b) Short period

(c) Very long period

(d) Long period

[Jan. 2021]

**17. Very short period market is suitable for which of the following products?**

(a) Gold and silver

(b) Vegetable and fruits

(c) Bricks and sand

(d) Supply of capital

[June 2022]

**18. On the basis of nature of transactions, market can be classified a**

(a) Wholesale market and retail market

(b) Future market and spot market

(c) Regulated market and unregulated market

(d) Money market and Future market

[July 2021]

**19. Example of a commodity said to have an International Market is?**

(a) Perishable Goods.

(b) High Value and Small Bulk Commodities.

(c) Product whose trading is restricted by government.

(d) Bulky Articles.

**20. Stock exchange market is an example of:**

(a) Unregulated market

(b) Regulated market

(c) Spot market

(d) None of the above

**21. The market for ultimate consumer is known as:**

(a) Wholesale market

(b) Regulated market

(c) Unregulated market

(d) Retail market

[CA CPT Dec. 2016]

**22. The \_\_\_\_\_ is the market where the commodities are bought and sold****in bulk or large quantities. Transactions generally take place between trades.**

(a) Wholesale market

(b) Regulated market

(c) Local market

(d) Retail market

[July 2021]

**23. \_\_\_\_\_ are those markets in which firm buy the resources they need (Land, Labour, Capital and entrepreneurship) to produce goods and services.**

(a) Regular Markets

(b) Producer's Markets

(c) Product Markets

(d) Factor Markets

**24. A market where goods are exchanged for money payable either immediately or within short span of time is :**

(a) Forwarded market

(b) Regulate market

(c) Wholesale market

(d) Spot market

[Nov. 2020]

**25. When the commodities are sold in small quantities, it is called as:**

(a) Retail Market

(b) Wholesale Market

(c) Small Market

(d) Local Market

**26. Stock exchange is example of:**

(a) Regulated Market

(b) Spot Market

(c) Forward Market

(d) Retail Market

**27. Generally, perishable goods like butter, eggs, milk, vegetables etc., will have.**

- (a) regional market  
(b) local market  
(c) national market  
(d) none of the above

28. \_\_\_\_\_ implies that the time available is adequate for altering the supplies by altering even the fixed factors of production.

- (a) Very Short Period  
(b) Short Period  
(c) Long Period  
(d) Secular Period

29. A market where there is no restrictions on the transactions is called as:

- (a) Regulated market  
(b) Unregulated market  
(c) Spot market  
(d) Future market

[Nov. 2019]

30. The classification of market on the basis of Area does not include \_\_\_\_\_.

- (a) Local Market  
(b) Regional Market  
(c) Spot Market  
(d) National Market

31. Monopsony means:

- (a) Where there are large firms  
(b) There is a single buyer  
(c) Small number of large buyers  
(d) Single seller and single buyer

[CA CPT May 2019]

32. Which of the following Competition is characterized by many sellers, who are selling identical products to many buyers?

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

33. In \_\_\_\_\_, there are few sellers who are selling competing products to many buyers.

- (a) Monopoly  
(b) Perfect Competition  
(c) Oligopoly  
(d) None of these

34. The degree of control is very considerable in case of:

- (a) Monopoly  
(b) Perfect Competition  
(c) Oligopoly  
(d) None of these

### Concepts of TR, AR & MR

35. Average Revenue is also known as:

- (a) Price  
(b) Income  
(c) Revenue  
(d) None of the above

36. Average revenue curve is also known as:

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

37. Total revenue curve is:

- (a) Positively Sloped  
(b) Negatively Sloped  
(c) Downward Sloped  
(d) Vertical to X axis

[Jan. 2021]

38. Average revenue curve also called as:

- (a) Firm's demand curve  
(b) Total revenue Curve  
(c) Marginal revenue curve  
(d) Quantity curve

[CA CPT May 2019]

39. Another name of average revenue curve is \_\_\_\_\_.

- (a) Production possibility curve  
(b) Demand curve  
(c) Supply curve  
(d) Indifference curve

[June 2025]

40. Average revenue is the revenue earned:

- (a) Per unit of input  
(b) Per unit of output  
(c) Different units of input  
(d) Different units of output

41. Average Revenue can be symbolically written as:

- (a)  $MR/Q$   
(b) Price  $\times$  quantity  
(c)  $TR/Q$   
(d) None of the above

42. Total profits are maximized when:

- (a) TR equals TC  
(b) The TR curve and the TC curve are parallel  
(c) TC exceeds TR  
(d) TR exceeds TC

43. When price is ₹ 20, Quantity demanded is 10 units and price is decreased by 5% then quantity demand increased by 10% then Marginal revenue is \_\_\_\_\_.

44. If a seller obtains ₹ 6,000 after selling 50 units and ₹ 6,204 after selling 55 units, then marginal revenue will be:

- (a) 68  
(b) 108  
(c) 120  
(d) 204

[Nov. 2020]

45. Average revenue is equal to:

- (a) The change in Price due to a one unit change in output.  
(b) Nothing but price of one unit of output.  
(c) The change in quantity divided by change in price.  
(d) Graphically it denotes the firm's supply curve.

46. If a seller obtains ₹ 3,000 after selling 50 units and ₹ 3,100 after selling 52 units, then marginal revenue will be:

- (a) ₹ 59.62  
(b) ₹ 50.00  
(c) ₹ 60.00  
(d) ₹ 59.80

[CA CPT Dec. 2013]

47. Assume that when price is ₹ 40, the quantity demanded is 15 units and when price is ₹ 38, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units:

- (a) 36  
(b) 32  
(c) 24  
(d) 18

[Nov. 2019]

48. Marginal revenue can be defined as the change in total revenue resulting from the:

- (a) Purchase of an additional unit of a commodity.  
(b) Sales of an additional unit of a commodity.  
(c) Sale of subsequent units of a product.  
(d) None of the above.

49. Suppose a seller realises ₹ 100 by selling 10th unit of commodity and ₹ 120 by selling 11th unit. What is the MR of 11th Unit?

- (a) 100  
(b) 120  
(c) 20  
(d) 10

[June 2023]

50. MR of  $n$ th unit is given by :

- (a)  $TR_n - TR_{n-1}$   
(b)  $TR_n + TR_{n-1}$   
(c)  $TR_n - TR_{n-2}$   
(d) All of these

[JCA CPT Feb. 2018]

51. When a firm produces 7 units of production and the TR is ₹ 42 after raising the production to 8 units TR reached ₹ 46 marginal revenue will be:

- (a) ₹ 5  
(b) ₹ 6

- (c) ₹ 4  
(d) ₹ 8

[Nov. 2020]

52. Total revenue curve initially increases at a diminishing rate due:

- (a) Diminishing average revenue curve  
(b) Diminishing marginal revenue curve  
(c) Diminishing average fixed revenue curve  
(d) Diminishing costs curve

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

- (a) ₹ 20  
(b) ₹ 19  
(c) ₹ 10  
(d) ₹ 1

54. Another name of demand curve is:

- (a) MR curve (b) AR curve  
(c) TR curve (d) MC curve

[June 2022]

55. Marginal revenue curve slopes \_\_\_\_\_ and marginal cost curve slopes \_\_\_\_\_.

- (a) Downwards, upwards  
(b) Downwards, downwards  
(c) Upwards, upwards  
(d) Downwards, no change

[Dec. 2021]

55. Answer the following questions:

Units	0	1	2	3	4	5	6
Total Revenue	100	180	250	310	360	400	430

Find the marginal revenue at 5th unit is:

- (a) 40  
(b) 45  
(c) 55  
(d) 60

[Nov. 2020]

57. Assume that at price ₹ 100 per unit, the quantity demanded is 900 units. When price falls to ₹ 90 the quantity demanded increases to 100 units. Compute the marginal revenue.

- (a) ₹ 0  
(b) ₹ 10  
(c) ₹ 90  
(d) ₹ 100

[June 2022]

58. A seller realises ₹ 25,000 after selling 15 units and he realises ₹ 35,000 after selling 25 units, what is the marginal revenue here?

- (a) ₹ 2,500  
(b) ₹ 100  
(c) ₹ 1,000  
(d) ₹ 3,500

[July 2021]

59. The quantity demanded of pens increases from 15 to 20, if there is 25% decrease in the price. If the price initially is ₹ 20/- per pen then, what is the marginal revenue resulting from an increase in the quantity demanded of pens from 15 to 20?

- (a) 15  
(b) 20  
(c) 0  
(d) 5

[Dec. 2021]

60. Assume that when price is ₹ 18, the quantity demanded is 5 units

and when price is ₹ 12 the quantity demanded is 4 units. Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units.

- (a) ₹ 5  
(b) ₹ 4  
(c) ₹ 2  
(d) ₹ 3

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

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

62. Total revenue =

- (a) Price × quantity  
(b) Price × income  
(c) Income × quantity  
(d) None of the above

63. When ABC Ltd. sells 130 units @ 50 P.U., then total revenue will be:

- (a) 6,000  
(b) 6,500  
(c) 12,050  
(d) 18,550

[Nov. 2020]

64. Which of the following statement is not correct?

- (a) Marginal revenue is the revenue of an additional unit sold of a commodity  
(b) Total revenue is obtained by multiplying the total number of units sold with the price per unit of a commodity

- (c) Average revenue is the revenue earned per unit of an output  
(d) Total revenue is the sum total of average revenue

[June 2022]

65. The amount realized by the firm by selling certain units of commodity is called as :

- (a) Average Revenue  
(b) Cost of Operations  
(c) Total Revenue  
(d) Marginal Revenue

66. ABC Ltd. realizes total revenue of ₹ 6,000 by the sale of 120 units and ₹ 6050 by the sale of 121 units. What is the average revenue when ABC Ltd. sells 121 units

- (a) 50  
(b) 100  
(c) 6,000  
(d) 6,050

[Nov. 2020]

### Relationship of AR, MR, TR & Elasticity of DD

67. When TR is at its peak then MR is equal to:

- (a) Zero  
(b) Positive  
(c) Negative  
(d) None of the above

[CA CPT May 2019, Jan. 2021]

68. When the price of a commodity is ₹ 20, the quantity demanded is 9 units and when its price is ₹ 19, the Quantity demanded is 10 units. Based on this information what will be the marginal revenue resulting from an increase in output from 9 units to 10 units?

- (a) ₹ 20  
(b) ₹ 19  
(c) ₹ 10  
(d) ₹ 01

[CA CPT Dec. 2014]

69. Which one of the following expressions is correct for Marginal Revenue?

- (a)  $MR = AR \left( \frac{1-e}{e} \right)$   
(b)  $MR = TR_n - TR_{n-1}$   
(c)  $MR = \frac{\Delta TR}{\Delta Q}$   
(d)  $MR = \frac{TR}{Q}$

[CA CPT June 2016]

70. Given the relation  $MR = P \left( 1 - \frac{1}{e} \right)$ ,

if  $e < 1$ , then:

- (a)  $MR < 0$   
(b)  $MR > 0$   
(c)  $MR = 0$   
(d) None of these

[CA CPT June 2011]

71. Given the relation  $MR = P \left( 1 - \frac{1}{e} \right)$ ,

if  $e > 1$ , then:

- (a)  $MR > 0$   
(b)  $MR < 0$   
(c)  $MR = 0$   
(d) None

[CA CPT Feb. 2007]

72. When Total Revenue (TR) is at the peak Marginal Revenue is equal to:

- (a) Zero  
(b) Positive  
(c) Negative  
(d) More than one

[Nov. 2019]

73. As a price of ₹ 20 the quantity demanded is 10 units. With 5% decrease in price the demand increases by 10%. The marginal revenue for the 11th unit will be:

- (a) ₹ 20  
(b) ₹ 12  
(c) ₹ 9  
(d) ₹ 11

[Nov. 2019]

74. Which of the following is correct?

- (a)  $MR = AR (e-1)/e$   
(b)  $MR = AR (e + 1)/e$   
(c)  $MR = AR (1-e)/e$   
(d) None of the above

[CA CPT Nov. 2018]

75. When  $e = 1$  then MR is:

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

76. When  $e < 1$  then MR is:

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

77. When  $e > 1$  then MR is:

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

78. Demand for a product is unitary elastic then:

- (a)  $MR = 0$   
(b)  $MR > 0$   
(c)  $MR < 0$

(d) None of the above

[CA CPT May 2019]

79. If there is change in both demand & supply but the change in demand is less than the change in supply, then what is the influence on price.

- (a) No change  
(b) Increase  
(c) Decrease

(d) Uncertain change

80. Given,  $AR = 5$  and Elasticity of demand = 2 Find MR.

- (a) + 2.5  
(b) - 2.5  
(c) + 1.5  
(d) + 2.0

[CA CPT June 2013, Jan. 2021]

81. What should firm do when Marginal revenue is greater than marginal cost?

- (a) Firm should expand output  
(b) Effect should be made to make them equal  
(c) Prices should be covered down  
(d) All of these

[CA CPT May 2007]

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

- (a) The firm should do nothing.  
(b) The firm should hire less labour.

- (c) The firm should increase price.  
 (d) The firm should increase output.

83. In a Straight line demand Curve, the price elasticity at the middle point is equal to \_\_\_\_\_.

- (a) 0  
 (b) 1  
 (c) > 1  
 (d) < 1

84. Which one of the following is Correct?

- (a)  $MR = AR \times \frac{e-1}{e}$   
 (b)  $MR_2 = AR_2 \times \frac{e-1}{e}$   
 (c)  $MR = AR \times \frac{e}{e-1}$   
 (d)  $MR = AR \times \frac{(e-1)^2}{e}$

85. Marginal revenue will be positive where price elasticity of demand is :

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

[July 2021]

86. The Marginal Revenue corresponding to the middle point of the demand curve (or AR Curve) will be:

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

87. Total revenue curve initially increases at a diminishing rate due to :

- (a) Diminishing average revenue curve.

- (b) Diminishing marginal revenue curve.  
 (c) Diminishing average fixed revenue curve.  
 (d) Diminishing cost curve.

[Jan. 2021]

### Behavioural Policies

88. According to Behavioural Principles:

- (a) A firm should not produce at all if its total variable costs are not met.  
 (b) A firm will be making maximum profits by expending output to the level where marginal revenue is equal to marginal cost.  
 (c) Both (a) and (b)  
 (d) None of these

[CA CPT May 2019]

89. Time element was conceived by:

- (a) Adam Smith  
 (b) Alfred Marshall  
 (c) Pigou  
 (d) Lionel Robinson

90. In very short period market:

- (a) Supply changes but demand remains same  
 (b) Supply changes but price remains same  
 (c) Supply remains fixed  
 (d) Supply and demand both changes

[CA CPT May 2018]

91. In the long run:

- (a) Only demand can change  
 (b) Only supply can change  
 (c) Both demand and supply can change  
 (d) None of these

[CA CPT Feb. 2008]

92. A Firm should \_\_\_\_\_ if the total revenue from its product does not \_\_\_\_\_ its total valuable cost.

- (a) Produce, equal  
 (b) Produce at all, equal or exceed  
 (c) Not Produce, equal  
 (d) Not Produce, equal or exceed

93. As per Behavioural Principles, It will be profitable for the firm to expand output whenever Marginal \_\_\_\_\_ is \_\_\_\_\_ than Marginal \_\_\_\_\_.

- (a) Cost, greater, Revenue  
 (b) Revenue, greater, Cost  
 (c) Revenue, less, cost  
 (d) None of the above

94. As per Behavioural Principle, which one of following Statement is Correct?

- (a) If any unit of production adds more to revenue than to Cost, that cost, that unit will increase Profits.  
 (b) If any unit of production adds more to Cost, than to revenue, it will decrease profits.  
 (c) Profits will be maximum of the point where additional revenue from a unit equals to its additional cost.  
 (d) All of the above.

## UNIT 2: DETERMINATION OF PRICES

### Determination of Prices - A General View

95. In the table below what will be equilibrium market price?

Price (₹)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	1,000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1,000
8	300	1,100

- (a) ₹ 2  
 (b) ₹ 3  
 (c) ₹ 4  
 (d) ₹ 5

96. Equilibrium price for an industry in perfect competition is fixed through:

- (a) Input and output  
 (b) Market demand and market supply  
 (c) Market demand and firms supply  
 (d) None of the above

[CA CPT May 2018]

97. Equilibrium price may be determined through:

- (a) Only demand  
 (b) Only supply  
 (c) Both demand & supply  
 (d) None

[CA CPT May 2007]

98. When Marginal Revenue is Equal to Marginal cost then \_\_\_\_\_?

- (a) Minimum loss  
 (b) Maximum profit

(c) Minimum profit

(d) Maximum loss

99. The equilibrium quantity increases but the change in equilibrium price is uncertain, when:

(a) Both demand and supply decrease.

(b) Demand increases and supply decreases.

(c) Both supply and demand increase.

(d) Demand increases and supply increases.

[July 2021]

100. From the following table, what will be equilibrium market price?

Price (in ₹)	Demand (Tonnes per annum)	Supply (Tonnes per annum)
1	500	200
2	450	250
3	400	300
4	350	350
5	300	400
6	250	450
7	200	500
8	150	550

(a) ₹ 2

(b) ₹ 3

(c) ₹ 4

(d) ₹ 5

[CA CPT Nov. 2016]

101. The equilibrium is restored automatically through:

(a) The fundamental working of the market.

(b) Price movements eliminate shortage or Surplus.

(c) Both (a) and (b)

(d) None of these.

102. \_\_\_\_\_ is the price at which demand for a commodity is equal to its supply:

(a) Normal Price

(b) Equilibrium Price

(c) Short run Price

(d) Secular Price

[CA CPT June 2008]

### Changes in Demand & Supply

103. When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?

(a) Increases

(b) Decreases

(c) Remains Constant

(d) None of the above

[CA CPT May 2019]

104. With a given supply curve, a decrease in demand causes:

(a) An overall decrease in price but an increase in equilibrium quantity.

(b) An overall increase in price but a decrease in equilibrium quantity.

(c) An overall decrease in price and a decrease in equilibrium quantity.

(d) No change in overall price but a reduction in equilibrium quantity.

105. If supply decreases and demand remains constant, then equilibrium price will be:

(a) Increases

(b) Decreases

(c) No change

(d) Become Negative

[CA CPT Nov. 2018]

106. Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be:

(a) An increase in equilibrium price and quantity.

(b) A decrease in equilibrium price and quantity.

(c) An increase in equilibrium quantity and uncertain effect on equilibrium price.

(d) A decrease in equilibrium price and increase in equilibrium quantity.

107. An increase in supply with demand remaining the same, brings about.

(a) An increase in equilibrium quantity and decrease in equilibrium price.

(b) An increase in equilibrium price and decrease in equilibrium quantity.

(c) Decrease in both equilibrium price and quantity.

(d) None of these.

[CA CPT June 2010]

108. An increase in supply with unchanged demand leads to:

(a) Rise in price and fall in quantity

(b) Fall in both price and quantity

(c) Rise in both price and quantity

(d) Fall in price and rise in quantity

[CA CPT Nov. 2007]

109. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following

will happen to equilibrium price and equilibrium quantity?

(a) Price will increase; quantity cannot be determined.

(b) Price will decrease; quantity cannot be determined.

(c) Quantity will increase; price cannot be determined.

(d) Quantity will decrease; price cannot be determined.

110. Which of the following may lead to changes in demand and Supply?

(a) Income and population

(b) Tastes and Preferences

(c) Technology &amp; Prices of Factors of Production

(d) All of the above.

111. Changes in Demand & Supply may be due to:

(a) Increase in Price

(b) Decrease in Price

(c) Change in determinants of Demand &amp; other

(d) None of the above.

112. If price is forced to stay below equilibrium price then consequently it can be said that:

(a) Excess supply exists

(b) Excess demand exists

(c) Either (a) or (b)

(d) Neither (a) nor (b)

[CA CPT Aug. 2007]

113. Lower prices in railways for senior citizens is a typical example of:

(a) Concessional pricing

(b) Marginal cost pricing

(c) Differential pricing

(d) Subsidized pricing

[Dec. 2021]



114. If the price of a commodity is fixed, then with every increase in its sold quantity the total revenue will \_\_\_\_\_ and the marginal revenue will \_\_\_\_\_.

- (a) Increase, also increase
- (b) Increase, remain unchanged
- (c) Increase, decline
- (d) Remain fixed, increase

[CA CPT Dec. 2017]

115. If supply increases in a greater proportion than demand:

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

116. Assume that consumers' incomes and the number of sellers in the market for a good both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:

- (a) Price will increase.
- (b) Price will decrease.
- (c) Quantity will increase.
- (d) Quantity will decrease.

117. When demand for commodity is decreasing as a result of fall

in income and its supply remains constant, what will be the impact on its price?

- (a) Price increases
- (b) Price decreases
- (c) No change
- (d) Uncertain change in price

[June 2023]

118. It is assumed in economic theory that:

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

119. Suppose that a sole proprietorship is earning total revenues of ₹ 1,00,000 and is incurring explicit costs of ₹ 75,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that:

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

120. Shift of the Demand curve to the \_\_\_\_\_ means increase in demand.

- (a) right
- (b) left

- (c) downward
- (d) no change in Demand Curve.

121. If demand does not change but there is an increase in supply due to improved technology, then :

- (a) Demand Curve will shift to the right.
- (b) Demand Curve will shift to the Left.
- (c) Supply curve will shift to the right.
- (d) Supply curve will shift to the Left.

122. When the Supply and demand curves shift in the same direction and both demand and Supply \_\_\_\_\_, the equilibrium quantity \_\_\_\_\_ but the change in equilibrium price is \_\_\_\_\_.

- (a) Increase, Increases, Uncertain
- (b) Increase, Increases, Increases
- (c) Increase, Increases, decreases
- (d) None of the above

123. When demand increases and supply \_\_\_\_\_, the equilibrium price \_\_\_\_\_ but nothing certain can be said about the change in equilibrium quantity.

- (a) Decreases, decreases
- (b) Decreases, rises
- (c) Decreases, remain constant
- (d) None of the above

124. If demand increases without any corresponding increase in supply, there will be :

- (a) Increase in equilibrium price
- (b) Quantity sold increases
- (c) Quantity purchased increases
- (d) All of the above.

125. Identify correct possible outcome when the supply and demand curves shift in the same direction.

- (a) When demand increases and supply decreases, the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.
- (b) When both demand and supply increase, the equilibrium quantity increases but the change in equilibrium price is uncertain.
- (c) When both demand and supply decrease, the equilibrium quantity increases but the change in equilibrium price is uncertain.
- (d) When demand decreases and supply increases, the equilibrium price falls but nothing certain can be said about the change in equilibrium quantity.

[Dec. 2021]

126. There can be simultaneous change in both demand and Supply. In that case, the equilibrium price will be:

- (a) Increased
- (b) Decreased
- (c) Changes as per the Proportionate change in demand & Supply.
- (d) None of the above

127. Identify the effect on equilibrium price and quantity demanded due to Increase in supply, with demand remaining the same.

- (a) The equilibrium price will go up, quantity demanded will go up.
- (b) The equilibrium price will go down, quantity demanded will go up.
- (c) The equilibrium price will go down, quantity demanded will go down.
- (d) The equilibrium price will go up, quantity demanded will go down.

[Dec. 2021]

### UNIT 3: PRICE-OUTPUT DETERMINATION UNDER DIFFERENT MARKET FORMS

#### Perfect Competition

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

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

[CA CPT Nov. 2006]

129. Under perfect competition, price elasticity of demand of a firm is:

- (a) Large
- (b) Slight
- (c) Infinite
- (d) Extreme

[Nov. 2019]

130. Under which of the following forms of market structure does a firm has no control over the price of its product:

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

[CA CPT Feb. 2007]

131. Which of the following is not a coalition of perfect competition?

- (a) A large number of firms
- (b) Perfect mobility of factors
- (c) Informative advertising to ensure that consumers have good information

- (d) Freedom of entry and exit into and out of the market

[Jan. 2021]

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

- (a) A large number of firms.
- (b) Perfect mobility of factors.
- (c) Informative advertising to ensure that consumers have good information.
- (d) Freedom of entry and exit into and out of the market.

133. Which is not the characteristic of perfect competition?

- (a) Large number of sellers
- (b) Freedom of entry and exit
- (c) No supernormal profits in the long-run
- (d) Inefficient allocation of resources

[Dec. 2021]

134. \_\_\_\_\_ is a ideal Market.

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

[CA CPT Dec. 2008]

135. A firm, to attain the equilibrium position under perfect competition has to satisfy which of the following conditions?

- (a)  $MR > MC$
- (b)  $MR = MC$
- (c) MR curve should cut MC curve from below

- (d) MC curve should cut MR curve from below

[July 2021]

136. Which of these are characteristics of Perfect Competition.

- (a) Many Sellers & Buyers
- (b) Homogeneous Product
- (c) Free Entry and Exit
- (d) All of the above

[CA CPT Dec. 2008]

137. Under which of the following market condition both average and marginal revenue are same?

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

[June 2023]

138. In the market structure, demand curve is also known as :

- (a) Marginal cost curve
- (b) Average revenue curve
- (c) Total production curve
- (d) Marginal utility curve

[Jan. 2021]

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

- (a) The individual firm must have fewer than 10 employees.
- (b) The individual firm faces a downward-sloping demand curve.
- (c) The individual firm has assets of less than ₹ 20 lakhs.

- (d) The individual firm is unable to affect market price through its output decisions.

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

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

[Nov. 2019]

141. Conditions for equilibrium of a firm are:

- (a)  $MR = MC$
- (b) MC should cut MR from below.
- (c)  $MR = AR$  and MC should cut MR from below.
- (d)  $MR = MC$  and MC should have a positive slope.

142. What is true about the perfect competition market?

- (a)  $AR = MR = PRICE$
- (b)  $AR = AC = P$
- (c)  $AR > AC$
- (d) None

[Nov. 2019]

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

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

**144. MR Curve = AR = Demand Curve is a feature of which kind of Market?**

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

[CA CPT Dec. 2008]

**145. Which of the following is NOT characteristic of a "Price taker".**

- (a)  $TR = P \times Q$   
(b)  $AR = Price$   
(c)  $MR = Price$   
(d) Negatively sloping demand curve

**146. If a perfect competition firm is making losses then which condition is suitable. To carry on business as long as it covering variable cost.**

- (a) Shutdown  
(b) Expand its plant  
(c) Do nothing  
(d) Reduce productions

[Nov. 2019]

**147. Demand curve is equal to M.R. curve in which market?**

- (a) Oligopoly  
(b) Monopoly

- (c) Monopolistic Competition  
(d) Perfect Competition

[CA CPT Dec. 2009]

**148. A perfect market is characterized by :-**

- (a) Existence of large number of buyers and sellers  
(b) Homogenous products  
(c) Perfect knowledge of the market  
(d) All of the above

[CA CPT Dec. 2012]

**149. Elasticity of demand under perfect competition is:**

- (a) One  
(b) Two  
(c) Zero  
(d) Infinite

[Nov. 2019]

**150. 'Zero economic profit' emerges due to which of the following condition?**

- (a) Average revenue is more than average total cost.  
(b) Average revenue is just equal to average total cost.  
(c) Marginal revenue is just equal to average total cost.  
(d) Marginal revenue is just equal to marginal cost.

[July 2021]

**151. One of the essential conditions of Perfect Competition is :**

- (a) Product differentiation  
(b) Many sellers and few buyers  
(c) Only one price for identical goods at any one time

- (d) Multiplicity of prices for identical product at any one time

[CA CPT June 2014]

**152. Agricultural goods markets depict characteristics close to:**

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

**153. Which of the following is not a characteristic of a competitive market?**

- (a) There are many buyers and sellers in the market.  
(b) The goods offered for sales are largely the same.  
(c) Firms generate small but positive supernormal profits in the long run.  
(d) Firms can freely enter or exit the market.

**154. A market structure in which many firms sell products that are similar and identical is known as :**

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

[CA CPT Dec. 2014]

**155. One of the following is not correct about perfect competition:**

- (a) Purchase and Sale of homogeneous goods  
(b) Existence of marketing costs  
(c) Absence of transportation costs  
(d) Perfect mobility of factors of production.

[CA CPT June 2015]

**156. Under which of the following form of market structure does a firm have no control over the price of its production?**

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

[CA CPT Dec. 2015]

**157. The price elasticity of demand for a product is infinite under:**

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

[CA CPT June 2016]

**158. Which of the following markets would most closely satisfy the requirements for a perfectly competitive Market?**

- (a) Electricity  
(b) Cable television  
(c) Cola  
(d) Milk

**159. The condition for pure competition is:**

- (a) Large number of buyer and seller, free entry and exist.  
(b) Homogeneous product.  
(c) Both (a) and (b).  
(d) Large number of buyer and seller, homogeneous product, perfect knowledge about the product.

**160. Which of the following statement is not correct?**

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

[CA CPT June 2017]

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

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

[CA CPT June 2017]

162. What is incorrect about Perfect Competition?

- (a) All Firms are Price takers.  
 (b) Firms have to accept the price determined by the market forces of total demand & total supply.  
 (c) The assumption of Price taking does not applies to Consumers.  
 (d) All are incorrect.

163. The essential feature of Pure competition is \_\_\_\_\_.

- (a) Presence of Monopoly  
 (b) Absence of Monopoly  
 (c) Dual existence of Pure Competition & Monopoly  
 (d) All of the above.

164. The Condition of perfect Competition are fulfilled to same extent in case of :

- (a) Agricultural Products  
 (b) Financial Instruments  
 (c) Precious Metals  
 (d) All of the above

165. Which out of these are not a feature of perfect competition?

- (a) Homogeneous  
 (b) Large number of buyer and sellers  
 (c) Free entry and exist  
 (d) Selling cost.

[CA CPT Nov. 2018]

166. Perfectly Competitive markets have \_\_\_\_\_ transactions Costs.

- (a) Absolutely no  
 (b) Very Low  
 (c) High  
 (d) Very high

167. Which among the following market situation is known as a 'myth in the market'?

- (a) Duopoly  
 (b) Oligopoly  
 (c) Discriminating  
 (d) Perfect Competition

[Nov. 2019]

168. Which of the following statement is correct?

- (a) Price rigidity is an important feature of monopoly.  
 (b) Selling cost are possible under perfect completion.  
 (c) An industry consists of many firm.  
 (d) Under perfect completion factor of production do not move freely as these are legal restriction.

[CA CPT Nov. 2018]

169. An industry in economic terminology consists of a \_\_\_\_\_ number of \_\_\_\_\_ firms.

- (a) Large, independent  
 (b) Large, dependent  
 (c) Small, independent  
 (d) Small, dependent

170. In case of perfect Competition, the industry is in equilibrium, when \_\_\_\_\_.

- (a) There is enough demand of products in the market.  
 (b) There is enough supply of products in the market.  
 (c) Total output of the industry is equal to the total demand.  
 (d) Total output is less than the quantity demanded.

171. Price under perfect competition is determined by the:

- (a) Firm  
 (b) Industry  
 (c) Government  
 (d) Society

[CA CPT June 2013]

172. A competition in which many sellers selling identical products to a large number of buyers.

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

173. Equilibrium price for an industry in perfect competition is fixed through:

- (a) Input and Output  
 (b) Market demand and market Supply  
 (c) Market demand and firms supply  
 (d) None of the above

[CA CPT June 2013]

174. Who sets the price of the product under perfect competition?

- (a) Government  
 (b) Consumers  
 (c) Sellers  
 (d) Both buyers and sellers

[CA CPT Dec. 2016]

175. A firm is said to be in equilibrium when \_\_\_\_\_.

- (a) it is maximizing its profits  
 (b) it has no incentive to expand production  
 (c) it has no incentive to contract production  
 (d) all of the above.

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

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

177. Which of the following is not a characteristic of a "price-taker"?

- (a)  $TR = P \times Q$   
 (b)  $AR = Price$   
 (c) Negatively-sloped demand curve  
 (d)  $Marginal Revenue = Price$

178. In perfect competition, since the firm is a price taker, the \_\_\_\_\_ curve is a straight line.

- (a) Marginal cost  
 (b) Total cost  
 (c) Total revenue  
 (d) Marginal revenue

[CA CPT June 2008]

179. Average revenue curve is also known as:

- (a) Profit curve
- (b) Demand curve
- (c) Supply curve
- (d) Average cost curve

[CA CPT June 2012]

180. For a price-taking firm :

- (a) Marginal revenue is less than price.
- (b) Marginal revenue is equal to price.
- (c) Marginal revenue is greater than price.
- (d) The relationship between marginal revenue and price is indeterminate.

181. Which of the following statements is accurate regarding a perfectly competitive firm?

- (a) Demand curve is downward sloping
- (b) The demand curve always lies above the marginal revenue curve.
- (c) Average revenue need not be equal to price.
- (d) Price is given and is determined by the equilibrium in the entire market.

182. What is the shape of perfectly competitive Average Revenue Curve?

- (a) Parallel to X axis
- (b) Parallel to Y axis
- (c) Fall from left to right
- (d) Rise from left to right

[CA CPT Nov. 2018]

183. Under which of the following market structure AR of the firm will be equal to MR?

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

[CA CPT Feb. 2007]

184. Under perfect competition a firm is the:

- (a) Price-maker and not price-taker
- (b) Price-taker and not price-maker
- (c) Neither price-maker nor price-taker
- (d) None of the above

185. Which of the following is supply curve of competitive firm in short run?

- (a) Average variable cost curve
- (b) Average total cost curve
- (c) Marginal cost curve
- (d) Average fixed cost curve

[June 2023]

186. Under which Market Situation demand curve is linear and parallel to X axis:

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

[CA CPT Dec. 2008]

187. Price taker firms \_\_\_\_\_.

- (a) Do not advertise their product because it misleads the customers.
- (b) Advertise their products to boost the level of demand.
- (c) Do not advertise but give gifts along with the sold items to attract customers.

- (d) Do not advertise because they can sell as much as they wish at the prevailing price.

[CA CPT June 2010]

188. In which type of the following market product is homogeneous in nature?

- (a) Pure oligopoly
- (b) Pure monopoly
- (c) Pure duopoly
- (d) Pure competition

[June 2023]

189. Under which of the following market structure AR of the firm will be equal to MR?

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

[CA CPT Dec. 2010]

190. Perfectly competitive firm faces:

- (a) Perfectly elastic demand curve
- (b) Perfectly inelastic demand curve
- (c) Zero
- (d) Negative

[CA CPT June 2011]

191. It will be profitable for a firm to expand output till which of the following conditions?

- (a) Marginal revenue is greater than Marginal Cost
- (b) Marginal revenue is less than Marginal Cost
- (c) Marginal Cost is greater than Marginal Revenue
- (d) Marginal Revenue is equal to Marginal Cost

[June 2022]

192. Which of the following is not the characteristic of MR?

- (a) When TR is minimum, the MR is zero
- (b) MR can be negative
- (c) MR slopes downward from left to right
- (d) MR Curve is below AR Curve

[CA CPT Nov. 2018]

193. MR Curve in perfect competition is:

- (a) Parallel to X-axis
- (b) Parallel to Y-axis
- (c) Fall from left to right
- (d) Rise from left to right

[CA CPT Nov. 2018]

194. In perfect Competition when the firm is a price taker, which curve among the following will be a straight line?

- (a) Marginal Cost
- (b) Average Cost
- (c) Total Cost
- (d) Marginal Revenue

[CA CPT Dec. 2011]

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

- (a) The firm has some but not complete control over its product price.
- (b) There are so many buyers and sellers in the market that any one buyer or seller cannot affect the market.
- (c) Each firm produces a homogeneous product.

- (a)  $P > AVC$
- (b)  $P = AVC$
- (c)  $P < AVC$
- (d)  $P > = AVC$

[CA CPT Nov. 2006]

232. If under perfect competition, the price line lies below the average cost curve, the firm would:

- (a) Make only Normal profits
- (b) Incur losses
- (c) Make abnormal profit
- (d) Profit cannot be determined

[CA CPT Nov. 2007]

233. In which market prices are determined by the market forces of demand and supply?

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

[Nov. 2020]

234. A firm will shut down in the short run if:

- (a) It is suffering a loss
- (b) Fixed costs exceeds revenue
- (c) Variable costs exceed revenues
- (d) Total costs exceed revenues

[CA CPT June 2008]

235. A firm encounters "shut down" point when \_\_\_\_\_.

- (a) Marginal cost equals the price of the profit maximizing level of output.
- (b) Average fixed cost equals the price at the profit maximizing level of output.

- (c) Average variable cost equals the price at the profit maximizing level of output.
- (d) Average total cost equals the price at the profit maximizing level of output.

[CA CPT Dec. 2011]

236. In a competitive market, if price exceeds Average Variable Cost (AVC) but remains less than Average Cost (AC) at the equilibrium, the firm is:

- (a) Making a profit.
- (b) Planning to quit.
- (c) Experiencing loss but should continue production.
- (d) Experiencing loss but should discontinue production.

[CA CPT Dec. 2012]

237. A competitive firm in the short run incurs losses. The firm continues production, if:

- (a)  $P > AVC$
- (b)  $P = AVC$
- (c)  $P < AVC$
- (d)  $P \geq AVC$

[CA CPT May 2018]

238. In perfect Competition, if a firm is unable to meet its average variable Cost, it will be better for it to shut-down. This shut-down \_\_\_\_\_.

- (a) is permanent
- (b) is temporary
- (c) may be temporary as the firm resumes production when the market price rises
- (d) none of the above

239. The Firm can be in an equilibrium position and still makes losses. This is the situation where \_\_\_\_\_.

- (a)  $AR = AC$
- (b)  $AR > AC$
- (c)  $AR < AC$
- (d) Either (b) or (c)

240. Under perfect competition, in the long run, there will be no \_\_\_\_\_.

- (a) Normal profits
- (b) Super normal profits
- (c) Production
- (d) Costs

241. In the long-run equilibrium of a competitive market, firms operate at:

- (a) The intersection of the marginal cost and marginal revenue
- (b) Their efficient scale
- (c) Zero economic profit
- (d) All of these answers are correct

242. Under \_\_\_\_\_ market condition, firms make normal profits in the long run.

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) None

[CA CPT Nov. 2006]

243. What are the conditions for the long run equilibrium of the competitive firm?

- (a)  $LMC = LAC = P$
- (b)  $SMC = SAC = LMC$
- (c)  $R = MR$
- (d) All of these

[CA CPT Aug. 2007]

244. In the long run, which of the following statement is true for a firm in a perfectly competitive industry?

- (a) It operates at its minimum average cost.
- (b) The price is more than the average fixed cost.
- (c) The marginal cost is greater than marginal revenue.
- (d) The fixed cost is lower than the total variable cost.

[CA CPT Dec. 2014]

245. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses.

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

[CA CPT Dec. 2015]

246. In long run equilibrium undue perfect completion is/are satisfied by which condition.

- (a)  $MC = MR$
- (b)  $AC = AR$
- (c)  $CMC = LAC = P$
- (d) All of the above.

[CA CPT May 2018]

247. In Long run perfect competitive market incurs:

- (a) Normal profit
- (b) Super normal profit

- (c) Fixed, Fixed inputs, maximize  
 (d) Valuable, Variable inputs, minimize.

214. At the equilibrium position of a firm Under perfect Competition,

- (a) The Marginal revenue is equal to the marginal Cost.  
 (b) The MC Curve cuts MR Curve from below.  
 (c) Both (a) & (b)  
 (d) Either (a) or (b)

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

- (a) Its average revenue.  
 (b) Its marginal revenue.  
 (c) Its marginal utility for money curve.  
 (d) Its marginal cost curve.

216. Which of the following conditions exhibits long run equilibrium of the industry under perfect competition?

- (a)  $MR = LMC = AR = LAC = SAC = SMC$   
 (b)  $MR = LMC = AR > LAC$   
 (c)  $MR = LMC = AR < LAC$   
 (d)  $MR = LMC = AR > SAC$

217. In a perfectly Competitive Industry, the MC Curve of a firm depicts:

- (a) The industry demand Curve  
 (b) The Firm's demand Curve  
 (c) The industry's supply Curve  
 (d) The Firm's supply Curve.

218. As regards short run supply curve of the firm in a Competitive market, for Prices \_\_\_\_\_

Average Variable Cost, the firm will Supply \_\_\_\_\_ units because the firm is \_\_\_\_\_ to meet even its variable Cost.

- (a) Above, maximum, Unable  
 (b) Below, Zero, Unable  
 (c) Above, Maximum, able  
 (d) Below, Zero, able

219. When the average revenues are more than its average total Cost, the Firm is said to have earned:

- (a) Normal Profits  
 (b) Super Normal Profits  
 (c) Exceptional Profits  
 (d) Expected Profits.

220. The total Cost of production is ₹ 40,000 (1,000 units). If the firm is selling the product at ₹ 45 per unit, it is earning \_\_\_\_\_.

- (a) Normal Profits @ ₹ 5 Per Unit  
 (b) Normal Profits @ ₹ 45 Per Unit  
 (c) Super normal profits @ ₹ 5 Per Unit  
 (d) Super Normal profits @ ₹ 45 Per Unit.

221. Price elasticity of demand by a firm facing perfect competition is:

- (a) Large  
 (b) Very small  
 (c) Small  
 (d) Infinite

[Dec. 2021]

222. When  $AR = ₹ 10$  and  $AC = ₹ 8$  the firm makes \_\_\_\_\_ :

- (a) Normal profit  
 (b) Net profit

- (c) Gross profit  
 (d) Super normal profit

[CA CPT May 2007]

223. In a perfectly competitive market, if MR is greater than MC, then a firm should:

- (a) Increase its production  
 (b) Decrease its production  
 (c) Decrease its sales  
 (d) Increase its sales

[CA CPT Dec. 2013]

224. In a perfectly competitive market, if MR is greater than MC, then a firm should:

- (a) Increase its production  
 (b) Decrease its production  
 (c) Decrease its sales  
 (d) Increase its sales

[CA CPT May 2018]

225. If a perfectly competitive firms earns super normal profits then \_\_\_\_\_.

- (a)  $AR > MR$   
 (b)  $AR < MR$   
 (c)  $AR = MR$   
 (d) None of the above

[CA CPT May 2019]

226. When \_\_\_\_\_ we know that the firms are earning just normal profits.

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

227. When \_\_\_\_\_ we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency.

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

228. A firm encounters its "shutdown point" when:

- (a) Average total cost equals price at the profit-maximizing level of output.  
 (b) Average variable cost equals price at the profit-maximizing level of output.  
 (c) Average fixed cost equals price at the profit-maximizing level of output.  
 (d) Marginal cost equals price at the profit-maximizing level of output.

229. When \_\_\_\_\_ there will be a locative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.

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

230. A firm will close down in the short period, if its AR is less than :

- (a) AC  
 (b) AVC  
 (c) MC  
 (d) None of the above

[CA CPT June 2014]

231. A competitive firm in the short run incur losses. The firm continues production, if:

- (c) Losses  
(d) Constant Returns

[CA CPT Nov. 2018]

**248. A long run Competitive equilibrium of a perfectly competitive industry occurs when:**

- (a) All Firms in the industry are in equilibrium.  
(b) No Firm has an incentive either to enter or exit the industry.  
(c) The price of the product is such that the quantity supplied by the industry is equal to the quantity demanded by Consumers.  
(d) All above three conditions hold true.

**249. In the long run, under perfect competition, there will be optimum allocation of resources and**

- (a)  $LAR = LMR$   
(b)  $LAR = LMR = P$   
(c)  $LAR = LMR = P = LMC$   
(d)  $LAR = LMR = P = LMC = LAC$

**250. Price Discrimination cannot persist under the following market form:**

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

### Monopoly

**251. Monopoly may arise in a product market because \_\_\_\_\_.**

- (a) a significantly important resource for the production of the commodity is owned by a single firm.

- (b) the government has given the firm patent right to produce the commodity.  
(c) the costs of production and economies of scale makes production by a single producer more efficient.

(d) All of the above.

**252. Which of the following is not a feature of the monopoly market?**

- (a) Large seller of the product  
(b) No close - Substitutes  
(c) Market power  
(d) Single seller of the product

[July 2021]

**253. Monopolist can determine :**

- (a) Price  
(b) Output  
(c) Either price or output  
(d) None

[CA CPT Feb. 2008]

**254. A market structure where there is only a single buyer and a single seller is called:**

- (a) Duopoly  
(b) Monopsony  
(c) Bilateral monopoly  
(d) Oligopsony

[Dec. 2021]

**255. Under which of the following forms of market structure does a firm has a very considerable control over the price of its product?**

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

[CA CPT Dec. 2013]

**256. Under monopoly market conditions MR is \_\_\_\_\_ than the AR.**

- (a) Less  
(b) Greater  
(c) Equal  
(d) Variable

[June 2022]

**257. The distinction between a single firm and an Industry vanishes in which of the following market conditions?**

- (a) Perfect Competition  
(b) Imperfect Competition  
(c) Pure Competition  
(d) Monopoly

[CA CPT June 2014]

**258. Monopoly firm faces which demand curve?**

- (a) Downward Sloping  
(b) Horizontal  
(c) Rising  
(d) All of these

[Nov. 2019]

**259. Which of the following is the distinguishing characteristic of oligopolies?**

- (a) A standardized product  
(b) The goal of profit maximization  
(c) The interdependence among firms  
(d) Downward-sloping demand curves faced by firms.

**260. In a monopoly market, a producer has control only over:**

- (a) Price of the commodity  
(b) Demand of the commodity

- (c) Both (a) and (b)  
(d) Utility of the product

[CA CPT June 2015]

**261. Which is not characteristic of monopoly?**

- (a) The firm is price-taker.  
(b) There is a single firm.  
(c) The firm produces a unique product.  
(d) The existence of some advertising.

[CA CPT Dec. 2016]

**262. Monopoly is undesirable due to:**

- (a) It has prices higher than competitive firms.  
(b) It produces less output than competitive firms.  
(c) It discriminates on prices.  
(d) All of the above.

[CA CPT May 2018]

**263. A Monopolist is a:**

- (a) Price-maker  
(b) Price-taker  
(c) Price-adjuster  
(d) None of the above

**264. Under monopoly, the degree of control over price is:**

- (a) None  
(b) Some  
(c) Very considerable  
(d) None of the above

**265. The demand curve of the firm and industry will be same in which form of market:**

- (a) Monopolistic competition  
(b) Perfect completion



- (c) Monopoly  
(d) Oligopoly

[CA CPT May 2018]

266. Market form in which there is only one buyer and one seller is:

- (a) Oligopoly  
(b) Duopoly  
(c) Bilateral Monopoly  
(d) Monopsony

[CA CPT May 2018]

267. Which market is having a single seller and single Buyer?

- (a) Duopoly  
(b) Monopsony  
(c) Bilateral Monopoly  
(d) None of the above

[CA CPT Nov. 2018]

268. Price under monopoly is higher than price under:

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

[June 2022]

269. Monopoly is a situation in which:

- (a) There is a Single Seller of a product  
(b) The Product has no close Substitute  
(c) Both (a) & (b)  
(d) Neither (a) nor (b)

270. Which of the following is the characteristics of Monopoly?

- (a) Industry is dominating by larger number of firms  
(b) Freedom to entry and exit

- (c) No close substitutes  
(d) Only two firms in the market

[June 2023]

271. In a Monopolistic market, there are \_\_\_\_\_ barriers to entry.

- (a) No  
(b) Negligible  
(c) Light  
(d) Strong

272. Which is the characteristic feature of monopoly?

- (a) Homogenous goods  
(b) Strong barriers to entry  
(c) Perfect competition  
(d) Perfectly elastic demand curve

[CA CPT May 2019]

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

- (a) From different groups of consumers  
(b) For different uses  
(c) At different places  
(d) Any of the above.

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

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

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

- (a) The firm operates in a perfectly competitive market.

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

276. The demand curve of a monopoly firm will be:

- (a) Upward sloping  
(b) Downward sloping  
(c) Horizontal  
(d) Vertical

277. What is the shape of monopolist Average Revenue Curve?

- (a) Falls from left to right  
(b) Is parallel to X-axis  
(c) Is parallel to Y-axis  
(d) Rise from left to right

[CA CPT Nov. 2018]

278. The MR curve cuts the horizontal line between Y-axis and demand curve into:

- (a) Two unequal parts  
(b) Two equal parts  
(c) May be equal or unequal parts  
(d) None of these

[CA CPT Feb. 2008]

279. The demand curve of the firm and industry will be same in which form of market:

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

[CA CPT June 2009]

280. Natural Monopoly arises when:

- (a) There is enormous goodwill enjoyed by a firm.  
(b) There are stringent legal and regulatory requirement.  
(c) There are very large Economies of Scale.  
(d) There are Business Combinations and Cartels.

281. When elasticity of demand is Equal to one in monopoly, marginal Revenue will be :

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

[CA CPT Dec. 2010]

282. If a firm under monopoly wants to sell more, its average revenue curve will be a \_\_\_\_\_ line.

- (a) Horizontal  
(b) Vertical  
(c) Downward sloping  
(d) Upward sloping

[CA CPT June 2016]

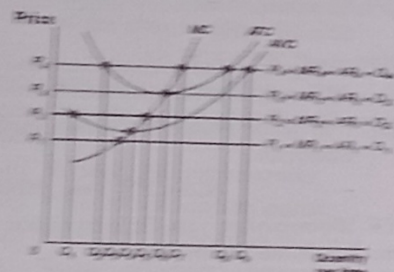
283. Marginal Revenue is equal to:

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

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

- (a) Produce when marginal revenue equals marginal cost if it is operating in the short run.  
 (b) Produce when marginal revenue equals marginal cost if it is operating in the long run.  
 (c) Shutdown, since it will lose nothing in that case.  
 (d) Shutdown, since it cannot even cover its variable costs if it stays in business.

285. At price  $P_1$ , the firm in the figure would produce:



- (a) Zero output  
 (b)  $Q_1$   
 (c)  $Q_2$   
 (d)  $Q_3$
286. Profits of the firm will be more at:
- (a)  $MR = MC$   
 (b) Additional revenue from extra unit equals its additional cost.  
 (c) Both of above  
 (d) None

[CA CPT May 2007]

287. Which of the following is true, when the firm is at equilibrium?
- (a)  $MC < MR$

- (b) MC curve cuts the MR curve from below  
 (c) Both (a) and (b)  
 (d) None of the above

[CA CPT May 2009]

288. A monopolist is able to maximize his profits when:

- (a) His output is maximum.  
 (b) He charges a high price.  
 (c) His average cost is minimum.  
 (d) His marginal cost is equal to marginal revenue.

[CA CPT Feb. 2007]

289. For a monopolist, the necessary condition for equilibrium is:

- (a)  $P = MC$   
 (b)  $P = MR = AR$   
 (c)  $MR = MC$   
 (d) None

[CA CPT June 2008]

290. A monopolist can fix:

- (a) Both price and output  
 (b) Either price or output  
 (c) Neither price nor output  
 (d) None of the above

[CA CPT Dec. 2012]

291. Under monopoly, which of the following is correct:

- (a) AR and MR both are downward sloping  
 (b) MR lies halfway between AR and Y-axis  
 (c) MR can be zero or even negative  
 (d) All of the above

[CA CPT June 2013]

292. Supernormal profits occur, when:

- (a) Total revenue is equal to total cost  
 (b) Total revenue is equal to variable cost

- (c) Average revenue is more than average cost  
 (d) Average revenue is equal to average cost

[CA CPT Nov. 2007]

293. A monopolist has to determine:

- (a) His output  
 (b) The Price of his Product  
 (c) Total market demand  
 (d) Both (a) & (b)

294. A Monopolist faces \_\_\_\_\_ sloping demand Curve.

- (a) Upward  
 (b) Downward  
 (c) Horizontal to X-axis  
 (d) Horizontal to Y-axis

295. In case of Monopoly, the firm and industry are \_\_\_\_\_.

- (a) Different  
 (b) Identical  
 (c) Similar  
 (d) Opposite to each other

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

- (a) The firm should shutdown in order to minimize its losses.  
 (b) The firm should raise its price enough to cover its losses.  
 (c) The firm should move its resources to another industry.  
 (d) The firm should continue to

operate in the short run in order to minimize its losses.

297. If the average cost is higher than the average revenue then the firm incurs:

- (a) Normal profit  
 (b) Abnormal profit  
 (c) Loss  
 (d) No profit, no loss

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

- (a) Uniform  
 (b) Different  
 (c) Less  
 (d) Zero

299. Price discrimination refers to the practices of charging \_\_\_\_\_ prices for \_\_\_\_\_ units of the \_\_\_\_\_ commodity.

- (a) different, different, same  
 (b) same, different, same  
 (c) same, same, same  
 (d) different, same, same

[Dec. 2021]

300. Price discrimination is one of the features of:

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

301. When the monopolist divides the consumers into separate sub-markets and charges different prices in different sub-markets it is known as:

- (a) First degree of price discrimination.  
 (b) Second degree of price discrimination.

(c) Third degree of price discrimination.

(d) None of the above.

302. Under \_\_\_\_\_ the monopolist will fix a price which will take away the entire consumers' surplus.

(a) Second degree of price discrimination.

(b) First degree of price discrimination.

(c) Third degree of price discrimination.

(d) None of the above.

303. Price discrimination is related to:

(a) Time

(b) Size of the purchase

(c) Income

(d) Any of the above

304. Under monopoly price discrimination depends upon :

(a) Elasticity of demand for commodity

(b) Elasticity of supply for commodity

(c) Size of market

(d) All of the above

[CA CPT Aug. 2007]

305. Which one of the following statement is Incorrect?

(a) Competitive firms are price takers and not price makers.

(b) Price discrimination is possible in monopoly only.

(c) Duopoly may lead to monopoly.

(d) Competitive firm always seeks to discriminate prices.

[CA CPT Dec. 2010]

306. For a discriminating monopolist the condition for equilibrium is:

(a)  $MR > MC$

(b)  $MR_1 = MR_2$

(c)  $MR_a = MR_b = MC$

(d) All of the above

[CA CPT June 2012]

307. Price discrimination can take place only in:

(a) Monopolistic competition

(b) Oligopoly

(c) Perfect competition

(d) Monopoly

[CA CPT Dec. 2009]

308. Price Discrimination is possible only when.

(a) Seller is alone

(b) Goods are homogeneous

(c) Market is controlled by the government

(d) None of the above.

[CA CPT June 2010]

309. For price discrimination to be successful, the elasticity of demand for the commodity in the two markets should be:

(a) Same

(b) Different

(c) Constant

(d) Zero

[CA CPT June 2014]

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

(a) Uniform

(b) Different

(c) Less

(d) Zero

[CA CPT Dec. 2015]

311. A discriminating monopolist to reach equilibrium position, his decision on total output depends upon:

(a) How much total output should be produce?

(b) How the total output should be distributed between the two sub-market?

(c) Both (a) and (b)

(d) None

[CA CPT May 2019]

312. Price discrimination is possible only in:

(a) Monopoly

(b) Perfect Competition

(c) Oligopoly

(d) Monopolistic Competition

[CA CPT May 2019]

313. Which of the following is not an objective of price discrimination?

(a) To enjoy economics of scale

(b) To dispose off surplus stock

(c) To escape foreign market

(d) To secure equity through pricing

[June 2023]

314. Price discrimination will not be profitable, if the elasticity of demand is \_\_\_\_\_ in different markets.

(a) Uniform

(b) Different

(c) Less

(d) Zero

[CA CPT Dec. 2014]

315. Product differentiation is the condition of which of the following market?

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly

[June 2022]

316. The price discrimination under monopoly will be possible under which of the following conditions?

(a) The seller has no control over the supply of his product.

(b) The market has the same condition all over.

(c) The price elasticity of demand is different in different markets.

(d) The price elasticity of demand is uniform.

[CA CPT Dec. 2010]

317. Monopolist can fix him price of goods whose elasticity is :

(a) Less than 1

(b) More than 1

(c) Elastic

(d) Inelastic.

[CA CPT June 2011]

318. "Price Discrimination" can be best exercised by the Seller in:

(a) Oligopoly

(b) Monopoly

(c) Monopolistic competition

(d) Perfect competition

[CA CPT Dec. 2011]

319. A discriminating monopolist will charge a higher price in the market in which the demand for its product is:

(a) Highly elastic

(b) Relatively elastic

- (c) Relatively inelastic
- (d) Perfectly elastic

[CA CPT June 2016]

320. Price discrimination is profitable only when:

- (a) Different markets are kept separate.
- (b) Distance between the consumer and the market is more.
- (c) Elasticity of demand in different markets is different.
- (d) The consumers are segregated on the basis of their purpose of use of the commodity.

[CA CPT Dec. 2016]

321. Which amongst the following is not an objective of price discrimination?

- (a) To hold the extra stocks
- (b) To earn maximum profits
- (c) To enjoy economies of scale
- (d) To secure equity through pricing

[CA CPT June 2017]

322. In the long run monopolist:

- (a) Incur losses
- (b) Must earn super normal profits
- (c) Wants to shut down
- (d) Earns only normal profits

[CA CPT May 2018]

323. Competitive firms in the long-run earn:

- (a) Super normal profit
- (b) Normal profit
- (c) Losses
- (d) None

[CA CPT Nov. 2018]

324. In the long-run monopolist can:

- (a) Incur losses
- (b) Must earn super normal profits

- (c) Wants to shut-down
- (d) Earns only normal profits

[CA CPT June 2009]

325. In the long run a monopolist always earns:

- (a) Normal profit
- (b) Abnormal profit
- (c) Zero profit
- (d) Loss

[CA CPT Dec. 2013]

326. Abnormal profits exist in the long run only under \_\_\_\_\_.

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

[CA CPT June 2014]

327. The Electricity Companies Sell electricity at a cheaper rate for home Consumption in rural areas than for industrial use. It is example of:

- (a) Price-discrimination
- (b) Price-Adjustment
- (c) Price-Variability
- (d) Price-biased attitude

328. Combination of Monopoly Market and Monopsony Market is called as:

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

### Imperfect Competition

329. Which of the following is not a characteristic of a perfectly competitive market?

- (a) Large number of firms in the industry.
- (b) Outputs of the firms are perfect substitutes for one another.
- (c) Firms face downward-sloping demand curves.
- (d) Resources are very mobile.

330. Firms in a monopolistic market are price \_\_\_\_\_ :

- (a) Takers
- (b) Givers
- (c) Makers
- (d) Acceptors

[CA CPT Aug. 2007]

331. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be:

- (a) Infinite
- (b) Highly elastic
- (c) Highly inelastic
- (d) Zero

[CA CPT May 2007]

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

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

333. In the long run Monopolistic comp. and perfect comp. are same because of:

- (a) Normal Profit
- (b) Abnormal Production
- (c) Losses
- (d) None of these

334. Extreme Product differentiation is found in which market?

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

[Nov. 2019]

335. Which of the following is an example of monopolistic competition?

- (a) De Beers and Diamond
- (b) Hotels and pub
- (c) Microsoft and Window
- (d) Dell and Lenovo

[July 2021]

336. Monopolistic competition differs from perfect competition primarily because:

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

337. Which market have characteristic of product differentiation?

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

[CA CPT Dec. 2008]

338. Which of the following is not the feature of an imperfect competition?

[Nov. 2019]

- (a) Product differentiation
- (b) Few sellers
- (c) Homogeneous products
- (d) Price wars

[CA CPT June 2010]

339. Tooth paste industry is an example of \_\_\_\_\_.

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

[CA CPT Dec. 2010]

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

- (a) Perfectly competitive.
- (b) Monopolistic.
- (c) Monopolistically competitive.
- (d) Oligopolistic.

341. Railways charges comparatively cheaper fares from senior citizens. This is an example of:

- (a) Market analysis
- (b) Profit discrimination
- (c) Price discrimination
- (d) Demand forecasting

[Nov. 2020]

342. Which of the following is a correct statement?

- (a) Firms have to incur a good deal of costs on advertising and other sales promotion measures in oligopoly market.
- (b) A monopolist always earns super-normal profit.
- (c) Identical products are not found in a competitive market.
- (d) Close substitute are available under monopoly.

[June 2022]

343. Which of the following statements is incorrect?

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

344. A market structure in which many firms sell products that are similar but not identical is known as:

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

345. In a perfectly competitive market, which of the following statement is not true with regards to TR, AR, MR?

- (a) AR represents demand function of a commodity to the firm.
- (b) MR keeps on falling and touches zero before it becomes negative.
- (c) For any falling average revenue (or price) schedule, the marginal revenue is always equal to the price of a commodity.
- (d) For any constant average revenue (or price) schedule, the marginal revenue is equal to average revenue.

[Dec. 2021]

346. Non-price competition is very popular in:

- (a) Monopoly market
- (b) Monopolistic competition

- (c) Oligopolistic market
- (d) Perfect competition

[CA CPT June 2013]

347. Selling outlay is an essential part of which of the following market situations?

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

[CA CPT June 2014]

348. Which of the following is not a characteristic of a monopolistically competitive market?

- (a) Free entry and exit
- (b) Abnormal profits in the long run
- (c) Many sellers
- (d) Differentiated products

349. Downward sloping and comparatively more elastic demand curve is found in:

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

350. Which of the following statements is correct?

- (a) Price rigidity is an important feature of monopoly.
- (b) Selling costs are possible under perfect competition.
- (c) Under perfect competition factors of production do not move freely as there are legal restrictions.
- (d) An industry consists of many firms.

351. Electricity companies sell electricity as a cheaper rate for power

consumption in rural areas than for industrial consumptions. This is an example of:

- (a) Product discrimination
- (b) Perfect competition
- (c) Price discrimination
- (d) Price taker

[July 2021]

352. Which market has the concept of 'group' equilibrium in the long-run?

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

[CA CPT Dec. 2016]

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

- (a) The efficient output level will be produced on the long run.
- (b) Firms will be producing at minimum average cost.
- (c) Firms realize all economies of scale.
- (d) Firms will only earn normal profit.

[Jan. 2021]

354. In monopolistic competition excess capacity in the firm:

- (a) Always exists
- (b) Sometimes exists
- (c) Never exists
- (d) None of the above

[CA CPT Dec. 2011]

355. Which market has the concept of 'group' equilibrium in the long-run?

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

**356. Product differentiation is the main features of which market?**

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

[CA CPT Nov. 2018]

**357. What is the characteristic of monopolistic Competition?**

- (a) Price elasticity is low for the product concerned.
- (b) Large number of sellers.
- (c) No degree of control over price.
- (d) One buyer.

[CA CPT May 2019]

**358. Price varies by attributes such as location or by Customer segment is \_\_\_\_\_ degree of Price Discrimination.**

- (a) First
- (b) Second
- (c) Third
- (d) Fourth

**359. Monopolistic Competitive firms \_\_\_\_\_**

- (a) are small in size
- (b) have small share in total market
- (c) are very large in size
- (d) Both (A) and (B)

[CA CPT Dec. 2010]

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

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

**361. Which of the following statement is incorrect?**

- (a) Even a monopolistic firm can have losses.
- (b) Firms in a perfectly competitive market are price takers.
- (c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
- (d) Kinked demand curve is related to an oligopolistic market.

**362. Which of the following statement is incorrect?**

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

**363. Which of the following product market is close to perfect competition?**

- (a) Mobile phones
- (b) Car
- (c) Utensils
- (d) Agricultural products

[June 2022]

**364. Under which market Condition firms make only normal profits in the long run?**

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

[CA CPT Dec. 2011]

**365. Degree of control over price is very considerable in case of:**

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

[Dec. 2021]

**366. Comparing a Monopoly and Competitive firm the Monopolist will:**

- (a) Produce less and sell at a lower price.
- (b) Produce more and sell at a lower price.
- (c) Produce less and sell at a higher price.
- (d) Produce zero and sell at a lower price.

[CA CPT June 2016]

**367. There is absolutely no consumer exploitation in case of:**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competitions
- (d) All of the above

**368. When the industry is dominated by one large firm, it is a type of:**

- (a) Full oligopoly
- (b) Syndicated oligopoly
- (c) Organized oligopoly
- (d) Partial oligopoly

[Dec. 2021]

**369. There is efficient allocation of resources in case of :**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) All of the above

**370. "Competition among few" is described in:**

- (a) Monopoly
- (b) Monopsony
- (c) Oligopoly
- (d) Duopoly

[Nov. 2020]

**371. In which of the following type of competition, supernormal profits can be earned both in short run and long run?**

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) All of the above

**372. Which of the following statement is correct?**

- (a) Price rigidity is an important feature of monopoly.
- (b) Selling costs are possible under perfect condition.
- (c) Under perfect competition factors of production do not more legal restrictions.
- (d) An industry consists of many firms.

**Oligopoly**

**373. Oligopolistic industries are characterized by :**

- (a) A few dominant firms and substantial barriers to entry.
- (b) A few large firms and no entry barriers.

- (c) A large number of small firms and no entry barriers.  
 (d) One dominant firm and low entry barriers.

[Jan. 2021]

374. The theory of oligopoly is also called a theory of \_\_\_\_\_.

- (a) Individual behaviour  
 (b) Mass behaviour  
 (c) Group behaviour  
 (d) Dynamic behaviour

375. Product differentiation is the essential feature of \_\_\_\_\_.

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

[June 2023]

376. If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry?

Market Share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinebright	11.6
I can't believe its not toothpaste	9.4
Brighter than white	8.8
Pasty stuff	7.4
Others	29.8

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

377. When new firm enter into the market and compete with the ex-

isting firm is a situation called as \_\_\_\_\_.

- (a) Pure oligopoly  
 (b) Open oligopoly  
 (c) Collusive oligopoly  
 (d) Competitive oligopoly

[June 2023]

378. Market which have two firms are known as :

- (a) Oligopoly  
 (b) Duopoly  
 (c) Monopsony  
 (d) Oligopsony

[CA CPT Nov. 2007]

379. Firms in oligopoly are likely to:

- (a) Try to differentiate its products  
 (b) Invest heavily in branding  
 (c) Act independently of other firms  
 (d) Try to be a price maker

[Dec. 2021]

380. Smart phones market is an example of:

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

[Nov. 2020]

381. Non-price competition are observed in which type of following market ?

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

[June 2022]

382. The market structure in which the number of sellers is small and

there is inter dependence in decision making by the firms is known as :

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

[CA CPT June 2008]

383. Who propounded the price rigidity under kinked demand curve model of oligopoly?

- (a) Adam Smith  
 (b) Karl Marx  
 (c) Keynes  
 (d) Paul A. Sweezy

[July 2021]

384. A Kinked Demand Curve is also known as:

- (a) Samuelson's  
 (b) Chamberlin's model  
 (c) Stigler model  
 (d) Sweezy's model

385. OPEC is an example of :

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

[CA CPT Dec. 2008]

386. Aluminium industry is the example of which type of oligopoly?

- (a) Full oligopoly  
 (b) Open oligopoly  
 (c) Pure oligopoly  
 (d) Syndicated oligopoly

[Nov. 2020]

387. Price rigidity concept is related to:

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

[June 2022]

388. One characteristic not typical of oligopolistic industry is:

- (a) Horizontal demand curve  
 (b) Too much importance to non-price competition  
 (c) Price leadership  
 (d) A small number of firms in the industry

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

- (a) Perfectly competitive.  
 (b) Monopolistic.  
 (c) Monopolistically competitive.  
 (d) Oligopolistic.

390. Kinked demand hypothesis is designed to explain the under oligopolistic market:

- (a) Collusion between firms  
 (b) Price and output determination  
 (c) Rigidity of price  
 (d) Price leadership

[Nov. 2020]

391. Pure oligopoly occurs when:

- (a) The product is homogeneous  
 (b) The product is differentiated  
 (c) The industry is dominated by one large firm  
 (d) The absence of price leadership

[June 2022]

392. "Let and live philosophy" concern from which market?

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

[Nov. 2019]

393. Oligopoly having identical products is:

- (a) Pure oligopoly
- (b) Imperfect oligopoly
- (c) Price leadership
- (d) Collusion.

[CA CPT June 2009]

394. Non-price competition is observed in which type of the following market?

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

[July 2021]

395. Price rigidity is a situation found in which of the following market forms?

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

[CA CPT June 2010]

396. Oligopoly having identical products is known as:

- (a) Pure oligopoly
- (b) Collusive oligopoly
- (c) Independent oligopoly
- (d) None of these

[CA CPT June 2011]

397. When an oligopolistic firm chooses its level of production to

maximize its profits then it charges a price that is:

- (a) More than the price charged by either monopoly or a competition.
- (b) Less than the price charged by either monopoly or a competition.
- (c) More than the price charged by a monopoly and less than a competitive market firm.
- (d) Less than the price charge by a monopoly, and more than a competitive market firm.

398. Which one of the following is not a characteristic of Oligopoly?

- (a) Strategic interdependence
- (b) Large number of firms selling close substitutes
- (c) Importance of selling cost
- (d) Group behaviour

[July 2021]

399. The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as:

- (a) Monopolistically competitive
- (b) A monopoly
- (c) An oligopoly
- (d) Perfectly competitive

400. When the industry is dominated by one large firm which is considered as the leader of the group, the market is described as:

- (a) Open oligopoly
- (b) Perfect oligopoly
- (c) Partial oligopoly
- (d) Organized oligopoly

[CA CPT June 2017]

401. Sweezy's Model explains the concept of price rigidity relating to following market form:

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

402. Which of these is the best example of oligopoly?

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

[CA CPT June 2011, Nov. 2020]

403. In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group, Then it is called:

- (a) Full oligopoly
- (b) Collusive oligopoly
- (c) Partial oligopoly
- (d) Syndicated oligopoly

404. When the industry is dominated by one large firm it is called:

- (a) Full oligopoly
- (b) Partial oligopoly
- (c) Organized oligopoly
- (d) Closed oligopoly

[Nov. 2020]

405. When the products are sold through a centralized body, oligopoly is known as:

- (a) Organized oligopoly
- (b) Partial oligopoly
- (c) Competitive oligopoly
- (d) Syndicated oligopoly

406. The demand curve of oligopoly is:

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

[CA CPT Dec. 2008]

407. When new firms of the oligopoly market come to a common understanding or act in collusion with each other either in fixing price or output or both, then it is called as:

- (a) Competitive oligopoly
- (b) Syndicated oligopoly
- (c) Collusive oligopoly
- (d) Partial oligopoly

408. When the industry is dominated by one large firm which is considered or looked upon as the leader of the group, the oligopoly is regarded as:

- (a) Competitive oligopoly
- (b) Syndicated oligopoly
- (c) Collusive oligopoly
- (d) Partial oligopoly

409. OPEC is an example of:

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

410. Which of the following is not a feature of oligopoly market?

- (a) Interdependence of the firms in decision making
- (b) Price rigidity
- (c) Group behaviour
- (d) Existence of large number of firms.

[CA CPT Dec. 2012]



411. \_\_\_\_\_ is that situation in which a firm bases its market policy, in part on the expected behaviour of a few close rivals.

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

[CA CPT Dec. 2015]

412. When an oligopolist individually chooses its level of production to maximize its profits, it charges a price that is:

- (a) More than the price charged by either monopoly or a competitive market.
- (b) Less than the price charged by either monopoly or a competitive market.
- (c) More than the price charged by a monopoly and less than the price charged by a competitive market.
- (d) Less than the price charged by a monopoly and more than the price charged by a competitive market.

413. Group behaviour from which market belongs :

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

[Nov. 2019]

414. Pure oligopoly is based on the \_\_\_\_\_ products.

- (a) Differentiated
- (b) Homogeneous
- (c) Unrelated
- (d) None of the above

[Jan. 2021]

415. What is/are feature(s) of oligopoly?

- (a) Kinked Demand curve
- (b) Cartel
- (c) Downward sloping demand curve
- (d) Both (a) and (b) are correct

[CA CPT May 2018]

416. Which of these is the best example of oligopoly?

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

[CA CPT May 2018]

417. Which one of the following is not the feature of Oligopoly?

- (a) Interdependency
- (b) Selling cost
- (c) Free Entry
- (d) One of the above/group behaviour

[CA CPT Nov. 2018]

418. The theory of oligopoly is a theory of:

- (a) Group Behaviour
- (b) Mass Behaviour
- (c) Individual Behaviour
- (d) Single Behaviour

419. Which one of following statement is incorrect as regards oligopoly?

- (a) It is dominated by a Small number of large firms.
- (b) There is importance of advertising & selling cost.

- (c) The oligopoly is interdependent in decision-making of the new firms which comprise the industry.
- (d) No new firm is allowed to enter in oligopoly market in any case.

420. Price leadership is the characteristic of:

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

[CA CPT Nov. 2018]

421. The demand curve of an oligopolist is :

- (a) Determinate
- (b) Indeterminate
- (c) Circular
- (d) Vertical

[CA CPT June 2014]

422. An oligopolistic firm has to behave strategically when it makes a \_\_\_\_\_ about its \_\_\_\_\_.

- (a) decision, price
- (b) price, output
- (c) policy, material
- (d) None of these

423. Entering into collusion or forming a cartel is generally considered \_\_\_\_\_.

- (a) Legal
- (b) Illegal
- (c) Desirable
- (d) Mandatory

424. A group of firm that explicitly agree (collude) to coordinate their activities is called a/an.

- (a) Oligopsony
- (b) Duopoly
- (c) Monopsony
- (d) Cartel

[July 2021]

425. According to Pigou, first degree price discrimination charges price to:

- (a) Individual capacity
- (b) Quantities sold
- (c) Location
- (d) None of the above

[CA CPT Nov. 2018]

426. In case of oligopoly, the price leader sets the price in such a manner that it allows same profits to the followers also. This type of Price leadership is by \_\_\_\_\_.

- (a) Low Cost Firm
- (b) Low Share Firm
- (c) High Cost Firm
- (d) Dominating Profit Firm

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

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

428. The elasticity of demand on the upper segment of a kinked demand curve will be \_\_\_\_\_.

- (a) Infinite
- (b) Equal to one
- (c) Greater than one
- (d) Less than one

[June 2022]

429. The kinked demand curve model of oligopoly assumes that:

- (a) The response (of consumers) to a price increase is less than the response to a price decrease.
- (b) The response (of consumers) to a price increase is more than the response to a price decrease.
- (c) The elasticity of demand is constant regardless of whether price increases or decreases.
- (d) The elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

430. Collusion is impossible if an industry has:

- (a) Only few number of firms
- (b) Only two firms.
- (c) Limited number of firms
- (d) Large number of firms

[Nov. 2020]

431. Kinked demand curve hypothesis is given by:

- (a) Alfred Marshal
- (b) A.C. Pigou
- (c) Sweezy
- (d) Hicks & Allen

[CA CPT Aug. 2007]

432. Kinked demand curve is observed in :

- (a) Duopoly market
- (b) Monopoly market
- (c) Competitive market
- (d) Oligopoly market

[CA CPT Feb. 2008]

433. Which of the following concept is explained by Kinked demand curve hypothesis?

- (a) Price leadership
- (b) Price rigidity
- (c) Group behaviour
- (d) Independent pricing

[June 2023]

434. The demand curve of oligopoly is:

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

[CA CPT Dec. 2009]

435. In the kinked demand curve theory, it is assumed that:

- (a) Firms collude to fix the price.
- (b) An increase in the price by the firm is not followed by others.
- (c) An increase in the price by the firm is followed by others.
- (d) A decrease in the price by the firm is not followed by others.

[Dec. 2021]

436. The elasticity of demand on the upper segment of a kinked demand curve will be \_\_\_\_\_.

- (a) Infinite
- (b) Equal to one
- (c) Greater than one
- (d) Less than one

437. Kinked demand hypothesis is designed to explain \_\_\_\_\_ in context of oligopoly.

- (a) Price and output determination
- (b) Price rigidity

- (c) Collusion between firm
- (d) All of the above

[CA CPT Dec. 2009, Jan. 2021]

438. In oligopoly, the kink on the demand curve is more due to:

- (a) Discontinuity in MR
- (b) Discontinuity in AR
- (c) Fulfilment of the assumption that a price cut is followed by others and a price increase by a firm is not followed by others.
- (d) Price war amongst the firms.

[CA CPT June 2010]

439. Kinked demand curve is observed in :

- (a) Duopoly market
- (b) Monopoly market
- (c) Competitive market
- (d) Oligopoly market

[CA CPT June 2011]

440. If firms in the automobile industry have the following market shares, which market structure would best describe the industry?

Firms in Auto Sector	(%) of market share
Firm-1	316
Firm-2	194
Firm-3	5.6
Firm-4	3.4

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

[Dec. 2022]

441. In Oligopoly the kink in the demand curve is more due to :

- (a) Discontinuity in MR
- (b) Discontinuity in AR

- (c) Fulfilment of the assumption that a price fall is followed by other and a price increase by a firm is not followed by the other

- (d) Price war among the firms

[CA CPT Dec. 2011]

442. In the 'kinked-demand' curve model, the upper portion of the demand curve is:

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

[CA CPT June 2013]

443. Choose the incorrect statement regarding the barometric price leadership:

- (a) Old and experienced firm acts as a leader.
- (b) Live and let live philosophy is followed.
- (c) Price decided by assessing market conditions.
- (d) Price decided by leader is generally accepted by the rest of all.

[Nov. 2020]

444. Kinked demand curve is related to which market structure?

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

[CA CPT Dec. 2013]

445. The Kinked demand curve model explains the market situation:

- (a) Pure Oligopoly
- (b) Differentiated Oligopoly

- (c) Collusive Oligopoly  
(d) Price Rigidity

[CA CPT June 2014]

446. In the kinked demand curve theory.

- (a) There is a kink in the marginal cost curve.  
(b) Firms try to compete on non-price basis.  
(c) Demand is price elastic.  
(d) Demand is price inelastic.

[Dec. 2021]

447. A firm having kinked demand curve indicates that :

- (i) If the firm reduces the price, competitive firms also reduce the price.  
(ii) If the firm increases the price, competitive firms also increases the price.  
(iii) If the firm reduces the price, competitive firms do not reduce the price.  
(iv) If the firm increases the price, competitive firms do not increase the price.

- (a) Only (i) above  
(b) Both (i) and (iv) above  
(c) Both (ii) and (iv) above  
(d) Both (ii) and (iii) above

[CA CPT Dec. 2014]

448. Kinked demand curve under oligopoly is designed to show:

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

[CA CPT June 2015]

449. Kinked demand curve is the demand curve of:

- (a) Perfect Competition  
(b) Monopoly  
(c) Monopolistic Competition  
(d) None of the above

[CA CPT Dec. 2015]

450. The reason for the kinked demand curve is that:

- (a) The oligopolist believe that competitors will follow output increases but not output reductions.  
(b) The oligopolist believe that competitors will follow price increases but not output reductions.  
(c) The oligopolist believe that competitors will follow price cuts but not price rises.  
(d) The oligopolist believe that competitors will follow price increases but not output increases.

[CA CPT June 2016]

451. Kinked demand curve is:

- (a) Highly elastic at above the prevailing price.  
(b) Inelastic at below the prevailing price.  
(c) Both (a) and (b).  
(d) None of the above.

[CA CPT May 2019]

### Other Important Market Forms

452. Which term is used for a market characterised by a single buyer of a product or service?

- (a) Monopoly  
(b) Monopsony  
(c) Monobuyer  
(d) Monolateral

453. Which of the following is a sub set of Oligopoly?

- (a) Duopoly  
(b) Monopoly  
(c) Single Oligopoly  
(d) None of these

454. \_\_\_\_\_ is a market situation in which there are two firms in the market.

- (a) Oligopoly  
(b) Duopoly  
(c) Bilateral Oligopoly  
(d) Closed Oligopoly

455. What is the type of market structure which is a combination of

monopoly market and a monopsony market?

- (a) Unilateral Monopoly  
(b) Bilateral Monopoly  
(c) Bi-Monopsony  
(d) None of these

456. \_\_\_\_\_ is a market characterized by a small number of larger buyers and is mostly relevant to factor markets.

- (a) Oligopoly  
(b) Duopoly  
(c) Oligopsony  
(d) Monopsony

### Answers

1.	(a)	2.	(d)	3.	(b)	4.	(b)	5.	(d)	6.	(c)	7.	(c)
8.	(a)	9.	(b)	10.	(d)	11.	(c)	12.	(a)	13.	(a)	14.	(a)
15.	(a)	16.	(c)	17.	(b)	18.	(b)	19.	(b)	20.	(b)	21.	(d)
22.	(a)	23.	(d)	24.	(d)	25.	(a)	26.	(a)	27.	(b)	28.	(c)
29.	(b)	30.	(c)	31.	(b)	32.	(a)	33.	(c)	34.	(a)	35.	(a)
36.	(b)	37.	(a)	38.	(a)	39.	(b)	40.	(b)	41.	(c)	42.	(d)
43.	(c)	44.	(a)	45.	(b)	46.	(b)	47.	(d)	48.	(b)	49.	(c)
50.	(c)	51.	(c)	52.	(b)	53.	(c)	54.	(b)	55.	(a)	56.	(a)
57.	(a)	58.	(c)	59.	(c)	60.	(c)	61.	(c)	62.	(a)	63.	(b)
64.	(d)	65.	(c)	66.	(a)	67.	(a)	68.	(c)	69.	(c)	70.	(a)
71.	(a)	72.	(a)	73.	(c)	74.	(a)	75.	(b)	76.	(a)	77.	(c)
78.	(a)	79.	(d)	80.	(a)	81.	(a)	82.	(d)	83.	(b)	84.	(a)
85.	(b)	86.	(a)	87.	(b)	88.	(c)	89.	(b)	90.	(c)	91.	(c)
92.	(d)	93.	(b)	94.	(d)	95.	(c)	96.	(b)	97.	(c)	98.	(b)
99.	(c)	100.	(c)	101.	(c)	102.	(b)	103.	(a)	104.	(c)	105.	(a)
106.	(c)	107.	(a)	108.	(d)	109.	(c)	110.	(d)	111.	(c)	112.	(b)
113.	(c)	114.	(b)	115.	(d)	116.	(d)	117.	(b)	118.	(b)	119.	(a)
120.	(a)	121.	(c)	122.	(a)	123.	(b)	124.	(d)	125.	(b)	126.	(c)
127.	(b)	128.	(d)	129.	(c)	130.	(d)	131.	(c)	132.	(c)	133.	(d)
134.	(c)	135.	(d)	136.	(d)	137.	(a)	138.	(b)	139.	(d)	140.	(c)

141.	(d)	142.	(a)	143.	(b)	144.	(a)	145.	(d)	146.	(b)	147.	(d)
148.	(d)	149.	(d)	150.	(b)	151.	(c)	152.	(a)	153.	(c)	154.	(c)
155.	(b)	156.	(d)	157.	(a)	158.	(d)	159.	(c)	160.	(c)	161.	(d)
162.	(c)	163.	(b)	164.	(d)	165.	(d)	166.	(b)	167.	(d)	168.	(d)
169.	(a)	170.	(c)	171.	(b)	172.	(c)	173.	(b)	174.	(d)	175.	(d)
176.	(a)	177.	(c)	178.	(d)	179.	(b)	180.	(b)	181.	(d)	182.	(a)
183.	(d)	184.	(b)	185.	(c)	186.	(a)	187.	(d)	188.	(d)	189.	(d)
190.	(a)	191.	(d)	192.	(b)	193.	(a)	194.	(d)	195.	(b)	196.	(b)
197.	(a)	198.	(c)	199.	(b)	200.	(a)	201.	(d)	202.	(b)	203.	(b)
204.	(b)	205.	(c)	206.	(b)	207.	(b)	208.	(b)	209.	(c)	210.	(b)
211.	(d)	212.	(b)	213.	(a)	214.	(c)	215.	(d)	216.	(a)	217.	(d)
218.	(b)	219.	(b)	220.	(c)	221.	(d)	222.	(d)	223.	(a)	224.	(a)
225.	(c)	226.	(a)	227.	(b)	228.	(b)	229.	(c)	230.	(b)	231.	(d)
232.	(b)	233.	(a)	234.	(c)	235.	(c)	236.	(c)	237.	(d)	238.	(c)
239.	(c)	240.	(b)	241.	(d)	242.	(a)	243.	(d)	244.	(a)	245.	(a)
246.	(d)	247.	(a)	248.	(d)	249.	(d)	250.	(a)	251.	(d)	252.	(a)
253.	(c)	254.	(c)	255.	(a)	256.	(a)	257.	(d)	258.	(a)	259.	(c)
260.	(a)	261.	(a)	262.	(d)	263.	(a)	264.	(c)	265.	(c)	266.	(c)
267.	(c)	268.	(a)	269.	(c)	270.	(c)	271.	(d)	272.	(b)	273.	(d)
274.	(a)	275.	(c)	276.	(b)	277.	(a)	278.	(b)	279.	(c)	280.	(c)
281.	(d)	282.	(c)	283.	(c)	284.	(d)	285.	(a)	286.	(c)	287.	(b)
288.	(d)	289.	(c)	290.	(a)	291.	(d)	292.	(c)	293.	(d)	294.	(b)
295.	(b)	296.	(d)	297.	(c)	298.	(b)	299.	(a)	300.	(b)	301.	(c)
302.	(b)	303.	(d)	304.	(a)	305.	(d)	306.	(c)	307.	(d)	308.	(a)
309.	(b)	310.	(b)	311.	(c)	312.	(a)	313.	(c)	314.	(a)	315.	(c)
316.	(c)	317.	(a)	318.	(b)	319.	(c)	320.	(c)	321.	(a)	322.	(b)
323.	(b)	324.	(b)	325.	(b)	326.	(b)	327.	(a)	328.	(c)	329.	(c)
330.	(c)	331.	(b)	332.	(d)	333.	(a)	334.	(c)	335.	(b)	336.	(a)
337.	(c)	338.	(c)	339.	(b)	340.	(c)	341.	(c)	342.	(a)	343.	(c)
344.	(a)	345.	(b)	346.	(b)	347.	(c)	348.	(b)	349.	(c)	350.	(d)
351.	(c)	352.	(c)	353.	(d)	354.	(a)	355.	(c)	356.	(b)	357.	(b)
358.	(c)	359.	(d)	360.	(c)	361.	(c)	362.	(c)	363.	(d)	364.	(c)
365.	(b)	366.	(c)	367.	(a)	368.	(d)	369.	(c)	370.	(c)	371.	(b)
372.	(d)	373.	(a)	374.	(c)	375.	(b)	376.	(c)	377.	(b)	378.	(b)
379.	(d)	380.	(d)	381.	(b)	382.	(b)	383.	(d)	384.	(d)	385.	(c)
386.	(a)	387.	(c)	388.	(a)	389.	(d)	390.	(c)	391.	(a)	392.	(c)

393.	(a)	394.	(b)	395.	(d)	396.	(a)	397.	(d)	398.	(b)	399.	(c)
400.	(c)	401.	(a)	402.	(a)	403.	(c)	404.	(b)	405.	(d)	406.	(c)
407.	(c)	408.	(d)	409.	(c)	410.	(d)	411.	(a)	412.	(d)	413.	(d)
414.	(b)	415.	(d)	416.	(a)	417.	(c)	418.	(a)	419.	(d)	420.	(a)
421.	(b)	422.	(a)	423.	(b)	424.	(d)	425.	(a)	426.	(a)	427.	(b)
428.	(c)	429.	(b)	430.	(d)	431.	(c)	432.	(d)	433.	(b)	434.	(c)
435.	(b)	436.	(c)	437.	(b)	438.	(c)	439.	(d)	440.	(a)	441.	(c)
442.	(a)	443.	(b)	444.	(a)	445.	(d)	446.	(b)	447.	(b)	448.	(b)
449.	(d)	450.	(c)	451.	(c)	452.	(b)	453.	(a)	454.	(b)	455.	(b)
456.	(c)												

### Hints of selected question

1. A market is a collection of buyers and sellers with the potential to trade. The actual or potential interactions of the buyers and sellers determine the price of product or service.

Ans. : (a)

7. The elements of a market are:

- Buyers and sellers
- A product or service
- Bargaining for a price
- Knowledge about market conditions and
- One price for a product or service at a given time.

Ans. : (c)

30. On the basis of geographical area covered, the markets are classified into :

- Local Market
- Rational Market
- National Market
- International Market

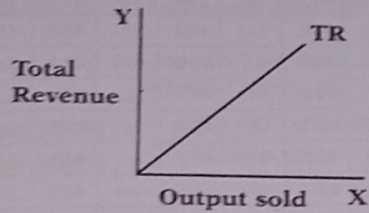
The classification into spot and forward market is on the basis of Nature of Transactions

Ans. : (c)

31. Monopoly is a situation where there is a single seller producing for many buyers, whereas Monopsony is a market condition in which there is only a single buyer.

Ans. : (b)

37. Since the firm can sell any quantity at market determined prices, the TR curve is linear and starts from the origin.



Ans. : (a)

43.

	Price Per Unit	Quantity Demanded
Existing	₹ 20	10 Units
New	₹ 20 - 5% of 20 = ₹ 20 - Re. 1 = ₹ 19	10 + 10% of 10 = 10 + 1 = 11 Units

Total Revenue (TR) = Price (p) × Quantity (Q)

TR (Existing) = 20 × 10 = ₹ 200

TR (New) = 19 × 11 = ₹ 209

$\Delta TR = ₹ 9$

$\Delta \text{Quantity} = 1 \text{ Unit}$

$MR = \frac{\Delta TR}{\Delta Q} = \frac{9}{1} = 9$

Ans. : (c)

46.

	Total Revenue (TR)	Quantity Sold (Q)
Original	₹ 3,000	50 Units
New	₹ 3,100	52 Units
Change	$\Delta TR = 100$	$\Delta Q = 2$
$MR = \frac{\Delta TR}{\Delta Q} = \frac{100}{2} = ₹ 50$		

Ans. : (b)

49. Marginal Revenue = The addition made to the total revenue by selling one more unit. Symbolically,

$MR_n = TR_n - TR_{n-1}$

$MR_{11} = TR_{11} - TR_{10} = 120 - 100 = 20$

Ans. : (c)

50. Marginal revenue is the additional made to the total revenue by producing one more unit of a commodity.

Ans. : (c)

53.

	Price (P)	Quantity Demand (Q)	Total Revenue (TR)
Original	20	9	180
New	19	10	190
Change	-1	+1	+10
$MR = \frac{\Delta TR}{\Delta Q} = \frac{10}{1} = ₹ 10$			

Ans. : (c)

58.  $MR_{25} = (TR_{25} - TR_{15}) / (25 - 15) = (35,000 - 25,000) / (25 - 15) = 10,000 / 10 = 1,000$

Ans. : (c)

61.

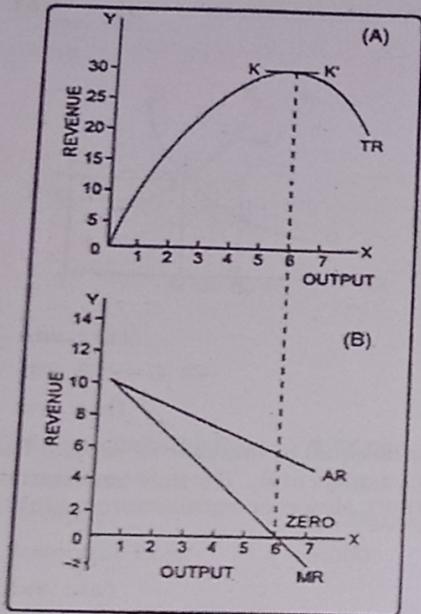
	Price (P)	Quantity Demand (Q)	Total Revenue (TR)
Original	20	15	300
New	18	16	288
Change	-2	+1	-12
$MR = \frac{\Delta TR}{\Delta Q} = \frac{12}{1} = ₹ 12$			

Ans. : (c)

62. Total Revenue refers to the amount of money which a firm realises by selling certain units of a Commodity.

Ans. : (a)

67. Total Revenue Curve initially increases at a diminishing rate due to diminishing marginal revenue and reaches maximum and then it falls. When Marginal Revenue becomes zero, the total revenue is maximum and the slope of TR is zero.



Ans. : (a)

68.

	Price (P)	Quantity Demanded (Q)	Total Revenue (TR)
Original	20	9	180
New	19	10	190
Changes (D)	-1	+1	+10

$MR = \frac{\Delta TR}{\Delta Q} = \frac{10}{1} = ₹ 10$

Ans. : (c)

69. Marginal Revenue (MR) is the change in total revenue resulting from the sale of an additional unit of the commodity.

Where MR is marginal revenue  
 TR is total revenue  
 Q is quantity of commodity sold  
 Δ is small change

$$MR = \frac{\Delta TR}{\Delta Q}$$

Ans. : (c)

$$70. MR = P \left(1 - \frac{1}{e}\right)$$

$$= P \left(\frac{e-1}{e}\right)$$

If  $e < 1$ , fraction  $\left(\frac{e-1}{e}\right)$  will be negative. Therefore, MR will also be negative or less than 0.

Ans. : (a)

$$71. MR = P \left(1 - \frac{1}{e}\right)$$

If  $e > 1$ , the fraction  $\left(\frac{1}{e}\right)$  will be less than 1. In that case,  $\left(1 - \frac{1}{e}\right)$  will

Ans. : (a)

$$74. MR = P \left(1 - \frac{1}{e}\right)$$

$$= P \left(\frac{e-1}{e}\right)$$

$$= P (e-1)/e$$

$$= AR (e-1)/e$$

Ans. : (a)

$$75. MR = P \left(1 - \frac{1}{e}\right)$$

If  $e = 1$ ,  $MR = P (1 - 1) = 0$

Ans. : (b)

76. Refer Q. 62

Ans. : (a)

77. Refer Q. 63

Ans. : (c)

78. Refer Q. 67

Ans. : (a)

$$80. MR = AR \times \frac{e-1}{e} = 5 \times \frac{2-1}{2} = + 2.5$$

Ans. : (a)

83. Price Elasticity =  $\frac{\text{Lower Segment}}{\text{Upper Segment}}$

Since, the elasticity is to be computed at the middle point, Lower segment = Upper Segment.

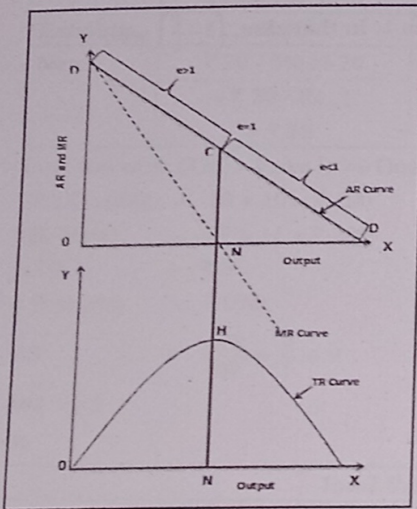
∴ Price Elasticity = 1

Ans. : (b)

84. Refer Q. 66

Ans. : (a)

86.



Ans. : (a)

90. The very short period or Market period refers to a period of time in which supply is fixed and cannot be increased or decreased.

Ans. : (c)

94. At equilibrium price, the quantity demanded is equal to quantity supplied. In the given question, when the price is ₹ 4 per unit, the demand & Supply equals to each other at 700 units. Therefore, the equilibrium market price is ₹ 4.

Ans. : (c)

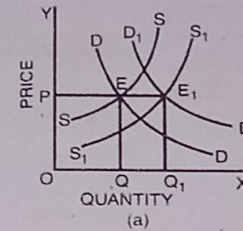
96. Refer Q. 86

Ans. : (b)

100. Refer Q. 86

Ans. : (c)

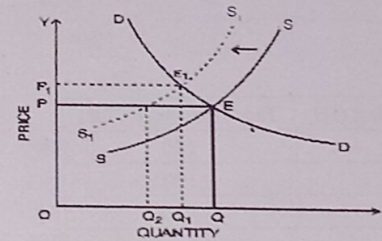
93.



In the above figure, the increase in demand is equal to increase in supply. The new demand curve  $D_1D_1$  and supply curve  $S_1S_1$  meet at  $E_1$ . The new equilibrium price is equal to the old equilibrium price (OP). However, equilibrium quantity is more.

Ans. : (a)

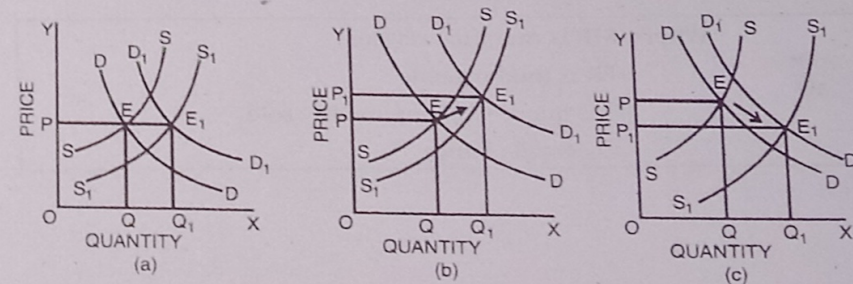
105.



It is clear that if there is decrease in supply and demand remains constant, the equilibrium price will go up, but the amount sold and purchased will go down.

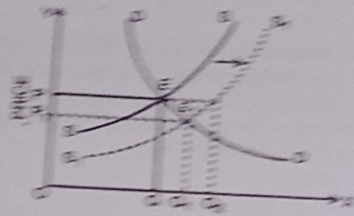
Ans. : (a)

106.



Ans. : (c)

117.



Ans. : (a)

118. Refer Q. 97

Ans. : (d)

119. Accounting Cost = ₹ 75,000

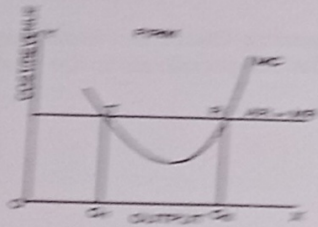
Economic Cost = 75,000 + 31,000 = 1,06,000

Revenue = ₹ 1,01,000

Economic Loss = 5,000

Ans. : (a)

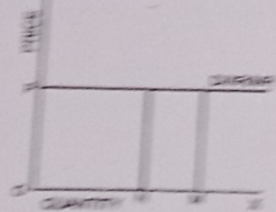
135.



MC curve should cut MR curve from below

Ans. : (d)

137.

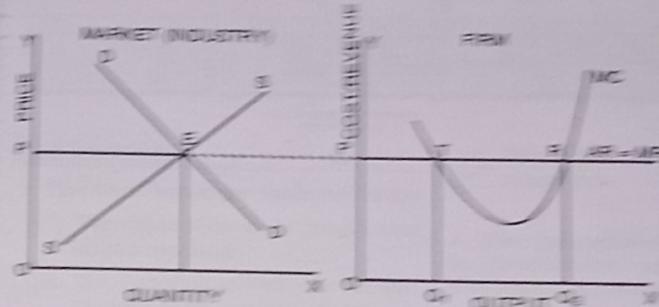


Ans. : (b)

144. In Perfect Competition, the firms are price taker with homogeneous price. Therefore, AR equals to MR.

Ans. : (a)

195.



Ans. : (a)

194. Refer Q. 177

Ans. : (d)

206. Refer Q. 177

Ans. : (b)

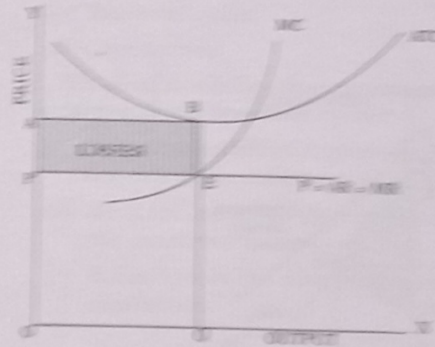
212. Refer Q. 177

Ans. : (b)

222. Since  $AR > AC$ , the firm is making super normal profits.

Ans. : (d)

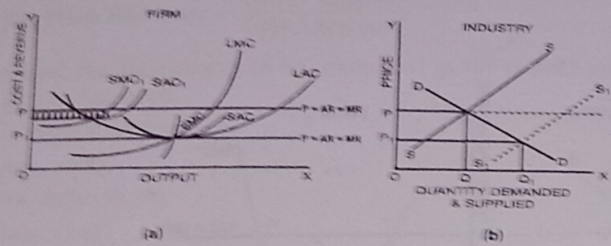
232.



Ans. : (b)



243.

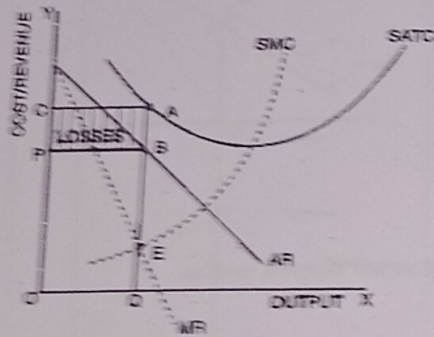


Ans. : (d)

246. Same as Q. 224

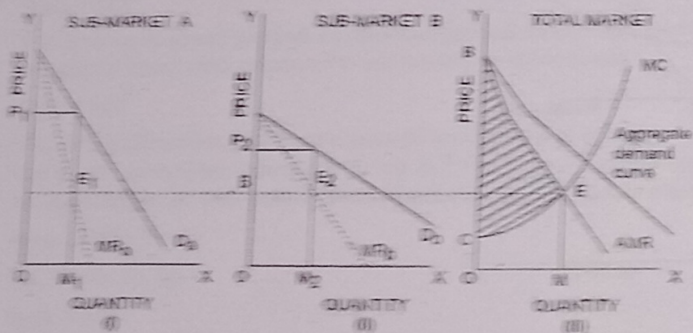
Ans. : (d)

277.



Ans. : (c)

319.

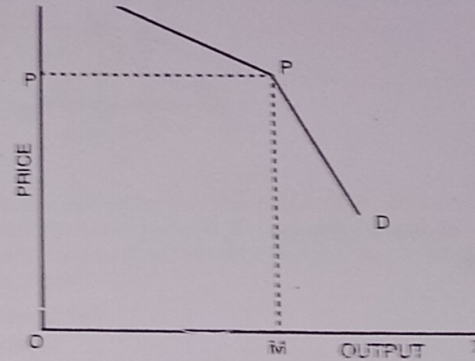


Ans. : (c)

385. OPEC refers to organization for Petroleum Exporting Countries.

Ans. : (c)

406. The demand curve facing an oligopolist, according to the kinked demand curve hypothesis, has a 'kink' at the level of prevailing price. It is because the segment of the demand curve above the prevailing price level is highly elastic and the segment of the demand curve below the prevailing price level is inelastic. A kinked demand curve with a kink at point P is shown in Fig.



Ans. : (c)

409. OPEC (Organisation for Petroleum Exporting Countries) is an example of oligopoly market because there are few seller for petroleum in the world.

Ans. : (c)

432. Refer Q. 378

Ans. : (d)

# 5

## CHAPTER

# BUSINESS CYCLES

### Introduction

1. The term business cycle refers to:

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

[Jan. 2021]

2. The rhythmic fluctuations in aggregate economic activity that an economy experiences over a period of time are called:

- (a) Inflation
- (b) Unemployment
- (c) Business cycles
- (d) Growth rate

3. Which of the following statement is correct for a business cycle?

- (a) A Typical feature of depression is the rise in the interest rate.
- (b) A typical feature of depression is the constant interest rate.
- (c) Recession is the severe form of depression.

(d) Depression is the severe form of recession.

[June 2022]

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

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

5. Greatest depression suffered by economy in which year?

- (a) 1924
- (b) 1930
- (c) 2008
- (d) 2009

[CA CPT May 2018]

6. According to \_\_\_\_\_ trade cycle is a purely monetary phenomenon.

- (a) Schumpeter
- (b) Nicholas Kaldor
- (c) Keynes
- (d) Hawtrey

[Dec. 2021]

7. According to \_\_\_\_\_ trade cycle occurs due to the onset of innovations.

- (a) Hawtrey  
 (b) Adam Smith  
 (c) JM. Keynes  
 (d) Schumpeter

8. Trade cycles occur as a result of the mismatch between the aggregate demand function and aggregate supply function. Who said this?

- (a) Pigou  
 (b) Schumpeter  
 (c) Hawtrey  
 (d) Keynes

9. Which is not related to great depression of 1930?

- (a) It stated in USA  
 (b) John Maynard Keynes regarded lower aggregate expenditure as the cause  
 (c) Excess Money Supply  
 (d) Both (a) and (b)

[CA CPT May 2019]

10. Which of the following is not correct about the business cycles ?

- (a) Business cycles have distinct phase of expansion, peak, contraction and trough  
 (b) Business cycles generally originate in capitalist economies  
 (c) Business cycles are contagious and are internal in character  
 (d) All sectors of the economy are adversely affected in equal proportion

[June 2022]

11. The world economy suffered the congeest deepest and most widespread depression of the 20th century during \_\_\_\_\_.

- (a) 1934  
 (b) 1928

- (c) 1930  
 (d) 1932

[Jan. 2021]

12. Recent example of the Business cycle is the housing bubble of the US economy bubble got bust in the year \_\_\_\_\_.

- (a) 1930  
 (b) 1998  
 (c) 2000  
 (d) 2007

13. Which among the following is not a feature of Business Cycles?

- (a) Business Cycles are sporadic in nature.  
 (b) Business Cycles have serious consequence on the well-being of the society.  
 (c) Business Cycles are exceedingly complex Phenomena.  
 (d) Business Cycles are contagious.

[Dec. 2021]

14. The rhythmic fluctuations in aggregate economic activity that an economy experiences over a period of time is called:

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

[July 2021]

### Phases of Business Cycle

15. The business Cycles or the periodic booms and slumps in economic activities reflect the \_\_\_\_\_ in economic activities.

- (a) Upward movements  
 (b) Downward movements

- (c) Upward and downward movements  
 (d) Extreme rise

16. Which statement is incorrect?

- (a) Depression of Severe form of trough.  
 (b) Depression causes fall in Interest rate.  
 (c) Peak is highest point.  
 (d) All of the above.

[Nov. 2019]

17. When aggregate economic activity is increasing in an economy, the economy is said to be in \_\_\_\_\_.

- (a) Peak  
 (b) Contraction  
 (c) Expansion  
 (d) Trough

[Dec. 2021]

18. During the phase of trough of business cycle, the growth rate became \_\_\_\_\_.

- (a) Negative  
 (b) Zero  
 (c) High  
 (d) Low

[Nov. 2020]

19. When aggregate economic activity is expanding it is said to be in :

- (a) Contraction  
 (b) Expansion  
 (c) At turning point  
 (d) A peak

[Dec. 2021]

20. During \_\_\_\_\_ there is fall in level of investment and employment.

- (a) Boom  
 (b) Recovery

- (c) Contraction  
 (d) Depression

[Nov. 2020]

21. The term \_\_\_\_\_ refers to the top or the highest point of business cycle.

- (a) Top  
 (b) Expansion  
 (c) Peak  
 (d) Equilibrium

[Dec. 2021]

22. Select the odd out:

- (a) Expansion  
 (b) Boom  
 (c) Upswing  
 (d) Trough

23. \_\_\_\_\_ represents the steady growth lien or the growth of the economy when there are no business cycles.

- (a) Peak  
 (b) Trend  
 (c) Depression  
 (d) Expansion

24. In which phase of Business Cycles levels of investment & employment falls

- (a) Peak  
 (b) Recession  
 (c) Expansion  
 (d) Contraction

[June 2023]

25. Which one of the following is not a phase of business cycle

- (a) Peak  
 (b) Trough  
 (c) Expansion  
 (d) Reconstruction

[June 2023]

26. Actual demand stagnates in which of the following stage of a business cycle?

- (a) Expansion  
 (b) Peak  
 (c) Contraction  
 (d) Recovery

[June 2022]

27. The phase of business cycle in which growth rate becomes negative and the level of national income and expenditure declines rapidly resulting in widespread unemployment.

- (a) Contraction  
 (b) Recession  
 (c) Depression  
 (d) Recovery

28. Which indicators coincide or occur simultaneously with the business cycle movements?

- (a) Legal  
 (b) Lagging  
 (c) Leading  
 (d) Concurrent

[Nov. 2020]

29. Expansion phase is characterized by increases in \_\_\_\_\_.

- (a) National output, employment and demand  
 (b) Excessive investment over production  
 (c) Unemployment, workers accept work at lower wages  
 (d) Decrease in input demand and prices fall down

[Dec. 2021]

30. Which business cycle phases are known as Turning Points?

- (a) Trough and Depression  
 (b) Peak and Trough  
 (c) Expansion and Contraction  
 (d) Peak and Boom

[July 2021]

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

- (a) Volatility  
 (b) Turning points  
 (c) Equilibrium points  
 (d) Real business cycle events

32. \_\_\_\_\_ sector cannot be included as 'cyclical' businesses.

- (a) Electric goods  
 (b) House builder  
 (c) Agriculture  
 (d) Restaurants

[June 2022]

33. Which of the following is not an example of cyclical business?

- (a) Fashion retailers  
 (b) Ensure builders  
 (c) Restaurants  
 (d) Washing powder

34. The four phases of the business cycle are:

- (a) peak, recession, trough and boom  
 (b) peak, depression, trough and boom  
 (c) peak, recession, trough and recovery  
 (d) peak, depression, bust and boom

[Nov. 2019/2020]

35. Expansion phase of business cycle depicts characteristics except \_\_\_\_\_.

- (a) Consumer spending on goods and services tend to rise  
 (b) Business confidence tends to rise

(c) Interest rates and profits tend to rise

(d) Unemployment tends to rise

[June 2022]

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

- (a) Expansion  
 (b) Peak  
 (c) Contraction  
 (d) Depression

37. At 'trough' the production in the economy reaches at which of the following:

- (a) High  
 (b) Low  
 (c) Constant  
 (d) Negative

[Nov. 2019]

38. The lowest level of economic activity is called:

- (a) Depression  
 (b) Boom  
 (c) Expansion  
 (d) Contraction

[Dec. 2021]

39. The different phases of a business cycle:

- (a) Do not have the same length and severity  
 (b) Expansion phase always last more than ten years  
 (c) Last many years and are difficult to get over in short periods  
 (d) None of the above

40. Which phase of business cycle is characterised by increase in national output, employment, aggregate

demand, capital and consumer expenditure sales, profits etc.?

- (a) Depression  
 (b) Contraction  
 (c) Trough  
 (d) Expansion

[July 2021]

41. A typical feature of depression is \_\_\_\_\_ in the interest rate.

- (a) Rise  
 (b) Constant  
 (c) Fall  
 (d) Infinity

[June 2022]

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

- (a) Expansion  
 (b) Trough  
 (c) Peak  
 (d) Bottom

43. Increase in national output and other economic variables is a characteristic of \_\_\_\_\_ in Business Cycles

- (a) Trough  
 (b) Depression  
 (c) Contraction  
 (d) Expansion

[June 2023]

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

- (a) Volatility  
 (b) Turning points  
 (c) Equilibrium points  
 (d) Real business cycle events

45. Actual demand stagnates in which stage:

- (a) Peak
- (b) Trough
- (c) Recovery
- (d) Contraction

[Nov. 2019]

46. Identify the odd-one in the following:

- (a) Downturning
- (b) Recession
- (c) Boom
- (d) Contraction

47. In which stage of the business cycle involuntary unemployment is almost zero?

- (a) Expansion
- (b) Peak
- (c) Contraction
- (d) Recovery

[June 2022]

48. Which of the following characteristics does not belong to expansion part of business cycle?

- (a) Consumer spending on goods and service tend to rise
- (b) Business confidence tends to rise
- (c) Interest rates and profits tend to rise
- (d) Unemployment tends to rise

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

- (a) Peak
- (b) Contraction
- (c) Downturning
- (d) None of the above

50. Which of the following does not occur during an expansion?

- (a) Consumer purchases of all types of goods tend to increase.
- (b) Employment increases as demand for labour rises.

(c) Business profits and business confidence tend to increase.

(d) None of the above.

51. Which phase is the highest point of the business cycle?

- (a) Upturning
- (b) Downturning
- (c) Peak
- (d) Trough

52. In a typical business cycle, in which phase supply exceeds demand?

- (a) Expansion
- (b) Peak
- (c) Contraction
- (d) Recovery

[July 2021]

53. In which of the following phase of a business cycle, actual demand stagnates?

- (a) Expansion
- (b) Peak
- (c) Contraction
- (d) Recovery

[July 2021]

54. \_\_\_\_\_ is the turning point and the beginning of recession.

- (a) Contraction
- (b) Depression
- (c) Upturning
- (d) Boom

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

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

56. Which is not an example of coincident indicator?

- (a) Inflation
- (b) GDP
- (c) Financial market trend
- (d) Interest rate

[Nov. 2020]

57. Variables that change before the real output changes are called as:

- (a) Trade cycle
- (b) Business cycle
- (c) Leading indicators
- (d) Lagging indicators

[July 2021]

58. \_\_\_\_\_ are the variables that change after the real output.

- (a) Leading indicator
- (b) Lagging indicator
- (c) Coincident indicator
- (d) Concurrent indicator

59. When aggregate economic activity is declining, the economy is said to be in:

- (a) Contraction
- (b) An expansion
- (c) A trough
- (d) A turning point

60. According to law of tray, which of the following is correct?

- (a) Trade Cycle occurs as a result of innovation
- (b) Trade Cycle is purely monetary phenomenon
- (c) Fluctuation in economy activity is due to fluctuation in demand
- (d) Fluctuation in government expenditure

[Jan. 2021]

61. Economic recession shares all of these characteristics except:

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

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

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

63. During recession, the unemployment rate \_\_\_\_\_ and output \_\_\_\_\_.

- (a) rises; falls
- (b) rises; rises
- (c) falls; rises
- (d) falls; falls

[Nov. 2019/Jan. 2021]

64. Excess capacity in capital industries is the characteristics of which of the following stage?

- (a) Trough
- (b) Recovery
- (c) Depression
- (d) Peak

[Nov. 2019]

65. An unemployment type cause due to structural changes in the economy is which of the following:

- (a) Involuntary  
 (b) Ethical friction  
 (c) Full employment  
 (d) Structural

[Nov. 2019]

66. China's recent slowdown causes:

- (a) Cycle of decline and panic across the world.  
 (b) Countries across the Globe were able to insulate themselves from the crisis.  
 (c) Stock markets in the Emerging Economics largely remained unaffected.  
 (d) Old technology fuelled the economic decline.

[Nov. 2019]

67. \_\_\_\_\_ phase of business cycle marks the end of pessimism and the beginning of optimism.

- (a) Recovery  
 (b) Depression  
 (c) Upswing  
 (d) Downtswing

68. What is the most visible sign of recession in an economy?

- (a) Fall in the level of employment  
 (b) Fall in price level  
 (c) Rise in the inventory cost  
 (d) Weakening stock market

[Nov. 2020]

69. Which of the following is an internal cause of business cycles?

- (a) Population growth  
 (b) Wars  
 (c) Natural factors  
 (d) Fluctuations in the effective demand

[Nov. 2020]

70. Which of the following factors is an external cause or exogenous factor which may lead to a boom or bust?

- (a) Economical factor  
 (b) Social factor  
 (c) Natural factor  
 (d) Industrial factor

71. The trough of a business cycle occurs when \_\_\_\_\_ hits its lowest point.

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

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

- (a) Expansion  
 (b) Boom  
 (c) Peak  
 (d) Trough

73. The most feature of business cycles:

- (a) Pervasive nature  
 (b) Regular length  
 (c) Periodic intensity  
 (d) None of these

[Nov. 2020]

74. The period 1929-33 is cited for \_\_\_\_\_ of world economy.

- (a) Great depression  
 (b) Great recovery  
 (c) Great upswing  
 (d) Great downswing

75. Feature of \_\_\_\_\_ is fall in interest rates and people's demand for holding liquid money.

- (a) Contraction  
 (b) Peak

- (a) Trough & Depression  
 (b) Recovery

[Jan. 2021]

76. In Recovery phase of business cycle, the process of reversal is initially felt in the \_\_\_\_\_.

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

77. Business that are more vulnerable to changes in business cycle and whose fortunes are closely linked to rate of economic growth are called as:

- (a) Vulnerable Business  
 (b) Cyclical Business  
 (c) Leading Business  
 (d) Lagging Business

[Jan. 2021]

78. Boom and depreciation in business cycles are:

- (a) Turning points  
 (b) Equilibrium points  
 (c) Both (a) and (b)  
 (d) None of the above

[CA CPT May 2019]

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

- (a) Prosperity  
 (b) Upswing  
 (c) Reconstruction  
 (d) Depression

[CA CPT May 2019]

80. Which of the following is not a variable in the index of leading indicators?

- (a) Prime Rate  
 (b) Delayed Deliveries

- (c) Construction permits  
 (d) New consumer goods orders

[Dec. 2021]

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

- (a) Industrial production  
 (b) Inflation  
 (c) Retail sales  
 (d) New orders for plant and equipment

[Nov. 2019]

82. Those variables that change before the real output changes are called:

- (a) Leading indicators  
 (b) Lagging indicators  
 (c) Concurrent indicators  
 (d) Business indicators

[Nov. 2021]

83. Friction unemployment is the characteristic of which of the following stages:

- (a) Expansion  
 (b) Peak  
 (c) Construction  
 (d) Recovery

[Nov. 2019]

84. Identity which among the following is an example of a lagging indicator?

- (a) Stock market prices  
 (b) Gross domestic product  
 (c) Unemployment  
 (d) Industrial production

[Dec. 2021]

85. Leading economic indicators:

- (a) Are used to forecast probable shifts in economic policies.

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

86. Variables that give information about the rate of change of the expansion or contraction of an economy more or less at the same time it happens are called:

- (a) Lagging indicators
- (b) Coincident indicators
- (c) Leading indicators
- (d) Economic indicators

[Dec. 2021]

87. A leading indicator is:

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

88. Coincident indicators are also known as:

- (a) Lagging indicators
- (b) Concurrent indicators
- (c) Effective indicators
- (d) Leading indicators

[Jan. 2021]

89. Those variables that change after the real output changes are called as:

- (a) Lagging indicators
- (b) Leading indicators

- (c) Concurrent indicators
- (d) Coincident indicators

[June 2022]

90. From the following variance that change after real output changes areas \_\_\_\_\_.

- (a) Coincide indicator
- (b) Coincide economy indicator
- (c) Lagging indicator
- (d) Concurrent indicator

[June 2023]

91. Which of the following is not an example of lagging indicator?

- (a) Consumer price index
- (b) Labour cost price per unit
- (c) Commercial lending
- (d) Personal income

[June 2023]

92. \_\_\_\_\_ is measurable economics factor that changes before economy starts to follow a particular pattern of trend.

- (a) Lagging indicators
- (b) Leading indicators
- (c) Coincident indicators
- (d) Concurrent indicator

[Nov. 2020]

93. Which of the following is an example of a leading indicator?

- (a) Change in stock prices
- (b) Change in unemployment rate
- (c) Change in GDP
- (d) Change in commercial lending activity

94. A measurable economic factor that changes before the economy starts follows particulars pattern/ trend is:

- (a) Leading Factor
- (b) Lagging Factor
- (c) Coincident Factor
- (d) Concurrent Factor

[Jan. 2021]

95. Coincident economic indicators are also called as which of the following?

- (a) Leading indicators
- (b) Concurrent indicators
- (c) Headed indicators
- (d) Capacity indicators

[June 2022]

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

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

97. Those variables that change before the real output changes prior to large economic adjustments are called as \_\_\_\_\_.

- (a) Coincident indicator
- (b) Leading indicator
- (c) Concurrent indicator
- (d) Lagging indicator

[June 2023]

98. Coincident indicators are also called as:

- (a) Lagging indicator
- (b) Leading indicator
- (c) Concurrent indicators
- (d) None

[June 2023]

99. Which of the following best describes a typical business cycle?

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

100. Which of the following is true about leading indicators?

- (a) Measurable economic factors
- (b) Changes after real output
- (c) Both (a) and (b)
- (d) None [CA CPT May 2019]

101. Last stage of recession is called:

- (a) Depreciation
- (b) Recovery
- (c) Slowdown
- (d) All of these

[CA CPT May 2018]

102. Variables that change after real output changes are known as:

- (a) Leading indicators
- (b) Cyclical indicators
- (c) Lagging indicators
- (d) Coincident indicators

[July 2021]

103. When once peak is reached, increase in demand is salted, then \_\_\_\_\_ phase begins?

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

[CA CPT Nov. 2018]

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

- (a) Employment  
(b) Inflation  
(c) Real interest rates  
 (d) Presidential investment

[CA CPT May 2018]

105. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called:

- (a) Pro-cyclical  
 (b) Counter cyclical  
(c) A cyclical  
(d) A leading variable

[CA CPT May 2018]

106. Fashion Retailer is business of:

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

[CA CPT Nov. 2018]

107. Rampant unemployment is found in:

- (a) Boom  
(b) Recovery  
(c) Contraction  
 (d) Depression

[CA CPT May 2018]

108. Which economic indicator is required to predict the turning point of business cycle?

- (a) Leading indicator  
(b) Lagging indicator

- (c) Coincident  
 (d) All of the above

109. Economics activities will be declining in the phase of:

- (a) Expansion  
(b) Depression  
 (c) Contraction  
(d) Peak

[CA CPT May 2019]

110. In the later stages of expansion, inputs are difficult to find as they are \_\_\_\_\_ of their demand and therefore & input prices \_\_\_\_\_

- (a) short, increase  
(b) excess, increases  
(c) short, decrease  
(d) excess, decrease

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

- (a) increase, decreasing  
(b) decrease, Increasing  
(c) increase, Increasing  
(d) decrease, Decreasing.

112. \_\_\_\_\_ is the severe form of \_\_\_\_\_

- (a) Depression, Recovery  
 (b) Depression, Recession  
(c) Recession, Depreciation  
(d) Recession, Recovery

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

- (a) 1929-1930  
(b) 1929-1931

- (c) 1929-1932

- (d) 1929-1933

114. Which of the following statement is false?

- (a) No economy follows a perfectly timed Cycle.  
(b) Business Cycles vary in intensity and length.  
(c) There is no set pattern which Business Cycles follow.  
 (d) Every Business Cycle has relatively longer period.

115. Which of the following phase occurs after threat and before peak?

- (a) Boom  
(b) Recession  
 (c) Expansion  
(d) Depression

[Nov. 2020]

116. Economic indicators are:

- (a) A one stroke solution to check the phase of economy.  
 (b) Indicators showing the movement of economy.  
(c) Some activities which predict the direction of economy.  
(d) Just and illusion.

#### Features of Business Cycles

117. Industries that are extremely sensitive to the business cycle are the:

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

- (d) Capital goods and durable goods sectors.

[CA CPT May 2018]

118. Business Cycle occurs:

- (a) Periodically  
(b) In different phases  
 (c) Both (a) and (b)  
(d) None of the above

[CA CPT May 2019]

119. Features of business cycles include:

- (a) Discuss periodically  
(b) Have four different phases  
(c) Originate in free Market Economy  
 (d) All of the above

[CA CPT Nov. 2018]

120. Which of the following is not a characteristic of business cycles?

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

[Jan. 2021, July 2021]

121. Which of the following statement is correct?

- (a) No economy follows a perfectly timed cycle.  
(b) Economy follows a perfectly timed cycle.  
(c) Most of the economy follows a perfectly timed cycle.



- (d) Capitalist economy follow a perfectly timed cycle.

[June 2022]

122. Which is not the characteristic feature of expansion phase in business cycle?

- (a) Increase in national output  
 (b) Unemployment  
 (c) Rise in price and costs  
 (d) Boost in business confidence

[CA CPT May 2019]

123. Business Cycles are exceedingly complex phenomena because \_\_\_\_\_.

- (a) they do not have uniform characteristics and causes.  
 (b) they are caused by varying factor.  
 (c) it is difficult to make an accurate prediction of trade cycles before their occurrence.  
 (d) all of the above.

124. Repercussions of Business Cycles get simultaneously felt on the economic variable:

- (a) Output and employment.  
 (b) Investment & Consumption  
 (c) Interest, Trade & Price levels  
 (d) All of the above.

125. Business Cycles have \_\_\_\_\_ consequences on the well-being of the society.

- (a) some  
 (b) serious  
 (c) no  
 (d) moderate

126. What is incorrect about business cycle?

- (a) They occur periodically.

- (b) They exhibit same regularity.  
 (c) The duration of cycles vary.  
 (d) The intercity of fluctuations also varies.

127. Which is a feature of business cycles?

- (a) Pervasive in nature  
 (b) Occurs in restrictive market economy  
 (c) Periodical regularity  
 (d) It has same reasons

[June 2023]

128. Business cycle generally originate in free market economies, what is a free market economy?

- (a) The economy where government is in possession of major assets.  
 (b) The economy where private firms control major assets.  
 (c) The economy decisions of productions are taken by public sector undertakings.  
 (d) The economy where price is controlled by government.

129. Which of the following statement is correct?

- (a) The business cycle largely affects the agricultural sector.  
 (b) The business cycle largely affects small employees.  
 (c) The business cycle generally affects all sectors of economy but business sector in particular.  
 (d) The business cycle affects low wages workers.

130. The disturbances in one or more Sectors \_\_\_\_\_ other Sectors.

- (a) do not affect  
 (b) equally affect

- (c) gets easily transmitted to all  
 (d) none of the above
131. Business cycle is contagious and \_\_\_\_\_ in character?

- (a) Local  
 (b) Regional  
 (c) National  
 (d) International

[Jan. 2021]

### Causes of Business Cycles

132. Business Cycles may occur due to:

- (a) External Causes  
 (b) Internal Causes  
 (c) Both (a) & (b)  
 (d) Either (a) or (b)

133. According to Monetarists, business cycles occur due to:

- (a) Changes in aggregate expenditure in economy  
 (b) Innovation  
 (c) Unplanned changes in the money supply  
 (d) Waves of optimism & pessimism

134. According to some economists, \_\_\_\_\_ are the prime causes of business cycles.

- (a) Fluctuations in effective demand  
 (b) Fluctuations in investments  
 (c) Macroeconomic policies  
 (d) All of the above

[CA CPT May 2019]

135. Which of the following is extreme or exogeneous following that lead to boom or burst?

- (a) Economic factor

- (b) Social factor  
 (c) Natural factor  
 (d) Industrial factor

[June 2023]

136. Which of the following is not an internal factor?

- (a) Fluctuations in effective  
 (b) Fluctuations in investment  
 (c) Macro economic policies  
 (d) Post war reconstruction

[June 2023]

137. Which internal factor affect the Business cycle?

- (a) Fluctuations in investment  
 (b) Natural factors  
 (c) Technology shocks  
 (d) Population growth

[CA CPT Nov. 2018, July 2021]

138. The internal causes of business cycle is:

- (a) Fluctuation in effective demand  
 (b) Technology shocks  
 (c) Both (a) and (b)  
 (d) None

[CA CPT May 2019]

139. The internal cause of business cycle is :

- (a) Technology shocks  
 (b) Fluctuation in effective demand  
 (c) Post war reconstruction  
 (d) Population Growth

[Nov. 2019]

140. A decrease in government spending would cause:

- (a) The aggregate demand curve to shift to the right.  
 (b) The aggregate demand curve to shift to the left.

- (c) A movement down and to the right along the aggregate demand curve.
- (d) A movement up and to the left along the aggregate demand curve.

141. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism, according to \_\_\_\_\_.

- (a) Pigou  
(b) Keynes  
(c) Hawtrey  
(d) Schumpeter

[CA CPT May 2019, Nov. 2020]

142. According to \_\_\_\_\_ trade cycles occur due to onset of innovations.

- (a) Hawtrey  
(b) ADAM Smith  
(c) J M Keynes  
(d) Schumpeter

[Jan. 2021]

143. Fluctuations in economic activity are due to fluctuations in aggregate effective demand. The theory is propounded by \_\_\_\_\_.

- (a) Keynes  
(b) Schumpeter  
(c) Nicholas Kaldor  
(d) Pigou

[Dec. 2021]

144. Whose statement out of these is false?

- (a) Hawtrey - "Trade cycle is purely Monetary phenomena"

- (b) Keynes - "Fluctuations in aggregate Demand"
- (c) Pigou - "Fluctuations in investment" - Keynes True
- (d) Schumpeter - "Innovations"

[CA CPT Nov. 2018]

145. Optimistic and Pessimistic mood of business community also affects the economic activities in view of \_\_\_\_\_.

- (a) Hawtrey  
(b) Schumpeter  
(c) Pigou  
(d) Marshall

[Jan. 2021]

146. The most probable outcome of an increase in the money supply is:

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

(c) Interest rates to fall, investment spending to rise, and aggregate demand to rise.

(d) Interest rates to fall, investment spending to fall, and aggregate demand to fall.

147. In the long run, a reduction in labour supply would cause output to \_\_\_\_\_ and the aggregate price level to \_\_\_\_\_.

- (a) fall, rise  
(b) fall, fall  
(c) rise, fall  
(d) rise, rise.

[CA CPT May 2018]

148. According to some economists which is not the prime cause of Business Cycles?

- (a) Fluctuations in investment
- (b) Micro Economic policy
- (c) Impact on aggregate economic activity
- (d) Psychological factors

[Nov. 2019]

149. Endogenous factors refers to \_\_\_\_\_ causes.

- (a) Internal  
(b) External  
(c) Economic  
(d) Ecological

150. According to which economist trade cycle is a purely monetary for phenomenon:

- (a) Schumpeter  
(b) Pigou  
(c) Hawtrey  
(d) Marshall

[CA CPT May 2018]

151. According to whom "Business fluctuations are the outcome of some psychological states of mind of business community"?

- (a) Marshall  
(b) A.C. Pigou  
(c) J.K. Hicks  
(d) Schumpeter

[July 2021]

152. The difference between exports and imports is the \_\_\_\_\_ for goods and services.

- (a) Net foreign demand  
(b) Gross Foreign demand

- (c) Net Outflow  
(d) Net Inflow

153. The external causes which may lead to boom or bust do not include:

- (a) Psychological Factors  
(b) Wars  
(c) Technology Shocks  
(d) Natural Factors

154. According to Keynes, fluctuations in Economic activities are due to:

- (a) Fluctuation in aggregate effective demand  
(b) Innovations  
(c) Changes in money supply  
(d) Fluctuation in agricultural output

155. \_\_\_\_\_ theory holds that business cycles result from the fact that present prices substantially influence the production at some future date.

- (a) Schumpeter's  
(b) Hawtrey's  
(c) Cobweb  
(d) Pigou's

156. Who propounded the Cobweb theory?

- (a) Nicholas Kaldor  
(b) Hawtrey  
(c) Adam Smith  
(d) Schumpeter

157. According to \_\_\_\_\_, Trade Cycle is a purely monetary phenomenon.

- (a) Nicholas Kaldor  
(b) Hawtrey  
(c) Adam Smith  
(d) Schumpeter

158. According to \_\_\_\_\_, modern business activities are based on the anticipations of business Community and one affected by waves of optimism or pessimism.

- (a) Pigou
- (b) Schumpeter
- (c) Adam Smith
- (d) Hawtrey

159. In a free market economy, where maximization of profits is the aim of business, a higher level of aggregate demand will induce businessmen to produce more. As a result, there will be more \_\_\_\_\_.

- (a) Output
- (b) Income
- (c) Employment
- (d) All of these

160. When companies lay off workers, consumers lose their jobs and stop buying anything but necessities. That causes a \_\_\_\_\_.

- (a) Downward Spiral
- (b) Cross Spiral
- (c) Upward Spiral
- (d) Triangle Spiral

161. \_\_\_\_\_ is considered to be the most volatile Component of the aggregate demand.

- (a) Investment Spending
- (b) Saving Flow
- (c) Expenditure behaviour
- (d) None of these

162. Investments may rise when the rate of interest is \_\_\_\_\_ in the economy.

- a) High

- (b) Moderate
- (c) Low
- (d) Very high

163. Increase in investment; shift the aggregate demand to the \_\_\_\_\_, leading to \_\_\_\_\_.

- (a) right, economic expansion
- (b) right, depression
- (c) left, economic expansion
- (d) left, depression

164. The most common method of boosting aggregate demand is:

- (a) Increased Government Spending
- (b) Tax Cuts
- (c) Both (a) & (b)
- (d) None of these

165. The macroeconomic policies which cause business cycles may be:

- (a) Monetary Policy
- (b) Fiscal Policy
- (c) Both (a) & (b)
- (d) None of these

166. In case of softening of interest rates, \_\_\_\_\_.

- (a) There will be inflationary effects and increase in unemployment rates.
- (b) There will be deflationary effects and increase in unemployment rates.
- (c) There will be inflationary effect and decline in employment rates.
- (d) There will be deflationary effects and decline in employment rates.

167. Which of the following is anti-inflationary measure which causes a downward pressure on the aggregate demand and the economy slows down?

- (a) Reduction in Government Spending
- (b) Increase in Taxes
- (c) Increase in Interest Rates
- (d) All of these

### Relevance of Business Cycles in Business decision making

168. How many phases are there in business cycle?

- (a) Four
- (b) Five
- (c) One
- (d) Many

[CA CPT Nov. 2018]

169. Business Cycles effect \_\_\_\_\_ of an economy.

- (a) Social Aspects
- (b) Economic Aspects
- (c) All Aspects
- (d) No Aspects

170. Which of the following industries are less sensitive to business cycle?

- (a) Consume goods industry
- (b) Durable consumer goods industry
- (c) Travel and Tourism Industries
- (d) Food Grain processing Industries

[June 2023]

171. The period of prosperity opens up new and superior opportunities for \_\_\_\_\_ thereby promotes business.

- (a) Investment and Unemployment
- (b) Employment and Production
- (c) Production, Unemployment & Savings

(d) Investment, Employment and Production

172. A period of \_\_\_\_\_ reduces business opportunities and profits.

- (a) Recession
- (b) Depression
- (c) Either (a) or (b)
- (d) None of these

173. Business Cycles have \_\_\_\_\_ influence on Business decisions.

- (a) Negligible
- (b) Least
- (c) No
- (d) Tremendous

174. Which External Factor affect the business cycle?

- (a) Population growth
- (b) Variation in government spending
- (c) Money supply
- (d) Macro economic policies

[CA CPT Nov. 2018]

175. Economy-wide trends can have significant impact on \_\_\_\_\_.

- (a) Capital Goods Industries
- (b) FMCG Industries
- (c) Social activities
- (d) All types of business

176. Business cycle is contagious and \_\_\_\_\_ in character?

- (a) Local
- (b) Regional
- (c) National
- (d) International

[CA CPT Nov. 2018]

177. Businesses whose fortunes are closely linked to the rate of economic growth are referred to as \_\_\_\_\_ business.

- (a) FMCG
- (b) Durable goods
- (c) Fluctuating
- (d) Cyclical

178. The world economy suffered the longest, deepest and most widespread depreciation of the 20th century during?

- (a) 1934
- (b) 1928
- (c) 1930
- (d) 1932

[CA CPT Nov. 2018]

179. Which of the following business are examples of "Cyclical business"?

- (a) Fashion retailers, electrical goods & house-builders.

(b) Restaurants, advertising and overseas tour operators.

(c) Construction and other infrastructure firms.

(d) All of the above.

180. The Stage/phase of the business Cycle is important for:

(a) Making managerial decisions regarding expansion or down-sizing.

(b) A new business to decide on entry into the market.

(c) The success of a new product.

(d) All of the above.

181. Due to recession, employment rate and output \_\_\_\_\_ respectively.

(a) Rises and rises

(b) Falls and falls

(c) Rises and falls

(d) Falls and rises

Answer

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

92.	(b)	93.	(a)	94.	(a)	95.	(b)	96.	(c)	97.	(b)	98.	(c)
99.	(a)	100.	(a)	101.	(a)	102.	(c)	103.	(b)	104.	(d)	105.	(b)
106.	(a)	107.	(d)	108.	(d)	109.	(c)	110.	(a)	111.	(a)	112.	(b)
113.	(d)	114.	(d)	115.	(c)	116.	(b)	117.	(d)	118.	(c)	119.	(d)
120.	(c)	121.	(a)	122.	(b)	123.	(d)	124.	(d)	125.	(b)	126.	(b)
127.	(a)	128.	(b)	129.	(c)	130.	(c)	131.	(d)	132.	(c)	133.	(c)
134.	(d)	135.	(c)	136.	(d)	137.	(a)	138.	(a)	139.	(b)	140.	(b)
141.	(a)	142.	(d)	143.	(a)	144.	(c)	145.	(c)	146.	(c)	147.	(a)
148.	(b)	149.	(a)	150.	(c)	151.	(b)	152.	(a)	153.	(a)	154.	(a)
155.	(c)	156.	(a)	157.	(b)	158.	(a)	159.	(d)	160.	(a)	161.	(a)
162.	(c)	163.	(a)	164.	(c)	165.	(c)	166.	(c)	167.	(d)	168.	(a)
169.	(c)	170.	(d)	171.	(d)	172.	(c)	173.	(d)	174.	(a)	175.	(d)
176.	(d)	177.	(d)	178.	(c)	179.	(d)	180.	(d)	181.	(b)		

- (d) There is easy entry into or exist from the market place.

[CA CPT Dec. 2014]

196. It is the amount of revenue from sales which exactly equals the amount of expense.

- (a) Shut down point  
(b) Break-even Point  
(c) Profit point  
(d) None

[Nov. 2019]

197. A competitive firm should shut down production if the price is :

- (a) Below AVC  
(b) Equal to AVC  
(c) Below ATC  
(d) Equal to ATC

198. Which of the following is incorrect?

- (a) Even monopolistic can earn losses.  
(b) Firms in perfect competitive market is price taker.  
(c) It is always beneficial for a firm in a perfectly competitive market to discriminative prices.  
(d) Kinked demand curve is related to an oligopolistic market.

[CA CPT Dec. 2016]

199. In which of the following, prices are determined by market forces of demand and supply?

- (a) Duopoly Competition  
(b) Perfect Competition  
(c) Monopolistic Competition  
(d) Natural market

[June 2023]

200. Which perfect completion firm is described as:

- (a) Price taker and not price maker.  
(b) Price maker and not price taker.  
(c) Neither price maker nor price taker.  
(d) None of the above.

[CA CPT June 2017]

201. Which of the following Statement is false as regards Perfect Competition?

- (a) Firm is said to be in equilibrium when it maximizes its profit.  
(b) The output which gives maximum profit to the firm is called equilibrium output.  
(c) In the equilibrium State, the firm has no incentive either to increase or decrease its output.  
(d) Firms in a Competitive market are Price Makers.

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

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

203. For maximum profit, the condition is:

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

[CA CPT Nov. 2006]

204. Condition for producer equilibrium is:

- (a)  $TR = TVC$   
(b)  $MC = MR$   
(c)  $TC = TAC$   
(d) None of these

[CA CPT June 2008]

205. In market, the price and output equilibrium is determined on the basis of:

- (a) Total revenue and total cost  
(b) Total cost and marginal cost  
(c) Marginal revenue and marginal cost  
(d) Only marginal cost

[CA CPT June 2012]

206. In a perfectly competitive market the demand curve of a firm is:

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

[CA CPT Dec. 2012]

207. The firm will attain equilibrium at a point where MC curve cuts \_\_\_\_\_ from below.

- (a) AR curve  
(b) MR curve  
(c) AC curve  
(d) AVC curve

[CA CPT June 2015]

208. If in a short run perfect competition earn super normal profit then which condition satisfy?

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

[Nov. 2019]

209. Which is the first order condition for the firm to maximize the profit.

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

[CA CPT Dec. 2016]

210. Average revenue curve is also known as:

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

[CA CPT Dec. 2016]

211. Condition for equilibrium of firm:

- (a)  $MR = MC$   
(b)  $AR = AC$   
(c) MC curve cuts MR curve from below  
(d) Both (a) and (c)

[CA CPT May 2018]

212. Demand curve is horizontal in the case of :

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

[CA CPT May 2019]

213. In the short run, a firm operates with a \_\_\_\_\_ amount of capital and must choose the level of its \_\_\_\_\_ so as to \_\_\_\_\_ profit.

- (a) Fixed, Variable inputs, maximize  
(b) Variable, fixed inputs, minimize

- (b) Price elasticity of demand is computed as the percentage change in quantity demanded divided by the percentage change in price.
- (c) Price elasticity of demand in the long run would be different from that of the short run.
- All of the above.
- (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.

[Nov. 2019]

144. If the proportionate change in price is greater than the proportionate change in quantity demanded of a commodity, the price elasticity of demand will be

- (a) Zero  
 Inelastic  
 (c) Elastic  
 (d) Infinite

[June 2022]

145. 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.
- 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.

146. An increase in price will result in an increase in total revenue if :

- The percentage change in quantity demanded is less than the percentage change in price.

[CA CPT May 2019]

150. The elasticity of demand for a product will not be higher when:

- (a) It has several uses

147. For which of the following product elasticity of demand is highly elastic.

- (a) Salt  
 (b) Life-saving medicines  
 (c) water  
 Jewellery

[July 2021]

148. The price of X commodity decreases from ₹ 10 to 8, owing to which its demand increases from 100 to 120 units. Calculate the price elasticity of demand

- (-) 1  
 (b) 1  
 (c) 0.8  
 (d) 1.2

[June 2022]

149. If price decreases from ₹ 80 to ₹ 60 and elasticity of demand is 1.25 then \_\_\_\_\_.

- (a) Demand increase by 25%  
 (b) Demand decrease by 25%  
 (c) Remains constant  
 None of the above

- (b) More substitutes for the product are available
- (c) It is an expensive commodity
- It is considered a necessity by its buyers
- (a) Finite  
 (b) Limited  
 Infinite small  
 (d) None of the above

151. If the price of a gel pen increases from ₹ 40 to ₹ 50 and in response to this the quantity demanded decreases from 25 units to 20 units. The coefficient of price elasticity will be

- (a) 1.25  
 (b) - 1.25  
 (c) 0.8  
 - 0.8

[June 2023]

152. The price elasticity of demand for X is 1 and the original quantity demand of X is 90 units, if the price of X decreases from ₹ 300 to ₹ 180 per unit, calculate the new quantity demand of X

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

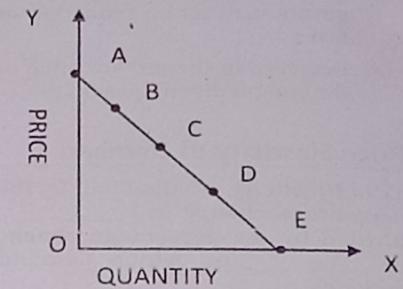
[Nov. 2020]

153. 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  
 1  
 (c) 1.5  
 (d) 2

154. The Concept of point elasticity is used for measuring price elasticity where the change in price is \_\_\_\_\_.

155.



- Elasticity at point A =  $\infty$ , at B =  $> 1$ , at C = 1, at D =  $< 1$  and E = 0
- (b) Elasticity at A = 0, at B =  $< 1$ , at C = 1, at D =  $> 1$  and E =  $\infty$
- (c) Elasticity at A = 0, at B  $> 1$ , at C = 1, at D =  $< 1$  and at E = 0
- (d) None of these

[CA CPT May 2018]

156. The price elasticity of demand at the midpoint of the straight line demand curve under point method is \_\_\_\_\_.

- (a) 0  
 1  
 (c)  $> 1$   
 (d)  $< 1$

[CA CPT May 2019]

157. Which of the following methods calculates elasticity of demand by using the formula:

- lower segment of demand curve  
upper segment of demand curve