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Basics of Business Economics

1. The word 'Economics' originates from the word ....
(a) Oikomnomikos
(b) Oikonomia
(c) Eikonomikos
(d) Ekconomics

2. The word 'Economics' originates from the .... world '*Oikonomia*'
(a) Roman
(b) French
(c) Greek
(d) European

3. Till 19th century Economics was known as
(a) Political Economy
(b) Social Economy
(c) Both (a) and (b)
(d) Neither (a) nor (b)

4. The meaning of Greek word '*oikonomia*' is ....
(a) Wealth Management
(b) House Management
(c) Business Economics
(d) Business Management

5. Human wants are...... and means to satisfy these wants are......
(a) Limited, scarce
(b) Unlimited, unlimited
(c) Unlimited, scarce
(d) Limited, Unlimited

6. The meaning of the word 'Economic' is closely connected with the word-
(a) Scarce
(b) Unlimited
(c) Restricted
(d) Both (a) and (b)

7. In Business economics 'ends' refers to-
(a) Human wants
(b) Resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)

8. In Business economics 'Means' refers to-
(a) Human wants
(b) Resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Which of the following is an economic activity?
(a) Boy helping his friend to solve puzzle.
(b) Teams playing friendly football match
(c) A teacher teaching to class
(d) Watching Television

10. Which of the following is not an economic activity?
(a) Housewife doing household duties
(b) Manufacturing of garments at subsidized rate.
(c) Medical facility rendered by charitable trust
(d) A CA doing his own practice.

11. Which of the following is an economic activity?
(a) Housewife doing household duties
(b) Listening to music on radio
(c) Medical facility rendered by charitable trust
(d) Teaching one's own son at home.

12. The law of Scarcity-
(a) Does not apply to developed and rich countries
(b) Applies only to less developed countries
(c) Implies that the consumers' want will be satisfied in a socialist economy
(d) Implies that consumers' want will never be completely satisfied.

13. What does the scarcity of resource implies...
(a) We must develop way to decrease our individual wants

(b) Not all wants can be satisfied
(c) Resources can not satisfy any want
(d) Resources are very scarce and shall not be used at all

14. Rational decision making requires-
(a) One's choice never vary
(b) One's choice be consistent with one's goal
(c) One makes choices that do not involve trade-offs
(d) One must be graduate to make decision

15. …….. DefinedBusiness Economics in terms of the use of economic analysis in the formulation of business policies?
(a) J.B Say
(b) Alfred Marshall
(c) Walker
(d) Joel Dean

16. Business Economics is also known as…………
(a) Managerial Economics
(b) Social Economics
(c) Environmental Economics
(d) Money Market Economics

17. Which of the following statement is not correct?
(a) Business Economics refers to the integration of economic theory with business practice
(b) Business Economics is not only valuable to business decision makers, but also useful for managers of 'not-for-profit' organisations
(c) theories of Economics provide the tools which explain various concepts such as demand, supply, costs, price, competition etc
(d) Business Economics is concerned only with Micro Economics

18. Economic theories are…….
(a) Simplistic
(b) Hypothetical
(c) Old
(d) Both (a) and (b)

19. Consider the following and decide, which economy (if any) is without scarcity
(a) American economy
(b) Indian economy between 1947-2000
(c) Pre independent Indian economy
(d) None of the above

20. Scarcity in Economics is an.
(a) Relative concept
(b) Absolute concept
(c) Irrelevant concept
(d) Not a concept at all

21. ………..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) Problem solving
(b) Problem analyzing
(c) Managerial expertise
(d) Decision making

22. Which of the following involves Business decision making?
(a) Continue or shut down decision
(b) Launching of new product
(c) Proper debt and equity mix
(d) All of the above

23. Which of the following does not involve Business decision making?
(a) Lease or purchaseof an asset
(b) Deciding which movie to watch on weekend
(c) In-house production or outsource
(d) Which production method should be used for manufacturing of goods?

24. Pragmatic approach means -
(a) Realistic
(b) Practical.

(c) Both (a) and (b)
(d) Neither (a) nor (b)

25. Positive Science explains-
(a) "What is"
(b) "What was"
(c) "What ought to be"
(d) "What will"

26. Normative Science explains-
(a) "What is"
(b) "What ought to be".
(c) "What will"
(d) Both (a) and (b)

27. Positive science is-
(a) Descriptive
(b) Prescriptive
(c) Explanatory
(d) Imaginary

28. Normative science is-
(a) Descriptive
(b) Prescriptive
(c) Explanatory
(d) Imaginary

29. The study of economic behavior of an individual firm or industry in national economy is called as ……
(a) Micro Economics
(b) Macro Economics
(c) Business Economics
(d) Behavioral Economics

30. Macro Economics deals with
(a) External value of money
(b) Employment and economic growth
(c) General price level
(d) All of above

31. We mainly study the following in Micro-Economics: ……………..
(a) General price level
(b) National income and output
(c) Location of industry
(d) Employment and economic growth

32. We mainly study the following in Macro-Economics: ……………..
(a) External value of money
(b) Product pricing
(c) National income and output
(d) (a) and (c)

33. Micro and macro are not two independent approaches to economic analysis but they are complementary to each other.
(a) False
(b) True
(c) Partly true
(d) Partly false

34. Inventory does not includes
(a) Raw Material
(b) Work in progress
(c) Finished goods
(d) None of the above

35. The study of behavior of consumers in the market and the effect of changes in the determinants of demand is called as
(a) Demand analysis
(b) Demand forecasting
(c) Cost analysis
(d) Market analysis

36. ……… is the technique of predicting future demand of goods and services on the basis of past behavior of factor.
(a) Demand analysis
(b) Demand Forecasting
(c) Market analysis
(d) Price analysis

37. ………..explains the relationship between input and output
(a) Cost theory
(b) Supply theory
(c) Demand theory
(d) Production theory

38. Degree of market power is determined by-
(a) Demand analysis

(b) Cost analysis
(c) Market structure analysis
(d) All of the above

39. ....also called as '**Price Theory**' as it explains the composition of total production.
(a) Micro economics
(b) Macro Economics
(c) Demand theory
(d) Supply theory

40. ....also called as '**Income Theory**' as it explains level of total production, total consumption, total savings and total investment and the rice or fall in these levels.
(a) Micro economics
(b) Macro economics
(c) Demand Theory
(d) Supply theory

41. ....analyses cause and effect relationship but does not pass any value judgment.
(a) Positive or pure science
(b) Normative science
(c) None of the above
(d) All of above

42. ....evaluates and pass value judgment
(a) Positive science
(b) Pure science
(c) Social Science
(d) Normative Science

43. Business economics is not affected by external factors
(a) True
(b) False
(c) Partially true
(d) Cannot be commented

44. State which of the following statement is not true
(a) Business economics is inter-disciplinary
(b) There are three types of economy- Socialist Economy, Capitalist Economy and Mixed Economy
(c) Business Economics used the theory of Market and Private Enterprises
(d) The term Micro-Economics is Derived from Greek work 'Makros'

45. ......enables the firm to recognise the behaviour of costs when variables such as output, time period and size of plant changes.
(a) Cost analysis
(b) Accounting cost
(c) Production analysis
(d) Demand analysis

46. Economics is a ....
(a) Science
(b) Art
(c) Both (a) and (b)
(d) Neither (a) nor (b)

47. What is the "fundamental premise of the economics?"
(a) Natural Resources will always be scarce
(b) Individuals are capable of establishing goals and acting in manner consistent with achievement of those goals
(c) Individuals chose alternative for which they believe the net gain to be the greatest.
(d) No matter what the circumstance, individual choice always involves a trade- off

48. Wants can be satisfied by consumpotion of........../ are economic wants
(a) Goods
(b) Services
(c) Goods and services
(d) None of the above

49. In a free market economy, when consumers increase their purchase of a good and the level of _______ exceeds ______ then prices tend to rise.

(A) Demand, supply
(B) Supply, demand
(C) Prices, demand
(D) Profit, supply

50. Which of the following would be considered a disadvantage of allocating resources using a market system?
(A) Income will tend to be unevenly distributed.
(B) Significant unemployment may occur.
(C) It cannot prevent the wastage of scarce economic resources.
(D) Profits will tend to be low.

51. Which of the following is the best general definition of the study of Economics?
(A) Inflation and unemployment in a growing economy.
(B) Business decision making under foreign competition.
(C) Individual and social choice in the face of scarcity.
(d) The best way to invest in the stock market.

52. ……….. systematized the concept in the form the book which was entitled as, "An Enquiry intothe Nature and Cause of the Wealth of Nations"
(a) George Bernard Shaw
(b) Adam Smith.
(c) Alfred Marshall
(d) A. C. Pigou

53. Adam smith published his masterpiece "An enquiry into the nature and causes of wealth of nation" in the year …………
(A) 1776
(B) 1786
(C) 1756
(D) 1766

B. Central Economic Problem

1. The Central Economic problem is that of-
(a) Allocating the scarce recourse in such a manner that society's unlimited wants are satisfied as far as possible
(b) Giving jobs to poor and backward.
(c) Guaranteeing that the production occurs in most efficient manner
(d) All of above

2. Which of the following is the cause of central economic problem?
(a) Scarcity of recourses
(b) Unlimited wants
(c) Alternative use
(d) All of the above

3. State which of the following statement is not true
(a) If the recourses were unlimited, people would be able to satisfy their wants.
(b) If recourse has only single use, then also economic problem would not arise.
(c) All countries, without exception, face problem of scarcity.
(d) Developed countries do not face Central Economic Problems

4. Which of the following is not a central economic problem?
(a) What to produce?
(b) When to produce?
(c) How to produce?
(d) For whom to produce?

5. Central Problems arises in case of-
(a) Capitalist Economy
(b) Socialist Economy
(c) Mixed Economy
(d) All of the above

6. If there is adequate recourse in an economy, then there is no economy problem at all. This statement is-
(a) False
(b) True
(c) Partially True

(d) Cannot be commented at all

7. The Problem of 'What to Produce' covers the issue relating to-
(a) What goods are to be produced?
(b) What quantities of goods are to be produced?
(c) Both (a) and (b)
(d) Neither (a) nor (b)

8. The economy which uses all its recourses on production of …… goods only, con not provide for future growth prospect.
(a) Consumer goods only
(b) Capital goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Productive efficiency means -
(a) Recourses are employed in their most valued uses
(b) Total number of goods produced is more
(c) Goods and services are produced at least cost without wastage
(d) Best recourse are employed

10. In deciding ' how to produce' the economy should decide on-
(a) Types to goods to be produced
(b) Consumer goods or capital goods
(c) Method of production
(d) Quantity of goods to be produced

11. While solving the question of ' how to produce' the economy should consider-
(a) Labour intensive technique
(b) Capital intensive technique
(c) Both (a) and (b)
(d) Neither (a) nor (b)

12. While solving the question of ' how to produce' the choice of appropriate method of production depends upon-
(a) Availability of factor of production
(b) Price of different factor of production
(c) Both (a) and (b)
(d) Neither (a) nor (b)

13. Which of the following statement is not true-
(a) There are various alternative techniques of producing a commodity.
(b) A society cannot satisfy each and every want of society.
(c) If society uses all the resources for current consumption and no provision is made for future production, the society's production capacity would not increase..
(d) None of above

14. Capital intensive technique would get chosen in
(a) Capital surplus economy
(b) Labour surplus economy
(c) Developed economy
(d) Developing economy

15. Labour intensive technique would get chosen in
(a) Capital surplus economy
(b) Labour surplus economy
(c) Developed economy
(d) Developing economy

16. In deciding 'what to produce' economy should consider production of
(a) Capital Goods
(b) Consumer goods
(c) Both (a) and (b)
(d) Neither (a) not (b)

17. Distribution and sharing of national product relates to the problem of
(a) How to provide for economic growth
(b) What to produce
(c) How to produce
(d) For whom to produce

18. The problem of ' for whom to produce' deals with
(a) Share of different people in total output of goods and services
(b) How to distribute and share the national product.

(c) Both (a) and (b)
(d) Neither (a) nor (b)

19. An economy can spend on all its recourses on current consumption without making provision for economic growth
(a) True
(b) False
(c) Partially true
(d) Cannot be commented at all

20. In the context of capitalist economy, which of the following statement if false-
(a) Private property is the mainstay of capitalism
(b) Profit is the driving force in capitalist economy
(c) Decision of customers and businesses determines economic activity.
(d) All of above

21. Capitalist economy is also known as-
(a) Free market economy
(b) Controlled market economy
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. Laissez-faire economy is another term used for
(a) Mixed economy
(b) Capitalist economy
(c) Socialist economy
(d) None of the above

23. Which of the following is not the feature of capitalist economy:
(A) Right to private property.
(B) Freedom of economic choice.
(C) Collective ownership
(D) Consumer Sovereignty

24. Consumer Sovereignty means-
(A) that buyers ultimately determine which goods and services will be produced and in what quantities.
(B) consumer will pay only how much he can.
(C) consumer will help the producer in manufacture of goods or rendering of services
(D) consumer have unlimited purchasing power.

25. …… determines which goods and services will be produced and in what quantity
(A) Buyer
(B) Seller
(C) Government
(D) All of the above

26. Capitalist economy uses……… to solve economic problem
(D) impersonal forces of market demand and supply.
(E) price mechanism.
(F) external reports
(G) economic theories.

27. An entrepreneur will produce goods and services choosing that technique of production which renders his cost of production……
(A) Minimum.
(B) Maximum.
(C) Exactly similar to other competitors.
(D) Higher compared to other competitor

28. Which of the following statement is true in context with economic problem of ' for whom to produce'
(A) Higher the income, higher will be the buying capacity and higher will be his demand for goods in general.
(B) Higher the income, lower will be the buying capacity and higher will be his demand for goods in general
(C) Goods will be produced for those who do not have buying capacity
(D) income one will be able to make depends only on the amount of work he does

29. For analysing ownership and utilisation of recourses, economies are classified into-
(A) Mixed economy
(B) Capitalist economy
(C) Socialist economy
(D) All of the above

30. Capitalist economy is characterised by-
(A) Profit motive
(B) Competition among buyers and sellers
(C) Inequality of income.
(D) All of the above

31. An economic system in which all means of production are owned and controlled by private individuals for profit is called as.............. economy
(A) Capital
(B) Social
(C) Mixed
(D) None of the above

32. Which of the following is not a feature of capitalist economy-
(A) Right to private property
(B) Profit motive
(C) Freedom of enterprise
(D) Equal distribution of income

33. Free market economy driving force is-
(A) Welfare of the people
(B) Profit motive
(C) Rising income and level of living
(D) None of the above

34. Under..........economy, government has no control over price fluctuations
(A) Mixed economy
(B) Free Market
(C) Socialist economy
(D) None of the above

35. Which type of economy gives rise to most efficient allocation of recourse and capital in the standard Micro-Economic framework?
(A) Free market economy
(B) Mixed economy
(C) Controlled market economy
(D) None of the above

36. Under capitalist economies, the answer to the fundamental questions- what, how and for whom to produce are obtained by–
(A) Market forces of demand and supply.
(B) Government regulation
(C) Cost benefit analysis
(D) All of the above.

37. Freedom if choice is advantage of-
(A) Mixed economy.
(B) Controlled economy
(C) Capitalist economy
(D) None of the above

38. In a free market economy the allocation of resources is determined by –
(A) Votes taken by consumers
(B) A central planning authority
(C) Consumer preference
(D) The level of profits of firms

39. A capitalist economy uses _____ as the principal means of allocating resources.
(A) Demand
(B) Supply
(C) Efficiency
(D) Prices

40. In a free market economy, when consumers increase their purchase of a good and the level of _______ exceeds ______ then prices tend to rise.
(E) Supply, demand
(F) Demand, supply
(G) Prices, demand
(H) Profits, supply

41. The concept of "competition" in a capitalist economy refers to-
(A) Competition among sellers to sell goods.

(B) Competition among buyers to obtain the goods to satisfy their wants
(C) Both (a) and (b)
(D) Neither (a) nor (b)

42. Discounts, price cutting, Advertisements, etc in capitalist economy are-
(A) Types of government regulation
(B) Effects of consumer sovereignty.
(C) Method of handling competition.
(D) None of the above.

43. Inequalities of income refers to?
(A) All workers do not get equal wages
(B) Gap between rich and poor
(C) All companies do not earn same profit
(D) All of the above

44. Price mechanism exists in-
(A) Mixed economy
(B) Socialist economy
(C) Laissez-faire economy
(D) Traditional economy

45. Socialist economy is also known as-
(A) Free market economy
(B) Mixed economy
(C) Traditional economy
(D) Command economy

46. Under Socialist economy............ takes decision for allocation of recourses
(A) Central planned authority
(B) Seller
(C) Buyer
(D) Foreign diplomats

47. The concept of socialist economy was propounded by.......
(A) Karl Marx and Frederic Engels.
(B) Marshall
(C) J.B Say
(D) Joel Dean

48. Under ....the resources are allocated according to the commands of a central planning authority and therefore, market forces have no role in the allocation of resources
(A) Free market economy.
(B) Socialist economy.
(C) Mixed economy.
(D) Traditional economy.

49. Which of the following not the feature of socialist economy-
(A) Collective ownership
(B) Profit Motive
(C) Absence of economic choice
(D) Relatively equal income distribution

50. Socialist economy is characterised by-
(A) Selective production of goods
(B) Relative equality of income
(C) Secondary role of price mechanism
(D) All of the above

51. Which of the following applies to socialist economy-
(A) Balance between social objective and economic activity
(B) Private ownership of all recourses and factor of productions
(C) Total absence of government regulation
(D) Market mechanism to solve central economic problem

52. Under command economy, all the decision from allocation of recourse to distribution of end product, is taken care by
(A) Producers
(B) Cartels
(C) Central planning authority
(D) Consumer forum,

53. National income is more often evenly distributed in-
(A) Mixed economy
(B) Command economy
(C) Both (a) and (b)
(D) Neither (a) nor (b)

54. In Socialist economy, the concept of consumer sovereignty is-
(A) Restricted
(B) Unrestricted
(C) Recognised.
(D) None of the above

55. Pure form of socialist economy does not exist in present days
(A) False
(B) True
(C) Partially true
(D) Cannot be commented at all

56. Identify the correct statement-
(A) In capitalist economy, people are not free to spend their income as they like
(B) In socialist economy right to work is guaranteed but the choice of occupation gets restricted.
(C) In Socialist economy, a relative inequality in income is an important feature
(D) In Socialist economy, people are not allowed to choose between available range of choice

57. In Mixed economies, the answer to fundamental question- what, hoe and for whom to produce are obtained by-
(a) Market force of demand and supply
(b) Government regulations.
(c) Cost benefit analysis.
(d) All of the above

58. …….. economic system depends on both markets and governments for allocation of recourses
(A) Mixed
(B) Socialist
(C) Traditional
(D) Free market

59. State which of the following statement is false
(A) In a mixed economy, the aim is to develop a system which tries to include the best features of both the controlled economy and the market economy while excluding the demerits of both
(B) Mixed economy does not exist in real world
(C) In Mixed economy, the state imposes necessary measures to control and to regulate the private sector to ensure that they function in accordance with the welfare objectives of the nation
(D) In Mixed economy,it is very difficult to maintain a proper balance between the public and private sectors.

60. The term mixed economy denotes
(A) Co-existence of private and public sector in an economy
(B) Co-existence of consumer and producer's goods industries in an economy
(C) Co-existence of urban and reral sectors in an economy
(D) Co-existence of Large and small industries in an economy

61. Mixed economy contains the positive feature of-
(A) Capitalist economy
(B) Socialist economy
(C) Both (a) and (b)
(D) Neither (a) nor (b)

62. Which of the following is not a micro economic subject matter?
(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.

63. 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?
(a) Who consumes what?

(C) How are goods produced?

(D) All of the above

64. In Mixed economy there are ….. sectors of industries
(a) One
(b) Two
(c) Three
(d) Four

65. Larger production of_____goods would lead to higher production in future.
(A) Consumer goods
(B) Capital goods
(C) Agricultural goods
(D) Public goods

66. In mixed economy, industries are found in……
(A) Joint Sector
(B) Private sector
(C) Public sector
(D) All of the above

67. In Mixed economy, industries in private sectors have…. as their bjective and driving force, while public sector have……..as their objective and driving force ?
(A) profit motive, community welfare
(B) community welfare, profit motive
(C) community welfare, own profit
(D) None of the above

68. Mixed economy is characterised by-
(A) Existence of private, public and joint sector
(B) Planned development
(C) Balanced regional development
(D) All of the above

69. There is no freedom of choice in-
(A) Capitalist economy
(B) Socialist economy
(C) Mixed economy
(D) All of the above

70. Autonomy and freedom is more in-
(A) Socialist economy
(B) Capitalist economy
(C) Mixed economy
(D) All of the above

71. In India areas like atomic energy, defence, etc are in the hands of….
(E) Public sector
(F) Private sector
(G) Joint sector
(H) All of the above

72. ………. is the demerit of capitalist economy
(A) Low cost of production
(B) High regulation of government
(C) No incentive for hard work
(D) Inequality of income

73. Indian economy is an example of………
(A) Mixed economy
(B) Socialist economy
(C) Capitalist economy
(D) None of the above

74. A Mixed economy focuses on ensuring
(A) Productive efficiency of capitalism
(B) Distributive justice of Socialism
(C) Both (a) and (b)
(D) Neither (a) nor (b)

75. In Mixed economy, private sector-
(A) Are absolutely free to make any type of decisions
(B) Works only for social objectives
(C) Are regulated directly and / or indirectly by government
(D) Does not exists at all

76. Scarcity is a situation in which …………
(a) Wants exceed the resources available to satisfy them
(b) Something is being wasted
(c) People are poor
(d) None of the above

77. Freedom of choice is the advantage of ……………
(A) Socialism
(B) Capitalism
(C) Mixed economy
(D) Communism

Answer key

Unit 1 – Basics of Business economics

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	c	a	b	c	a	a	b	c	a	c	d	b	b	d	a	d	d	d	A
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	d	b	c	a	b	a	b	a	d	c	d	b	d	a	b	d	c	a	B
41	42	43	44	45	46	47	48	49	50	51	52	53							
b	d	b	d	a	c	c	c	a	a	c	b	a							

Unit 2 – Central Economic problem

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	d	d	b	d	a	c	a	a	c	c	c	d	a	b	c	d	c	b	D
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	b	c	a	a	a	a	a	d	d	a	d	b	b	a	a	c	c	d	B
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
c	c	b	c	d	a	a	b	b	d	a	c	b	a	b	b	c	b	b	A
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
c	d	b	c	b	d	a	d	b	b	c	D	a	c	c	a	b	b	b	D

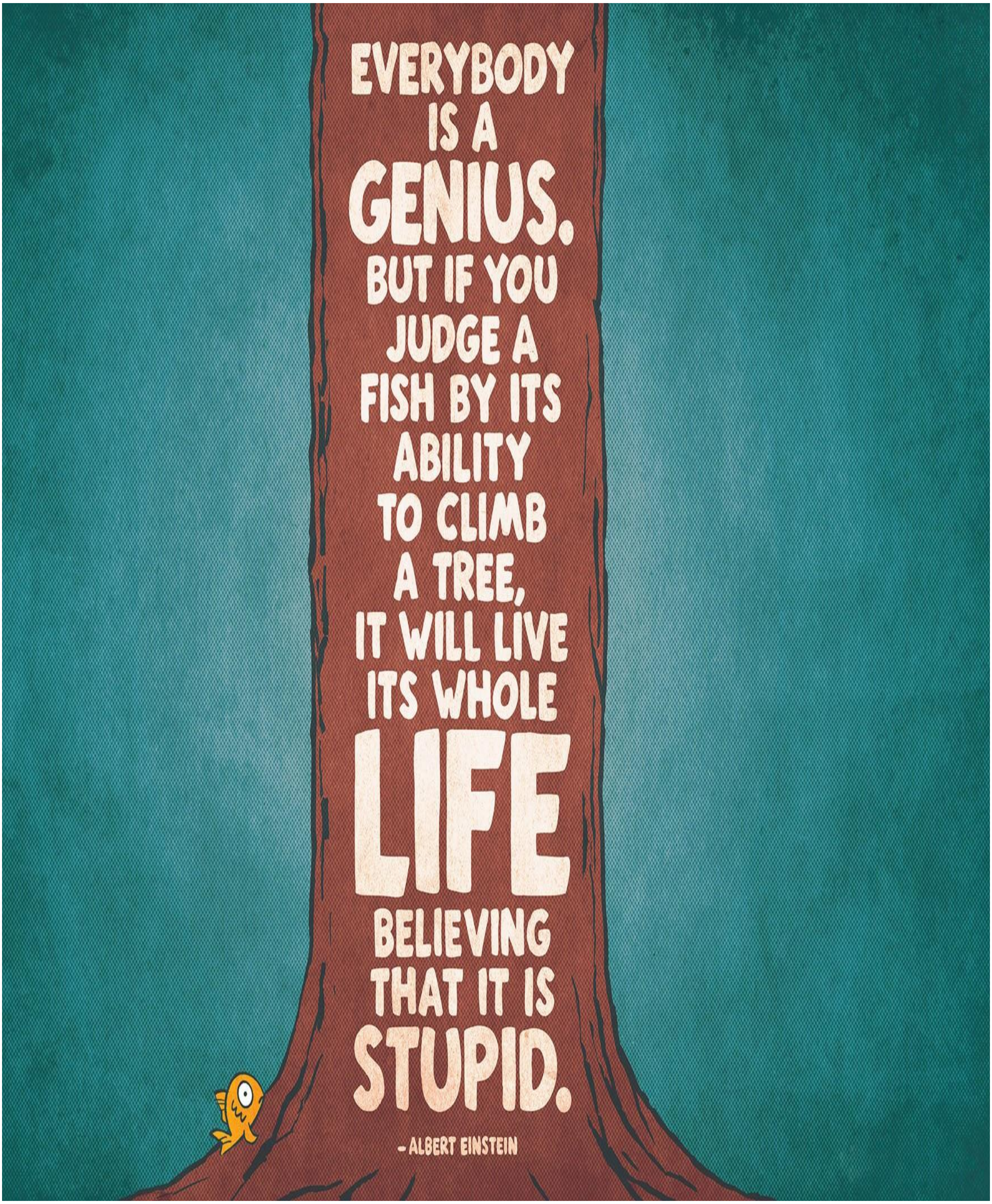
Write your answer and compare with the correct answers

Unit 1 – Basics of Business economics

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53							

Unit 2 – Central Economic problem

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80


EVERYBODY
IS A
GENIUS.
BUT IF YOU
JUDGE A
FISH BY ITS
ABILITY
TO CLIMB
A TREE,
IT WILL LIVE
ITS WHOLE
LIFE
BELIEVING
THAT IT IS
STUPID.
- ALBERT EINSTEIN

Utility

1. ……….. is the power of a commodity to satisfy a human want
(a) Utility
(b) Money
(c) Price
(d) None of the above.

2. Utility -
(a) Differs from person to person
(b) Differs from time to time
(c) Differs from product to product
(d) All of the above

3. Utility is applicable -
(a) Only for socially desirable goods
(b) Only for harmful goods like liquor, cigarettes etc
(c) Both (a) and (b)
(d) Neither (a) nor (b)

4. Utility is a………. aspect and differs from person to person
(a) Absolute
(b) Subjective
(c) Objective
(d) Irrelevant

5. State whether the given statement is true or false-' Utility means usefulness
(a) True
(b) False
(c) Partially true
(d) Cannot be commented at all

6. The concept of utility is ethically neutral- this statement is
(a) True
(b) False
(c) Partially true
(d) Cannot be commented at all

7. Utility theories seek to explain how a consumer spends his income on different goods and services so as to ………
(a) Become wealthy
(b) survive
(c) Match standard of living
(d) Attain maximum satisfaction

8. Which of the following is not a consumption
(a) Burning of crackers in diwali
(b) Eating ice cream
(c) Burning gas when cooking food
(d) Burning of bike in an accident of fire

9. As per the cardinal approach-utility is………aspect.
(a) psychological
(b) non quantifiable
(c) quantifiable
(d) irrelevant

10. All wants of an individuals are not of:
(a) Immediate importance
(b) Fixed importance
(c) Equal importance
(d) All of the above

Cardinal Approach- Basics

11. State whether the given statement is true or false in context of cardinal approach to utility 'Human satisfaction can be expressed in monetary terms, and price of a commodity in the market indicates the level of consumer satisfaction'
(a) True
(b) False
(c) Partially true
(d) Cannot be commented at all

12. Marginal utility approach to demand was given by
(a) Hicks and Allen
(b) J.B say
(c) Alfred Marshall
(d) Dean Joel

13. Which of the following statement is not correct
(a) Cardinal approach provides basis for law of demand
(b) Cardinal approach assumes money measurement concept
(c) Cardinal approach to utility explains the relationship between demand, supply and price.

(d) Cardinal approach to utility do not assume consistency of money

14. Utility can be measure and quantified under-
(a) Cardinal Approach
(b) Ordinal approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

15. Under marginal utility analysis, utility is assumed to be a-
(a) Cardinal concept
(b) Ordinal concept
(c) Infinite concept
(d) Modern concept

16. Marshallian utility analysis is known as ……………. analysis
(a) Ordinal
(b) cardinal
(c) Classic
(d) Modern

17. According to Marginal utility analysis, utility can be measured in
(a) Ranks
(b) Nominal value
(c) Cardinal numbers
(d) All of the above

18. Marginal utility approach is also called as -
(a) Hicks and Allen approach
(b) Modern approach
(c) Ordinal approach
(d) Cardinal approach

19. Which of the approaches uses money measurement concept of utility?
(a) Cardinal
(b) Ordinal
(c) Neither (a) nor (b)
(d) Both (a) and (b)

20. Which of the theories are applicable under cardinal approach to utility?
(a) Law of diminishing marginal utility
(b) Law of Equi-Marginal utility
(c) Consumer surplus theory
(d) All of the above

21. Which of the following is not a necessary assumption to cardinal utility theory?
(a) Rationality of the consumer
(b) Constant marginal utility of money
(c) Additively of utility
(d) Perfect competitive market

22. Cardinal approach to utility analyses-.
(a) One commodity at a time
(b) Two commodities at a time
(c) Many commodities at a time
(d) Does not analyse any commodity at a time

23. Under Cardinal approach to utility, …….. is the measuring rod of utility
(a) Money
(b) Time
(c) Customer satisfaction
(d) All of the above

24. Which of the following is not an assumption under cardinal approach of utility analysis
(a) Utility is goods are independent of one another
(b) Marginal utility of money is constant.
(c) Utility is comparable across the goods
(d) Utility cannot be measured, but only ranked

25. The cardinal approach of utility analysis assumes that utility is measurable and quantifiable. This means-
(a) Utility can be expressed in numbers
(b) Utility can be ranked across the products
(c) Utility schedule is derived by the consumer
(d) All of the above

26. Cardinal approach to utility assumes Marginal utility of money is-.
(a) Zero
(b) Constant
(c) Increasing
(d) Decreasing

Total utility and Marginal utility

27. ……… is derived from different units of commodity consumed by a consumer.
(a) Total utility
(b) Marginal utility
(c) Average utility
(d) Ordinal utility

28. ……… is the additional utility derived from additional unit of a commodity
(a) Marginal utility
(b) Total utility
(c) Ordinal utility
(d) Average utility

29. Marginal utility can be stated as-
(a) TU_n-TU_{n-1}
(b) Additional utility derived from additional unit of a commodity.
(c) Change in total utility / change in quantity
(d) All of the above

30. Marginal utility is-
(a) additional utility derived from additional unit of a commodity
(b) change in the total utility resulting from one- unit change in consumption of commodity, per unit of time
(c) Both (a) and (b)
(d) None of above

31. Marginal utility-
(a) Will always be positive
(b) Will always be negative
(c) Can be positive or negative but not zero
(d) Can be positive or negative or zero

32. Total utility-
(a) Will always be positive
(b) Will always be negative
(c) Can be positive or negative but not zero
(d) Can be positive or negative or zero

33. Total utility is maximum when-
(a) Marginal utility is zero
(b) MU is at its highest point
(c) MU is equal to average utility
(d) Average utility is maximum

34. When total utility increases at diminishing rate, the marginal utility is………
(e) Diminishing
(f) Zero
(g) Maximum
(h) One

35. Marginal utility will always show-
(a) Increasing trend
(b) Decreasing trend.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

36. State which of the following statement is false in context of **cardinal** approach to utility-
(a) A person can express the satisfaction derived from consumption of a commodity in quantitative terms.
(b) It is possible to express which commodity gives better utility and by how much.
(c) Utilities derived from different commodities are not independent of one another and affects one another
(d) It is assumed that marginal utility of money is constant.

37. The Law of Diminishing Marginal Utility states that all else equal as consumption increases the marginal utility derived from each additional unit……..
(a) declines
(b) increases
(c) goes up to zero
(d) remains constant

38. Each want is ……….
(a) Non satiable
(b) Limited
(c) unlimited
(d) Satiable

39. Total utility increases at a………
(a) Increasing rate

(b) Decreasing rate
(c) Constant rate
(d) None of the above

40. Marginal utility curve is..........
(a) Downward sloping
(b) Slopes from left to right
(c) Negatively sloped
(d) All of the above

41. Marginal utility varies.......... With the supply.
(a) directly
(b) inversely
(c) simultaneously
(d) None of the above

42. Marginal utility of goods increases as the quantity .... Goods with the consumer increases.
(a) Complementary
(b) Substitute
(c) Giffen
(d) All of the above

43. MU of the goods decreases as the quantity of .... goods with the consumer increases.
(a) complementary
(b) Substitute
(c) Both (a) and (b)
(d) None of the above

44. When the economists speak of utility of a certain product, they are referring to-
(a) Demand of the product
(b) Usefulness of the product
(c) Satisfaction derived from the product
(d) Price of the commodity

[Practical problems with hints]

45. Total utility derived by Miss Katrina by consuming 10 Mangoes is 99, where the total utility on consumption of 11 Mangoes is 95. What is the marginal utility of 11th Mango?
(a) -4
(b) 4
(c) 194
(d) -194

46. Total utility that Mr. Ram derives from consumption of 4 cup of tea is 10. Total utility on consuming 5 cups is 9. What is MU of 5th cup?
(a) 1
(b) -1
(c) 0
(d) 19

47. Total utility that Mr. Khan derives from consumption of 10 Frooti is 250. MU of 11th frooti is -60. What will be the total utility of 11 frooti?
(a) -60
(b) 250
(c) 190
(d) 310

48. Total utility that Mr. Rowdy derives from consumption of 6 Apple is 300. MU of 7th Apple is 30. What will be the total utility of 7 Apple?
(a) 330
(b) 270
(c) 300
(d) 30

No. of units	Total Utility	Marginal utility
0	0	?
1	900	A
2	B	800
3	2400	C
4	D	600
5	3500	E
6	F	400
7	4200	G
8	4400	H
9	I	100
10	J	
11	4400	K
12	K	-300

Use the given table and solve next 13 questions

49. What is the value of “?” in the above table?
(a) 0
(b) 1

(c) -1
(d) 900

50. What is the value of "A" in the above table?
(a) 0
(b) 1
(c) 900
(d) Cannot be determined

51. What is the value of "B" in the above table?
(a) 2
(b) 1700
(c) 800
(d) Cannot be determined

52. What is the value of "C" in the above table?
(a) 3
(b) 2400
(c) 700
(d) Cannot be determined

53. What is the value of "D" in the above table?
(a) 3000
(b) 4
(c) 600
(d) Cannot be determined

54. What is the value of "E" in the above table?
(a) 3500
(b) 5
(c) 500
(d) Cannot be determined

55. What is the value of "F" in the above table?
(a) 6
(b) 3900
(c) 400
(d) Cannot be determined

56. What is the value of "G" in the above table?
(a) 7
(b) 4200
(c) 300
(d) Cannot be determined

57. What is the value of "H" in the above table?
(a) 4400
(b) 200
(c) 8
(d) Cannot be determined

58. What is the value of "I" in the above table?
(a) 4500
(b) 100
(c) 9
(d) Cannot be determined

59. What is the value of "J" in the above table?
(a) 4500
(b) 10
(c) 0
(d) Cannot be determined

60. What is the value of "K" in the above table?
(a) 100
(b) -100
(c) 11
(d) Cannot be determined

61. What is the value of "L" in the above table?
(a) 300
(b) -300
(c) 4100
(d) -4100

[Refer hints to solve the given practical problem]

Law of diminishing Marginal utility

62. As per law of diminishing marginal utility, the more a consumer consumes a product, he derives………. Utility from additional consumption
(a) Lesser
(b) Equal
(c) Higher
(d) Infinite

63. Which law states that the more a consumer consumes a product, he derive lesser Utility from additional consumption

(a) Law of Equi-marginal utility
(b) Law of diminishing marginal utility
(c) Law of cardinal utility
(d) Law of Demand

64. Law of diminishing marginal utility, the more a consumer consumes a product, he derives lesser Utility from ………. consumption.
(a) Lower
(b) Infinite
(c) Additional
(d) No extra

65. 'Second glass of water gives lesser satisfaction to a thirsty person'. This is a case of
(a) Law of Equi- Marginal utility
(b) Law of diminishing return
(c) Law of Demand
(d) Law of diminishing marginal utility

66. After reaching a saturation point, consumption of additional units of commodity causes-
(a) Total utility & Marginal utility both to increases
(b) Total Utility to fall and Marginal utility to increase
(c) Total utility to fall & Marginal utility to become negative
(d) Total utility to become negative & Marginal utility to fall

67. Marginal utility of a commodity depends on its quantity and is-
(a) Inversely proportional to its quantity
(b) Not proportional to it quantity
(c) Independent of its quantity
(d) None of the above

68. Which of the following is not an assumption of law of Diminishing Marginal Utility?
(a) Different units consumed should be identical in all respect
(b) There should be no time gap between consumption of one unit and another unit.
(c) Different unit consumed must be standard unit.
(d) None of the above

69. Law of diminishing marginal utility, continuous consumption means there should be………….. between consumption of one unit and another unit.
(a) Equal time gap
(b) No time gap
(c) Long time gap
(d) Any of the above

70. Law of diminishing marginal utility will not hold good income of the consumer-
(a) Increases
(b) Decreases
(c) Remains constant
(d) Both (a) and (b)

71. As per Law of diminishing marginal utility, if the liking of the person increases on additional consumption the law will hold good. This statement is
(a) False
(b) True
(c) Partially true
(d) Noting can be said

72. As per assumption to Law of diminishing marginal utility, in case of Money, gold, etc. greater quantity may-
(a) Increases the lust and utility thereof
(b) decreases the lust and utility thereof
(c) No effect on utility at all
(d) Nothing can be said

73. Which of the following is an assumption of Law of Diminishing Marginal utility?
(a) Continuous consumption
(b) Constant demand
(c) Perfect competition
(d) Ordinal approach to utility

74. Which of the following is an assumption of Law of Diminishing Marginal utility?
(a) Cardinal approach to utility

(b) Different units consumed should be identical in all respect
(c) The Fashion, habit or taste of the consumer must remain constant.
(d) All of the above

75. Law of diminishing marginal utility does not apply to…………, where personal preferences are dominant
(a) Music
(b) hobbies
(c) Both (a) and (b)
(d) Neither (a) nor (b)

76. Law of diminishing marginal utility is based on the assumption that the habits and tastes of the consumer-
(a) Must remain constant
(b) Must change
(c) Both (a) and (b)
(d) Neither (a) nor (b)

77. Law of diminishing marginal utility is not applicable in case of.
(a) Gold
(b) Money
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Utility may be affected by presence of?
(a) Complementary goods
(b) Substitute goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

79. Utility obtained from tea is affected by availability of sugar. This statement is-
(a) True
(b) False
(c) Partially True
(d) Cannot be commented at all

80. Law of diminishing marginal utility applies only if……….measurement to utility is assumed.
(a) Cardinal
(b) Ordinal
(c) Both (a) and (b)
(d) Neither (a) nor (b)

Law of Equi-Marginal utility

81. As per which law, 'If marginal utility of money spent on commodity X is greater than marginal utility of money spent on commodity Y, then the consumer will withdraw some money from purchase of Product Y and will spent on purchase of X, till MU of money in two cases becomes equal'?
(a) Law of demand
(b) Law of supply
(c) Law of Equi-marginal utility
(d) Law of diminishing marginal utility

82. The consumer will attain maximum satisfaction, and will be in equilibrium when MU of money spent on various goods that he buys are-
(a) Equal
(b) Decreasing
(c) Zero
(d) Increasing

83. Consumer will attain ……… satisfaction, and will be in equilibrium when MU of money spent on various goods that he buys are equal
(a) Constant
(b) Minimum
(c) Maximum
(d) Infinite

84. The consumer will attain maximum satisfaction, and will be ……… when MU of money spent on various goods that he buys are equal
(a) In equilibrium
(b) Irrational
(c) In happiness
(d) In sadness

85. The consumer will attain maximum satisfaction, and will be in equilibrium when ………… goods that he buys are equal
(a) MU of different goods
(b) Marginal utility of Money spent on various goods
(c) MU of different goods
(d) All of the above

86. Law of Equi-marginal utility applies because-

(a) Consumer will try to maximize his satisfaction
(b) There may be substitute available for each product in the market.
(c) The consumer will substitute one item for the other such that his MU>Price
(d) All of the above

Consumer Equilibrium and Consumer Surplus

87. Rational person does not act unless-
(a) The action makes money for the person
(b) The action is ethical
(c) Marginal benefits exceeds marginal cost
(d) Marginal cost exceeds marginal benefits

88. Rational decision means-
(a) Error-free decision
(b) One's choice that do not involve trade-off
(c) One's choices never vary
(d) One's choice be consistent with one's goals

89. Buyer's willingness to pay is that buyer's-
(a) Minimum amount he is willing to pay for a product
(b) Producer's surplus
(c) Maximum amount he is willing to pay for a product
(d) Consumer's surplus

90. As per which principle-'The consumer will be willing to buy a commodity, as long as the MU (additional satisfaction) derived is equal to price of the commodity'?
(a) Consumers Equilibrium
(b) Consumer's surplus
(c) Consumer advantage
(d) Consumer exploitation

91. The consumer is in equilibrium when price of the commodity..................
(a) Demand of that commodity
(b) Supply of that commodity
(c) Profit of that commodity
(d) Equals to marginal utility from a commodity

92. If the price paid by the consumer is more than the additional satisfaction derived from that item, the consumer will-
(a) Stop buying the item
(b) Start selling the item
(c) Start buying the item
(d) Nothing can be said

93. Consumer surplus means-
(a) The area between average revenue and marginal revenue curves
(b) The area inside budget line
(c) Difference between the maximum amount a person is willing to pay for a good and its market price.
(d) Both (b) and (c)

94. The difference between the price a consumer is ready to pay less what he actually pays is called as
(a) Consumer Equilibrium
(b) Excess price
(c) Consumer surplus
(d) Exploitation

95. Law of consumer surplus is based on-
(a) Law of diminishing marginal utility
(b) Reveled preference theory
(c) Law of substitution
(d) All of the above

96. Consumer surplus arises because-
(a) MU is initially higher than the price
(b) MU is always equal to price
(c) MU is always equal to zero
(d) MU is initially lower than the price

97. MUx is the marginal utility of product X and Px is the price of the product, a rational consumer will consume Product X until-
(a) MUx> Px
(b) Mux< Px
(c) MUx=0
(d) MUx= Px

98. "The excess of the price which he would be willing to pay rather than go without the thing over that which he actually does pay in economic measure of his surplus satisfaction" is given by
(a) Alfred Marshall
(b) Lionel Ribbins
(c) J.R. Hicks
(d) Edge Worth.

99. Consumer surplus is the area-
(a) Below demand curve and above price line
(b) Above supply cure and below price line
(c) Above Demand curve and below price line
(d) Any of the above

100. Consumer surplus can be best represented as-
(a) What a consumer is ready to pay less what he actually pays
(b) What producer actually produce less what he actually pays
(c) What a consumer is ready to pay less what he actually not pays
(d) None of the above

101. Consumer surplus is derived from which of the following concept
(a) Law of supply
(b) Law of demand
(c) Law of diminishing marginal utility
(d) All of the above

102. The concept of Consumer surplus arises because -
(a) MU increases but price remains constant
(b) MU declines but price remains constant
(c) MU increases but price decreases
(d) MU decreases but price increases

103. At the point of consumer's equilibrium
(a) Consumer's surplus is maximum
(b) Consumer's surplus is negative
(c) Consumer's surplus is zero
(d) All of the above

104. In the concept of consumer Equilibrium and consumer surplus, for the quantity purchased at equilibrium level-
(a) Consumer's surplus is positive
(b) Consumer's surplus is zero
(c) Consumer's surplus is negative
(d) Any of the above

105. In the concept of consumer Equilibrium and consumer surplus, for the quantity purchased at equilibrium level marginal utility is-
(a) Positive
(b) Negative
(c) Equal to price
(d) Zero

106. Consumer surplus arise in respect of-
(a) All quantities purchased up to consumer's equilibrium level
(b) All quantities purchased beyond `consumer's equilibrium level
(c) Quantities purchased at equilibrium level only
(d) None of the above

107. Consumer surplus is higher in case of-
(a) Luxuries
(b) Comfort
(c) necessities
(d) All of the above

108. Which of the following gives maximum consumer surplus?
(a) Car
(b) TV
(c) Mobile
(d) Wheat

109. Consumer stops purchasing of addition commodity when-
(a) MU starts decreasing
(b) MU becomes zero
(c) MU is equal to MU of the money
(d) Total utility is increasing

110. A monopolist will try to take maximum advantage of consumer surplus by adopting-
(a) Price Equilibrium
(b) Price Exploitation

(c) Price rigidity
(d) Price discrimination

111. In case of two or more products, a consumer will reach equilibrium when-.
(a) MUx/Px=MUy/Py
(b) MUx.Px=MUy.Py
(c) MUx+Px=MUy+Py
(d) MUx/Py=MUy+Px

112. Which of the following statements regarding consumer surplus is not true?
(a) It is useful for designing government policies and implementing welfare programs
(b) It helps in monopolist to fix the price of a commodity
(c) On the basis of consumer surplus only domestic trade can be advocated and international trade should be avoided
(d) It can also be used to measure health of the economy

113. ………. Consumer surplus indicates higher level of efficiency in economy.
(a) Higher
(b) Lower
(c) Balanced
(d) Negative

114. …………….. is useful for designing government policies and implementing welfare programs.
(a) Law of diminishing return
(b) Consumer surplus
(c) Law of Equi-marginal utility
(d) Income and substitution effect

115. Consumers surplus left with consumer under price discrimination is-
(a) Zero
(b) Maximum
(c) Minimum
(d) Not predictable

116. Under which of the following market type consumer surplus will be generally minimum?
(a) Perfect competition
(b) Monopolistic competition
(c) Monopoly
(d) All of the above

117. Under which of the following market type consumer surplus will be generally maximum?
(a) Perfect competition
(b) Monopolistic competition
(c) Monopoly
(d) All of the above

118. If MUx/Px> MUy/Py then the consumer will-
(a) Increase consumption of X and reduce consumption of Y
(b) Increase consumption of Y and reduce consumption of X
(c) Will increase consumption of both the products X and Y
(d) Will decrease consumption of both the products X and Y

119. In case of necessaries, the Marginal utility for first few items will be-
(a) Zero
(b) High
(c) Infinite
(d) None of the above

120. Which of the following statement/s is true -
i. The consumer surplus derived from a product is affect by availability of substitute
ii. The consumer surplus derived from a product is affect by availability of complementary items
iii. The concept of consumer surplus fails in case of articles which are used for their prestigious value. Example diamond.
iv. If we make assumption that utility cannot be expressed in monetary terms, the concept of consumer surplus will still apply
(a) i,ii,iv
(b) i,ii,iii,iv
(c) i,ii,iii
(d) Only iv

121. The concept of consumer surplus is based on the assumption that Marginal utility of the money is-
(a) Zero
(b) Infinite
(c) Negative
(d) Constant

122. Which of the following is the drawback of consumer surplus-
(a) It cannot be measured in terms of money as the marginal utility of money of money changes
(b) It is highly hypothetical concept
(c) It ignores interdependency of the goods
(d) All of the above

Practical problems on Consumer equilibrium and consumer surplus

123. Consumer consumed three products. MU derived from consumption of three products is INR 400, INR 350, and INR 300. If price of the product is 300, what is the consumer surplus?
(a) 0
(b) 100
(c) 150
(d) 50

124. Consumer consumed three products. MU derived from consumption of first two units is INR 400, INR 350. If the price of the product is INR 300 and the consumer is in equilibrium at 3 units, the MU of 3rd unit is-
(a) 100
(b) 200
(c) 300
(d) 400

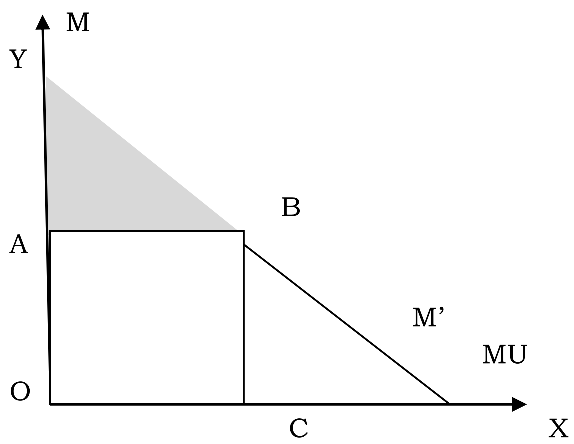
125. If the prices of ice-cream and chocolate are 40 and 30 respectively and MU of chocolate is 150, what is MU of ice cream assuming consumer is in equilibrium?
(a) 112.5
(b) 125
(c) 200
(d) 225

126. Suppose the price of new phone is 5000 and Mr. Ranveer values new phone at 7000. What will be the consumer surplus if Mr. Ranveer buys the phone?
(a) 2000
(b) 3000
(c) 12000
(d) 5000

127. Suppose the price of new bike is 15000 and Mr. M.S values new bike at 14000. What will be the consumer surplus if Mr. Dhoni buys the bike?
(a) 29000
(b) 1000
(c) 0
(d) Nothing can be said

128. Suppose there are three computes available to be purchased. Mr Shyam is willing to pay 25000, Mr Raju is willing to pay 20000 and Mr. Babubhai is ready to pay 15000. If the price of the computer is 20000, what is the consumer surplus in this market and how many units will be sold?
(a) Consumer surplus is 5000 and 2 units will be sold.
(b) Consumer surplus is 60,000 and 2 units will be sold.
(c) No consumer surplus and 2 units will be sold
(d) Consumer surplus is 5000 and 3 units will be sold.

Use the following diagram to solve the next 5 questions-



Quantity of commodity along X axis

Price and Marginal utility along Y axis

129. In the above diagram, market price at consumer equilibrium is given by-
(a) OA
(b) OC
(c) MM'
(d) None of the above

130. In the above diagram, consumers total utility is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) None of the above

131. In the above diagram, price paid by the consumer is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) None of the above

132. In the above diagram, consumer surplus is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) None of the above

133. In the above diagram, consumer attains equilibrium by consuming……. units
(a) OA
(b) OC
(c) MM'
(d) None of the above

Answers

1. A	47. C	93. C
2. D	48. A	94. C
3. C	49. A	95. A
4. B	50. C	96. A
5. B	51. B	97. D
6. B	52. C	98. A
7. D	53. A	99. A
8. D	54. C	100. A
9. C	55. B	101. C
10. D	56. X	102. B
11. A	57. B	103. C
12. C	58. A	104. B
13. D	59. A	105. C
14. A	60. B	106. A
15. A	61. C	107. C
16. B	62. A	108. D
17. C	63. B	109. C
18. D	64. C	110. D
19. A	65. D	111. A
20. D	66. C	112. C
21. D	67. A	113. C
22. A	68. D	114. B
23. A	69. B	115. B
24. D	70. D	116. C
25. A	71. A	117. A
26. B	72. A	118. A
27. A	73. A	119. C
28. A	74. D	120. C
29. D	75. C	121. D
30. C	76. A	122. D
31. D	77. C	123. C
32. X	78. C	124. C
33. A	79. A	125. C
34. X	80. A	126. A
35. B	81. C	127. C
36. C	82. A	128. A
37. A	83. C	129. A
38. D	84. A	130. A
39. B	85. B	131. B
40. D	86. D	132. C
41. B	87. C	133. B
42. A	88. D	
43. B	89. C	
44. C	90. A	
45. A	91. D	
46. B	92. A	

Q 45:
Marginal utility is $TU_n - TU_{n-1}$
$\therefore MU_{11} = TU_{11} - TU_{10}$
$MU_{11} = 95-99$
$MU_{11} = -4$

Q46
Marginal utility is $TU_n - TU_{n-1}$
$\therefore MU_5 = TU_5 - TU_4$
$MU_5 = 9-10$
$MU_5 = -1$

Q47
Marginal utility is $TU_n - TU_{n-1}$
$\therefore MU_{11} = TU_{11} - TU_{10}$
$\therefore -60 = TU_{11} - 250$
$\therefore TU_{11} = 190$

Q48
Marginal utility is $TU_n - TU_{n-1}$
$\therefore MU_7 = TU_7 - TU_6$

∴ 30 = TU $_7$ – 300
∴ TU $_7$ = 330

Q50
Value of A = MU_{n}= TU $_{n}$- TU $_{n-1}$
∴ MU_1= TU $_1$ – TU $_0$
∴ MU_1= 900 – 0
∴ MU_1= 900
∴ Value of A =900

Q51
Value of B = Total utility by consuming 2 units of a particular commodity
∴ MU_2 + TU $_1$= TU $_2$
∴ TU_2= 900+800
∴ TU_2= 1700
∴ Value of B =1700

Q52
Value of C = MU $_{n}$= TU $_{n}$- TU $_{n-1}$
∴ MU_3= TU $_3$ – TU $_2$
∴ MU_3= 2400-1700
∴ MU_3= 700
∴ Value of C =700

Q53
Value of D = Total utility by consuming 4 units of a particular commodity
∴ MU_4 + TU $_3$= TU 4
∴ TU_4= 600+2400
∴ TU_4= 3000
∴ Value of D =3000

Question **54 to 61** can be solved similarly by applying same formula.

Q123
Consumer surplus is equal to Marginal utility derived from the consumption of a commodity- price of the commodity.
Let S1, S2, S3 be the surplus derived from the consumption of products
∴S1=MU1-Price
=450-300
=150
SimilaryS2=50andS3=0
Total consumer surplus
=S1+S2+S3
=100+50+0
=150

Q124
Since the consumer is in equilibrium at 3 units, price of the commodity will be equal to MU derived from 3rd unit.
∴ MU3=Price
∴ MU3=300

Q125
At consumer equilibrium-
Mux/Px=MUy/Py
∴MU chocolate/ Price of chocolate=MU of ice cream/ Price of ice cream
∴150/30= MU of ice cream /40
∴MU of ice- cream =200

4. Ordinal Approach.

1. As per the ordinal approach-
(A) Measurement of utility us not possible through n=money
(B) Measurement of utility is possible but cannot be ranked
(C) Measurement of utility is not possible in cardinal number but can be ranked
(D) None of the above

2. Which of the following Economists are not concerned with ordinal approach to utility
(A) Hicks
(B) Allen
(C) Marshall
(D) All of the above

3. As per………… approach to utility 'Human Satisfaction is psychological phenomenon and cannot be measured quantitatively?
(A) Cardinal
(B) Ordinal
(C) Both (a) and (b)
(D) Neither (a) nor (b)

4. Ordinal approach to utility analyses-
(A) One commodity at a time.
(B) Two commodities at a time
(C) Many commodities at a time
(D) Does not analyses any commodity at all

5. In which approach is utility ranked in order of preferences but measured in cardinal numbers?

(A) Ordinal approach
(B) Cardinal approach
(C) Both cardinal and ordinal approach
(D) Independent variable approach

6. Ordinal utility approach is also called as-
(A) Indifference curve approach
(B) Hicks and Allen approach
(C) Both (a) and (b)
(D) None of the above

7. Ordinal approach is also called as
(A) Cardinal utility approach
(B) Marshallian approach
(C) Hicks and Allen approach
(D) All of the above

8. Which of the approaches dispense with money measurement concept of utility?
(A) Cardinal approach
(B) Ordinal approach
(C) Both (a) and (b)
(D) Neither (a) nor (b)

9. Which of the approaches helps to explain the Law of Demand?
(A) Cardinal
(B) Ordinal
(C) Both (a) and (b)
(D) Neither (a) nor (b)

10. Indifference curve approach to utility analysis was given by-
(A) Hicks and Allen
(B) Alfred Marshall
(C) Lionel Ribbins
(D) Adam smith

11. As per Indifference curve approach to utility analysis., utility can be -
(A) Measured in cardinal numbers
(B) Ranked
(C) Measured in nominal value
(D) All of the above

12. Ordinal approach to utility analysis is also known as-
(A) Indifference curve analysis
(B) Marginal utility analysis
(C) Marshallian approach
(D) All of the above

13. ……….. shows various combinations of two goods that give same amount of satisfaction.
(A) Isoquants
(B) Isocost curve
(C) Marginal utility curve
(D) Indifference curve

14. Indifference curve shows various combinations of two goods that give…… amount of satisfaction –
(A) Lower
(B) Higher
(C) Same/ equal
(D) Constant

15. All point in indifference curve represents-
(A) Same satisfaction
(B) Equal satisfaction
(C) Similar satisfaction
(D) All of the above

16. Consumer is said to be …….. among different points on IC–
(A) Intelligent
(B) Irrational
(C) Indifferent
(D) Intersecting

17. Indifference curve slopes-
(A) Downward to the right
(B) Upward to the right
(C) Downward to the left
(D) Upward to the left

18. Indifference curve is convex to the origin, the reason is-
(A) Increasing marginal rate of substitution
(B) Constant marginal rate of substitution
(C) Diminishing Marginal rate of substitution
(D) None of the above

19. The reason for downward sloping Indifference curve is-
(A) Diminishing MRS
(B) Increasing MRS
(C) Constant MRS

(D) None

20. Indifference curve –
(A) Is downward sloping
(B) Had negative slope
(C) Slopes downwards towards right
(D) All of the above

21. .... has negative slope and cannot intersect each other
(A) Isoquants
(B) Demand and supply curve
(C) Indifference curve
(D) Both (b) and (c)

22. Indifference curve slopes down towards right, this is because more of one commodity and less of another gives -
(A) Same satisfaction
(B) Less satisfaction
(C) Maximum satisfaction
(D) Infinite satisfaction

23. If two goods are perfect substitute of each other, then Indifference curve relating to two goods will be-
(A) Concave
(B) Curvilinear
(C) Parallel to X axis
(D) Linear

24. If two goods are perfect substitute of each other, then Indifference curve relating to two goods will be-
(A) Convex with constant MRS
(B) Straight line with constant MRS.
(C) Straight line parallel to Y axis
(D) Concave to the origin

25. Indifference curve is-
(A) Convex to the origin
(B) Concave to the origin
(C) Parallel to X axis
(D) Parallel to Y axis

26. Which of the following is the feature of Indifference curve-
(A) IC curve is negatively sloped
(B) IC is convex to the origin
(C) All the combination on an IC gives same satisfaction to the consumer
(D) All of the above

27. Which of the following is not a feature of Indifference curve-
(A) IC is convex to the origin
(B) higher IC gives higher satisfaction to the consumer
(C) No two IC will cut/ intersect/touch each other
(D) IC moves upward to the right.

28. Which of the following is not a feature of Indifference curve-
(A) IC must be downward sloping to the right
(B) The elasticity of substitution between two goods to a consumer is zero.
(C) Convexity of the curve is due to diminishing nature of MRS
(D) Total effect of a change in price of a product on its quantity demanded is called as price effect.

29. Indifference curve approach deals with-
(A) One commodity only
(B) Two commodities at a time
(C) Multiple commodities at a time
(D) No commodity at all

30. Which of the following is not an assumption of Indifference curve
(A) Rationality of the consumer
(B) Ordinal measurement of satisfaction
(C) Cardinal measurement of utility
(D) Consistent consumption pattern behaviour of the consumer

31. If an indifference curve is L shaped, then two goods will be-
(A) Perfect Substitute goods
(B) Perfect Complementary goods
(C) Substitute goods
(D) Complementary goods

32. .... depicts complete picture of customer's taste and preferences
(a) Supply curve
(b) Budget line
(c) Indifference map

(d) Demand curve

33. The farther the IC is from the Origin, then-
(A) The lower is the satisfaction level
(B) The higher is the satisfaction level
(C) Same satisfaction level will be obtained
(D) Nothing can be said

34. A set of indifference curves is called as ………….
(a) Price map
(b) Consumer preference
(c) Budget line
(d) Indifference map

35. Lower Indifference curve shows-
(A) Higher satisfaction
(B) Similar satisfaction
(C) Equal satisfaction
(D) Lower satisfaction

36. Combination lying on higher Indifference curve contains more of-
(A) One commodity only
(B) More of both commodity
(C) Either (a) or (b)
(D) Neither (a) nor (b)

37. …………….indicates how much of one commodity is substituted for how much of another commodity
(A) Marginal utility
(B) Marginal income
(C) Marginal rate of substitutions
(D) Marginal cost

38. Marginal rate of substitution is indicated by-
(A) Slope of Indifference curve at a particular point.
(B) Angle between IC and X axis.
(C) Angle between IC and Y axis
(D) None of the above

39. Marginal rate of substitution indicates movement-
(A) From higher IC to Lower IC
(B) From Lower IC to Higher IC
(C) Along the Same IC
(D) Any of the above

40. No two Indifference curve can/ intersect each other. This statement is-
(A) True
(B) False
(C) Partially true
(D) Cannot be commented at all

41. General assumption in consumer behavior under Indifference curve analysis is that more goods are preferred to less of them. This statement is
(a) True
(b) False
(c) Partially true
(d) Cannot be commented at all

42. Generally Marginal rate of substitution shows-
(A) Increasing trend
(B) Decreasing trend
(C) Constant trend
(D) No trend at all

43. Indifference curve is convex to the origin because of-
(A) Increasing trend of MRS
(B) Decreasing trend of MRS
(C) Constant trend of MRS
(D) No trend of MRS

44. …………. Shows all those combinations of two goods which a consumer can buy spending his given money income on two goods at their given prices.
(A) Budget line
(B) Indifference curve
(C) Demand curve
(D) Supply curve

45. Every point on Budget line represents ….. spending by the consumer
(A) Over
(B) Under
(C) Full
(D) Any of the above

46. In order to get maximum satisfaction, the consumer as to work under some

constrains. These constrains are explained by-
(A) Price line
(B) Budget line
(C) Price opportunity line
(D) All of the above

47. If Marginal rate of substitution is increasing then shape of Indifference curve is-
(A) Concave to the origin
(B) Convex to the origin
(C) L shaped
(D) None of the above

48. Decreasing MRS makes the indifference curve-
(A) Concave to the origin
(B) Parallel to X axis
(C) Parallel to Y axis
(D) Convex to the origin

49. Budget line is also called as
(A) Price line
(B) Price opportunity line
(C) Price income line
(D) All of the above

50. Budget line/ price line of a consumer is-
(A) Parallel to X axis
(B) Parallel to Y axis
(C) Straight line joining two axis
(D) None of the above

51. If a combination is below price line, it indicates that there is-
(A) Over utilisation of resources
(B) Under utilisation of resources
(C) Optimum utilisation of resources
(D) None of the above

52. If a combination is above price line, it indicates that there is
(A) Over utilisation of resources
(B) Optimum utilisation of resources
(C) under utilisation of resources
(D) None of the above

53. Budget line shows all the combination of……. products
(A) Two
(B) Three
(C) Many
(D) None of the above

54. As the consumer's income and spending increase, the price/ budget line
(A) Remains at the same level
(B) Shifts towards the origin
(C) Shifts away from the origin
(D) None of the above

55. As per Indifference curve analysis, in order to maximise satisfaction, a consumer will try to-
(a) Reach to higher IC possible
(b) Reach to lowest IC possible
(c) Will remain on same IC
(d) IC has no relation with consumer's satisfaction

56. The consumer's objective of reaching highest Indifference curve and maximising satisfaction is restricted by-
(a) Totality utility curve
(b) Marginal utility curve
(c) Marginal rate of substitutions
(d) Price line

57. The consumer is in equilibrium at a point where the Budget line-
(A) Cut an indifference curve
(B) Is tangential to an indifference curve
(C) Is below Indifference curve
(D) Is above the Indifference curve

58. The consumer is in equilibrium when -
(A) He save at least one-third of his income
(B) EMI is less than Salary of consumer
(C) Slope of price line is equal to slope of Indifference curve
(D) Any of the above

,

59. When the consumer is at equilibrium point on Indifference curve, which of the following equation is satisfied
(A) $MRS_{XY}=MU_X/MU_Y= P_X/P_Y$
(B) $MU_X/P_X= MU_Y/P_Y$

(C) $MRS_{XY}=MU_X/MU_Y<P_X/P_Y$
(D) None of the above

60. At equilibrium point on Indifference curve which of the following is satisfied?
(A) Slope of price line < Slope of IC
(B) Slope of price line = Slope of IC
(C) Slope of price line > Slope of IC
(D) Any of the above

61. Under Income effect, the consumer will-
(A) Moves along original Indifference curve
(B) Moves to higher or lower Indifference curve
(C) Always purchase higher quantity of both the commodities
(D) None of the above

62. Which of the following is not an assumption in consumer equilibrium analysis under Indifference curve approach
(a) There is a given Indifference map with difference level of satisfactions
(b) Income of the consumer is fixed
(c) Price of the commodity is constant
(d) Only one commodity is considered for the purpose of the analysis

63. In consumer Equilibrium analysis under Indifference curve approach, the consumer is assumed to spend his income............ on two goods
(a) Keeping 20 % Margin
(b) Wholly
(c) Partially
(d) Either (b) or (c)

64. MUx of X is 100 and MUy is 300. If the price of Y is 6000, what will be the price of X at Equilibrium?
(a) 6000
(b) 9000
(c) 2000
(d) 4000

65. What will be the Marginal utility of Product A, if the prices of A and B are 10 and 20 respectively, and the marginal utility of the product B is 50, assuming that the consumer is at equilibrium?
(a) 100
(b) 25
(c) 250
(d) 4

1. C	**23. D**	**47. A**
2. C	**24. B**	**48. D**
3. B	**25. A**	**49. D**
4. B	**26. D**	**50. C**
5. A	**27. D**	**51. B**
6. C	**28. B**	**52. A**
7. C	**29. B**	**53. A**
8. B	**30. C**	**54. C**
9. C	**31. B**	**55. A**
10. A	**32. C**	**56. D**
11. B	**33. B**	**57. B**
12. A	**34. D**	**58. C**
13. D	**35. D**	**59. A**
14. C	**36. C**	**60. B**
15. D	**37. C**	**61. B**
16. C	**38. A**	**62. D**
17. A	**39. C**	**63. B**
18. C	**40. A**	**64. C**
19. A	**41. A**	**65. B**
20. D	**42. B**	
21. C	**43. B**	
22. A	**44. A**	
	45. C	
	46. D	

Hint

Q 64
At Equilibrium
$MU_X/MU_Y= P_X/P_Y$
$\therefore$ $100/300= P_X/6000$
$\therefore$ Px=2000

Q 65
At Equilibrium
$MU_A/MU_B= P_A/P_B$
$\therefore$ $MU_A /50= 10/20$
$\therefore$ $MU_A = 25$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1. ____________is the want satisfying power of the product.
a) Demand
b) Utility
c) Supply
d) None of these

2. __________ refers to refers to the quantity of goods or servicesthose Consumers are willing and able to purchase / buy in a given market, at various prices, in a given period of time.
(a) Supply
(b) Demand
(a) Utility
(d) Surplus

3. Demand refers to the quantity of goods or services, that are willing and able to purchase / buy in a given market, at various prices, in a given period of time.
(a) Producers
(b) Investors
(c) Consumers
(d) Government

4 Demand for a commodity refers to —
(a) Desire for the commodity
(b) Need for the commodity
(c) Quantity demanded of that commodity
(d) Quantity of the commodity_ demanded at a certain price during any particular period of time

5. On which of the following the Effective Demand for a thing depends?
(a) Desire
(b) Means to purchase (Ability to Buy)
(c) Willingness to use those means
(d) All of these

6. For want to become an Effective Demand, it must be backed by the —
(a) Ability to buy the product
(b)) Necessity to buy the product
(c) Desire to buy the product
(d)) Utility of the product

7. Which of the following is an important aspect in Demand?
(a) Ability to buy the product
(b) Willingness to spend
(c) Availability of the product in the market
(d) All of the above

8. In the context of Demand, the availability of money with the Consumer, in order to purchase the Commodity is called —
(a)) Consumer Surplus
(b)) Purchasing Power
(c) Cost of living
(d)) Standard of living

9. Purchasing Power refers to —
(a)) Availability of money with the Consumer to purchase the Commodity
(b)) Availability of money with the Producer to produce the Commodity
(c) Availability of goods in the market
(d)) Availability of substitute goods

10. Purchasing Power refers to —
a) Desire to buy the product
b) Necessity to buy the product
c) Ability to buy the product
d) Utility of the product

11. Purchasing power of money fall when
a) Price level increases
b) Price level decreases
c) Income level increases
d) Money supply falls

12. Unless Demand is backed by purchasing power or ability to pay, it does not constitute Demand. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can besaid

13. In the context of Effective Demand, Willingness to spend means —
(a) Availability of Money with Consumers

(b) Readiness to use available money for purchasing a Commodity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

For Demand to be effective, the Commodity should be available —
(a) At a certain price
(b) At a certain place
(c) At a certain time
(d) All of the above

15, Demand arises in respect of
(a) Socially desirable goods, e.g. food, clothing
(b) Harmful goods, e.g. liquor cigarettes, etc.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

16. Demand arises in respect of —
(a) Capital Goods only
(b) Consumer Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

17. Demand arises in respect of —
(a) Agricultural Commodities only
(b) Industrial Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

18. Demand arises in respect of —
(a) Tangible Goods and Commodities only
(b) Intangibles and Services only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

19. Demand for Final Consumption arises in —
(a) Household Sector only
(b) Government Sector only
(c) Both Household and Government Sectors
(d) Neither Household nor Government Sector

20. Demand for Intermediate Consumption arises in —
(a) Household Consumers
(b) Government Enterprises only
(c) Corporate Enterprises only
(d) All Producing Sectors of the economy

21. Demand for Resources and Factors of Production is –

a) Direct Demand
b) Derived Demand
c) Irrelevant in Economics
d) Not a Demand at all

22. The demand for factors of production is demand
a) Fundamental
b) Derived
c) Market
d) Joint

INDIVIDUAL AND MARKET DEMAND

23. Individual Demand is also called —
(a) Industrial Demand
(b) Market Demand
(c) Household Demand
(d) All of the above

)4. Household Demand is also called —
(a) Producer Demand
(b) Individual Demand
(c) Industry Demand
(d) Market Demand

25. Individual Demand shows the quantities of demand for a commodity at various prices by —
(a) A particular consumer
(b) The entire market
(c) Both (a) and (b)
(d) Neither (a) nor (b)

26, Industry Demand is also called -
(a) Household Demand
(b) Market Demand
(c) Individual Demand
(d) All of the above

27. Market Demand is also called —
(a) Producer Demand
(b) Individual Demand
(c) Industry Demand
(d) Household Demand

28. Market Demand shows the quantities of demand for a commodity at various prices by —
(a) a particular consumer
(b) the entire market
(c) Both (a) and (b)

(d) Neither (a) nor (b)

29. Market Demand is the sum total of—
    (a) All quantities that Producers can produce
    (b) All quantities actually sold in the market
    (c) All quantities demanded byindividual households and consumers
    (d) All of the above

30. is the sum total demand of all individuals in the market.
    (a) Individual Demand
    (b) Market Demand
    (c) Household Demand
    (d) Firm Demand

31. If A = Household Demand and B = Market Demand, then—
    (a) $A > B$
    (b) $A < B$
    (c) $A = B = 0$
    (d) None of the above

32. If Household Demand and Market Demand are equal in a situation, it means that—
    (a) There is only one Producer
    (b) There is only one Consumer
    (c) Both (a) and (b)
    (d) Neither (a) nor (b)

36. 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

37. Which of the following influence most the price level in the very short—run period?
(a) Demand
(b) Supply
(c) Cost
(d) Production

38. Which of the following is not a determinant of Demand?
(a) Price of the Commodity
(b) Price of Related Commodities
(c) Level of Consumers' Income
(d) None of these

39. All of the following are determinants of demand except
(a)Tastes and Preferences
(b)Quantity supplied
(c) Income
(d) Price of related goods

40. Which of the following is a determinant of Individual demand?
(a) Cost of Production
(b) Nature of Product, i.e. socially desirable vs other goods
(c) Tastes and Preferences of Consumers
(d) Economic Policies of the Government

41 When a Consumer prefers a commodity due to prestige attached to it, it is known as
(a) Substitution Effect
(b) Demonstration Effect
(c) Income Effect
(d) All of the above

42. When a Consumer wants a product by seeing another person use that product, it is called —
(a) Disturbance Effect
(b) Comparison Effect
(c) Demonstration Effect
(d) Marshallian Effect

43. Demonstration Effect is generally found in respect of
(a) Necessary Goods
(b) Luxury and Quasi—Luxury Goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

44. Goods covered by Demonstration Effect can be best described as -
(a) Necessities of Life
(b) Conspicuous Necessities
(c) Absolute Luxuries
(d) All of the above

45. In which of the following will the Demonstration Effect be high?
(a) Water
(b) Rice
(c) Cellphone
(d) Plant and Machinery

46. __________are goods which are consumed together or simultaneously.
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

47. Complementary Goods are goods consumed —
(a) Only when the goods are distributed as free compliment to the Consumer
(b) Together or simultaneously
(c) In place of one another
(d) Only at high income levels of Consumer

48. The demand for two—wheelers is likely to decrease with an increase in petrol prices because two-wheelers and petrol are__________
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

49. Which of these is not a Complementary Good for Pen?
(a) Refills
(b) Paper
(c) Notebooks
(d) Wheat

50. If an increase in the price of Blue Jeans leads to an increase in the demand for Tennis Shoes, then Blue Jeans and Tennis Shoes are —
(a) Complements
(b) Inferior Goods
(c) Normal Goods
(d) Substitutes

51. If two goods are Complements, it means that a rise in the price of one commodity will lead to —
(a) Upward Shift in demand for the other commodity
(b) Rise in the price of the other commodity

(c) Downward Shift in demand for the other commodity
(d) No shift in the demand for the other commodity

52. In case of Complementary Goods, increase in price of a product will —
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

53. In case of Complementary Goods, decrease in price of a product will —
(a) Decrease the demand for the other product.
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

54. If X and Y are Complementary Goods, the price of X and the Demand of Y are —
(a) directly related
(b) inversely related
(c) proportionally related
(d) any of the above

55 If X and Y are Complementary Goods, if there is an increase in Price of X, then —
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

56. If X and Y are Complementary Goods, if there is an decrease in Price of X, then —
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

57________are goods which are consumed in place of one another.
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

58. Substitute Goods are goods which can be used —
(a) Only when the goods are used for a variety of purposes
(b) Together or simultaneously
(c) In place of one another
(d) Only at high income levels of Consumer

59. 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

60. Which of the following is an example of Substitutes?
(a) Coffee and Milk
(b) Diamond and Cow
(c) Pen and Ink
(d) Mustard Oil and Coconut Oil

61. Which of the following pairs of goods in an example of substitutes?
(a) Tea and Sugar
(b) Tea and Coffee
(c) Tea and Ball Pen
(d) Tea and Shirt

62 In case of Substitute Goods, increase in price of a product will —
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

63. In case of Complementary Goods, decrease in price of a product will —
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

64. If X and Y are Substitute Goods, the price of X and the Demand of Y are —
(a) Directly related
(b) Inversely related
(c) Proportionally related
(d) Any of the above

65. When the Price of a Substitute of X Commodity falls, the Demand for X —
(a) Rises

(b) Falls
(c) Remains Unchanged
(d) Any of the above.

66. If the Price of Product A increases relative to the Price of Substitute B & C, the demand for—
(a) B will increase
(b) C will increase
(c) B and C will increase
(d) B and C will decrease

67. 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

68. If Tea and Coffee are Substitutes, a fall in the Prices of Tea leads to—
(a) Rise in the demand for Tea
(b) Fall in the supply of Coffee
(c) Fall in the demand for Coffee
(d) Rise in the supply of Tea

(a) Both (ii) and (iv) above
(b) Both (i) and (iii) above
(c) Both (ii) and (iii) above
(d) Both (iii) and (iv)

69. If X and Y are Substitute Goods, if there is an increase in Price of X, then
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

70. If X and Y are Substitute Goods, if there is an decrease in Price of X, then
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

71 In which phase of the business cycle to Producers try to sell out their inventories?
(a))
Recession (b)
Prosperity (c)
Boom
(d) Recovery

72. Which of the following Statements is not true about Individual Demand?
(a) The decision to purchase is always influenced by the Income Constraint.
(b) Selection of products and services are based on the Opportunity Cost.
(c) Consumers measure their Opportunity Cost in terms of the price they pay for the products and services they forego.
(d) Decision to purchase is never influenced or concerned with the Income Constraint.

73. What effect does an increase in the price of a product have on the Purchasing Power of the Consumer?
(a))
Increases (b)
Decreases (c)
No effect
(d) Decreases initially, but increases over a period of time

74. The Demand for a commodity also depends upon the money income ofthe household. This statement is—
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

75. The Demand for a commodity depends only upon the money income of the household. This statement is—
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

76. If demand decreases with an increase in money income of Consumers, such goods are called—
(a) Normal Goods
(b) Inferior Goods
(c) Luxury Goods
(d) All of the above

77. Giffen Goods are—
(a) Normal Goods
(b) Inferior Goods
(c) Luxury Goods
(d) All of the above

78. Inferior Goods are also called

(a)) Giffen Goods
(b)) Marshallian Goods
(c) Hicks and Allen Goods
(d) Normal Goods

79. The Giffen Effect in respect of Inferior Goods was observed in the case of—
(a) Rice and Wheat
(b) Wheat and Meat
(c) Bread and Meat
(d) Bread and Rice

80. As income levels increase, the demand for goods satisfying Necessities of life, will be to the increase in income.
(a) Less than proportionate
(b) More than proportionate
(c) Proportionate
(d) Nothing can be said

81. If Income Levels increase, and the demand for goods increase by less than proportionate extent, such goods will be—
(a) Inferior Goods
(b) Necessary Goods
(c) Luxury Goods
(d) Nothing can be said

82. If Income Levels increase, and the demand for goods increase by more than proportionate extent, such goods will be—
(a) Inferior Goods
(b) Necessary Goods
(c) Luxury Goods
(d) Nothing can be said

83. As Income Levels increase beyond a certain extent, the propensity to consume—
(a)) Reduces
(b)) Increases
(c)) Remains constant
(d)) Becomes zero

84. Generally, larger size of population of a country or a region implies .... for all commodities as such.
(a) Higher demand
(b) Lower demand
(c) No demand
(d) Ineffective demand

85. In case of unequal distribution of income in the country, the propensity to consume will be ...., and demand for Consumer Goods will be
(a) Higher, lower
(b) Higher, higher
(c) Lower, higher
(d) Lower, lower

86. If the Consumers expect an increase in prices of the product in the future, its current demand will be
(a)) Higher
(b) LoWer
(c) Nil
(d) Nothing can be said

87. If the Consumers expect a decrease in prices of the product in the future, its current demand will be—
(a)) higher
(b)) lower
(c)) Nil
(d)) Nothing can be said

88. Demand is affected by weather conditions and seasonal aspects also. This statement is—
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

89. Demand for Air Conditioners, Water Coolers, Refrigerators show an increase during—
(a) Winter
(b) Summer
(c) Spring
(d) All Seasons

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
b	b	c	b	a	b	c	b	c	b	b	b	d	a	c	c	a	d	b	c	b

42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61
c	b	b	c	c	b	c	d	a	c	a	c	b	d	c	d	c	b	d	b

62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81
c	a	a	b	c	d	b	a	b	a	d	b	a	b	b	b	a	c	a	b

82	83	84	85	86	87	88	89
c	a	a	d	a	b	a	b

DEMAND CURVE

1. Demand Schedule shows the relation between —
   (a) Price and Quantity supplied
   (b) Price and Quantity demanded
   (c) Income and Quantity supplied
   (d) Income and Quantity demanded

2. In a typical Demand Schedule, quantity demanded —
   (a) varies directly with price.
   (b) varies proportionately with price.
   (c) varies inversely with price.
   (d) is independent of price.

3. indicates the changes in Consumers' purchasing habits, depending on the price variation of a particular product.
   (a) Total Utility Curve
   (b) Demand Schedule
   (c) Production Possibility Curve
   (d) Purchasing Power Parity

4. A Demand Curve shows —
   (a) Quantity demanded of a product at various levels of income of the Consumer.
   (b) Quantity demanded of a product, at various levels of price of the product
   (c) Amount of money spent by a Consumer on a product at various levels of price
   (d) Quantity supplied of a product at various levels of price of the product

5. A Demand Curvedeals with —
   (a) One product at a time
   (b) Two products at a time
   (c) Many products at a time
   (d) None of the above

6. While drawing the Demand Curve, the change takes place in which of the following factors?
   (a) Supply of the product
   (b) Quality of the product
   (c) Price of the product
   (d) Technology used in offering the product

7. Generally, the Demand Curve slopes —
   (a) Downward from left to right
   (b) Upward from left to right
   (c) Upward from right to left
   (d) Downward from right to left

8. Demand Curve in most cases slopes—
   (a) Upward towards left
   (b) Vertical and parallel to Y—axis
   (c) Downward towards right
   (d) Horizontal and parallel to X—axis

9. Demand Curve in most cases has a —
   (a) Positive Slope
   (b) Negative Slope Zero Slope
   (c) Infinity Slope

10. Demand Curve—
    (a) Will be a Straight Line
    (b) Will be a Curve
    (c) Either (a) or (b)
    (d) Neither (a) nor (b)

11. All but one of the following are assumed to remain the same while drawing an individual's Demand Curve for a product. Which one is it?
    (a) Preference of the individual
    (b) His monetary income
    (c) Price
    (d) Price of related goods

12. If regardless of changes in its price, the quantity demanded of a product is unchanged, then, Demand Curve for that product will be —
    (a) Horizontal
    (b) Vertical
    (c) Positively Sloped
    (d) Negatively Sloped

13. If any quantity at the same price, then, the Demand Curve for that product will be —
    (a) Horizontal
    (b) Vertical
    (c) Positively Sloped
    (d) Negatively Sloped

14. What is the other name given to the Demand Curve?
    (a) Profit Curve
    (b) Average Revenue Curve
    (c) Average Cost Curve
    (d) Indifference Curve

15. What is the other name given to the Average Revenue Curve?
    (a) Profit Curve
    (b) Demand Curve
    (c) Average Cost Curve
    (d) Indifference Curve

16. Why is the Demand Curve otherwise known as the Average RevenueCurve?
    (a) Price paid for each unit by the Consumer, is the Average Revenue per unit for the Seller
    (b) Price paid for each unit by the Consumer, is the Total Revenue for the Seller
    (c) Price paid by Consumer is equal to the Seller's willingness to sell the product.
    (d) All of the above

17. The Total Area under the Demand Curve of a product measures—
    (a) Marginal Utility
    (b) Total Utility
    (c) Consumer's Surplus
    (d) Producers' Surplus

18. If Marginal Utility of .a product remains constant, the Demand Curve will be —
(a) Convex
(b) Concave
(c) Straight line
(d) None of the above

19. In a Demand Curve, the Horizontal Axis will be —
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) Any of the above

20. In a Demand Curve, the Vertical Axis will be —
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) Any of the above

21. Which of these is not depicted in a typical Demand Curve?
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) None of the above

22. The Law of Demand is explained by —
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

23. Which of the following can be regarded as law of Demand?
(a) Ceteris Paribus, if Price of a product rises, its quantity demanded will fall
(b) Higher the Income, greater is the expenditure
(c) Taxes have no relation with the benefits which a person derives from the State
(d) None of the above

24. The Law of Demand, assuming other things to remain constant, establishes the relationship between—
(a) Income of the Consumer and the quantity of a good demanded by him
(b) Price of a good and the quantity demanded
(c) Price of a good and the demand for its Substitute
(d) Quantity demanded of a good and the relative prices of its complementary goods

25. The Law of Demand refers to —
(a) Price—Supply relationship
(b) Price— Cost relationship
(c) Price—Demand relationship
(d) Price—Income relationship.

26. The Law of Demand is —
(a) A quantitative statement
(b) A qualitative statement
(c) Both (a) and (b)
(d) Neither (a) nor (b)

27. The Law of Demand is a —
(a) Positive Statement
(b) Normative Statement
(c) Both (a) and (b)
(d) Neither (a) nor (b)

28. The Law of Demand is a principle relating to—
(a) Micro—Economics
(b) Macro—Economics
(c) Both (a) and (b)
(d) Neither (a) nor (b)

29. The term "Ceteris Paribus" in the Law of Demand denotes—
(a) All factors remaining constant
(b) All factors except one remaining constant
(c) All factors being variable
(d) All of the above

30. Which of these is a variable factor in the Law of Demand?
(a) Consumers' Income Level
(b) Economic Conditions of Boom / Recession
(c) Quality of the Product
(d) Price of the Product

31. The condition "other things being equal" in the Law of Demand denotes —
(a) Price of related goods remaining constant
(b) Income Levels remaining constant
(c) Tastes and Preferences remaining constant
(d) All of the above

32. What type of relationship exists between Price and Quantity Demanded?
(a))
Direct (b)
Inverse (c)
Positive
(d) Positional

33. As per the Law of Demand, if the Price of a commodity , its Demand ....
(a) Increases, Decreases
(b) Increases, Increases
(c) Decreases, Increases
(d) Both (a) & (c)

34. Why does the Law of Demand operate?
(a) Income Effect
(b) Substitution Effect
(c) Both (a) and (b)
(d) Neither (a) nor (b)

35 The total effect of a price change of a commodity is

(a) Substitution Effect + Price Effect
(b) Substitution Effect + Income Effect
(c) Substitution Effect + Demonstration Effect
(d) Substitution Effect minus Income Effect

When we say that the Demand for a commodity depends upon the money income of the Consumer, we are referring to —
(a) Income Effect
(b) Substitution Effect
(c) Demonstration Effect
(d) Utility Effect

37 refers to the effect of a change in the price of a product on the Consumer's purchasing power.
(a) Law of Equl—Marginal Utility
(b) Income Effect
(c) Substitution Effect
(d) Consumer Surplus

38. As a result of a fall in prices of the commodity, the Consumer's increases.
(a) Real Income
(b) Purchasing Power
(c) Both (a) and (b)
(d) Neither (a) nor (b)

39. If there is a decrease in the prices of a product, the Consumer's Real Income —
(a) Increases
(b) Decreases
(c) Remains constant
(d) Nothing can be said

40. When increase in his Real Income induces a Consumer to buy more of a Commodity whose prices has fallen, it is called —
(a) Inducement Effect
(b) Substitution Effect
(c) Income Effect
(d) Utility Effect

41. Which of the following statements best describes the Income Effect?
(a) It is the change in quantity demanded as a result of the changes in the income, keeping other things constant
(b) It is the change in quantity demanded of substitute goods, as a result of change in the price of a product, keeping the income constant
(c) It is the change in quantity demanded of a product, as a result of change in the real income because of change the price of the product
(d) It is the change in the price of a good because of a rise or fail in the real income of the consumer

42. When the price of a Commodity falls, the Consumer
(a) Can buy the same quantity of the commodity with lesser money
(b) Can buy more of the same commodity with the same money
(c) Both (a) and (b)
(d) Neither (a) nor (b)

43. When the price of a Reynolds pen falls, ceteris paribus, Buyers substitute Reynolds Pen for other pens that are now relatively more expensive. This is called —
(a) Price Effect
(b) Substitution Effect
(c) Income Effect
(d) Veblen Effect

44. The 'Substitution Effect' takes place dueto change in
(a) Income of the Consumer
(b) Prices of the Commodity
(c) Relative Prices of the commodities
(d) All of the above

45. refers to the Consumer's Reaction to a change in the relative prices of two products, keeping the Total Utility constant.
(a) Consumer Surplus
(b) Income Effect
(c) Substitution Effect
(d) Law of Diminishing Marginal Utility

46. When the price of a product increases, Consumers tend to switch to purchasing the substitutes of the product. This describes why the Demand Curve for the good —
(a) Shift downward to the left
(b) Shift upward to the right
(c) Slopes downward to the right
(d) Slopes downward to the left

47. Which of the following statement best describes the Substitution Effect?
(a) When the price of a product rises, Consumers stop consuming the product.
(b) When the price of a product rises, Consumers tend to substitute it with a relatively expensive product
(c) When the price of a product rises, Consumers tend to substitute it with a relatively inexpensiveproduct
(d) When the price of a product fails, consumers tend to substitute in with a more expensive product

48. In normal circumstances, if the Government increases the tax on any

product, the demand for the product in the short run

(a) Increases
(b) Decreases
(c) Remain unchanged
(d) Tax has nothing to do with the demand for any product

49. The segregation between Income Effect and Substitution Effect is adequately explained by—
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

50. When the price of a product falls, its Demand increases because—
(a) New Consumers start buying the product
(b) Existing Consumers buy more quantities of the product
(c) Both (a) and (b)
(d) Neither (a) nor (b)

51. The Law of Demand is explained by—
(a) Law of Diminishing Marginal Utility
(b) Law of Indifference Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

52. Under the Law of Diminishing Marginal Utility, Consumers continue buying till Price equals Marginal Utility. Hence at lower prices —
(a) Higher quantities will be demanded
(b) Lower quantities will be demanded
(c) No quantities will be demanded
(d) All of the above

53. Since Consumers continue buying till Price equals Marginal Utility, if the price of a product is lower, the Consumer will attain equilibrium —
(a) At a lower quantity level
(b) At a higher quantity level
(c) At zero quantity level
(d) All of the above

54. Under the Indifference Curve approach, if the price of a product is lower, the Consumer will attain equilibrium—
(a) At a higher Indifference Curve
(b) At a lower Indifference Curve
(c) At the origin point
(d) At infinity

EXCEPTIONS TO THE LAW

55. Conspicuous Goods are also called —
(a) Necessary Goods
(b) Prestige Goods
(c) Giffen Goods
(d) Basic Goods

56. Conspicuous goods are also called as:
(a)) Veblen
(b)) Snob
(c)) Prestigious
(d)) All of the above

57. Conspicuous Goods—
(a) Are an exception the Law of Demand
(b) Follow the Law of Demand
(c) Either (a) or (b)
(d) Neither (a) nor (b)

58. In case of Conspicuous Goods, as the Price increases, the quantity demanded thereof—
(a) Increases
(b) Decreases Remains constant
(c) Becomes zero

59. When Consumers feel that if the commodity is expensive, that it has got more utility, we are referring to—
(a) Inferior Goods
(b) Normal Goods
(c) Conspicuous Goods
(d) Giffen Goods

60. Which of the following is an example of Conspicuous Goods?
(a) Diamonds
(b) Cooking Gas
(c) Petrol
(d) Rice

61. Which of the following is not an exception to the Law of Demand?
(a) Conspicuous Goods
(b) Normal Goods
(c) Conspicuous Necessities
(d) Giffen Goods

62. If the demand for Petrol remains the same even after the increase in petrol prices, it means Petrol is a—
(a) Normal Good
(b) Necessity
(c) Luxury Good
(d) Inferior Good

63. In the case of a Giffen Good, the Demand Curve will be
(a) Horizontal
(b) Downward—sloping to the right
(c) Backward falling to the left
(d) Upward—sloping to the right

64. Giffen Goods are those goods —
(a) For which Demand increases as Price increases

(b) Which have a high income elasticity of demand
(c) Which are in short supply
(d) None of these

65. In case of Giffen Goods, Demand Curve will slope —
(a) Upward
(b) Downward
(c) Horizontal
(d) Vertical

66. An Inferior Commodity is one which is consumed in smaller quantities when the income of consumer —
(a) Becomes nil
(b) Remains the same
(c) Falls
(d) Rises

67 Giffen Goods are goods which —
(a) Are considered inferior by Consumers
(b) Occupy a substantial place in the Consumer's budget
(c)) Both (a) and (b)
(d)) Neither (a) nor (b)

68. Giffen Goods are —
(a) Conspicuous Goods
(b) Normal Goods
(c) Conspicuous Necessities
(d) Inferior Goods

69. When people buy more of a product when its price goes up, the product will be —
(a) Conspicuous Goods
(b) Normal Goods
(c) Inferior Goods
(d) Luxury Goods

70. When due to their constant usage, certain goods have become necessities of life, they are referred to as —
(a)) Conspicuous Goods
(b)) Normal Goods
(c)) Conspicuous Necessities
(d)) Giffen Goods

71. Under which of the following situations the Law of Demand will not operate?
(a)) Conspicuous Goods
(b)) Giffen Goods
(c)) Absolute Necessities
(d)) All of the above

72. Under which of the following situations the Law of Demand will not operate?
(a) Price Change expected by Consumer
(b) Consumer's lack of knowledge about prices
(c) Irrational purchasing pattern by Consumer
(d) All of the above

73. Under which of the following situations the Law of Demand will not operate?
(a) Increase in Consumers' Income Levels
(b) Change in Tastes and Preferences
(c) Both (a) and (b)
(d) Neither (a) nor (b)

EXPANSION / CONTRACTION OF DEMAND

74. Expansion and Contraction of demand for a good occurs as a result of—
(a) Change in Price of the Commodity
(b) Change in Quality of the Commodity
(c) Availability of Cheaper Substitutes
(d) Increase in Consumer Income

75. In case of Expansion and Contraction of Demand, the Demand Curve —
(a)) Shifts to the right
(b)) Shifts to the left
(c)) Remains the same
(d)) None of the above

76. Fall in quantity demanded of a product as a result of rise in price is known as —
(a)) Change in Demand
(b)) Contraction of Demand (c) Expansion of Demand (d) Alteration of Demand

77. Rise in quantity demanded of a product as a result of reduction in price is known as —
(a)) Change in Demand
(b)) Contraction of Demand (c) Expansion of Demand (d) Alteration of Demand

78. Contraction of Demand is the result of —
(a) Decrease in number of Consumers
(b) Increase in Price of the product concerned
(c) Increase in Prices of other goods
(d) Decrease in Incomes of Purchasers

79. Expansion of Demand is the result of —
(a) Increase in number of Consumers
(b) Decrease in Price of the product concerned
(c) Decrease in Prices of other goods
(d) Increase in Incomes of Purchasers

80. A movement along the Demand Curve for soft drinks is best described as —
(a) Increase in Demand
(b) Decrease in Demand
(c) Change in quantity demanded
(d) Change in Demand

81. In case of Expansion of Demand, there is a —
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

82. In case of Contraction of Demand, there is a —
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

83. In case of Expansion of Demand, the quantity demanded —
(a)) Increases
(b)) Decreases
(c)) Becomes zero
(d)) Becomes constant

84. In case of Contraction of Demand, the quantity demanded —
(a)) Increases
(b)) Decreases
(c)) Becomes zero
(d)) Becomes constant

85. Expansion of Demand is associated with—
(a) Rise in Price, Rise in quantity demanded
(b) Fall in Price, Fall in quantity demanded
(c) Fall in Price, Rise in quantity demanded
(d) Rise in Price, Fall in quantity demanded

86. Contraction of Demand is associated with —
(a) Rise in Price, Rise in quantity demanded
(b) Fall in Price, Fall in quantity demanded
(c) Fall in Price, Rise in quantity demanded
(d) Rise in Price, Fall in quantity demanded

87. Expansion and Contraction of demand for a product occurs as a result of changes in —
(a) Price of the Commodity
(b) Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

88. Change in demand due to change in price is known as__________
(a) Change in demand
(b) Change in quantity demanded
(c) Income demand
(d) Cross demand

INCREASE OR DECREASE IN DEMAND

89. Change in Demand as a result of the factors other than Price is known as —
(a) Shift in Demand
(b) Increases and Decrease in demand
(c) Change in Demand
(d) All of these

90. Increase in Demand leads to —
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

91. Decrease in Demand leads to —
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

92. Which of the following results in a shifting of the Demand Curve?
(a) Increase in the tax on cigarettes leading to their fall in demand
(b) Slashing of ad rates by a television channel resulting in a rise in the number of ads
(c) Rise in the electricity harges leading to lesser consumption
(d) All of these

93. In which of the following cases, does a shift in demand take place?
(a) Fall in demand for cigarettes, as a result of increased taxes
(b) Rise in the demand for two wheelers due to decrease in the sales tax
(c) Decline in electric power consumption due to rise in the power charges
(d) Decline in the sales of Diwali crackers due to sudden rains and floods

94. Change in demand, as a result of the factors other than price is known as —
(a) Demand Fluctuation
(b) Contraction / Expansion of Demand
(c) Demand Shrinking
(d) Shift in Demand

95. Shift in demand does not take place due to —
(a) Change in the price of the product
(b) Change in the tastes and preferences
(c) Change in consumer habits
(d) Change in population

96. An Increase in Demand can result from —
(a) Decline in Market Price
(b) Increase in Income
(c) Reduction in the Price of Substitutes
(d) Increase in the Price of Complements

97. A Decrease in Demand can result from —
(a) Increase in Market Price
(b) Decrease in Income
(c) Increase in the Price of Substitutes
(d) Decrease in the Price of Complements

98. A drought in India leads to unusually low level of wheat production. This would lead to a rise in the price of wheat and fall in the quantity of wheat demanded due to
(a) Excess Demand at the original price
(b) Excess Supply at the original price
(c) Supply Curve shifting to the right
(d) Demand Curve shifting to the left

99. Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples?
(a) There is an increase in quantity demanded of apples and in supply of apples.
(b) There is an increase in the demand and supply of apples.
(c) There is an increase in the demand for apples and a decrease in supply of apples.
(d) There is an increase in the demand for apples and an increase in the quantity supplied

100. In case of Shift in Demand, remains constant.
(a) Income of Consumers
(b) Tastes and Preferences of Consumers
(c) Price of the Product
(d) Quality of the Product

101. Rise in the price of Substitute Goods leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

102. Fall in the price of Substitute Goods leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

103. Other things being equal, a fall in the price of complementary good will cause the of the other to rise.
(a) Price
(b) Supply
(c) Demand
(d) Utility

104. A Decrease / Fall in the price of Complementary Goods leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

105. An Increase in the price of Complementary Goods leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

106. Increase in Income Levels of Buyers leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

107. Decrease in Income Levels of Buyers leads to —
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

108. Which of the factors does not cause Increase in Demand?
(a) Rise in the price of Substitute Goods
(b) Fall in price of this product
(c) Increase in population
(d) Increase in Income Levels of Buyers

109. Increase in Demand is caused by —
(a) Change in Buyer Preferences and Tastes in favour of this commodity
(b) Re—distribution of income to Consumers who favour this commodity
(c) Increase in population
(d) All the above

110. Which of the factors does not cause Decrease in Demand?
(a) Fall in the price of Substitute Goods
(b) Rise in price of this product
(c) Decrease in population
(d) Decrease in Income Levels of Buyers

111. Decrease in Demand is caused by —
(a) Change in Buyer Preferences and Tastes against this commodity
(b) Re—distribution of income away from Consumers who favour this commodity
(c) Decrease in population
(d) All the above

ANSWER to NCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	c	b	b	a	c	a	c	b	c	c	b	a	b	b	a	b	c	a	b

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	c	a	b	c	b	a	a	b	d	d	b	d	c	b	a	b	c	a	c

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61
c	c	b	c	c	c	c	b	b	c	c	a	b	a	b	d	a	a	c	a	b

62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81
b	c	a	a	d	c	d	c		d	d	c	a	c	b		b		c	d

82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	10
c	a	b	c	d	a	b	d	b	a	d	d	d	a	b	b	a	d	c	a

102	103	104	105	106	107	108	109	110	111
b	c	a	b	a	b	b	d	b	d

C. ELASTICITY OF DEMAND — MCQs
ELASTICITY BASICS

1. The concept of Elasticity of Demand was developed by—
   (a) Alfred Marshall
   (b) Edwin Cannon
   (c) Paul Samuelson
   (d) Fredric Bonham

2. Two important factors which make difference in the Elasticity of Demand for different commodities are
   (a) Preferences and Income
   (b) Income and Expenditure
   (c) Quantity and Price of the Commodity
   (d) Tax Rates and Level of Income

3. Elasticity of Demand refers to—
   (a) The responsiveness of the quantity demanded of a commodity, to changes in one of the variables on which demand depends.
   (b) The percentage change in quantity demanded, divided by the percentage change in one of the factors on which demand depends.
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

4. Elasticity of Demand is attributed to —
   (a) Changes in Prices
   (b) Changes in Incomes
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

5. Elasticity of Demand is measured in case of —
   (a) Changes in Price of the Commodity
   (b) Changes in Incomes of the Consumers
   (c) Changes in Prices of related commodities
   (d) All of the above

6. Which of the following statements regarding Elasticity of Demand is true?
   (a) Elasticity can be positive or negative
   (b) Elasticity always has a negative value
   (c) Elasticity always has a positive value
   (d) Elasticity can never be zero

7. Which of the following statements is true with regard to the elasticity of demand?
   (a) The elasticity of demand remains same, both in short run and in long run
   (b) Demand is more elastic in the short run than in long run
   (c) Demand is more inelastic in the long run than in short run
   (d) Demand is more elastic in the long run than in short run

8. Price Elasticity of Demand is defined as —
   (a) Change in quantity demanded ÷ Change in price
   (b) Proportionate change in quantity demanded ÷ Change in Price
   (c) Change in quantity demanded ÷ Proportionate change in Price
   (d) Proportionate change in quantity demanded Proportionate change in price

9. Price Elasticity of Demand is defined as the responsiveness of —
   (a) Price to a change in quantity demanded
   (b) Quantity demanded to a Change in Price
   (c) Price to a Change in Income
   (d) Quantity demanded to a change in income

10. Price Elasticity of Demand for a product is —
   (a) Change in the quantity demanded of the product when price increases by 30%
   (b) Percentage increase in the quantity demanded of the product when the price falls by 1%
   (c) Increase in the demand for the product when its price falls by 10%
   (d) Decrease in the quantity demanded of the product when its price falls by 1%

11. Price Elasticity of Demand is given by —
   (a) Ap/Aq X q/p
   (b) Ap/Aq X p/q
   (c) Aq/Ap X q/p
   (d) Aq/Ap X p/q

12. Usually, the demand for Necessities is —
   (a) Highly Elastic
   (b) Highly Inelastic
   (c) Slightly Elastic
   (d) Slightly Inelastic

13. Demand for which of the following products is/are relatively inelastic?
   (a) Water
   (b) Electricity
   (c) Movie Tickets
   (d) Both (a) and (b)

14. Which of the following products has highly inelastic demand?
   (a) Jewellery
   (b) Imported sofa set
   (c) Salt
   (d) Sports car

15. Amongst the following which item has highest Price Elasticity?
   (a) Salt
   (b) Petrol
   (c) Indian Oil's Petrol

(d) Rice

16. In the context of Elasticity of Demand, the paradox of plenty relates more to items in the —
(a) Services Sector
(b) Agricultural Sector
(c) Mining Sector
(d) Industrial Sector

17. Goods which have more close or perfect substitutes are
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

18. Goods which have fewer substitutes are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

19. Goods having higher proportion of the Consumers' spending are—
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

20. Goods having lower share in the Consumers' Budget are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

21. Luxury Goods are considered .... than Necessity Goods.
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

22. Necessary Goods are considered .... than Luxury Goods.
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

23. Salt is to price changes than Motor Car.
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

24. Cellphone is to price changes than Bread.
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

25. Goods which can be put to multiple uses are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

26. Goods which have a specified and particular use are
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

27. Demand for electricity is elastic because —
(a) It is very expensive.
(b) It has a number of close substitutes.
(c) It has alternative uses.
(d) None of the above.

28. Goods in respect of which the Consumers have more time to adjust or modify their consumption pattern are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

29. Goods in respect of which the Consumers do not have time to adjust their consumption pattern are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

30. Goods in respect of which the use or consumption can be postponed are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

31. Goods which are required for immediate or urgent consumption are —
(a) Less Elastic
(b) Unit Elastic
(c) More Elastic
(d) Zero Elastic

32. Medicines have less elastic demand since —
(a) They have alternative uses
(b) They have to be used immediately, and their purchase and use cannot be delayed
(c) There are fewer substitutes available
(d) All of the above

33. Goods which are subject to Consumer Habits, e.g. Cigarette, Liquor, etc. are —
(a) Less Elastic
(b) Unit Elastic

(c) More Elastic
(d) Zero Elastic

34. What would be the value of elasticity of demand, if the demand for the good is perfectly inelastic?
(a) 0
(b) 1
(c) Infinity
(d) Less than 0

35. If the demand for the good is perfectly inelastic, the Demand Curve will be —
(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Downward Sloping to the right

36. A demand curve parallel to y-axis implies
(a) Ep= 0
(b) Ep= 1
(c) Ep< 1
(d) Ep> 1

37. Vertical Demand Curve will show that the price elasticity of demand is —
(a) Perfectly inelastic
(b) Perfectly elastic
(c) Inelastic
(d) Unitary

38. If the demand for a commodity is ... , entire burden of indirect tax will fall on the consumer.
(a) Relatively inelastic
(b) Perfectly inelastic
(c) Perfectly elastic
(d) Relatively elastic

39. For goods with perfectly inelastic demand —
(a) Ap > Aq
(b) Ap = Aq
(c) Ap = 0
(d) Aq = 0

40. If the demand for the good is perfectly inelastic, which of the following is correct?
(a) Quantity does not change at all
(b) Quantity decreases and price falls
(c) Quantity increases and price increases
(d) Quantity increases and price falls

41. If the demand for the good is perfectly inelastic, and E is the measure of Elasticity, which of the following is true?
(a) E = 0
(b) 0 < E < 1
(c) E = 1
(d) E > 1

42. If a product has perfectly inelastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

LESS ELASTIC

43. Identify the factor which generally keeps the Price—Elasticity of Demand for a product low.
(a) Variety of Uses for that product
(b) Its Low Price
(c) Close Substitutes for that product
(d) High proportion of the Consumer's Income spent on it

44. Identify the coefficient of price—elasticity of demand when the percentage increase in the quantity demanded of a product is smaller than the percentage fall in its price.
(a) Equal to one
(b) Greater than one
(c) Smaller than one
(d) Zero

45. Price Elasticity of Demand for addictive products like cigarettes and alcohol would be —
(a) Greater than 1
(b) Less than 1
(c) Infinity
(d) One

46. If Electricity Demand is inelastic, and electric rates 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

47. For goods with less elastic demand —
(a) Aq > Ap
(b) Aq = Ap
(c) Aq < Ap
(d) Aq = 1

48. If the demand for the good is less elastic, and E is the measure of Elasticity, which of the following is true?
(a) E = 0
(b) 0 < E < 1
(c) E = 1

(d) E > 1

49. If the demand for the good is less elastic, the Demand Curve will be —
(a) Horizontal Line
(b) Vertical Line
(c) Downward Sloping to the right, flatter
(d) Downward Sloping to the right, steeper

50. If a product has less elastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

51. When the price of a commodity increases from Rs. 8 to Rs. 9 then the demand decreases by 10%. The price Elasticity of demand is
(a) 0.8
(b) 0.9
(c) 1
(d) 1.1

UNIT ELASTIC

52. If the demand for a good is unit elastic, the value of the elasticity of demand would be —
(a) 0
(b) 1
(c) Infinity
(d) Less than 0

53. If the price of 'X' rises by 10% and the quantity demanded falls by 10%, 'X' has —
(a) Inelastic Demand
(b) Unit Elastic Demand
(c) Zero Elastic Demand
(d) Elastic Demand

54. For goods with unitelastic demand —
(a) Aq > Ap
(b) Aq = Ap
(c) Aq < Ap
(d) Aq = 1

55. If the demand for the good is unit elastic, and E is the measure of Elasticity, which of the following is true?
(a) E = 0
(b) 0 < E < 1
(c) E = 1
(d) E > 1

56. If the demand for the good is unitelastic, the Demand Curve will be —
(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Nothing can be said

57. If the demand for the good is unitelastic, the Demand Curve will be —
(a) 45 degree Straight Line, sloping downward to the right
(b) Rectangular Hyperbola
(c) Either (a) or (b)
(d) Neither (a) nor (b)

58. Rectangular Hyperbola is also called —
(a) Equilateral Hyperbola
(b) Vertical Line
(c) Square
(d) Horizontal Line

59. If the demand for the good is unitelastic, the Demand Curve will be —
(a) 45 degree Straight Line, sloping downward to the right
(b) Rectangular Hyperbola
(c) Equilateral Hyperbola
(d) Any of the above

60. If a product has unit elastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

61. In case of Straight Line demand curve meeting two axes, the Price Elasticity of demand at a point where the curve meets x-axis would be
(a) 1
(b) 0 0
(c) 0
(d) >1

MORE ELASTIC

62. Identify the coefficient of price—elasticity of demand when the percentage increase in the quantity demanded of a product is more than the percentage fall in its price.
(a) Equal to one
(b) Greater than one
(c) Smaller than one

(d) Zero

63. When quantity demanded changes by larger percentage than Price, Elasticity is termed as —
(a) Inelastic
(b) Perfectly elastic
(c) Elastic
(d) Perfectly inelastic

64. 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

65. For goods with more elastic demand —
(a) Aq > Ap
(c) Aq = Ap
(d) Aq < Ap
(e) Aq = 1

66, If the demand for the good is more elastic, and E is the measure of Elasticity, which of the following is true?
(a) E = 0
(b) 0 < E < 1
(c) E = 1
(d) E > 1

67. If the demand for the good is more elastic, the Demand Curve will be —
(a) Horizontal Line
(b) Vertical Line
(c) Downward Sloping to the right, flatter
(d) Downward Sloping to the right, steeper

68. If a product has less elastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

PERFECTLY ELASTIC

69. What would be the value of Elasticity of Demand, if the demand for the good is perfectly elastic?
(a) 0
(b) 1
(c) Infinity
(d) Less than 0

70. If the demand for the good is perfectly elastic, the Demand Curve will be —
(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Downward Sloping to the right

71. Horizontal Demand Curve will show that the price elasticity of demand is —
(a) Perfectly inelastic
(b) Perfectly elastic
(c) Inelastic
(d) Unitary

72. For goods with perfectly elastic demand —
(a) Ap > Aq
(b) Ap = Aq
(c) Ap = 0
(d) Aq = 0

73. If the demand for the good is perfectly elastic, and E is the measure of Elasticity, which of the following is true?
(a) E = 0
(b) 0 < E < 1
(c) E > 1
(d) E = Infinity

74. What is the mean by price elasticity of demand greater than 1-
* (a) % change in quantity demanded is less than % change in price.
(b) % change in quantity demanded is more than %change in price,
(c) No change in quantity and price
(d) None of these

75. Horizontal Demand curve, Parallel to X-axis indicates, that the elasticity of Demand is
____
(a) Zero
(b) Infinite
(c) > 1
(d) < 1

DETERMINANTS OF PRICE ELASTICITY

76. Price Elasticity of Demand would be higher for those products which have —
(a) A larger number of Substitutes
(b) Fewer Substitutes
(c) No Substitutes
(d) Fewer Complementary Goods

77. Demand for a good will tend to be more elastic if it exhibits which of the following features?
   (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

78. If the Elasticity of Demand for a commodity is perfectly inelastic, then which of the following is incorrect?
   (a) The Commodity must be essential to those who purchaseit.
   (b) The Commodity must have many substitutes.
   (c) The Commodity will be purchased regardless of increase in its price.
   (d) The Elasticity of Demand for this Commodity must beequal to zero.

79. Demand for a product will tend to be more inelastic if it exhibits which of the following characteristics?
   (a) The product has many substitutes
   (b) The product is a luxury (as opposed to a necessity)
   (c) The product 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

80. The Elasticity of Substitution between two Perfect Substitutes is—
   (a)) Zero
   (b)) Greater than zero
   (c) Less than infinity
   (d) Infinite

81. Which is correct about price elasticityof demand?
   (a) It is several degrees and natures
   (b) It is unaffected due to change in price of other goods
   (c) It is immeasurable concept
   (d) It is due to direction of change in price

PROPORTXONATE METHOD

82. If the demand for a product reduces by 5% as a result of an increase in the price by 25%. What is the Price Elasticity of Demand?
   (a) -0.2
   (b) -0.5
   (c) -0.25
   (d) 0.2

83. If Price of Coffee decreases from ! 5 to ! 4.50, and as a result the Consumer's Demand for Coffee increase from 60 grams to 75 grams, the absolute Price Elasticity of Demand of Coffee is -
   (a) 1.5
   (b) 3.0
   (c) 2.0
   (d) 2.5

84. If the demand for a product reduces by 2% as a result of an increase in the price by 10%, what is the Price Elasticity of Demand for the product?
   (a) +0.20
   (b) -0.40
   (c) -0.20
   (d) +0.40

85. If the Demand for Cricket Balls increases from 50 to 55 because of fall in price from ! 25 to 24, what is the Price Elasticity of Demand for Cricket Balls?
   (a) (1.0)
   (b) (2.5)
   (c) (2)
   (d) (5)

86. What is the Price Elasticity of Demand for a product, if an increase in the price of the good by 2% leads to fall in demand by 3%?
   (a) +1.5
   (b) -1.5
   (c)) 1
   (d)) 0

87. Price of Mangoes increases by 22% and the quantity of mangoes demanded falls by 25%. This indicates that demand for mangoes is -
   (a) Elastic
   (b) Inelastic
   (c) Unitarily elastic
   (c)) Perfectly elastic

88. Suppose the price of movies seen at a Theatre rises from ! 120 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?
   (a) 0.5
   (b) 0.8
   (c) 1.0
   (d) 1.2

89. 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 demaAed increases from 3,000 plate settings to 5,000 plate-settings, what is the Price Elasticity of Demand for thatitem?

(a) 0.8
(b) 2.0
(c) 1 . 25
(d) 1.5

90. A Store has a special offer on CDs. It reduces the price from ! 150 to ! 100. The Store Manager observes that the quantity demanded increases from 700 CDs to 1,400 CDs. What is the Price Elasticity of Demand for CDs?
(a) 0.8
(b) 3.0
(c) 1.25
(d) 1 .50

91. If a shop raises the price of a product from ! 60 to 100 and quantity demanded falls from 400 units to 300 units, the Price Elasticity of Demand is -
(a) 0.667
(b) 0.500
(c) 1.000
(d) 0.375

92. A book seller estimates that if the price of a book is increased from ! 60 to ! 67, the quantity of books demanded will decrease from 2,035 to 1,946. The Book's Price Elasticity of Demand is approximately -
(a) 0.4
(b) 0.8
(c) 1.0
(d) 2.5

93. What is the new quantity demanded when Price Elasticity is 1 and price changes from ! 15 to ! 10 and the original quantity demanded was 10 units?
(a) 15 units
(b) 20 units
(c) 8 units
(d) 12 units

94. What will be the price elasticity if original price is Z5, original quantity is 8 units and changed price is !6 changed quantity is 4 units?
(a) 2.5
(b) 2.0
(c) 1.5
(d) 1.0

95. The original price of commodity is 2500 and quantity demanded is 20 kgs. If price rises to Z 750 and quantity demanded reduce to 15 kgs, price elasticity o f d e m a n d i s
(a) 0.25
(b) 0.50
(c) 1.00
(d) 1.50

96. The price of a tiffin box is Z 100 per unit and the quantity demanded in a market is 1,25,000 units. Company increased the price to Z 125 per unit due to this increase in price quantity demanded decreases to 1,00,000 units. What will be price elasticity of demand
(a) 1.25
(b) 0.80
(c) 1.00
(d) None

97. The price of a commodity decreases form 10 to 8 and the quantity demanded of it increases from 25 to 30 units. Then the coefficient of price elasticity will be
(a) 1
(b) -1
(c) 1.5
(d) -1.5

POINT ELASTICITY

98. The Elasticity at a given point on a Demand Curve is known as -
(a) Point Elasticity
(b) Income Elasticity
(c) Arc Elasticity
(d) Cross Elasticity

99. Point Elasticity of Demand is calculated as -
(a) Upper Segment + Lower Segment
(b) Lower Segment ÷ Upper Segment
(c) Either (a) or (b)
(d) Neither (a) nor (b)

100. 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%
(c) An automobile producer is interested in determining the response of consumers to the price of cars being lowered by Z 50,000
(d) None of the above

101. Which of the following statements regarding Elasticity of Demand is true?
(a) Elasticity of demand decreases as one goes down a Straight Line Demand Curve
(b) Elasticity of Demand increases as one goes down a Straight Line Demand Curve
(c) Elasticity of Demand is constant throughout the Straight Line Demand Curve
(d) None of the above

102. If a point on a Demand Curve of any Product lies on

X Axis, then Price Elasticity of Demand of that commodity at that point will be -
(a) Infinite
(b) More than zero
(c) Less than zero
(d) Zero

103. If a point on a Demand Curve of any Product lies on
Y Axis, then Price Elasticity of Demand of that commodity at that point will be -
(a) Infinite
(b) More than zero
(c) Less than zero
(d) Zero

104. In the case of a Straight Line Demand Curve meeting the two axes, the Price-Elasticity of Demand at the mid-point of the line would be
(a) 0
(b) 1
(c) 1.5
(d) 2

105. If R point bisects the Demand Curve in two equal parts, then elasticity at R equals -
(a) Zero
(b) Five
(c) Two
(d) One

106. Point Elasticity at the mid-point on the Straight Line Demand Curve is -
(a) One
(b) Zero
(c) Less than one
(d) Less than zero

107. What is the elasticity between midpoint & upper extreme point of a straight line continuous demand curve?
(a)) Infinite
(b)) Zero
(c)) >1
(d)) <1

ARC ELASTICITY

108. At a price of Z 300 per month, there are 30,000 subscribers to Cable TV in a Small Town. If the Cable Company raises its price to Z 400 per month, the number of subscribers will fall to 20,000. Using the mid-point method for calculating the elasticity, what is the Price Elasticity of Demand for Cable TV?
(a) 1.4
(b) 0 .66
(c) 0.75
(d) 2.0

109. What is the Price Elasticity of Demand when, price changes from Z 10 to Z 12 and as a result, demand falls from 6 units to 4 units?
(a) 0.833
(b) 1.6
(c) 2.2
(d) 1.833

110. 1f the quantity of blankets demanded increases from 4,600 to 5,700 in response to a decrease in their price from Z 220 to Z 190, the Price Elasticity of Demand for Blankets using Arc Method is —
(a) 0 . 69
(b) 1.0
(c) 1 . 46
(d) 2 .66

111. What is the Original Price of a Product when Price Elasticity is 0.71 and Demand changes from 20 units to 15 units and the new price is Z 10? (Use Arc Method for computation)
(a) Z15
(b) Z18
(c) Z 20
(d) Z 8

TOTAL OUTLAY I REVENUE METHOD

112. Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product rises, we say that Price Elasticity of Demand is—
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero

113. Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product move in opposite directions, then, Price Elasticity of Demand is —
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero

f the demand for a product is elastic, an increase in its price will cause the Total Expenditure of the Consumers to—
(a) Remain the same
(b) Increase
(c) Decrease
(d) Any of these

115. If the demand for a product is elastic, an decrease in its price will cause the Total Expenditure of the Consumers to—
(a) Remain the same
(b) Increase
(c) Decrease

(d) Any of these 116.

116. Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product decreases, we say that Price Elasticity of Demand is—
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero

117. Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product move in the same direction, then, Price Elasticity of Demand is —
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero

118. If the demand for a product is inelastic, an increase in its price will cause the Total Expenditure of the Consumers to—
(a) Remain the same
(b) Increase
(c) Decrease
(d) Any of these

f the demand for a product is inelastic, an decrease in its price will cause the Total Expenditure of the Consumers to—
(a) Remain the same
(b) Increase
(c) Decrease
(d) Any of these

120. Total Expenditure of a Consumer increases if—
(i) Demand is elastic and price rises
(ii) Demand is elastic and price falls
(iii) Demand is inelastic and price rises
(iv) Demand is inelastic and price falls

(a) Only (ii)
(b) Only (iii)
(c) Both (i) and (iii)
(d) Both (ii) and (iii)

121. 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 price rises

122. Due to change in price of the commodity, the Total Expenditure remains the same as before, then Elasticity under Total Outlay Method is—
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero

123. When Increase in prices is exactly balanced by a proportionate reduction in the purchase quantity, then Elasticity under Total Outlay Method is —
(a)) Equal to unity
(b)) Greater than unity
(c) Less than unity
(d)) Zero

124. An increase in price will result in an increase in Total Revenue if —
(a) Percentage Change in quantity demanded is less than the Percentage Change in Price
(b) Percentage Change in quantity demanded is more than Percentage Change in price
(c) Demand is elastic
(d) 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

125. Which of the following statements regarding Elasticity of Demand is true?
(a) If the demand for the product is inelastic, an increase in price will have a positive effect on the total revenue of the Firm
(b) If the demand for the product is elastic, an increase in price will have a positive effect on the total revenue of the Firm
(c) If the demand for the product is inelastic, an increase in price will have a negative effect on the total revenue of the Firm
(d) If the demand for the product is inelastic, a decrease in price will have a positive effect on the total revenue of the Firm

decrease in price will result in an increase in Total Revenue if —
(a) Percentage Change in Quantity Demanded in less than Percentage Change in Price
(b) Percentage Change in Quantity Demanded is greater than Percentage Change in Price
(c) Demand is inelastic
(d) Consumer is operating along a Linear Demand Curve at a point at which the Price is very low and quantity demanded is very high

127. If a good has price elasticity greater than one then —
(a) Demand is unit elastic and a change in price does not affect sellers' revenue.
(b) Demand is elastic and a change in price causes Sellers' Revenue to change in the opposite direction.
(c) Demand is inelastic and a change in price causes Sellers' Revenue to change in the same direction.
(d) None of the above is correct.

128. Ceteris paribus, what would be the impact on foreign exchange earnings for a given falling export prices, if the demand for the country's exports is inelastic?
(a) Foreign Exchange Earnings decrease
(b) Foreign Exchange Earnings increase
(c) No effect on Foreign Exchange Earnings
Foreign Exchange Earnings increase for a brief period and decrease drastically later on

129. If the Railways are making losses on passenger traffic, they should lower their fares. The suggested remedy would only work if the demand for Rail Travel had a price elasticity of —
(a) Zero
(b) Greater than zero but less than one.
(c) One
(d) Greater than one

130. If Cinema Halls are making losses they should lower the ticket fares. This suggestion would only work if the demand for watching movies in cinema halls had a Price Elasticity of —
(a) Zero
(b) Greater than zero but less than one.
(c) One
(d) Greater than one

131. Price Elasticity of demand for a product is zero. If the Firm increases the price of the product by 10%, Total Revenue of the Firm will —
(a)) Not change
(b)) Increase to infinity
(c) Fall to zero
(d)) Decrease by 10%

INCOME ELASTICITY

132. Income Elasticity of Demand is defined as the responsiveness of —
(a) Price to a change in quantity demanded
(b) Quantity demanded to a Change in Price
(c) Price to a Change in Income
(d) Quantity demanded to a change in income

133. Income Elasticity of Demand is given by —
(a)) Ai/ Aq X q/ i
(b)) Ili/ Aq X i/q
(c) Aq/A1 X q/i
(d)) L‘q/A1 X i/q

134. Positive Income Elasticity implies that as income rises, demand for the commodity —
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Becomes zero

135. If Income—Elasticity is greater than zero, then the product is —
(a) Superior
(b) Normal
(c) Inferior
(d) Both (a) & (b)

136 ... have a positive Income Elasticity of Demand.
(a)) Complementary Goods
(b)) Substitute Goods
(c) Normal Goods
(d)) Inferior Goods

137. For what type of goods does demand fall with rise in income levels of households?
(a) Inferior Goods
(b) Substitutes
(c) Luxuries
(d) Necessities

138. Negative Income Elasticity implies that as income rises, demand for the commodity —
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Becomes zero

139. Generally when income of a consumer increases he goes for superior goods, leading to fall in demand for inferior goods. It means income elasticity of demand is
(a) Less than one
(b) Negative
(c) Zero
(d) Unitary

140. What type of goods does a consumer eventually stop buying, when his income rises?
(a) Goods with Positive Income Elasticity

(b) Goods with Negative Income Elasticity
(c) Goods with Zero Income Elasticity
(d) No relationship exists between the type of the goods bought and rise in income

141. Goods having negative Income Elasticity are known as —
(a) Normal
(b) Inferior
(c) Superior
(d) Necessities

142. In case of Inferior Goods, Income Elasticity is —
(a)) Zero
(b))
Positive (c)
Negative (
d) None

143. In Demand—Supply Analysis, if the income of the Consumer increases, the Demand Curve for an inferior good —
(a) Shifts upward to the right
(b) Shifts downward to the left
(c) Shifts upward to the left
(d) Shifts downward to the right

144have a negative Income Elasticity of Demand.
(a) Luxury Goods
(b) Necessities
(c) Normal Goods
(d) Inferior Goods

145. If quantity demanded does not change as Income changes, then Income Elasticity of Demand is —
(a) Below 1
(b) Above 1
(c) Zero
(d) Between—1 and 0

146. Goods having Zero Income Elasticity are —
(a) Inferior Goods
(b) Normal Goods
(c) Luxury Goods
(d) None of the above

147. If an increase in Consumer Incomes leads to a increase in the demand for Product X, then Product X is—
(a) A Normal Good
(b) A Substitute Good
(c) An Inferior Good
(d) None of the above

148. For goods increase in income leads to increase in demand.
(a) Abnormal
(b) Normal
(c) Inferior
(d) Superior

149. If Income Elasticity > 1, it means that proportion of Income spent on goods........, as income of the Consumers increases.
(a) Increases
(b) Decreases
(c) Remains constant
(d) Nothing can be said

150. For a product to be called income elastic, its Income Elasticity has to be —
(a) Below 1
(b) Above 1
(c) Zero
(d) Between —1 and 0

151. Services like Air Travel and Movies have an income elasticity of —
(a) More than 1
(b) 0
(c) Less than 1
(d) Between 0 and 1

152. What would be the value of Income Elasticity of demand for the meals in a costly restaurant?
(a) Lesser than one
(b) Between 0 and 1
(c) 1
(d) More than 1

153. 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

154. Goods having Income Elasticity > 1 are considered as -
(a) Luxury Goods
(b) Necessities
(c) Normal Goods
(d) Inferior Goods

155. The Income of a Household rises by 20%, the demand for Computer rises by 25%, this means Computer (in Economics) is a/an
(a) Inferior Good
(b) Luxury Good
(c) Necessity
(d) Nothing can be said

156. If Income Elasticity for the household for Product A is 2 then A is -
(a) Necessity Item
(b) Inferior Goods
(c) Luxurious Item
(d) Comfortable Item

157. If the Income Elasticity is greater than one, the commodity is -
(a) Necessity
(b) Luxury

(c) Inferior goods
(d) None of these

158. If Income Elasticity = 1, it means that proportion of Income spent on goods , as income of the Consumers increases.
(a) Increase
(b) Decreases
(c) Remains constant
(d) Nothing can be said

159. If Consumers always spend 15% of their income on food, then the Income Elasticity of Demand for Foodis

(a) 1.50.
(b) 1.15.
(c) 1.00
(d) 0.15.

160. If Income Elasticity < 1, it means that proportion of Income spent on goods , as income of the Consumers increases.
(a) Increases
(b) Decreases
(c) Remains constant
(d) Nothing can be said

161. Which of the following is not an income-elastic product/service?
(a) Air Travel
(b) Entertainment in an Amusement Park
(c) Life-saving Drugs
(d) Meals in a costly restaurant

Necessity is defined as a good having -
(a) Positive Income Elasticity of Demand
(b) Negative Income Elasticity of Demand
(c) Income Elasticity of Demand less than 1.
(d) Price Elasticity of Demand less than 1.

163. Goods having Income Elasticity < 1 are considered as-
(a) Luxury Goods
(b) Necessities
(c) Normal Goods
(d) Inferior Goods

164. Which of the following is not a determinant of the Advertising Elasticity of Demand?
(a) Effect of Time
(b) Stages of Product
(c) Advertising by Competitors
(d) Income Level of the Consumers

165. If income increases by 10% and demand increases by 5%, then income elasticity of demand is:
(a) + 0.5
(b) - 0.5
(c) + 0.05
(d) - 0.05

166. Suppose a Consumer's income increases from Z 30,000 to Z 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the Income Elasticity of Demand for CDs here?
(a) 0.5
(b) 1.0
(c) 1.5
(d) 2.0

167. If the quantity of CD demanded increases from 260 to 290 in response to an increase in income from Z 9,000 to Z 9,800, the Income Elasticity of Demand is approximately -
(a) 3.4
(b) 0 .01.
(c) 1.3
(d) 2 . 3 .

168. Concerned about the poor state of the economy, a Car Dealer estimates that if income decreases by 4%, Car Sales will fall from 352 to 335. Consequently, the Income Elasticity of Demand for cars is approximately -
(a) -1.2
(b) 0.01
(c) 0.4
(d) 1.2

169. If an increase in Consumer Incomes leads to a decrease in the demand for Product X, then Product Xis -
(a) A Normal Good
(b) A Substitute Good
(c) An Inferior Good
(d) None of the above

170. Income of a household increases by 10%, and the demand for Wheat rises by 5%. This means that Wheat is an example of—
(a) Normal Goods
(b) Luxurious Goods
(c) Inferior Goods
(d) Economic Goods

171. Income of a household increases by 10%, and the demand for TV rises by 20%. This means that TV is an example of—
(a) Normal Goods
(b) Luxurious Goods
(c) Inferior Goods
(d) Economic Goods

172. Income of a household increases by 5%, and the demand for Bajra falls by 2%. In this case, Bajra is an example of—
(a) Normal Goods
(b) Luxurious Goods
(c) Inferior Goods

(d) Economic Goods

CROSS ELASTICITY

173. In order to assess the effect of a change in price of one product on the demand for other products, which type of elasticity is often used?
(a) Cross Elasticity
(b) Income Elasticity
(c) Price Elasticity
(d) Supply Elasticity

174. Cross Elasticity measures the responsiveness of quantity demanded ofa commodity to—
(a) Changes in Price of that Commodity
(b) Changes in Price of other Commodities
(c) Changes in Income Levels of Buyers
(d) All of the above

175. In measuring Cross Elasticity, is / are considered.
(a) Only one product
(b) Two products
(c) Many products
(d) No products

176. Which of the following statements regarding Cross Elasticity is true?
(a) It is always negative
(b) It is always positive
(c) It can be either positive or negative
(d) It always lies between 0 and 1

177. If Goods X and Y are complementary, their Cross Elasticity is—
(a) Infinity
(b) Greater than zero but less than infinity
(c) Zero
(d) Negative

178. Complementary Goods like tea and sugar have a
Cross Elasticity.
(a) Negative
(b) Positive
(c) Zero
(d) Infinite

179. What will be the Slope of Demand Curve when it shows the Cross Elasticity between two ComplementaryGoods?
(a) Negative
(b) Positive
(c) Horizontal
(d) None of these

180. Cross Elasticity between Tea and Sugar is —
(a) Less than 0
(b) Greater than 1
(c) Zero
(d) Greater than 0, but less than 1

181. Goods having negative Cross Elasticity are —
(a) Mostly complementary goods
(b) Always complementary goods
(c) Mostly substitute goods
(d) Always substitute goods

182. Negative Cross Elasticity always implies that the goods are complementary in nature. This statement is—
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

183. Goods having zero Cross Elasticity are —
(a) Complementary goods
(b) Unrelated goods
(c) Substitute goods
(d) All of the above

184. Cross Elasticity of Demand between Tea and Coffee is
(a) Positive
(b) Negative
(c) Zero
(d) Infinity

185. If the co—efficient of Cross Elasticity of Demand of X for Y is 3, it means that X and Y are —
(a) Complementary Goods
(b) Substitute Goods
(c) Inferior Goods
(d) Normal Goods

186. When Cola Companies Coke and Pepsi, introduced Colas in mini bottles at a low price, the demand for Tea and Coffee is small tea stalls declined drastically. The Cross Elasticity between the Colas and Tea / Coffee is —
(a) Negative
(b) Positive
(c) Zero
(d) Infinite

187. If two products are good substitutes, the value of Cross Elasticity will be—
(a))
Negative (b)
Positive (c)
Ze ro
(d) No Cross Elasticity exists between two substitute products

188. The cross elasticity of demand between two perfect substitutes will be- *
(a) Z e r o
(b) Infinity
(c) Very high

(d) Very low

189. Goods having positive Cross Elasticity are —

(a) Mostly complementary goods
(b) Always complementary goods
(c) Mostly substitute goods
(d) Always substitute goods

190. Positive Cross Elasticity always implies that the goods are substitute goods. This statement is —

(a) True
(b) False
(c) Partially True
(d) Nothing can be said

191. If Cross Elasticity of Demand is Infinity, it means that the goods are—

(a) Perfect Complementary Goods
(b) Perfect Substitute Goods
(c) Inferior Goods
(d) Normal Goods

192. If Cross Elasticity of Demand --- , Zero, it means that the goods are —

(a) Perfect Complementary Goods
(b) Perfect Substitute Goods
(c) Unrelated Goods
(d) Nothing can be said

193. If Cross Elasticity of Demand between A and B is Zero, it means that between A and B —

(a) There can be no substitution at all
(b) A can be perfectly substituted for B, and vice—versa.
(c) A and B are Inferior Goods
(d) Nothing can be said

194. If the quantity demanded of Tea increases by 5% when the price of Coffee increases by 20%, the Cross Elasticity of demand between Tea and Coffee is —

(a) —0.25
(b) 0 . 25
(c) 4
(d) 4

195. The Cross Elasticity of monthly demand for ink pen, when the price of gel pen increases by 25% and demand for ink pen increases by 50% is equal to —

(a) + 2.00.
(b) —2.00.
(c) 2 . 09.
(d) + 2.09.

196. Cross Elasticity of Demand for Gel Pen when the Price of Refills increases by 20% and demand for Gel Pens falls by 30% is equal to —

(a) 0 . 71
(b) + 0.25.
(c) 0 . 19.
(d) 1 . 5 .

197. If the quantity demanded of Product X increases from 8 to 12 units in response to an increase in the price of Product Y from Z 23 to Z 27, the Cross Elasticity of Demand for X with respect to Price of Y is approximately —

(a) 0.35 and X and Y are Complements.
(b) 0.35 and X and Y are Substitutes.
(c) 2.5 and X and Y are Complements.
(d) 2.5 and X and Y are Substitutes.

198. Which of the following is incorrect?

(a) Cross Elasticity of Demand for two substitutes is positive.
(b) Income Elasticity of Demand is the percentage change in quantity demanded of a good due to a change in the price of a substitute.
(c) Cross Elasticity of Demand for two complements is negative.
(d) Price Elasticity of Demand is always negative, except for Giffen Goods.

ALL ELASTICITY COMPUTATION

Use the following data for the next 8 questions.

A Grocery Shop used to sell fresh milk at Z 20 per litre, at which price 400 litres of milk were sold per month. After some time, the price was raised to Z 30 per litre. Following are the consequences:

- Only 200 litres of milk was sold every month.
- The number of boxes of cereal customers bought went down from 200 to 140.
- The number of packets of powdered milk customers bought went up from 90 to 220 per month.

199. The Price Elasticity of Demand when fresh milk's price increases from Z 20 per litre to Z 30 per litre is equal to

(a) 2.5
(b) 1.0
(c) 1 . 66
(c) 2.66

200. What can be said about the Price Elasticity of Demand for Fresh Milk?

(a) It is perfectly elastic.

(b) It is elastic.
(c) It is perfectly inelastic.
(d) It is inelastic.

201. The Cross Elasticity of Demand for Cereals when the price of Fresh Milk increases from ! 20 to Z 30 is equal to
(a) -0.6
(b) +0.6
(c) -0.19.
(d) +0.38.

202. What can be said about Fresh Milk & Cereals?
(a) They are Complementary Goods
(b) They are Substitute Goods
(c) They are Unrelated Goods
(d) Nothing can be said

203. The Cross Elasticity of Demand for Powdered Milk, when the price of Fresh Milk increases from Z 20 to Z 30 per litre is equal to -
(a) +1.05.
(b) -L05.
(c) -2.89.
(d) +2.89

204. What can be said about Fresh Milk and Powdered Milk?
(a) They are Complementary Goods
(b) They are Substitute Goods
(c) They are Unrelated Goods
(d) Nothing can be said

205. If Income of the Consumers increases by 50% and the quantity of Fresh Milk demanded increases by 30%. What is Income Elasticity of Demand for Fresh Milk?
(a) 0.5
(b) 0.6
(c) 1.25
(d) 1.50

206. We can say that Fresh Milk in economics sense is an example of -
(a) Luxury Goods
(b) Inferior Goods
(c) Normal Goods
(d) Nothing can be said.

221. Advertisement Elasticity is also known as —
(a)) Marketing Elasticity
(b)) Promotional Elasticity (c) Commercial Elasticity (d) All of the above

222. The responsiveness of a good's demand to changes in the Firm's spending on advertising is called —
(a)) Demand elasticity
(b)) Supply elasticity
(c)) Advertisement elasticity
(d)) None of the above

223. Advertisement Elasticity is the percentage change in
(a) Supply that occurs for every 1% change in Advertising Expenditure.
(b) Demand that occurs for every 1% change in Advertising Expenditure.
(c) Advertisement expense that occurs for every 1% change in Demand.
(d) None of the above

224. Advertising Elasticity is generally
(a) Positive (
b) Negative (
c) Z e r o
(d) None of the above

225. Which of the following statements is correct?
(a) Higher the value of Advertising Elasticity, greater will be the responsiveness of demand to change in advertisement.
(b) Lower the value of Advertising Elasticity, greater will be the responsiveness of demand to change in advertisement.
(c) Higher the value of Advertising Elasticity, lesser will be the responsiveness of demand to change in advertisement.
(d) None of the above

ANSWERS to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	c	c	c	d	a	d	d	b	b	d	b	d	c	c	b	c	a	c	a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	a	a	c	c	a	c	c	a	c	a	b	a	a	b	b	b	b	d	a

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
a	d	b	c	b	b	c	b	d	b	a	b	b	b	c	c	c	a	d	c

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
c	b	c	a	a	d	c	a	c	a	a	c	d	b	b	a	b	b	c	d

81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
a	a	d	c	b	b	a	a	b	b	d	a	a	a	b	c	b	a	b	c

101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
a	d	a	b	d	a	c	a	c	c	a	b	b	c	b	c	c	b	c	d

121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140
d	a	a	a	a	b	b	a	b	b	a	d	d	a	d	c	a	b	a	b

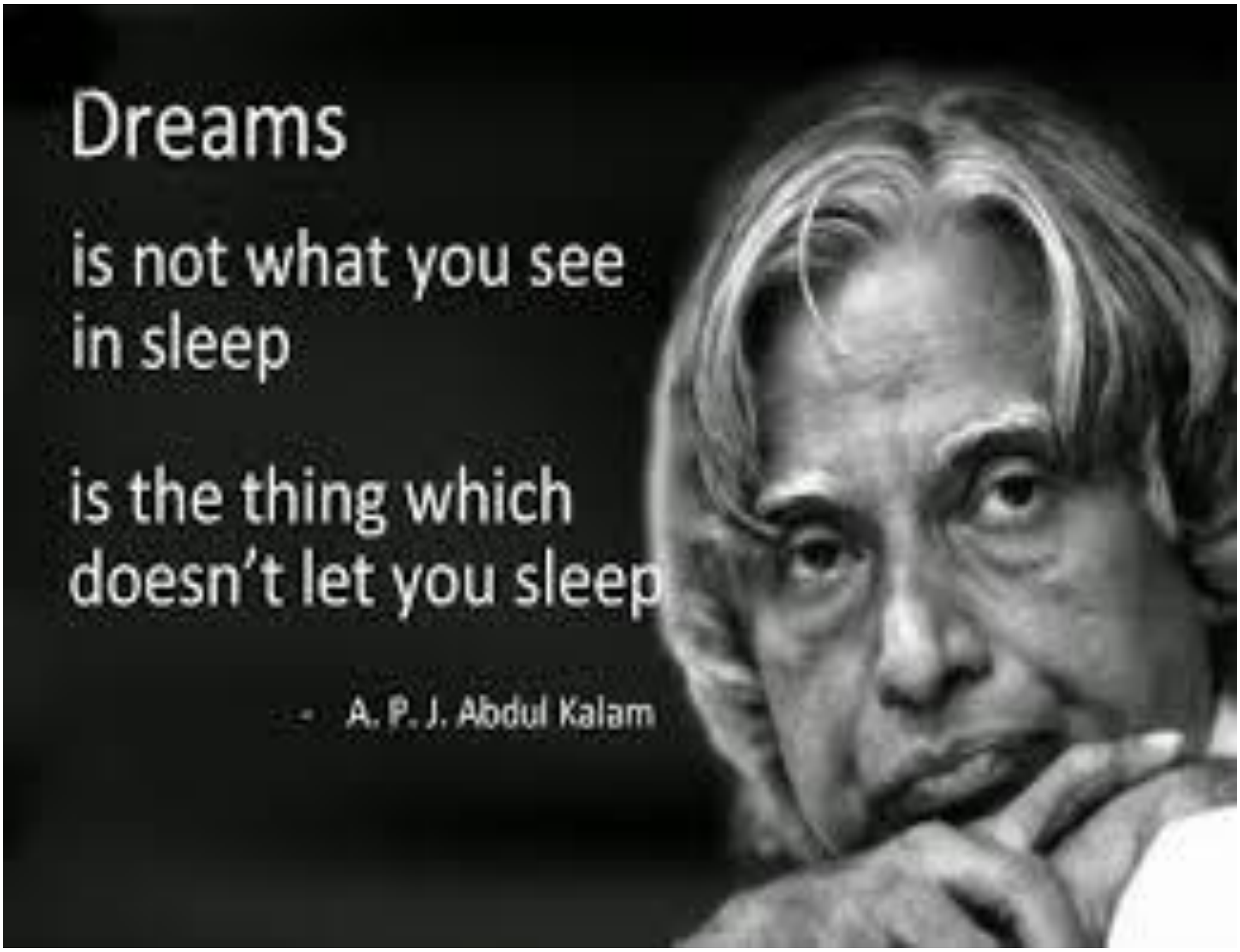
141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160
b	C	b	d	c	d	a	b	a	b	a	d	c	a	b	c	b	c	c	b

161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181
c	c	b	d	a	b	c	d	c	a	b	c	a	b	b	c	d	a	a	a	a

182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201
b	b	a	b	b	b	b	d	a	b	c	a	b	a	d	d	b	b	b	a

202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220
a	d	B	b	c	c	b	a	a	a	b	a	c	a	c	d	b	b	c

221	222	223	224	225
b	c	b	a	a



Supply Basics- Part A

1. Supply can be referred as —
   (a) Those goods which Firms offers for sale
   (b) Amount of goods, Firms sells in the market
   (c) Amount of goods all people want
   (d) None of the above

2. The Supply of a product refers to —
   (a) Actual production of the product
   (b) Total existing stock of the product
   (c) Stock available for sale
   (d) Amount of the product offered for sale at a particular price per unit of time

3. Supply of a Commodity is a —
   (a) Stock Concept
   (b) Flow Concept
   (c) Both Stock and Flow Concept.
   (d) None of these.

4. _____refers to the quantity of goods or servicesthat Producers are willing and able to offer to themarket at various prices during a period of time.
   (a) Demand
   (b) Supply
   (c) Stock
   (d) Sales

5. Supply refers to ________
   (a) Stock of goods available for sale
   (b) Stock of goods
   (c) Quantity supplied at a various price during a period of time
   (d) Actual production of the goods

6. Supply refers to the quantity of goods or services, that are willing and able to offer to the market at various prices during a period of time.
   (a) Producers
   (b) Consumers
   (c) Economists
   (d) Accountants

7. Supply Quantity is the same as Sales Quantity. This statement is —
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

8. Supply refers to what Firms offer for sale, and not necessarily to what they succeed in selling. This statement is —
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

9. To constitute Supply, the Producing Firms must have
   (a) Ability, i.e. productive capacity
   (b) Willingness, i.e. ready to supply
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

10. Supply refers to theby Producing Firms.
   (a) Quantities offered for sale
   (b) Prices offered
   (c) Sales achieved
   (d) Profits earned

11. Period in which supply cannot be increased is called
   (a) Market Period
   (b) Short Run
   (c) Long Run
   (d) None of these

12. _ is the total volume of the commodity which can be brought into the market for sale at a short notice.

(a) Demand
(b) Supply
(c) Stock
(d) Sales

13. ___ refers to the quantity which is actually brought in the market.
(a) Demand
(b) Supply
(c) Stock
(d) Sales

14. Supply is different from Stock. This statement is
(a) True
(b) False
(c) Partially True
(d) None of the above

15. Stock is potential supply.
(a) True
(b) False
(c) Partially True
(d) None of the above

16. Stock refers to quantity _ into the market, whereas Supply refers to quantity __ into the market.
(a) Actually brought, actually brought
(b) Can be brought, actually brought
(c) Can be brought, actually brought
(d) Can be brought, can be brought

17. The meaning of time element in economics is
(a) Calendar time
(b) Clock time
(c) Operational time which supply adjusts with the market demand
(d) None of these

DETERMINANTS OF SUPPLY

18. Which of the following factors is not a determinant of Supply?
(a) Price of the Commodity
(b) Prices of Related Commodities
(c) Prices of Water and Salt
(d) Prices of Factors of Production

19. Which of the following factors is not a determinant of Supply?
(a) Government's industrial and foreign policies
(b) Market Structure
(c) State of Technology
(d) Income Levels of Consumers

20. Generally, higher the prices of products, higher the ____
(a) Profits of Producing Firms
(b) Satisfaction Level of Consumers
(c) Tax Rates
(d) All of the above

21. Producing Firms are guided by —
(a) Service Motive
(b) Profit Motive
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. Other things being equal, if the price of the commodity is higher, quantities thereof will be supplied to the market.
(a) Equal
(b) Lower
(c) Greater
(d) Zero

23. Prices of Related Commodities are not a determinant of supply of a particular commodity. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

24. Generally, Supply of a Product X will be if the prices of goods other than X increase.
(a) Equal
(b) Lower

(c) Greater
(d) Zero

25. Generally, Supply of a Product X will be ________________________ if the prices of goods other than X decrease.
(a) Equal
(b) Lower
(c) Greater
(d) Zero

26. Supply of a Product decreases when the prices of other related goods increase. This is because
(a) Customers start demanding more of other goods
(b) Those goods become relatively more profitable to the Firm to produce and sell
(c) Customers preferences and tastes will change
(d) Producing Firms' profit motive changes

27. If there is an increase in the Prices of Factors 3f Production, Cost of Production of that product will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

28. If there is an decrease in the Prices of Factors of Production, Cost of Production of that product will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

29. Other things being equal, if the Cost of Production of a commodity is higher, quantities thereof will be supplied to the market.
(a) Equal
(b) Lower
(c) Greater
(d) Zero

30. Other things being equal, if the Cost of Production of a commodity is lower, quantities thereof will be supplied to the market.
(a) Equal
(b) Lower
(c) Greater
(d) Zero

31. Inventions and Innovations lead to —
(a) Lower Cost of Production in existing products
(b) Production of more or better goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

32. Other things being equal, if the State of Technology in relation to a commodity increases, quantities thereof will be supplied to the market.
(a) Equal
(b) Lower
(c) Greater
(d) Zero

33. Inventions and Innovations lead to —
(a) Increase in supply quantity of new products
(b) Reduction in the supply quantity of products that are displaced
(c) Both (a) and (b)
(d) Neither (a) nor (b)

34. Other things being equal, the supply quantity of a product is related to its price.
(a) Directly
(b) Inversely
(c) Proportionally
(d) Not at all

35. Other things being equal, the supply quantity of a product is related to price of related goods.
(a) Directly
(b) Inversely
(c) Proportionally

(d) Not at all

36. Other things being equal, the supply quantity of a product is _____ related to the Cost of Production of that product.
(a) Directly
(b) Inversely
(c) Proportionally
(d) Not at all

37. Generally, if there is an increase in Commodity Taxes (Excise Duty, Customs Duty, VAT, etc.) leading to increase in their cost of production, the supply quantity will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

38. Generally, if there are incentives like Subsidies which reduce the cost of production, the supply quantity will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

39. In case of failure of rains, floods, fires, etc. the supply of agricultural commodities will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

40. In case of better rainfall, improvement in irrigation, improved seeds, etc. the supply of agricultural commodities will —
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

LAW OF SUPPLY AND SUPPLY CURVE

41. Which of the following is the determinant in the Law of Supply?
(a) Technology
(b) Price of related goods
(c) Price of the product
(d) None of these

42. Which of the following is the only determinant that the Law of Supply takes into account?
(a) Technology
(b) Price of the Product
(c) Quality of the Product
(d) Purchasing Power of Sellers

43. As per Law of Supply, other things being equal, if the Price of a Commodity increases, its Supply Quantity will
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

44. As per Law of Supply, other things being equal, if the Price of a Commodity decreases, its Supply Quantity will
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

45. The assumption "Ceteris Paribus" in the Law of Supply stands for —
(a) Technology remaining constant
(b) Demand remaining constant
(c) Price remaining constant
(d) All factors other than Price remaining constant

46. As per Law of Supply, other things being equal, there is a ____between Price and Quantity Supplied.
(a) Direct relationship
(b) Inverse relationship
(c) Proportional relationship

(d) No relationship

47. _____ shows the quantity of products a producer or seller wishes to sell at a given price level.
(a) Average Product Curve
(b) Supply Curve
(c) Marginal Product Curve
(d) Total Product Curve

48. Generally, the Supply Curve —
(a) Slopes downwards from left to right
(b) Slopes upwards from right to left
(c) Slopes upwards from left to right
(d) Nothing can be said

49. Generally, the Supply Curve —
(a) Positively sloped
(b) Negatively sloped
(c) Zero—sloped
(d) Nothing can be said

50. Typically, the Supply Curve —
(a) Slopes upward
(b) Slopes downward
(c) Is horizontally straight
(d) Is vertically straight

51. The Supply Curve —
(a) Is always a straight line
(b) Is always a curve
(c) Sometimes a straight line, sometimes a curve
(d) Nothing can be said

52. The Market Supply Curve is a lateral summation (totalling) of Individual Supply Curves of all Producing Firms. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

53. What would be the shape of the Supply Curve of the toys, if a Seller offers to sell any number of toys as 100?
(a) Vertical
(b) Downward sloping
(c) Horizontal
(d) Upward sloping

INCREASE / DECREASE IN QUANTITY SUPPLIED

54. Increase or Decrease in the quantity supplied occurs due to —
(a) Changes in Price
(b) Changes in Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

55. While recognizing Increase or Decrease in the quantity supplied, we assume remain constant.
(a) Price
(b) All Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

56. When there is a movement on the Supply Curve, we are referring to —
(a) Change in Supply
(b) Change in Quantity Supplied
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. Change in Quantity Supplied causes —
(a) a movement on the same Supply Curve
(b) shift of the Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

58. When there is a change in quantity supplied —
(a) Supply Curve shifts inward or outward
(b) There is a upward / downward movement on the same Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

59. In case of Increase / Decrease in quantity supplied, the position of the

Supply Curve remains the same. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

60. Increase in quantity supplied, due to changes in price, may also be called —
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

61. Increase in quantity supplied, due to changes in price, may also be called —
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

62. When more units of the product are supplied at a higher price, it is called —
(a) Contraction of Supply
(b) Increase in Supply
(c) Change in Supply
(d) Expansion of Supply

63. Contraction of Supply is the result of —
(a) Decrease in the number of Producers
(b) Decrease in the price of the product concerned
(c) Increase in the prices of other goods
(d) Decrease in the Outlay of Sellers

INCREASE / DECREASE IN SUPPLY

64. Increase or Decrease in Supply occurs due to —
(a) Changes in Price
(b) Changes in Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

65. While recognizing Increase or Decrease in the Supply, we assume ______________remain constant.
(a) Price
(b) All Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

66. When there is a movement of the Supply Curve, we are referring to —
(a) Change in Supply
(b) Change in Quantity Supplied
(c) Both (a) and (b)
(d) Neither (a) nor (b)

67. Change in Supply means —
(a) A movement on the same Supply Curve
(b) Shift of the Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

68. When there is a change in supply —
(a) Supply Curve shifts inward or outward
(b) There is a upward / downward movement on the same Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

69. When higher quantities are supplied, due to changes in factors other than price, it is called
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

70. When lower quantities are supplied, due to changes in factors other than price, it is called
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

71. Which of the following factors will not result in the shifting of Supply Curve for Software Packages?

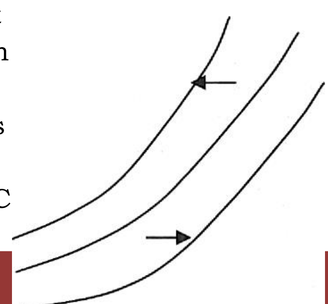
(a) Increase in the wages of computer professionals
(b) Government tariffs on software export and imports
(c) Fall in the prices of software packages
(d) All of the above result in the shifting of the curve

72. An Increase in the Supply of a product is caused by
(a) Improvements in Technology
(b) Fall in the Prices of other goods
(c) Fall in the Prices of Factors of Production
(d) All of these

73. An Increase in the Supply of a product is caused by
* (a) Reduction in the price of Related Commodities
(b) Reduction in Cost of Production of this Commodity
(c) Subsidies by Government for producing this commodity.
(d) All of these

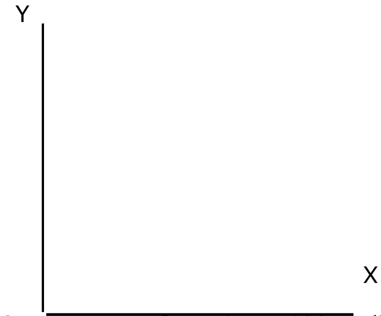
74. An Increase in the Supply of a product is caused by
(a) Inventions and Innovations on this commodity
(b) Reduction in Cost of Production of this Commodity
(c) Reduction in the price of Related Commodities
(d) All of these

75. A Decrease in the Supply of a product is caused by —
(a) Technology or fashion change, making the commodity outdated
(b) Increase in the price of Related Commodities
(c) Increase in Cost of Production of this C



ommodity
(d) All of these

Use the following diagram to answer the next 11 questions.



76. Movement from So to Si is called —
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

77. Movement from So to S_i is caused by —
(a) Changes in Price of the product
(b) Changes in Factors other than price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Movement from So to S2 is called —
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

79. Movement from So to S_i is caused by —
(a) Changes in Price of the product
(b) Changes in Factors other than price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

80. Reduction in the price of Related Commodities will cause a movement from —
(a) Movement from S_o to Si
(b) Movement from So to S2
(c) Movement on S_o itself
(d) No change at all

81. Increase in the price of Related Commodities will cause a movement from —
(a) Movement from S_o to S_i
(b) Movement from S_o to $^{5}2$
(c) Movement on S_o itself

(d) No change at all

82. Reduction in Cost of Production of this Commodity will cause a movement from —
(a) Movement from S_o to S_i
(b) Movement from S_o to S2
(c) Movement on S_o itself
(d) No change at all

83. Increase in Cost of Production of this Commodity will cause a movement from —
(a) Movement from So to Si
(b) Movement from So to S2
(c) Movement on S_o itself
(d) No change at all

84. Inventions and Innovations on this commodity will cause a movement from —
(a) Movement from 50 to S_1
(b) Movement from S_o to S2
(c) Movement on S_o itself
(d) No change at all

85. Technology or fashion change, making the commodity outdated, will lead to —
(a) Movement from So to 51
(b) Movement from So to S2
(c) Movement on S_o itself
(d) No change at all

86. If any Subsidies are by Government for producing this commodity, there will be a movement from —
(a) Movement from So to Si
(b) Movement from So to S2
(c) Movement on S_o itself
(d) No change at all

Part B Elasticity of supply

1. 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

2. Which of the following has the lowest Price Elasticity of Supply?
(a) Luxury Items
(b) Necessities
(c) Perishable Goods
(d) Items that have the least budgetary allocation

3. In which of the following type of product, is the Elasticity of Supply lowest?
(a) Necessities
(b) Luxury Goods
(c) Perishable Goods
(d) Perfect Substitutes

4. Given the Market Demand, the burden of specific tax that will be borne by the Consumer (Buyer) depends on the —
(a) Price Elasticity of Supply
(b) Price Elasticity of Demand
(c) Consumer's Ability
(d) Type of the Product

5. Elasticity of Supply is given by the formula —
(a) dp/Aq X q/p
(b) Ap/Aq X p/q
(c) 4/4 X q/p
(d) LS.q/Ap X p/q

6. Elasticity of Supply can be measured using —
(a) Percentage Change or Proportional Method
(b) Point Elasticity Method
(c) Arc Elasticity Method
(d) All the above

7. Which of the following method is not used for measuring elasticity of supply?
(a) Arc Method
(b) Percentage Method
(c) Total outlay Method
(d) Point Method

8. If Quantity Supplied increases by 60% for a 50⁰/o increase in Price, Elasticity of Supply is —
   (a) —1.2
   (b) +1.2
   (c) —0.83
   (d) +0.83

9. If Price is 15, quantity supplied is 150 units. IfPrice is 25, quantity supplied is 300 units. Compute Price Elasticity of Supply using Arc Method.
   (a) —1.09
   (b) +1.09
   (c) —0.98
   (d) +0.98

10. When Supply is perfectly inelastic, Elasticity of Supply is equal to —
   (a) +1
   (b) 0
   (c) — 1
   (d) Infinity

11. If as a result of a change in price, the quantity supplied of a product remains unchanged, we conclude that —
   (a) Elasticity of Supply is perfectly inelastic
   (b) Elasticity of Supply is relatively greater elastic
   (c) Elasticity of Supply is inelastic
   (d) Elasticity of Supply is relatively less elastic

12. 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

13. Elasticity of Supply is greater than one when
   (a) Proportionate change in price is greater than proportionate change in supply
   (b) Proportionate change in supply is greater than proportionate change in price
   (c) Proportionate change in supply is equal to proportionate change in price.
   (d) All of the above.

14. If the Elasticity of Supply is Zero, then Supply Curve will be —
   (a) Horizontal
   (b) Downward Sloping
   (c) Upward sloping to the right
   (d) Vertical

15. When Supply is perfectly elastic, Elasticity of Supply is equal to —
   (a) + 1
   (b) 0
   (c) —1
   (d) Infinity

16. 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.

17. If the Elasticity of Supply is Infinity, then Supply Curve will be —
   (a) Horizontal
   (b) Downward Sloping
   (c) Upward sloping to the right
   (d) Vertical

18. When change in the quantity supplied is proportionate to the change in the price, the product is said to have —
   (a) Unitary Elastic Supply
   (b) Perfectly Elastic Supply
   (c) Relatively Elastic Supply
   (d) Perfectly Inelastic Supply

19. If the Elasticity of Supply is Infinity, then Supply Curve will be —
(a) Horizontal
(b) Downward Sloping
(c) 45 degrees Straight Line
(d) Vertical

20. If Liq = Change in Quantity Supplied, Lip = Change in Price, when Supply is perfectly inelastic, it means
(a) Liq = Zero
(b) Aq>Ap
(c) Aq<Ap
(d) Lip = Zero

21. If Liq = Change in Quantity Supplied, Lip = Change in Price, when Supply is perfectly elastic, it means —
(a) Aq = Zero
(b) Aq> Lip
(c) Aq<Ap
(d) Lip = Zero

22. If Liq = Change in Quantity Supplied, Lip = Change in Price, when Supply is relatively elastic, it means —
(a) Liq = Zero
(b) Aq>Ap
(c) Aq<Ap
(d) Lip = Zero

23. If Liq = Change in Quantity Supplied, Lip = Change in Price, when Supply is relatively inelastic, it means
(a) Liq = Zero
(b) Liq> Lip
(c) Liq< Lip
(d) Lip = Zero

24. If Liq = Change in Quantity Supplied, Lip = Change in Price, when Supply is relatively elastic, it means —
(a) Liq = Zero
(b) Aq = Ap
(c) Aq<Ap
(d) Lip = Zero

25. Price is fallen by 20% brings above 10% fall in quantity supplied then elasticity of supply is ______________
(a) 2.0
(b) 0.5
(c) 1.0
(d) 1.5

EQUILIBRIUM PRICE WITH DEMAND & SUPPLY

26. Market Forces refer to —
(a) Demand
(b) Supply
(c) Both (a) and (b)
(d) Neither (a) nor (b)

27. Which of these refer to "Market Forces"?
(a) Price and Output
(b) Demand and Supply
(c) Cost and Revenue
(d) All of the above

28. Demand & Supply interact in determining—
(a) Price and Output
(b) Cost and Revenue
(c) Both (a) and (b)
(d) Neither (a) nor (b)

29. Equilibrium price is where
(a) Market supply and market demand are equal
(b) Firm supply ad market demand are equal
(c) Firm demand and market supply are equal
(d) None of these

30. Generally, the Demand Curve —
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

31. Generally, the Demand Curve —
(a) Is positively sloped.
(b) Is negatively sloped.

(c) Has both positive and negative slopes
(d) Does not have a slope at all

32. Generally, the Supply Curve —
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

33. Generally, the Supply Curve —
(a) Is negatively sloped.
(b) Is positively sloped.
(c) Has both positive and negative slopes
(d) Does not have a slope at all

34. In the table below, what will be Equilibrium Price?

Price(in	Demand	Supply
1	1000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

(a) Z 2
(b) Z 3
(c) Z 4
(d) 7 5

35. P Q.D. Q.S. 1 500 200 2 450 250 3 400 300 4 350 350 5 300 400 6 250 450 7 200 550 8 150 600 Whatis equilibrium price
(a) 1
(b) 2
(c) 3
(d) 4

36. Other things being equal, as Demand increases, Equilibrium Price —
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon.

37. Other things being equal, as Demand increases, Quantity at the Equilibrium Price level —
(a) increases
(b) decreases
(c) does not change at all
(d) cannot be commented upon.

38. Other things being equal, as Demand increases
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

39. Other things being equal, as Demand decreases, Equilibrium Price —
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon

40. Other things being equal, as Demand decreases, Quantity at the Equilibrium Price level —
(a) increases
(b) decreases
(c) does not change at all
(d) cannot be commented upon.

41. Other things being equal, as Demand decreases —
(a) Equilibrium Price and Quantity bOth increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

42. 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

43. Other things being equal, as Supply increases, Equilibrium Price —
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

44. Other things being equal, as Supply increases, Quantity at the Equilibrium Price level —
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

45. Other things being equal, as Supply increases —
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

46. Other things being equal, as Supply decreases, Equilibrium Price —
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

47. Other things being equal, as Supply decreases, Quantity at the Equilibrium Price level —
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

48. Other things being equal, as Supply decreases Equilibrium Price and Quantity both increase.
(a) Equilibrium Price and Quantity both decrease.
(b) Equilibrium Price increases and Quantity decreases.
(c) Equilibrium Price decreases and Quantity increases.
(d) None of the above

49. If increase in demand is greater than the increase in supply, then the Equilibrium Price —
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

50. If increase in demand is greater than the increase in supply, then Quantity at the Equilibrium Price level —
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

51. If increase in demand is greater than the increase in supply, then —
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

52. If decrease in demand is greater than the decrease in supply, then the Equilibrium Price —
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

53. If decrease in demand is greater than decrease in supply, then the Quantity at the Equilibrium Price level —
   (a) Increases
   (b) Decreases
   (c) Does not change at all
   (d) Cannot be commented upon.

54. If decrease in demand is greater than the decrease in supply, then —
   (a) Equilibrium Price and Quantity both increase.
   (b) Equilibrium Price and Quantity both decrease.
   (c) Equilibrium Price increases and Quantity decreases.
   (d) Equilibrium Price decreases and Quantity increases.

55. If increase in demand is equal to the increase in supply, then the Equilibrium Price —
   (a) Decreases
   (b) Increases
   (c) Does not change at all
   (d) Cannot be commented upon.

56. If increase in demand is equal to the increase in supply, then the Quantity at the Equilibrium Price level —
   (a) Increases
   (b) Decreases
   (c) Does not change at all
   (d) Cannot be commented upon.

57. If increase in demand is equal to the increase in supply, then —
   (a) Equilibrium Price and Quantity both increase.
   (b) Equilibrium Price and Quantity both decrease.
   (c) Equilibrium Price remains the same but Quantity increases.
   (d) Equilibrium Price remains the same but Quantity increases.

58. If decrease in demand is equal to the decrease in supply, then the Equilibrium Price —
   (a) Decreases
   (b) Increases
   (c) Does not change at all
   (d) Cannot be commented upon.

59. If decrease in demand is equal to the decrease in supply, then the Quantity at the Equilibrium Price level —
   (a) increases
   (b) decreases
   (c) does not change at all
   (d) cannot be commented upon.

60. If decrease in demand is equal to the decrease in supply, then —
   (a) Equilibrium Price and Quantity both increase.
   (b) Equilibrium Price and Quantity both decrease.
   (c) Equilibrium Price remains the same but Quantity increases.
   (d) Equilibrium Price remains the same but Quantity increases.

61. If increase in demand is less than the increase in supply, then the Equilibrium Price —
   (a) Decreases
   (b) Increases
   (c) Does not change at all
   (d) Cannot be commented upon.

62. If increase in demand is less than the increase in supply, then the Quantity at the Equilibrium Price level —
   (a) Increases
   (b) Decreases
   (c) Does not change at all
   (d) Cannot be commented upon.

63. If increase in demand is less than the increase in supply, then —
   (a) Equilibrium Price and Quantity both increase.
   (b) Equilibrium Price and Quantity both decrease.
   (c) Equilibrium Price increases and Quantity decreases.

(d) Equilibrium Price decreases and Quantity increases.

64. If decrease in demand is less than the decrease in supply, then the Equilibrium Price —
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon.

65. If decrease in demand is less than the decrease in supply, then the Quantity at the Equilibrium Price level —
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

66. If decrease in demand is less than the decrease in supply, then —
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

67. Which of the following situation does not lead to an increase in Equilibrium Price?
(a) An increase in demand, without a change in supply.
(b) A decrease in supply accompanied by an increase in demand.
(c) A decrease in supply without a change in demand.
(d) An increase in supply accompanied by a decrease in demand.

68. If the Supply of a commodity is perfectly elastic, an increase in Demand will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

69. If the Supply of a commodity is perfectly elastic, a decrease in Demand will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

70. If the Supply of a commodity is perfectly inelastic, an increase in Demand will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

71. If the Supply of a commodity is perfectly inelastic, a decrease in Demand will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant

(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

72. If the Demand of a commodity is perfectly elastic, an increase in Supply will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

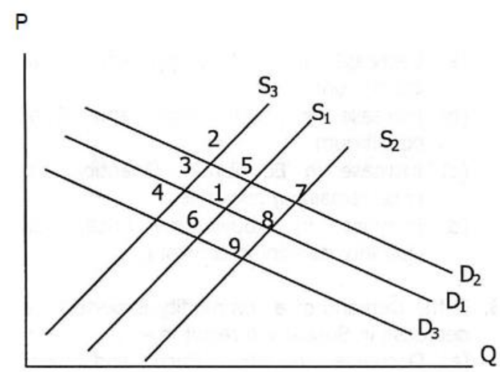
73. If the Demand of a commodity is perfectly elastic, a decrease in Supply will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

74. If the Demand of a commodity is perfectly inelastic, an increase in Supply will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

75. If the Demand of a commodity is perfectly inelastic, a decrease in Supply will result in —
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

76. If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered once the fish are caught. The Fisherman's Price Elasticity of Supply for fresh fish is —
(a) Zero
(b) Infinity
(c) One
(d) Cannot be determined

The Below 7 Questions are based on the demand and supply diagrams below. S_1 and D_1 are the original demand and supply curves. D2, D3, S2 and S3 are possible new demand and supply curves. Starting from initial equilibrium point (1) what point on the graph is most likely to result from each change?



77. Assume X is a normal good. Holding everything else constant, assume that income rises and the price of a factor of production also increases. What point in Figure 1 is most likely to be the new equilibrium price and quantity?
(a) Point 9
(b) Point 5
(c) Point 3
(d) Point 2.

78. We are analyzing the market for good Z. The price of a complement good, good Y, declines. At the same time, there is a technological advance in the production of good Z. What point Figure 1 is most

likely to be the new equilibrium price and quantity?
(a) Point 4.
(b) Point 5
(c) Point 8
(d) Point 7

79. Heavy rains in Maharashatra during 2005 and 2006 caused havoc with the rice crop. What point in Figure 1 is most likely to be the new equilibrium price and quantity?
(a) Point 6
(b) Point 3
(c) Point 7
(d) Point 8

80. Assume that consumers expect the prices on new cars to significantly increase next year. What point in Figure is most likely to be the new equilibrium price and quantity?
(a) Point 6
(b) Point 5
(c) Point 3
(d) Point 8

81. What combinations of changes would most likely decrease the equilibrium quantity?
(a) When supply increases and demand decreases.
(b) When demand increases and supply decreases
(c) When supply increases and demand increases.
(d) When demand decreases and supply decreases.

82. When a market is in equilibrium:
(a) No shortages exist.
(b) Quantity demanded equals quantity supplied.
(c) A price is established that clears the market.
(d) All of the above are correct.

83. The market of computers is not in equilibrium, then which of the following statements is definitely true?
(a) The prices of computer will rise
(b) The prices of computer will fall
(c) The prices of computers will change, but not enough information is given to determine the direction of the change.
(d) None of the above.

ANSWERS TO Part A

1	2	3	4	5	6	7		9	10	11	12	13	14	15	16	17	18	19	20
a	d	b	b	c	a	b	a	c	a	a	c	b	a	a	b	c	c		a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	c	b	b	c	b	a	b	b	c	c	c	c	a	b	a	b	a	b	a

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
c	b	a	b	d	a	b	c	a	a	c	a	c	a	b	b	a	b	a	b

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
a	d	b	b	a	a	b	a	d	c	c	d	d		d	c	b	d	b	

81	82	83	84	85	86
a	b	a	b	a	b

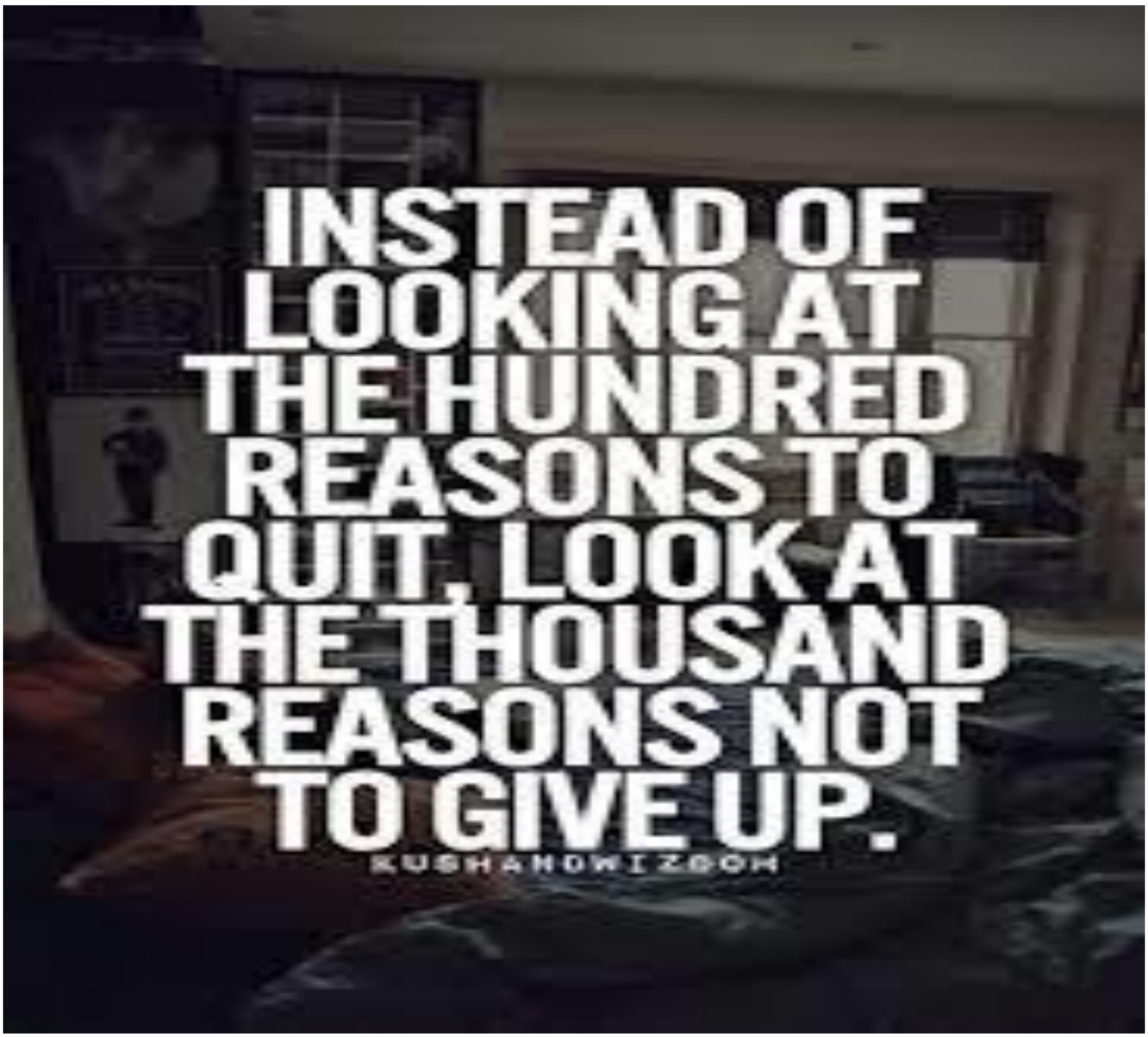
ANSWERS TO Part B

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	c	c	a	d	d	c	b	b	b	a	a	b	d	d	b	a	a	c	a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	b	c	b	b	c	b	a	a	d	b	c	b	c	d	b	a	a	a	b

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
b	c	a	a	d	b	a	b	b	a	a	a	b	b	c	a	c	c	b	d

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83
a	a	d	b	b	c	d	c	c	d	d	c	c	d	d	a	d	c	b	b	d	d	c



Part A- PRODUCTION BASICS

1. In Economics, ... refers to any economic activity, which is directed towards satisfaction of human wants.
   (a) Production
   (b) Distribution
   (c) Consumption
   (d) Economics

2. In Economics, Production refers to any economic activity —
   (a) Which results in a tangible product or commodity
   (b) Which is directed at the satisfaction of human wants.
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

3. Which of the following statement is True? Production can be defined as—
   (a) Creation or addition of utility
   (b) Conversion of raw material into finished goods
   (c) An activity of making something immaterial
   (d) All of these

4. In Economics, Production refers —
   (a) Creation of utility
   (b) Satisfaction of utility
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

5. Production may be defined as an act of—
   (a) Creating utility.
   (b) Earning profit.
   (c) Destroying utility.
   (d) Providing services.

6. Production is a / an activity.
   (a) Charitable
   (b) Beneficial
   (c) Economic
   (d) Successful

7. Production does not consist of which of the following activities?
   (a) Changing the from of natural resources
   (b) Changing the place of the resources
   (c) Both of the above
   (d) None of the above

8. Production = Creation of Utility. This statement is
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

9. Production = Satisfaction of Utility. This statement is
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

10. Production refers to —
   (a) Creation of value
   (b) Addition of value
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

11. Production refers to —
   (a) Tangible goods and products
   (b) Intangible services
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

12. Production is defined as
   (a) Creation of matter
   (b) Creation of utility in matter
   (c) Creation of infrastructural facilities
   (d) None of these

13. Which of the following statements regarding Service Industry is true?
   (a) Service Industry uses less Capital Equipment
   (b) Service Industry uses more Capital
   (c) Service Industry uses no Capital Equipment
   (d) Service Industry uses less Variable Factors

14. Production refers to —
   (a) Capital Goods only
   (b) Consumer Goods only
   (c) Both (a) and (b)

(d) Neither (a) nor (b)

15. Production includes —
(a) Mining
(b) Manufacturing
(c) Service providing
(d) All of above

16. 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 manhole on the road
(d) Painting a picture for pleasure

17. Which of the following statements is true?
(a) Services of a Doctor are considered Production
(b) Man can create matter
(c) Services of a Housewife are considered Production
(d) When a man creates a table, he creates matter

18. Production of Cellphones by a Manufacturing Company is an example of Production Activity. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

19. Hawking of Fruits and Vegetables by a Street Vendor is an example of Production Activity. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

20. Work of a Professional (like Chartered Accountant) does not result in any tangible output. Hence, it is not a Production Activity in Economics. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

21. Which of these is a Production Activity?
(a) Sale of Apples and Mangoes
(b) Sale of Crackers during Festival Season
(c) Distributing Water Packets in a temple festival
(d) All of the above

22. In Economics, Production Activity should involve —
(a) Creation of new matter
(b) Addition of value to existing matter
(c) Both (a) and (b)
(d) Neither (a) nor (b)

23. Production Activity involves creation of Utility. Such Utility can be created as —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) All of the above

24. Production Activity involves creation of Utility. Such Utility can be created as —
(a) Personal Utility
(b) Form Utility
(c) Time Utility
(d) All of the above

25. In Production Activity, one of the ways of creating Utility is —
(a) Form Utility
(b) Marginal Utility
(c) Total Utility
(d) All of the above

26. Which of these is not a method of creating Utility in Production?
(a) Form Utility
(b) Marginal Utility
(c) Place Utility
(d) Personal Utility

27. Utility refers to physically changing the form of natural resources.
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

28. Utility refers to changing the place of the resources, from place of lesser use to place of greater use.
(a) Form Utility
(b) Place Utility

(c) Time Utility
(d) Personal Utility

29. Utility is created by making goods and services available at times when they are not normally available.
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

30. Utility involves making use of personal skills in the form of services.
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

31. Making Furniture from raw Wood is an example of creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

32. When Bangles and Ear—Rings are made from Gold, we refer to creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

33. Raw Material converted into Finished Product in the manufacturing process, refers to creation of
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

34. If Apples from Kashmir are available for Sale in Chennai, it refers to creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

35. If Oranges from Nagpur are made available for Sale in a Department Store in Kolkata, it refers to creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

36. If Garments from Tirupur are available for Sale in a Store in USA, it refers to creation of —
(e) Form Utility
(f) Place Utility
(g) Time Utility
(h) Personal Utility

37. Moving or distributing goods from places of production (Origin Centres) to Markets (destination centres) refers to creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

38. Extraction from coal, minerals, gold, etc. from Earth, refers to creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

39. Place Utility involves Changing the place of the resources, from the place where they are of .... use, to another place where they are of ....use.
(a) Lesser, greater
(b) Greater, lesser
(c) Specific, general
(d) General, specific

40. Storing harvested foodgrains for use till next harvest is an example of creation of —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

41. Work of Professionals like Doctors, Chartered Accountants, etc. can be considered under —
(a) Form Utility
(b) Place Utility
(c) Time Utility
(d) Personal Utility

42. To complete production, all four types of utilities, i.e. Form, Place, Time and Personal Utility, should be created. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

43. Productive Resources required to produce goods and / or services are called —
(a) Resources of Production
(b) Concepts of Production
(c) Factors of Production
(d) Ideas of Production

44. Factors of Production are —
(a) Natural Resources
(b) Man Made Resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)

45. Land is a Factor of Production.
(a) Natural
(b) Man Made
(c) Both (a) and (b)
(d) Neither (a) nor (b)

46. Which of these is not a basic Factor of Production in Economics?
(a) Land
(b) Enterprise
(c) Capital
(d) Money

47. Which of the following is a factor(s) of production?
(a) Labour
(b) Capital
(c) Entrepreneurship
(d) All of these

48. The demand for a Factor of Production is said to be a Derived Demand because—
(a) It is a function of the profitability of an enterprise
(b) It depends on the supply of complementary factors
(c) Its stems from the demand for the final product
(d) It arises out of means being scarce in relation to wants.

49. The Incentive / Reward in respect of Land is called —
(a) Rent
(b) Wages
(c) Interest
(d) Profit

50. The Incentive / Reward in respect of Labour is called
(a) Rent
(b) Wages
(c) Interest
(d) Profit

51. The Incentive / Reward in respect of Capital is called
(a) Rent
(b) Wages
(c) Interest
(d) Profit

52. The Incentive / Reward in respect of Entrepreneurial Ability is called —
(a) Rent
(b) Wages
(c) Interest
(d) Profit

LAND

53. Land refers to —
(a) All free gifts of nature.
(b) All man—made resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)

54. Land refers to —
(a) Soil and earth's surface
(b) Fertility of soil
(c) Natural resources
(d) All of the above

55. Gold Mines is an example of , as a Factor of Production.
(a) Land
(b) Labour
(c) Capital
(d) Entrepreneurial Skills

56. Reserves of Crude Oil is an example of , as a Factor of Production.
(a) Land
(b) Labour
(c) Capital

(d) Entrepreneurial Skills

57. Which of these is an example of Land as a Factor of Production?
(a) Agricultural Lands
(b) Forests
(c) Diamond Mines
(d) All of the above

58. Which of these is included in "Land" as a Factor of Production?
(a) Fertility of Soil
(b) Water
(c) Air
(d) All of the above

59. Anything available above the earth's surface is called "Land". This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

60. As a Factor of Production, Land is —
(a) A free gift of nature.
(b) Fixed in quantity
(c) Variable in terms of fertility and uses
(d) All of above are correct.

61. As a Factor of Production, Land is —
(a) Permanent
(b) Original and indestructible
(c) Free gift of nature
(d) All of above are correct.

62. As a Factor of Production, Land is —
(a) Fixed in quantity
(b) Variable in quantity
(c) Not quantifiable at all
(d) Not useful for production.

63. As a Factor of Production, "Land" is a .... means of Production.
(a) Original
(b) Produced
(c) Derived
(d) Monetary

64. As a Factor of Production, the Supply of Land is from the viewpoint of the entire economy.
(a) Perfectly elastic
(b) More elastic
(c) Less elastic
(d) Perfectly inelastic

65. As a Factor of Production, the Supply of Land is perfectly inelastic from the viewpoint of —
(a) The entire economy
(b) An Individual Firm
(c) Both (a) and (b)
(d) Neither (a) nor (b)

66. As a Factor of Production, the Elasticity of Supply of Land from the viewpoint of the entire economy is —
(a) Infinite
(b) Zero
(c) Positive
(d) Negative

67. As a Factor of Production, the Supply of Land is from the viewpoint of the entire economy.
(a) Perfectly elastic
(b) Relatively elastic
(c) Relatively inelastic
(d) Perfectly inelastic

68. As a Factor of Production, the Supply of Land is relatively elastic from the viewpoint of —
(a) The entire economy
(b) An Individual Firm
(c) Both (a) and (b)
(d) Neither (a) nor (b)

69. As a Factor of Production, Land is permanent. This means that Land —
(a) Remains before and after cultivation
(b) Cannot be destroyed or lost
(c) Cannot be used for production at all
(d) None of the above

70. As a Factor of Production, Land has certain inherent properties, e.g. Fertility. These properties are —
(a) Indestructible
(b) Original
(c) Both (a) and (b)
(d) Neither (a) nor (b)

71. If Land is used for productive purposes, its fertility is reduced. Such fertility —
(a) Can be restored
(b) Cannot be restored at all
(c) Is lost forever
(d) Both (b) and (c)

72. As a Factor of Production, Land lacks mobility. Lack of mobility means —
    (a) Land cannot be used for anything other production of Rice.
    (b) Land cannot be shifted from one place to another place
    (c) Both (a) and (b)
    (d) Neither (a) nor (b)

73. As a Factor of Production, Land lacks mobility in the .... sense.
    (a) Geographical
    (b) Utility
    (c) Both (a) and (b)
    (d) Neither (a) nor (b)

74. As a Factor of Production, Land is mobile across
    (a) Places
    (b) Uses
    (c) Both (a) and (b)
    (d) Neither (a) nor (b)

75. No two pieces of land are exactly alike in all respects. This statement is —
    (a) True
    (b) False
    (c) Partially True
    (d) None of the above

76. Land is a specific factor of production. Why?
    (a) It cannot be used at all
    (b) It does not yield any result unless human efforts are employed.
    (c) It is fixed and permanent
    (d) It is a free gift of nature.

77. 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

78. Which one of the following is not a characteristic of land
    (a) A Free gift of nature
    (b) Its supply is fixed
    (c) An active factor of production
    (d) It has Different Uses

LABOUR

79. ....refers to mental or physical exertion directed to produce goods or services, and with a view to gain an economic reward.
    (a) Land
    (b) Enterprise
    (c) Capital
    (d) Labour

80. Activities done out of pleasure, love and affection, pastime, hobbies, etc. may be very useful in increasing human well—being, and hence constitute Labour. This statement is —
    (a) True
    (b) False
    (c) Partially True
    (d) None of the above

81. To have an economic significance, Labour must be done with —
    (a) The motive of some economic reward
    (b) The motive of pleasure and satisfaction
    (c) Both (a) and (b)
    (d) Neither (a) nor (b)

82. Which of these constitute "Labour"?
    (a) Singing in the company of friends for the sake of pleasure.
    (b) Singing against payment of a fee.
    (c) Singing while walking on the road
    (d) None of the above

83. Which of these constitute "Labour"?
    (a) Singing in the company of friends for the sake of pleasure.
    (b) Singing against payment of a fee.
    (c) Singing while walking on the road
    (d) None of the above

84. Services of a Maid Servant constitutes Labour, while Services of a Housewife does not. This statement is
    (a) True
    (b) False
    (c) Partially True
    (d) None of the above

85. As a Factor of Production, "Labour" is a .... means of Production.
    (a) Original
    (b) Produced
    (c) Derived
    (d) Monetary

86. Which of these constitute a feature of "Labour", as a Factor of Production?
(a) Human Efforts
(b) Perishable Nature
(c) Weak bargaining power
(d) All of the above

87. "Labour", as a Factor of Production involves —
(a) Economic Considerations only
(b) Human and Psychological Considerations
(c) Both (a) and (b)
(d) Neither (a) nor (b)

88. "Labour", as a Factor of Production involves —
(a) Free Gift of Nature
(b) Human Efforts
(c) Both (a) and (b)
(d) Neither (a) nor (b)

89. "Labour", as a Factor of Production involves human efforts, with a view to gain —
(a) Pleasure only
(b) Mental satisfaction
(c) An economic reward
(d) Use of time

90. As a Factor of Production, "Labour" is —
(a) Perishable
(b) Permanent
(c) Both (a) and (b)
(d) Neither (a) nor (b)

91. Which is not a characteristic of labour?
(a) Labour is not separable from labourer
(b) Labour is perishable
(c) Labour is not a mobile factor
(d) Labour is an active factor

92. As a Factor of Production, "Labour" is perishable. This means that —
(a) A day's labour lost cannot be completely recovered subsequently.
(b) Every human being is mortal and will have to leave this world some day or the other.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

93. As a Factor of Production, a day's "Labour" lost cannot be —
(a) Measured at all
(b) Recovered at all
(c) Completely recovered
(d) None of the above

94. A Labourer cannot store his Labour, for use at a later time. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

95. As a Factor of Production, "Labour" is perishable. The consequence of this is —
(a) There is no Reserve Price for Labour.
(b) The Labourer has to accept the wage offered to him.
(c) The Labour has weak bargaining power.
(d) All of the above

96. Since there is no Reserve Price, Labour has —
(a) Weak bargaining power
(b) Strong bargaining power
(c) No bargaining power
(d) Infinite bargaining power

97. The purpose of Labour Laws is primarily to —
(a) Increase bargaining power of Labour
(b) Maintain Labour Welfare
(c) Guarantee work for each individual
(d) All of the above

98. Labour is inseparable from the Labourer himself. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

99. If a Worker terminates his employment with Company X, he —
(a) Can get employed in another Company
(b) Cannot get employed in any Company at all
(c) Becomes the Owner of Company X
(d) Will not get any Wages at all

100.Labour may be classified as —
(a) Skilled
(b) Semi—Skilled
(c) Unskilled
(d) All of the above

101.Labour Power depends upon —
(a) Physical strength
(b) Education and skills
(c) Motivation to work
(d) All of the above

102.AII Labour is not productive' in the sense that all efforts are not sure to produce want—satisfying goods and services. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

103.Generally, Supply of Labour and Wage Rates are
.........related.
(a) Directly
(b) Inversely
(c) Equally
(d) Not related at all.

104.Direct relationship between Wage Rates and Supply of Labour means that —
(a) Increase in Wage Rates will decrease the Supply of Labour
(b) Decrease in Wage Rates will increase the Supply of Labour
(c) Increase in Wage Rates will increase the Supply of Labour
(d) Increase in Wage Rates will not affect the Supply of Labour at all

105.Generally, Supply of Labour and Wage Rates are directly related. However, at very high wage rates, there is a paradox of reduction in labour. This paradox is attributed to —
(a) Preference to earn more money
(b) Preference to have more of rest and leisure
(c) Preference to restrict Supply
(d) None of the above

106.Generally, Supply of Labour and Wage Rates are directly related. However, at very low wage rates, there is a paradox of excess supply of Labour. This paradox is attributed to —
(a) Some more members of the family, who were not working before, may start working.
(b) Workers may prefer to work overtime to increase their earnings.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

107.Supply of Labour and Wage Rates are directly related. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

108.Supply of Labour and Wage Rates are always directly related. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

109.Supply of Labour and Wage Rates may become inversely related at —
(a) Very high wage rates
(b) Very low wage rates
(c) Both (a) and (b)
(d) Neither (a) nor (b)

110.Which of the following statements is not true about Labour Economies?
(a) Larger Scale of Production enables the division of labour
(b) Division of Labour is not profitable at small scale of production
(c) Division of Labour results in imporving worker's skills
(d) Division of Labour is impossible in Firms with large scale production

CAPITAL

111 .....is that part of wealth of an individual or community, which is used for further production of wealth, or which yields an income.
(a) Land
(b) Enterprise
(c) Capital
(d) Labour

112.As a Factor of Production, "Capital" can be used for —
(a) Further production of wealth

(b) Yielding further income income
(c) Both (a) and (b)
(d) Neither (a) nor (b)

113 All Capital is Wealth, but all Wealth is not Capital. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

114.All Wealth is Capital, but all Capital is not Wealth. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

115.1f a Resource is lying idle, it will constitute
(a) Wealth
(b) Capital
(c) Both (a) and (b)
(d) Neither (a) nor (b)

116.If a Resource is being used for generating further revenue, it will constitute —
(a) Wealth
(b) Capital
(c) Both (a) and (b)
(d) Neither (a) nor (b)

117.Which of these constitutes "Capital"?
(a) Land
(b) Water
(c) Air
(d) Plant and Machinery

118.Which of these constitutes does not constitute "Capital"?
(a) Factory Building
(b) Plant and Machinery
(c) Forests
(d) Dams and Canals

119.As a Factor of Production, "Tools and Accessories" constitute —
(a) Land
(b) Labour
(c) Capital
(d) Enterprise

120.As a Factor of Production, "Capital" is a ________ concept.
(a) Stock
(b) Flow
(c) Both (a) and (b)
(d) Neither (a) nor (b)

121.Income arising out of "Capital" is a concept.
(a) Stock
(b) Flow
(c) Both (a) and (b)
(d) Neither (a) nor (b)

122.As a Factor of Production, "Capital" is a ________ means of Production.
(a) Original
(b) Primary
(c) Produced
(d) Monetary

123."Capital" is considered as a "produced means of production". This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

124.Capital * Wealth. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

125.As a Factor of Production, "Capital" is —
(a) A free gift of nature
(b) Produced by man alone
(c) Produced by man working with nature
(d) Not relevant at all.

126.As a Factor of Production, "Capital" is —
(a) Mobile
(b) Produced means of production
(c) Produced by man working with nature
(d) All of the above

127.As a Factor of Production, Capital has relative mobility in the sense.
(a) Geographical
(b) Utility
(c) Both (a) and (b)
(d) Neither (a) nor (b)

128.As a Factor of Production, Capital is mobile across —
(a) Places / Countries
(b) Uses / Purposes
(c) Both (a) and (b)
(d) Neither (a) nor (b)

129.As a Factor of Production, "Capital" is —
(a) Perishable
(b) Permanent

(c) Both (a) and (b)
(d) Neither (a) nor (b)

CAPITAL FORMATION

130.The process of increase in the stock of real capital in a country is called —
(a) Stock Increase
(b) Capital Formation
(c) Increase in GDP
(d) Resource Allocation

131.Capital Formation means —
(a) A sustained increase in the stock of real capital in a country.
(b) Production of more capital goods, which are used for further production of goods.
(c) Investment
(d) All of the above

132.Capital Formation is required for —
(a) Replacement and renovation of existing machinery and equipment
(b) Creating additional productive capacity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

133.Capital Formation is required for —
(a) Increasing the efficiency of production efforts
(b) Expansion of output of consumer goods in the future,
(c) Ensuring growth of the economy
(d) All the above

134. For the purpose of Capital Formation —
(a) Current consumption is to be sacrificed to a certain extent
(b) Current income should be saved
(c) Both (a) and (b)
(d) Neither (a) nor (b)

135.If the whole of the current capacity is used to produce only Consumer Goods —
(a) Production of Consumer Goods in the future will be affected
(b) Economy cannot grow in future
(c) Production Possibility Curve (PPC) cannot shift outside
(d) All of the above

136.Larger production of goods would lead to higher production in future.
(a) Consumer Goods.
(b) Capital Goods.
(c) Agricultural Goods.
(d) Public Goods.

137.Lesser production of would lead to lesser production in future
(a) Public Goods
(b) Consumer Goods
(c) Capital Goods
(d) Agriculture Goods

138.A 100% Consumption Economy —
(a) Cannot have any Capital Formation
(b) Will become static and cannot grow
(c) Both (a) and (b)
(d) Neither (a) nor (b)

139.Capital Formation is possible by —
(a) Using whole of the current capacity to produce only Consumer Goods
(b) Reducing present consumption to a certain extent
(c) Both (a) and (b)
(d) Neither (a) nor (b)

140.If current consumption is reduced for the purpose of Capital Formation, that represents a
(a) Uneconomic activity
(b) Current sacrifice for future growth
(c) Decrease in demand
(d) Decrease in resources

141.Capital Formation involves —
(a) Creation of Savings
(b) Mobilisation of Savings
(c) Investment of Savings into Real Capital
(d) All of the above

142. For the purpose of Capital Formation, which of the following create "Savings" in an economy?
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) All of the above

143.For the purpose of Capital Formation, which of the following create maximum "Savings" in an economy?
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) None of the above

144. Level of Savings depends upon —
(a) Ability to Save
(b) Willingness to Save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

145.Ability to Save depends upon —
(a) Average level of income
(b) Distribution of national income.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

146.If there is an increase in income levels, the propensity to consume —
(a) Reduces
(b) Increases
(c) Remains constant
(d) Becomes zero

147.If there is an increase in income levels, the
.... reduces.
(a) Propensity to consume
(b) Propensity to save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

148.1f there is an increase in income levels, the propensity to save —
(a) Reduces,
(b) Increases
(c) Remains constant
(d) Becomes zero

149.If there is an increase
.... increases.
(a) Propensity to consume
(b) Propensity to save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

150. Higher the level of income, Higher is the level of Savings. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

151. Higher the level of income, Higher is the level of Savings. This statement is true in respect of
(a) Individual Households only
(b) Overall Economy
(c) Both (a) and (b)
(d) Neither (a) nor (b)

152.A country has greater ability to save than a
.... country. in income levels, the
(a) Rich, Poor
(b) Poor, Rich
(c) Good, Bad
(d) Nothing can be said

153.Willingness to Save depends upon —
(a) An individual's concern about his future
(b) Social setup in which the individual lives.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

154.If Willingness to Save is higher, the level of
..... will be higher.
(a) Voluntary Savings
(b) Compulsory Savings
(c) Forced Savings
(d) None of the above

155.If Willingness to Save is less, the level of
....
will be higher.
(a) Government regulated Savings
(b) Compulsory Savings
(c) Forced Savings
(d) All of the above

156 .... save by reducingtheir present consumption.
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) All of the above

157save by way of Retained Earnings, i.e. Undistributed Profits.
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) All of the above

158.Which of these is a source of savings for Government?
(a) Tax and Fees Collections
(b) Profits of PSUs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

159.Which of these play a role in mobilisation of savings in an economy?
(a) Banks
(b) Financial Institutions
(c) Capital Market
(d) All of the above

160. Real Capital Formation requires —
(a) An entrepreneurial class which is prepared to bear the risk of business
(b) Economic and industrial policies in which Investment is given initiative
(c) An inducement to invest, e.g. prospective rate of profit
(d) All of the above

161.Inducement to Invest is influenced by —
(a) Prospective Rate of Profit
(b) Rate of Interest
(c) Both (a) and (b)
(d) Neither (a) nor (b)

162. Prospective Rate of Profit is also called —
(a) Rate of Interest on Bank Deposits
(b) Marginal Efficiency of Capital
(c) Marginal Utility of Capital Employed
(d) Marginal Revenue

163.Scheme of Subsidies for setting up industries in backward regions leads to —
(a) Balanced Regional Development
(b) Socially—Beneficial Capital Formation
(c) Both (a) and (b)
(d) Neither (a) nor (b)

ENTREPRENEUR

164 is the person who combines the various factors of production in the right proportions, initiates the process of production and bears the risk involved in it.
(a) Capitalist
(b) Socialist
(c) Government
(d) Entrepreneur

165.The most important function of an entrepreneur is to
(a) Innovate
(b) Bear the sense of responsibility
(c) Finance
(d) Earn Profit.

166.Entrepreneur is also called as —
(a) Organiser
(b) Manager
(c) Risk—Taker
(d) All of the above

167.Entrepreneurship is a wider term than organization and management of a business. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

168. Entrepreneur —
(a) Is the catalyst in the process of using the factors of production.
(b) Gives direction to the usage of other factors of production
(c) Both (a) and (b)
(d) Neither (a) nor (b)

169. Entrepreneurship gets its reward (i.e. Profit), only after all other factors of production have been rewarded. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

170.The reward / incentive / remuneration for Entrepreneurship is a ....amount.
(a) Fixed
(b) Variable
(c) Semi—Variable
(d) Irrelevant

171.Enterpreneur holds the final responsibility of the business. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

172.The functions of an Entrepreneur include —
(a) Initiating a business enterprise and resource coordination

(b) Risk—bearing or uncertainty—bearing
(c) Introducing Innovations on a continuous basis
(d) All of the above

173.Innovation theory of entrepreneur is propounded by—
(a) Prof knight
(b) Schumpeter
(c) Max weber
(d) Peter Ducker

174.Which of the following constitute Innovation?
(a) Introduction of a new or improved product
(b) Utilisation of new or improved source of Raw Material
(c) Introduction of new or improved production methods / machinery
(d) All of the above

175.Which of the following constitute Innovation?
(a) Opening—up new or improved markets
(b) Utilisation of new or improved source of Raw Material
(c) Introduction of a new or improved product
(d) All of the above

176.Organic Objectives of Enterprises —
(a) Survival
(b) Growth and Expansion
(c) Both (a) and (b)
(d) Either (a) or (b)

177. Profit Making is a —
(a) Organic Objective
(b) Social Objective
(c) Economic Objective
(d) None of the above

178.Accounting Profits is also called —
(a) Book Profit
(b) Pure Profit
(c) Super Profit
(d) Super Normal Profit

179.Economic Profit is also called —
(a) Pure Profits
(b) Super Normal Profits
(c) Abnormal Profits
(d) All of the above 180.The difference between Economist's Profit and Accountant's Profit is

(a) Consideration of Direct Cost
(b) Consideration of depreciation
(c) Consideration of Opportunity Cost
(d) There is no difference

181.To enable Employees enjoy a good standard of living and maintain work—life balance, is a
(a) Social Objective
(b) Human Objective
(c) National Objective
(d) Economic Objective

182.Which of the following is a National Objective of an enterprise
(a) To remove inequality of opportunities and provide fair opportunity to all to work and to progress
(b) To make the job contents interesting and challenging
(c) To avoid profiteering and anti—social practices
(d) To maximize profits

183.To ensure that the Enterprise's output does not cause any type of pollution — air, water or noise, is a
(a) Social Objective
(b) Human Objective
(c) National Objective
(d) Economic Objective

Part B- PRODUCTION FUNCTION

1 is the functional relationship between physical inputs (i.e. factors of production), and physical outputs (i.e. quantity of goods / services produced).
(a) Input—Output Function
(b) Demand—Supply Function
(c) Production Function
(d) Cost Function

2. Production Function deals with —

(a) Quantitative Values of Input and Output
(b) Monetary Values of Products
(c) Both (a) and (b)
(d) Neither (a) nor (b)

3. shows the output produced with a given amount of inputs.
(a) Cost Function
(b) Production Function
(c) Demand Function
(d) Isoquants

4. ...shows the overall output generated at a given level of input.
(a) Cost Function
(b) Production Function
(c) Marginal Rate of Substitution
(d) Isocost and Isoquants

5. Production Function explains the relationship between —
(a) Maximum Output which can be produced from given units of different inputs
(b) Price and Cost
(c) Maximum Output which can be produced at various points of time
(d) Various Stages of Production

6. Production function is _____
(a) purely technical relationship between input &output
(b) Purely economic relationship between input &output
(c) Both (a) & (b)
(d) None of the these

7. In a Production Function, Input means —
(a) Goods and Services produced
(b) Factors of Production required
(c) Both (a) and (b)
(d) Neither (a) nor (b)

8. In a Production Function, Output means —
(a) Goods and Services produced
(b) Factors of Production required
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Production Function states the relationship between inputs and output, keeping technology
(a) Zero
(b) Increasing trend
(c) Decreasing trend
(d) Constant

10. Production Function specifies the output that can be produced with given quantities of inputs, in the existing state of technology.
(a) Minimum
(b) Maximum
(c) Average
(d) Zero

11. Production Function specifies the . quantities of various inputs that are required to yield a given quantity of output.
(a) Minimum
(b) Maximum
(c) Average
(d) Zero

12. In a Cobb-Douglas production function, two inputs are
(a) Land and Labour
(b) Capital and Labour
(c) Capital and Entrepreneur
(d) Entrepreneur and land

13. Under Cobb- Douglas productionfunction contribution of capital and labour respectively-
(a) 314th , 1/4th
(b) 1/4th ,314th
(c) 1/2th, 1/2th
(d) none of the above

14. Production Function specifies —
(a) Maximum amount of output that can be produced with given quantities of inputs
(b) Minimum quantities of various inputs that are required to yield a given quantity of output.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

15. Which of the following is the best definition of the "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

16. 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

17. In general, most of the Production Functions measure —
(a) Productivity of factors of production.
(b) Relation between the factors of production.
(c) Economies of Scale.
(d) Relations between change in physical inputs and physical output.

18. A Firm's Production Function—
(a) Shows how much output and the level of input required for the firm to maximize profits.
(b) Establishes the minimum level of output that can be produced using the available resources.
(c) Shows the maximum output that can be produced with a given amount of inputs with available technology.
(d) Shows labour force which is employed

19. Which of the following is/are an outcome of a technological change?
(a) A downward shift in the production function
(b) Same output with fewer inputs or more output with same inputs
(c) Invention of a product or production process
(d) Both (b) and (c) above

20. Which of the following statements regarding Production Function is false?
(a) It just shows the relationship between output and input
(b) It does not provide any information on the least—cost Capital Labour combination
(c) In reveals the output that yields the maximum profit
(d) Both (a) and (c)

SHORT RUN vs LONG RUN

21. The time period(s) covered in Economics Study is / are —
(a) short—run
(b) long—run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. ..... is the period of time in which all but one factor of production are variable.
(a) Short—run
(b) Long—run
(c) Medium—run
(d) None of the above

23. In the short—run, factor(s) of production is / are variable.
(a) All
(b) None
(c) One
(d) All of the above

24. Variable Factors means those Factors of Production —
(a) Which can be only changed in the long run
(b) Which can be changed in the short run
(c) Which can never be changed
(d) All of the above

25. There is only one Fixed Factor of Production in the short—run planning horizon. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

26. The difference between Fixed and Variable Factors of Production is relevant in —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

27. In the short—run, factors of production changes.
(a) Proportion between
(b) Quantity of
(c) Both (a) and (b)

(d) Neither (a) nor (b)

28. In the short—run, the proportion between factors of production —
(a) Remains constant
(b) Changes
(c) Is zero
(d) Is infinity

29. In the short—run, the proportion between factors of production changes because —
(a) One of the Factor is kept constant
(b) Every Factors is kept constant
(c) It is not the long—run
(d) There is no explanation for such behaviour

30. Law of .... is applicable in the short—run.
(a) Variable Proportions
(b) Returns to Scale
(c) Both (a) and (b)
(d) Neither (a) nor (b)

31. Law of Variable Proportions is applicable to —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

32. Which of the following activities cannot take place in the short—run?
(a) Changing the quantity of labour employed
(b) Changing the input combination
(c) Regular maintenance of the Plant to ensure efficient production
(d) Installation of an Additional Plant to meet future requirements

33. 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

34. 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) A period where the law of diminishing returns does not hold
(c) No variable inputs — that is all of the factors of production are fixed
(d) All inputs being variable

35 is the period of time in which all the factors of production are variable.
(a) Short—run
(b) Long—run
(c) Medium—run
(d) None of the above

36. In the long—run, factor(s) of production is /
are variable.
(a) All
(b) Many
(c) One
(d) None

37. All Factors of Production become variable in —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) None of the above

38. There is no Fixed Factor of Production in the long—run planning horizon. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

39. The difference between Fixed and Variable Factors of Production arises only in —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) None of the above

40. In the long—run, ... factors of production changes.
(a) Proportion between
(b) Quantity of
(c) Need for
(d) None of the above

41. In the long—run, the quantity of factors of production
(a) Remains constant
(b) Changes
(c) Is zero

(d) Is infinity

42. In the long—run, the quantity of factors of production changes because —

(a) One of the Factor is kept constant
(b) Every Factor is kept constant
(c) Every Factor is considered variable
(d) There is no explanation for such behaviour

43. Law of .... is applicable in the long—run.
(a) Variable Proportions
(b) Returns to Scale
(c) Both (a) and (b)
(d) Neither (a) nor (b)

44. Law of Returns to Scale is applicable to —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

45. Which of the following statements regarding short run and long run is true?
(a) Firms plan for the long run but operate in the short run
(b) Firms plan in the short run but operate in the long run
(c) Firms operate and plan as well in the long run
(d) Firms operate and plan as well in the short run

46. 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

47 is the improvement in the production techniques for existing production.
(a) Process Innovation
(b) Production Innovation
(c) Plant Innovation
(d) Production Function

48. The introduction of new product with added features in the market is known as —
(a) Process Innovation
(b) Product Innovation
(c) Plant Innovation
(d) Production Function

49. Which of the following statements regarding Product and Process Innovation is true?
(a) It is difficult to quantify product innovation, as compared to process innovation
(b) It is difficult to quantify process innovation, as compared to product innovation
(c) Neither of the innovation types can quantified
(d) Quantifying both the innovation types is equally easy / difficult

50. Innovation is of more importance as it helps in increasing the standard of living in the long run
(a) Process
(b) Product
(c) Plant
(d) There is no relationship between innovation processes and standard of living

TOTAL, AVERAGE AND MARGINAL PRODUCT

51 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) All of the above

52 is the Total Product per unit of the Variable Factor.
(a) Total Product
(b) Average Product
(c) Marginal Product
(d) All of the above

53. .... = Total Product ÷ Quantity of the Variable Factor.
(a) Total Product
(b) Average Product

(c) Marginal Product
(d) All of the above

54. is the change in Total Product, for one unit change in the quantity of Variable Factor.
(a) Total Product
(b) Average Product
(c) Marginal Product
(d) All of the above

55. ..is the addition made to Total Product, by an additional unit of input of the Variable Factor.
(a) Total Product
(b) Average Product
(c) Marginal Product
(d) All of the above

56. Marginal Product is —
(a) The change in Total Product, for one unit change in the quantity of Variable Factor.
(b) The addition made to Total Product, by an additional unit of input of the Variable Factor
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. The Marginal Product of an input is
(a) Extra product produced by one extra unit of input while other inputs are held constant
(b) Extra product produced by reducing one unit of input while other inputs are held constant
(c) Reduction in total product due to one extra unit of input while other inputs are held constant
(d) Reduction in total product by reducing one unit of input while other inputs are changing.

58. The Marginal Product of a variable input is best described as—
(a) Total product divided by the number of units of variable input
(b) The additional output resulting from a one unit increase in the variable input
(c) The additional output resulting from a one unit increase in both the variable and fixed inputs
(d) The ratio of the amount of the variable input that is being used to the amount of the fixed input that is being used

59. If the inputs of all but one factor are held constant, then will vary with the quantity used of the Variable Factor.
(a) Total Product
(b) Average Product
(c) Marginal Product
(d) All of the above

60. If the inputs of all but one factor are held constant, then Total Factor will —
(a) Remain constant
(b) Become zero
(c) Vary with the quantity used of the Variable Factor.
(d) Become infinity

61. When 50 hours of Labour are spent, total output quantity is 2,000 units, When 55 hours of Labour are spent, total output quantity is 2,250 units. Here, Marginal Product will be —
(a) 2,250
(b) 2,000
(c) 250
(d) 50

62. Suppose the first four units of a variable input generate corresponding total outputs of 150, 200, 350 and 550. The marginal product of the third unit of input is:
(a) 50
(b) 100
(c) 150
(d) 200

Use the following information to answer next 3 questions

Hours of	Total	Marginal
0	—	—
1	100	100
2	—	80
3	240	—

63. What is the Total Output when 2 hours of Labour are employed?
(a) 80
(b) 100
(c) 180
(d) 200

64. What is the Marginal Product of the third hour of Labour?
(a) 60
(b) 80
(c) 100
(d) 240

65. What is the Average Product of the first three hours of Labour?
(a) 60
(b) 80
(c) 100
(d) 240

Let TP = Total Product, AP = Average Product and MP = Marginal Product. Use the following table and answer the next 10 Questions.

Quantity of Variable	TP (in units)	AP (in units)	MP (in units)
1	1,000	A	**B**
2	C	D	600
3	E	700	F
4	2,100	G	H
5	I	400	3

66. Find the value of "A" in the above Table.
(a) 1,000
(b) 2,000
(c) 3,000
(d) 0

67. Find the value of "B" in the above Table.
(a) 1,000
(b) 2,000
(c) 3,000
(d) 0

68. Find the value of "C" in the above Table.
(a) 1,000
(b) 1,300
(c) 1,600
(d) 1,900

69. Find the value of "D" in the above Table.
(a) 1,000
(b) 800
(c) 600
(d) 400

70. Find the value of "E" in the above Table.
(a) 1,100
(b) 1,600
(c) 1,700
(d) 2,100

71. Find the value of "F" in the above Table.
(a) 500
(b) 600
(c) 700
(d) 800

72. Find the value of "G" in the above Table.
(a) 500
(b) 525
(c) 550
(d) 575

73. Find the value of "H" in the above Table.
(a) Nil
(b) 1,000
(c) 2,000
(d) Cannot be calculated

74. Find the value of "I" in the above Table.
(a) Nil
(b) 1,000
(c) 2,000
(d) Cannot be calculated

75. Find the value of "3" in the above Table.
(a) Nil
(b) — 100
(c) + 100
(d) Cannot be calculated

76. If Total Product = 1,00,000 units when 20,000 hours of Labour are used, then Total Product =
(a) 1,00,000
(b) 20,000
(c) 5
(d) 1,20,000

77. If Total Product = 1,00,000 units when 20,000 hours of Labour are used, then Average Product=
(a) 1,00,000
(b) 20,000
(c) 5
(d) 1,20,000

Read the Table below & answer the following 8 questions

Labour Input	Marginal Product	Total Product	Average Product
0	0	0	0
1			25
2		90	
3		120	
4		140	
5			28
6			20

78. If Labour Input = 1, Total Output is—
   (a) 25
   (b) 30
   (c) 50
   (d) 75

79. If Labour Input = 2, Marginal Product is—
   (a) 25
   (b) 90
   (c) 65
   (d) 115

80. If Labour Input = 4, output per worker is:
   (a) 20
   (b) 35
   (c) 45
   (d) 90

81. If Labour Input = 6, the marginal product of labour is:
   (a) 120
   (b) — 20
   (c) 15
   (d) 10

82. Output per worker is maximized at a Labour Input of:
   (a) 2
   (b) 4
   (c) 6
   (d) 8

83. The firm's output is at a short run maximum at a Labour Input of :
   (a) 2
   (b) 3
   (c) 4
   (d) 6

84. When Labour Input = 5, Marginal Product is—
   (a) 20
   (b) 120
   (c) 0
   (d) -120

85. At what level of Labour Input are MP and AP equal?
   (a) 1
   (b) 2
   (c) 3
   (d) 4

86. As quantity of the Variable Factor increases, Total Product (TP) Curve —
   (a) Always increases
   (b) Always decreases
   (c) First increases, reaches a maximum, and then decreases.
   (d) First decreases, reaches a minimum, and then increases.

87. If Total Product (TP) increases, Marginal Product (MP) will be —
   (a) Positive
   (b) Negative
   (c) Zero
   (d) Infinity

88. If Total Product (TP) increases at an increasing rate, Marginal Product (MP) will be —
   (a) Increasing
   (b) Decreasing
   (c) Zero
   (d) Infinity

89, If Total Product (TP) increases at a decreasing rate, Marginal Product (MP) will be —
   (a) Increasing
   (b) Decreasing
   (c) Zero
   (d) Infinity

90. If Total Product (TP) is maximum, Marginal Product (MP) will be —
   (a) Positive
   (b) Negative
   (c) Zero
   (d) Infinity

91. What is the maximum point of TP?
   (a) When AP becomes zero
   (b) When MP becomes zero
   (c) At the intersecting point of AP & MP
   (d) None of these

92. If TP decreases, MP will be —
   (a) Positive
   (b) Negative
   (c) Zero
   (d) Infinity

93. Marginal Product (MP) Curve —
   (a) Is parallel to X Axis
   (b) Is parallel to Y Axis

(c) First decreases, reaches a minimum, and then increases
(d) First increases, reaches a maximum, and then decreases

94. Average Product (AP) Curve —
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) First decreases, reaches a minimum, and then increases
(d) First increases, reaches a maximum, and then decreases

95. Marginal Product (MP) —
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero or even negative.
(d) Can be positive or zero, but not negative.

96. If Marginal Product (MP) Curve is depicted on a graph with Quantity on X axis —
(a) MP will not go below the X axis.
(b) MP may go below the X axis.
(c) MP cannot be depicted on the graph at all.
(d) None of the above

97. Average Product (AP) —
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero or even negative.
(d) Can be positive or zero, but not negative.

98. What is the relationship between AP and MP?
(a) AP and MP both rise first and thereafter fall
(b) MP Curves always lies half—way between AR Curve and Origin
(c) AP and MP both can be zero or negative
(d) All of these

99. If Average Product (AP) Curve is depicted on a graph with Quantity on X axis —
(a) AP will not go below the X axis.
(b) AP may go below the X axis.
(c) AP cannot be depicted on the graph at all.
(d) None of the above

100.Which of the following is correct?
(a) If Marginal Product is positive and falling, Total Product will rise at a decreasing rate.
(b) Total Product divided by Quantity of Variable Factor equals Average Product.
(c) Marginal Product and Average Product can be calculated from Total Product.
(d) All of the above.

101.The point where MP is maximum is called —
(a) Point of Increase
(b) Point of Indifference
(c) Point of Inflexion
(d) Point of Shut—down

102.At what point is the Marginal Product maximum?
(a) Turning Point
(b) Equilibrium Point
(c) Focal Point
(d) Inflexion Point

103.At the Point of Inflexion, the Marginal Product is —
(a) Increasing
(b) Decreasing
(c) Maximum
(d) Negative

104.At the Point of Inflexion —
(a) Total Product is maximum
(b) Average Product is maximum
(c) Marginal Product is maximum
(d) All of the above

105.At the Point of Inflexion, TP will generally —
(a) Show increasing trend
(b) Show decreasing trend
(c) Equal to zero
(d) Be negative

106.When AP rises as a result quantity of variable input —
(a) MP is more than AR
(b) MP is less than AP
(c) MP = AP
(d) There is no relationship between MP and AP

(e) 107.When Average Product (AP) rises as a result of an increase in the quantity of variable input —

(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

108.When Average Product (AP) decreases as a result of an increase in the quantity of variable input —

(a) MP is more than AP.
(b) MP is less than AP.
(c) MP = AP
(d) There is no relationship between MP and AP

109.When Average Product (AP) decreases as a result of an increase in the quantity of variable input —

(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

110.When Average Product (AP) decreases as a result of an increase in the quantity of variable input —

(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

111.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

112.When Average Product (AP) is at its maximum

(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) MP = 0

113.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

114.Marginal Product (MP) Curve cuts average product (AP), when —

(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) MP = 0

115.When Marginal Product (MP) = Average Product (AP), it means that AP is —

(a) At its maximum
(b) At its minimum
(c) Zero
(d) Infinity

116.Marginal Product (MP) Curve cuts Average Product (AP) Curve —

(a) MP = AP
(b) AP is maximum
(c) MP is falling
(d) All of the above

117.When is Average Product at its maximum?

(a) When AP intersects MP
(b) When AP intersects TP
(c) At the Point of Inflexion
(d) All of the above

118.Marginal Product (MP) Curve cuts Average Product (AP) Curve —

(a) From above
(b) From below
(c) MP does not cut AP at all
(d) Nothing can be said

119.Marginal Product (MP) rises steeply, and also declines slightly earlier than Average Product (AP) Curve. This statement is —

(a) True
(b) False
(c) Partially True
(d) None of the above

120.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 falling

Part C- LAW OF VARIABLE PROPORTIONS

1. The Law of analyses the production function with one factor as variable, keeping quantities of other factors fixed.
(a) Returns to Scale
(b) Multiple Proportions
(c) Variable Proportions
(d) Fixed Proportions

2. The Law of Variable Proportions analyses the with one factor as variable, keeping quantities of other factors fixed.
(a) Revenue Function
(b) Production Function
(c) Cost Function
(d) Demand and Supply Function

3. The Law of deals with input—output relationship, when the output is increased by varying the quantity of one input.
(a) Variable Proportions
(b) Supply
(c) Demand
(d) Returns to Scale

4. Which Law examines the production function keeping one factor variable?
(a) Law of Returns to Scale
(b) Law of Increasing Returns to Scale
(c) Law of Variable Proportion
(d) Law of Diminishing Marginal Utility

5. The Law of Variable Proportions operates in —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

6. In the , all factors of production cannot be increased or decreased simultaneously.
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

7. The Law of Variable Proportions is also called —
(a) Law of Proportionality
(b) Law of Diminishing Returns
(c) Law of Diminishing Marginal Physical Productivity
(d) All of the above

8. The Law of Variable Proportions deals with —
(a) Output Quantities
(b) Monetary Values
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Which of the following is an assumption in the Law of Variable Proportions?
(a)The state of technology is constant and unchanged
(b)Only physical quantities of inputs and outputs are considered
(c)Only one factor input is considered variable, while all other factors are fixed
(d)All of the above

10. Which of the following is an assumption in the Law of Variable Proportions?
(a) The Fixed Factor of production is scarce
(b) There are no perfect substitutes for the Fixed Factor
(c) Factors of Production can be used in any proportion
(d) All of the above

11. Assumption which are applicable under Law of Variable Proportion are—
   (a) State of technology is constant
   (b) Quantities of some inputs is kept fixed
   (c) Economic profitability in monetary terms is not considered
   (d) All of these

12. Which of the following is not an assumption in the Law of Variable Proportions?
   (a) There are no perfect substitutes for the Fixed Factor
   (b) Factors of Production can be used in any proportion
   (c) Only physical quantities of inputs and outputs are considered
   (d) None of the above

13. Which of the following is not an assumption in the Law of Variable Proportions?
   (a) There are no perfect substitutes for the Fixed Factor
   (b) Only one factor input is considered variable, while all other factors are fixed.
   (c) State of Technology is improved as more output is produced
   (d) Only physical quantities of inputs and outputs are considered

14. Law of Variable Proportions is valid when —
   (a) Only one input is varied and all other inputs are kept constant
   (b) All Factors are kept constant
   (c) All inputs are varied in the same proportion
   (d) Any of the above

15. The Law of Variable Proportions analyses the economic profitability of the Firm in monetary terms also. This statement is —
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

16. The Law of Variable Proportions assumes that factors of production —
   (a) Can be used only in a specified proportion
   (b) Can be used in any proportion
   (c) Cannot be used at all
   (d) Do not affect production

17. In agriculture, the land area is taken as constant, while number of workers can be increased. If we apply the Law of Variable Proportions in this situation, it means that the Fixed Factor of Production is —
   (a) Number of workers
   (b) Land
   (c) Units of Output produced
   (d) All the above

18. In agriculture, the land area is taken as constant, while number of workers can be increased. If we apply the Law of Variable Proportions in this situation, it means that the Variable Factor of Production is —
   (a) Number of workers
   (b) Land
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

19. 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

20. If all factors are required to be used in fixed proportions, then the Law of Variable Proportions —
   (a) Will apply
   (b) Will not apply at all
   (c) Both (a) and (b) are true to some extent
   (d) Neither (a) nor (b) is true

21. As per Law of Variable Proportions, as the quantity of one input which is combined with other fixed inputs is increased, the of the Variable Input must eventually decline.
   (a) Total Productivity
   (b) Average Productivity

(c) Marginal Productivity
(d) All the above

22. 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

23. The Law of Variable Proportions come into being when—
(a) There are only two variable factors.
(b) There is a fixed factor and a variable factor.
(c) All factors are variable.
(d) Variable factors yield less.

24. states that when Labour increases with capital being the same, the Marginal Productivity of Labour will increase at first but start decreasing later.
(a) Law of Equi—Marginal Returns
(b) Law of Diminishing Marginal Utility
(c) Law of Variable Proportions
(d) Law of Constant Returns

25. When a Factory is working at 70% capacity, increasing of variable inputs, leads to—
(a) Increasing of output
(b) Decreasing of output according to the Law of Diminishing Returns
(c) Increasing of output up to full capacity and later decreasing of the Marginal Product according to the Law of Diminishing Returns
(d) Decreasing of output up to full capacity and later increasing of the output

26. The order of stages in the Law of Variable Proportions are —
(a) Increasing Returns, Negative Marginal Returns, Diminishing Returns
(b) Increasing Returns, Diminishing Returns, Negative Marginal Returns
(c) Negative Marginal Returns, Increasing Returns, Diminishing Returns
(d) Diminishing Returns, Negative Marginal Returns, Increasing Returns

27. Which of the following is not a stage in Law of Variable Proportions?
(a) Increasing Returns
(b) Constant Returns
(c) Diminishing Returns
(d) Negative Returns

28. The stage of Increasing Returns applies from .... to ....
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum
(c) Point when TP declines and and MP becomes negative.
(d) All the above

29. In the stage of Increasing Returns, Total Product (TP) —
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

30. In the stage of Increasing Returns, Average Product (AP) —
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

31. In the stage of Increasing Returns, Marginal Product (MP)-
(a) Remains constant
(b) Increases
(c) Decreases
(d) First increases, reaches a maximum and then decreases

32. What result we get in the first stage of Law of Variable Proportions?
(a) Total Product is increasing at an increasing rate
(b) Average Product increases only till Inflexion Point
(c) (a) but not (b)
(d) Both (a) & (b)

33. Which of the following is true?
(a) MP does not decrease during the First Stage

(b) TP remains positive during the First Stage
(c) AP starts declining after the Point of Inflexion
(d) All of these

34. A Firm is operating at an output level, where its Total Product is increasing at an increasing rate. This implies that the Firm's
(a) Marginal Cost must be falling at an increasing rate
(b) Marginal Product is increasing at a increasing rate
(c) Average Product is increasing
(d) Both (a) and (c)

35. Why does the Law of Increasing Returns operate?
(a) Full Use of Fixed Indivisible Factors
(b) Efficiency of Variable Factors
(c) Need to reach the right combination
(d) All of the above

36. Which of these is a reason for the operation of Law of Increasing Returns?
(a) Specialisation of functions
(b) Division of Labour
(c) Effective use of Fixed Factor of Production
(d) All of the above

37. Which of the following is the reason of the working of law of increasing returns?
(a) Fuller utilization of fixed factor
(b) Indivisibility of factor
(c) Greater specialization of factor
(d) All of the above

38. The stage of Diminishing Returns applies from .... to ....
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum
(c) Point when TP declines and and MP becomes negative.
(d) All the above

39. The Law of Diminishing Returns —
(a) States that beyond some level of a variable input, the Average Product of that variable input begins to increase steadily.
(b) Assumes that there is technological improvement over time.
(c) States that beyond some level of a variable input, the Marginal Product of that Variable input begins to decrease steadily.
(d) Informs a Firm whether or not to use a factor input.

40. In case of law of variable proportions, 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.

41. In the stage of Diminishing Returns, Total Product (TP) —
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

42. In the stage of Diminishing Returns, Average Product (AP) —
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

43. In the stage of Diminishing Returns, Marginal Product (MP) —
(a) First increases, reaches a maximum and then decreases
(b) Decreases
(c) Increases
(d) Remains constant

44. In the stage of Diminishing Returns —
(a) MP increases but AP decreases
(b) MP decreases but AP increases
(c) MP and AP show increasing trend
(d) MP and AP show decreasing trend

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45. In the stage of Diminishing Returns —
(a) MP and AP remain positive
(b) MP and AP become negative
(c) MP is positive but AP becomes negative
(d) MP becomes negative but AP remains positive

46. Which of the following statements show the Stage of Diminishing Returns under the Law of Variable Proportions?
(a) Marginal Product is negative
(b) Marginal Product is falling and it is negative
(c) Marginal Product is falling but it is positive
(d) None of the above

47. Which of the following is a reason for the operation of the Law of Diminishing Returns?
(a) Inefficiency of Fixed Indivisible Factors
(b) Inadequacy of Fixed Indivisible Factors
(c) Indifference of Fixed Indivisible Factors
(d) Immobility of Fixed Indivisible Factors

48. As per the Law of Diminishing Returns, Fixed Factor becomes inadequate because —
(a) It is scarce
(b) It has no perfect substitutes
(c) Both (a) and (b)
(d) Neither (a) nor (b)

49. 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

50. 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 fails

51. Law of Diminishing Returns is not relevant when—
(a) All labourers are equally efficient
(b) The Time Period is short
(c) All factory inputs are increased by the same proportion
(d) Technology remains constant

52. In which stage of production are the Average Product and Marginal Product decreasing with the Marginal Product above zero (positive)?
(a) In the stage of Constant Returns
(b) In the stage of Decreasing Returns
(c) In the stage of Increasing Returns
(d) Both (a) and (c)

53. During the stage of Decreasing Returns —
(a) AP is negative
(b) MP is decreasing
(c) MP is negative
(d) Both (a) and (b)

54. When the Law of Diminishing Returns operates
(a) Marginal Cost falls at a decreasing rate
(b) Marginal Cost increases
(c) Marginal Cost falls at a constant rate
(d) Marginal Cost falls at an increasing rate

55. When the Law of Diminishing Returns sets in, then—
(a) Marginal Cost falls at a decreasing rate
(b) Marginal Cost falls at an increasing rate
(c) Marginal Cost falls at a constant rate
(d) Marginal Cost increases

56. Diminishing Marginal Returns implies —
(a) Decreasing Average Variable Costs
(b) Decreasing Marginal Costs
(c) Increasing Marginal Costs
(d) Decreasing Average Fixed Costs

57. The Third Stage of Law of Variable Proportion is known as—
(a) Law of Negative Returns
(b) Law of Decreasing Returns
(c) Law of Diminishing Returns
(d) All of these

58. The stage of Negative Marginal Returns applies from ....to ....
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum

(c) Point when TP declines and and MP becomes negative.
(d) All the above

59. In the stage of Negative Marginal Returns, Total Product (TP) —
(a) Remains constant
(b) Increases
(c) Decreases
(d) Remains at zero.

60. In the stage of Negative Marginal Returns, Average Product (AP) —
(a) Remains constant
(b) Decreases
(c) Becomes negative
(d) Increases

61. In the stage of Negative Marginal Returns, Marginal Product (MP) —
(a) Increases
(b) Remains constant
(c) Decreases but does not become negative
(d) Becomes negative

62. Which of the following stages of production is known as stage of Negative Returns?
(a) When AP is Negative
(b) When MP is decreasing
(c) When MP is Negative
(d) Both (a) and (b)

63. The Law of Negative Marginal Returns operates because the Variable Factor is in relation to the Fixed Factor of Production.
(a) Optimal
(b) Adequate
(c) Excessive
(d) Irrelevant

64. In which of the following situations, the Law of Variable Proportions will not apply?
(a) Improvement in technology
(b) When all factors are proportionately varied
(c) Where the factors must be used in fixed proportions to yield the product
(d) All of the above

65. In which of the following situations, the Law of Variable Proportions will not apply?
(a) Long—Run
(b) Same level of technology
(c) Change in proportions in which Factors are used
(d) Short—Run

66. In which of the following situations, the Law of Variable Proportions will not apply?
(a) Scarcity of Fixed Factor of Production
(b) Availability of Perfect Substitutes for the Fixed Factor
(c) Change in proportions in which Factors are used
(d) Same level of technology

67. In case of , MP and AP may rise instead of
falling.
(a) Constant State of Technology
(b) Improvement in Technology
(c) Erosion / Reduction in Technology
(d) All of the above

If Stage I = Increasing Returns, Stage II = Diminishing Returns, and Stage III = Negative Marginal Returns, answer the next 6 questions.

68. A Rational Producer will operate in —
(a) Stage I
(b) Stage II
(c) Stage III
(d) All of the above

69, A Rational Producer will not operate in —
(a) Stages I and II
(b) Stages II and III
(c) Stages III and I
(d) All of the above

70. Stages I and III are called —
(a) Economic Absurdity
(b) Economic Stability
(c) Economic Equilibrium
(d) All of the above

71. Stages I and III are called —
(a) Economic Achievement
(b) Economic Nonsense
(c) Economic Optimality
(d) Economic Rationality

72. A Rational Producer will not operate in Stage I due to the reason that —

(a) There is more scope for making the best use of the Fixed Factor
(b) Total Output still shows an increasing trend
(c) Optimal Combination of Fixed and Variable Factors is not yet achieved
(d) All of the above

73. A Rational Producer will not operate in Stage III due to the reason that—
(a) The Fixed Factor has become over—used and inefficient
(b) There is a reduction in Total Output
(c) The MP of the Variable Factor is negative
(d) All of the above

74. A Rational Producer intends to work in—
(a) Stage of Constant Returns
(b) Stage of Increasing Returns
(c) Stage of Diminishing Returns
(d) Stage of Negative Returns

75. In which stage of production would a rational entrepreneur like to operate?
(a) Stage 1 where MP is maximum
(b) Stage 2 where both MP and AP are decreasing, but both are positive
(c) Stage 3 where MP is negative
(d) Either Stage 2 or 3

Part D -LAW OF RETURNS TO SCALE

1. The Law of Returns to Scale operates in —
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

2. The concept 'Returns to scale' is related with
(a) Very short period
(b) Short period
(c) Long period
(d) None of the above

3. In the , the quantities of all factors of production can be increased or decreased simultaneously.
(a) Medium—run
(b) Short —run
(c) Long—run
(d) All of the above

4. Long-period production function is related to
(a) Law of variable proportions
(b) Law of returns to scale
(c) Law of diminishing marginal utility
(d) None of these

5. The Law of Returns to Scale deals with —
(a) Output Quantities
(b) Monetary Values
(c) Both (a) and (b)
(d) Neither (a) nor (b)

6. Under the Law of Returns to Scale, ... is constant.
(a) Output Quantities
(b) Quantities of Variable Factors of Production
(c) Quantities of Variable and Fixed Factors of Production
(d) Proportion between different Factors of Production

7. Law of Returns to Scale indicates the responsiveness of total product when all inputs
(a) Remain same
(b) Are changed drastically
(c) Are changed marginally
(d) Are changed proportionately

8. Returns to Scale will be 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 remains the same

9. Change in Scale means that all Factors of Production are increased or decreased —
(a) In different proportions
(b) In the same proportion
(c) To infinity

(d) None of the above

10. When there is an increase in all factors of production together in the same ratio, —(a) increases at first, (b) becomes constant thereafter, and (c) starts decreasing beyond a certain level.
   (a) Total Product
   (b) Average Product
   (c) Marginal Product
   (d) All of the above

11. In the initial stages, when there is an increase in scale, there is increase in output.
   (a) Zero
   (b) Proportionate
   (c) Less than proportionate
   (d) More than proportionate

12. In the initial stages, there will be increasing returns to scale, due to —
   (a) Indivisibility of Factors
   (b) Specialization in Factors
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

13. In the initial stages, there will be increasing returns to scale, due to —
   (a) Economies in operations
   (b) Diseconomies in operations
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

14. In the very beginning of production, generally the Increasing Returns to scale is found because—
   (a) Input is increased
   (b) Plant and Machinery will be new
   (c) Production Problems are less
   (d) Economies of Scale

15. In a small scale rubber plant, factors of production like labour, material and capital are increased by 10% and output increases. It implies that the Firm is experiencing
   (a) Constant Returns to Scale
   (b) Decreasing Returns to Scale
   (c) Increasing Returns to Scale
   (d) Increasing as well as decreasing

16. Manufacturers can lower their costs by producing a variety of different products on the same equipment. The added volume helps in lowering average total costs; it may also allow the Firm to employ different types of equipment that have lower variable costs. These factors lead to —
   (a) Production Economies of Scale
   (b) Economies of Scale
   (c) Pecuniary Economies of Scale
   (d) Technical Economies of Scale

You are given the following data:

Factor	Output
0	0
1	15
2	35
3	60
4	92
5	140

17. The above data is an example of:
   (a) Decreasing returns to scale.
   (b) Constant returns to scale.
   (c) Increasing returns to scale.
   (d) Positive fixed costs.

18. If as a result of 50% increase in all inputs, the output rises by 75%, this is a case of:
   (a) Increasing Returns to a Factor
   (b) Increasing Returns to Scale
   (c) Constant Returns to a Factor
   (d) Constant Returns to Scale

19. After the initial stages of increasing returns to scale, the Firm will experience —
   (a) Still Increasing Returns to Scale
   (b) Constant Returns to Scale
   (c) Diminishing Returns to Scale
   (d) None of the above

20. In which of the following cases does output double with the doubling of all inputs?
   (a) Constant Returns to Scale
   (b) Decreasing Returns to Scale
   (c) Increasing Returns to Scale
   (d) Increasing as well as decreasing returns to Scale

21. If a change in scale inputs leads to a proportional change in the output, it is a case of—
   (a) Increasing Returns to Scale
   (b) Constant Returns to Scale
   (c) Diminishing Returns to Scale
   (d) Variable Returns to Scale

You are given the following data:

Factor	Total Output

0	0
1	15
2	30
3	45
4	60
5	75

22. The above data is an example of:
(a) Constant Returns to Scale.
(b) Decreasing Returns to Scale.
(c) Increasing Returns to Scale.
(d) Globalization.

23. If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of:
(a) Constant Returns to Scale.
(b) Increasing Returns to Scale.
(c) Decreasing Returns to Scale.
(d) All of these.

24. After the stages of constant returns to scale, the Firm will start experiencing —
(a) Still Increasing Returns to Scale
(b) Constant Returns to Scale
(c) Diminishing Returns to Scale
(d) None of the above

25. 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%

26. Wich a view to increase his production Hari Haran a manufacturer of shoes, increases all the factors of production in his unit by 100%. But at the end of 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

27. If all inputs are trebled and the resultant output is doubled, this is a case of:
(a) Constant returns to scale
(b) Increasing returns to scale
(c) Diminishing returns to scale
(d) Negative returns to scale

28. In electricity generation plants, when the plant grows too large risks of plant failure with regard to output increase disproportionately. Hence we are talking about which concept of returns to scale?
(a) Constant Returns to Scale
(b) Increasing Returns to Scale
(c) Decreasing Returns to Scale
(d) Balanced Returns to Scale

29. Linear Homogeneous Production function is based on
(a) Increasing Returns to Scale
(b) Decreasing Returns to Scale
(c) Constant Returns to Scale
(d) None.

30. Beyond a certain extent, the Firm will start experiencing decreasing returns to scale, due to
(a) Economies in operations
(b) Diseconomies in operations
(c) Both (a) and (b)
(d) Neither (a) nor (b)

31. Problems like managerial difficulties, low employee morale, higher input prices, etc. arising out of large scale operations lead to—
(a) Large Economies of Scale
(b) Pecuniary Economies of Scale
(c) Real Economies of Scale
(d) Diseconomies of Scale

32. Diseconomies of Scale refer to —
(a) Forces which reduce the Average Cost of producing a product as the Firm expands the Size of its Plant
(b) Forces which reduce the Marginal Cost of producing a product as the Firm expands the Size of its Plant
(c) Forces which increase the Average Cost of producing a product as the Firm expands the Size of its Plant
(d) Forces which increase the Marginal Cost of producing a product as the Firm the Size of its Plant

33. Economies and Diseconomies in operations can be

(a) Internal .

(b) External
(c) Both (a) and (b)
(d) Neither (a) nor (b)

34. Internal Economies and Diseconomies are dependent on —
(a) Output level of individual Firms
(b) Output level of the entire industry
(c) Both (a) and (b)
(d) Neither (a) nor (b)

35. Internal Economies and Diseconomies arise due to

(a) Overall industry—level changes
(b) Changes at the Firm level
(c) Both (a) and (b)
(d) Neither (a) nor (b)

36. External Economies and Diseconomies are dependent on —
(a) Output level of individual Firms
(b) Output level of the entire industry
(c) Both (a) and (b)
(d) Neither (a) nor (b)

37. External Economies and Diseconomies arise due toOverall industry—level changes
(a) Changes at the Firm level
(b) Both (a) and (b)
(c) Neither (a) nor (b)

38. External economies can be achieved through—
(a) Foreign trade only
(b) Extension of transport & transport credit* facility
(c) Superior managerial skills
(d) External assistance

39. External Diseconomies may lead to_____
(a) Decrease in cost of technology
(b) External Assistance
(c) Increase in the price of factors of production
(d) None of the above

40. Inventory Economies are a part of which of the following type of economies of scale?
(a) Production
(b) Selling
(c) Labour
(d) Storage and Transport

41. economies result from the use of specialized equipment and modern techniques of production.
(a) Marketing
(b) Selling
(c) Managerial
(d) Production

42. Which of the following is an important ingredient of Selling Economies?
(a) Advertising Economies
(b) Inventory Economies
(c) Transportation Economies
(d) Storage Economies

43. economies are associated with the distribution of the product of a Firm.
(a) Manufacturing
(b) Inventory
(c) Production
(d) Selling

44. Which of the following is not a type of pecuniary Economies of Scale?
(a) Reduction in prices of raw materials, as a result of discounts due to large volumes from the Suppliers
(b) Lower costs of external finance as banks often offer loans to large Firms at a lower rate of interest
(c) Lower advertising rates for large Firms if they advertise at large scales
(d) Economies achieved by increasing the scale of output mainly due to division of labour

45. Difficulties of management, co—ordination and control due to bigger Plant Size is an example of —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

46. Availability of cheaper Raw Materials and Capital Equipment in the long—run constitutes —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

47. Increase in Prices of Factors of Production due to expansion in industry creates —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale

(c) External Economies of Scale
(d) External Diseconomies of Scale

48. Discovery of new technical knowledge and improvements in technology leads to —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

49. Management Efficiency and Productivity due to creation of different specialised functional departments is an example of —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

50. Growth of Ancillary Industries supplying related goods and services is an example of —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

51. Delays in internal communication due to complex management structure is an example of —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

52. A large Firm can offer better security to Bankers and obtain credit easily. This createsfor such Firm.
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

53. When a large Firm makes bulk purchase and obtains its Raw Materials at lower prices than a small size Firm, the large Firm is said to have achieved —
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

54. Internal Economies of Scale can arise in ________ aspects.
(a) Technological
(b) Managerial
(c) Financial
(d) All of the above

55. Internal and External Economiesand Diseconomies of Scale has its impact on —
(a) Long Run Average Cost (LAC) Curve
(b) Short Run Average Cost (SAC) Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

56. Due to External Economies of Scale, the Long Run Average Cost (LAC) Curve —
(a) Shifts inward
(b) Remains constant
(c) Shifts outward
(d) Is not affected at all

57. Due to External Diseconomies of Scale, the Long Run Average Cost (LAC) Curve —
(a) Shifts inward
(b) Remains constant
(c) Shifts outward
(d) Is not affected at all

58. If the LAC curve falls as output expands, this is due to —
(a) Law of Diminishing Returns
(b) Economies of Scale
(c) Law of Variable Proportions
(d) Diseconomies of Scale

59. Identify the correct statement
(a) Average Product is at its maximum when Marginal Product is equal to Average Product
(b) Law of Increasing Returns to Scale relates to the effect of changes in factor proportions
(c) Economies of Scale arise only because of invisibilities of factor proportions
(d) Internal Economies of scale can accrue only to the exporting sector

Answers to MCQs PART- A

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	b	a	a	a	c	d	a	b	c	c	b	a	c	d	a	a	a	a	b

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	b	d	d	a	b	a	b	c	d	a	a	a	b	b	b	b	b	a	c

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
d	b	c	c	a	d	d	c	a	b	c	d	a	d	a	a	d	d	b	

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
d	a	a	d	a	b	b	b	b	c	a	b	a	b	a	b	d	b	d	b

81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101
a	b	b	a	a	d	c	b	c	a	c	a	c	a	d	a	b	a	a	d	d

102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121
a	a	c	b	c	c	b	c	d	c	c	a	b	a	c	d	c	c	a	b

122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141
c	a	c	c	d	c	c	a	b	d	c	d	c	d	b	c	c	b	b	d

142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161
d	a	c	c	a	a	b	b	a	c	a	c	a	d	a	b	c	d	d	c

162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181
b	c	d	a	d	a	c	a	b	a	d	b	d	d	c	c	a	d	c	b

182	183
a	a

ANSWERS to MCQs PART B

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	ca	b	b	a	a	b	a	d	b	a	b	b	c	c	b	d	c	d	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	a	c	b	a	b	a	b	a	a	b	d	d	a	b	a	c	a		bb

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
b	c	b	c	a	c	a	b	a	b	a	b	b	c	c	c	a	b	a	c

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81
	dc	c	a	b	a	a	c	b	d	a	b	a	c	b	a	c	a	c	b	

82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101
a			a			a	b		b	b	d	d		b	d	a	a	d	

102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
d	c	c	a	a	c	b	a	a	c	b	a	b	a	d	a	a	a	d

ANSWERS to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	b	a	c	b	b	d	a	d	d	d	d	c	a	b	b	b	a	b	b

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	a	b	c	c	b	b	a	b	b	d	c	b	d	d	d	d	b	c	b

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
b	c	b	d	a	c	b	c	a	b	c	b	b	b	d	c	a	c	c	b

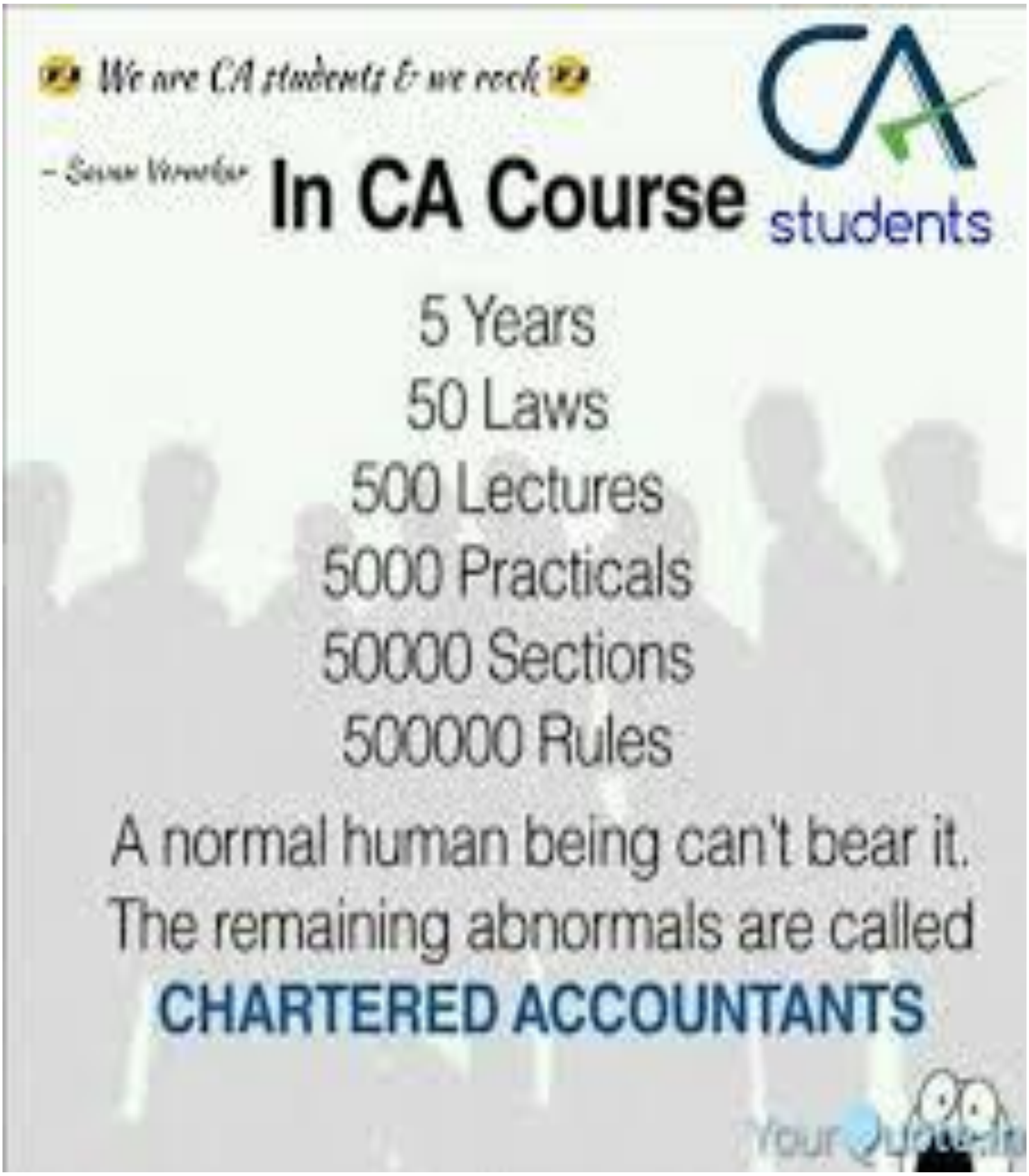
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
d	c	c	d	a			b		a	b	d	d	c	

ANSWERS to MCQs Part D

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	c	c	b	a	d	d	a	b	c	d	c	a	d	c	b	c	b	b	a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	a	a	c	c	b	c	c	c	b	d	c	c	a	b	b	a	b	c	a

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	
d	a	d	d	b	c	d	c	a	c	b	a	a	d	a	a	c	b	a	c



COST ANALYSIS AND COST FUNCTION

1. Cost Analysis is the study of behaviour of________________in relation to one or more production criteria.
   (a) Prices and Revenue
   (b) Profits
   (c) Costs
   (d) Output Quantity

2. Cost Analysis is the study of behaviour of Cost, in relation to —
   (a) Selling Prices
   (b) Profits
   (c) Total Revenue
   (d) One or more Production Criteria

3. For Cost Analysis purposes, the Production Criteria may be —
   (a) Quantity of output
   (b) Scale of operations
   (c) Prices of factors of production
   (d) All of the above

4. For Cost Analysis purposes, the Production Criteria may be —
   (a) Prices of factors of production
   (b) Quantity of output
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

5. Cost Analysis is concerned with .... of production.
   (a) Financial aspects
   (b) Physical aspects
   (c) Either (a) or (b)
   (d) Both (a) and (b)

6. Production Analysis is concerned with .... of production.
   (a) Financial aspects
   (b) Physical aspects
   (c) Either (a) or (b)
   (d) Both (a) and (b)

7. Cost Function refers to the mathematical relationship between cost of a product and the various determinants of Cost. This statement is
   (a) True
   (b) False
   (c) Partially True
   (d) None of the above

8. A Cost Function deals with —
   (a) Total Cost
   (b) Cost per unit
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

9. In a Cost Function, the Total Cost or Cost per unit is a/an —
   (a) Dependent Variable
   (b) Independent Variable
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

10. In a Cost Function, the Output Quantity is a/an-
   (a) Dependent Variable
   (b) Independent Variable
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

11. In a Cost Function, the Scale of Operations is a/an-
   (a) Dependent Variable
   (b) Independent Variable
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

12. In a Cost Function, the Price of Factors of Production is a/an-
   (a) Dependent Variable
   (b) Independent Variable
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

13. Identify the Dependent Variable in a Cost Function from the following.
   (a) Quantity of Output
   (b) Scale of Operations
   (c) Total Cost
   (d) Price of Factors of Production

14. Identify the Dependent Variable in a Cost Function from the following.
   (a) Efficiency
   (b) Level of Capacity utilisation
   (c) Technology
   (d) Cost per unit

15. Identify the Independent Variable in a Cost Function from the following.
   (a) Time Period under study
   (b) Cost per unit
   (c) Total Cost
   (d) None of the above

16. Cost Functions are Derived Functions. They are derived from —
    (a) Demand Function
    (b) Supply Function
    (c) Isoquant Function
    (d) Production Function

17. A Cost Function determines the behaviour of Costs with change in —
    (a) Output
    (b) Input
    (c) Technology
    (d) Wages

18. The Cost Function indicates the functional relationship between Total Cost and —
    (a) Total Input
    (b) Fixed Cost
    (c) Total Output
    (d) Variable Cost

19. Which of the following is not a determinant of the Firm's Cost Function?
    (a) Production Function
    (b) Price of Labour
    (c) Rent paid for use of Building
    (d) Price of the Firm's Output

20. The Functional Relationship between Output and the Long Run Cost of Production is known as —
    (a) Cost Function
    (b) Long Run Cost Function
    (c) Short Run Cost Function
    (d) Output Function

21. The Functional Relationship between Output and the Short Run Cost of Production is known as —
    (a) Cost Function
    (b) Long Run Cost Function
    (c) Short Run Cost Function
    (d) Output Function

22. Which of the following statements regarding the Long Run Cost Function is not true?
    (a) The Firm adjusts Factors of Production to meet the market demand
    (b) Firms identify a combination that gives maximum output at the lowest Cost
    (c) Inputs are chosen for producing a desired level of output
    (d) All the inputs in the long—run are fixed

23. Expansion of Scale of operation forms a part of ...... Cost Function.
    (a) Long run
    (b) Short run
    (c) Fixed
    (d) Both (b) and (c)

24. Which of the following statements regarding Short and Long Run Cost Functions is not true?
    (a) A Variable Input varies according to the quantity of output to be produced
    (b) In the Short Run, one or more of the inputs of the production process is fixed
    (c) In the Long Run, all the inputs are fixed
    (d) In the Long Run there are no restrictions on the resource allocation in the production process.

25. Which theory proposes that a country could be better off by producing the product in which it has relatively lower Labour Cost and relatively higher Labour productivity?
    (a) Absolute Advantage Theory
    (b) Relative Advantage Theory
    (c) Comparative Advantage Theory
    (d) Imitation Theory

26. A Product can be produced using two input combinations A and B. Combination A takes 2 units of Labour and 8 units of Capital. Combination B takes 3 units of Labour and 5 units of Capital, what is the Marginal Rate of Technical Substitution of Labour for Capital?
    (a) 0
    (b) 2
    (c) 3
    (d) 5

EXPLICIT AND IMPLICIT COSTS

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27. Costs which involve payment made by the Entrepreneur to providers of other factors of production are called —
    (a) Explicit Cost
    (b) Implicit Cost
    (c) Variable Cost
    (d) Fixed Cost

28. The Cost that a Firm incurs in hiring or purchasing any Factor of Production is referred to as —
    (a) Explicit Cost
    (b) Implicit Cost
    (c) Variable Cost
    (d) Fixed Cost

29 .. can be defined as the Cost that involve actual payment to other parties.
    (a) Implicit Costs
    (b) Explicit Costs
    (c) Hidden Costs
    (d) Opportunity Costs

30. Which of the following is an example of an 'Explicit Cost"?
    (a) Wages a Proprietor could have made by working as an employee of a large Firm
    (b) Income that could have been earned in alternative uses by the resources owned by the Firm
    (c) Payment of Wages by the Firm
    (d) Normal Profit earned by a Firm

31. Explicit Costs are also known as —
    (a) Out—of—Pocket Costs
    (b) Outlay Costs
    (c) Accounting Costs
    (d) All of the above

32. Which of the following does not relate to Explicit Costs?
    (a) Out—of—Pocket Costs
    (b) Outlay Costs
    (c) Opportunity Costs
    (d) Accounting Costs

33. are actually incurred and hence can be easily and objectively measured.
    (a) Implicit Costs
    (b) Explicit Costs
    (c) Hidden Costs
    (d) Opportunity Costs

34. Which of the following Costs is included and recorded in the books of accounts?
    (a) Imputed Costs
    (b) Opportunity Costs
    (c) Notional Costs
    (d) Explicit Costs

35. Explicit Costs are used for purposes.
    (a) Accounting and Reporting
    (b) Cost Control
    (c) Decision Making
    (d) All of the above

36. Costs which do not involve any cash payment to outsiders are called —
    (a) Explicit Cost
    (b) Implicit Cost
    (c) Variable Cost
    (d) Fixed Cost

37. ..... are the value of foregone opportunities that
    do not involve any physical cash payment.
    (a) Implicit Costs
    (b) Explicit Costs
    (c) Hidden Costs
    (d) Actual Costs

38. An Implicit Cost can be defined as the—
    (a) Payment to the non—owners of the Firm for the resources they supply
    (b) Money payment which the self—employed resources could have earned in their best alternative employment
    (c) Costs which the Firm incurs but does not disclose
    (d) Costs which do not change over a period of time

39. Which of the following is an example of an "Implicit Cost"?
    (a) Interest that could have been earned on retained earnings used by the Firm to finance expansion
    (b) Payment of Rent by the Firm for the building in which it is housed
    (c) Interest Payment made by the Firm for funds borrowed from a Bank
    (d) Payment of Wages by the Firm

40. Implicit Costs are also known as —
    (a) Notional Costs
    (b) Opportunity Costs
    (c) Imputed Costs
    (d) All of the above

41. Which of the following does not relate to Implicit Costs?

(a) Notional Costs
(b) Out—of—Pocket Costs
(c) Imputed Costs
(d) Opportunity Costs

42 ......involve subjective estimation.
(a) Implicit Costs
(b) Outlay Costs
(c) Out—of—Pocket Costs
(d) Accounting Costs

43. An entrepreneur who manages his Firm has to forego his salary, which he could have earned if he had worked elsewhere. The foregone Cost is known as—
(a) Implicit Costs
(b) Explicit Costs
(c) Hidden Costs
(d) Actual Costs

44. Implicit Costs includes —
(a) Interest on own Capital invested by Entrepreneur
(b) Rent of Entrepreneur's own premises used in business
(c) Salary to Entrepreneur he would have earned in an alternative employment
(d) All of the above

45. Which of the following is an Implicit Cost?
(a) Wages paid to Workers / Labourers
(b) Rent for Land and Building used in business
(c) Normal Rate of Profit in the business
(d) All of the above

46. Which of the following is an Implicit Cost?
(a) Land owned by Entrepreneur and used for business purposes, on which no Rent is paid.
(b) Wages or Salary not paid to the Entrepreneur, but could have been earned if his services had been sold somewhere else, i.e. if he were employed in another Firm.
(c) Normal Return on Money Capital invested by Entrepreneur himself in his own business.
(d) All of the above

47. Which of the following Costs is not included in the books of accounts?
(a) Explicit Costs
(b) Manufacturing Costs
(c) Taxes
(d) Implicit Costs

48. Which of the following Costs does not include the contractual cash payments which the Firm makes to other Factor Owners for purchasing or hiring various factors?
(a) Private Costs
(b) Variable Costs
(c) Accounting Costs
(d) Implicit Costs

49. Implicit Costs are used for purposes.
(a) Accounting and Reporting
(b) Cost Control
(c) Decision Making
(d) All of the above

50. If Rent is paid to the Landlord separately, it is an
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

51. If Land is owned by the Entrepreneur, Rent is an
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

52. Salary / Wages paid to Employees / Workers is an —
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

53. If own people (e.g. family members) are employed in the Firm, without paying them any reward for their work, Labour Cost is an —
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

54. If Capital is borrowed and used in the business, Interest on Capital is —
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

55. If Entrepreneur employs his own funds as Capital, then Interest is —
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost

56. When Entrepreneur himself manages the business, the reward for Entrepreneurial Ability (i.e. Profit) is an —
(a) Implicit Cost
(b) Explicit Cost
(c) Hidden Cost
(d) Undisclosed Cost 57. Reward for Entrepreneurial Ability (i.e. Normal Profit in the business) is included in —

(a) Implicit Cost
(b) Explicit Cost
(c)Hidden Cost
(d) Undisclosed Cost

58. Direct costs are __
(a)Traceable costs
(b)Indirect costs
(c)Implicit costs
(d)Explicit costs

59. Suppose the total cost of production of a commodity X is 1,25,000 out of which implicit cost 35,000 and normal profit is 25,000. What would be the explicit cost of commodity?
(a) 90,000
(b) 65,000
(c) 1,00,000
(d) 60,000

ACCOUNTING COSTS AND ECONOMIC COSTS

60. Accounting Cost equals —
(a) Explicit Cost
(b) Implicit Cost
(c) Both (a) and (b)
(d) Neither (a) nor (b)

61. Cost incurred in purchasing the Factor of Production is known as —
(a) Accounting Cost
(b) Economic Cost
(c) Marginal Cost
(d) Implicit Cost

62. Which of the following is an example of an Accounting Cost?

(a) Interest paid to Bank on short—term

loan taken
*

(b) Cost incurred on the purchase of raw materials
(c) Wages paid to Labourers
(d) All the above

63. Expenditure incurred on Wages, Rent, Interest, etc. are included in—
(a) Accounting Cost
(b) Opportunity Cost
(c) Fixed Cost
(d) Direct Cost

64. Economic Cost equals —
(a) Explicit Cost
(b) Implicit Cost
(c) Both (a) and (b)
(d) Neither (a) nor (b)

65. Economic Cost includes—
(a) Accounting Cost + Non—Accounting Cost
(b) Fixed Cost + Variable Cost
(c) Explicit Cost + Implicit Cost
(d) Short Run Cost + Long Run Cost

66. Economic Cost includes—
(a) Accounting Cost + Explicit Cost
(b) Accounting Cost + Implicit Cost
(c) Fixed Cost + Variable Cost
(d) Accounting Cost + Non—Accounting Cost

67. Economic Cost includes —
(a) Wages paid to Workers / Labourers
(b) Rent for Land and Building used in business
(c) Normal Rate of Profit in the business
(d) All of the above

68. Which of the following are considered as Economic Cost?
(a) Normal Return on money Capital invested
(b) Wages or Salary of the Entrepreneur
(c) Interest on the Capital invested
(d) All of the above

69 . includes all payments paid to Factors of Production and Opportunity Cost.

(a) Implicit Costs
(b) Explicit Costs
(c) Economic Costs
(d) Accounting Costs

70. Reward for Entrepreneurial Ability (i.e. Normal Profit in the business) is included in —
(a) Economic Cost
(b) Accounting Cost
(c) Explicit Cost
(d) Undisclosed Cost

71. Which of the following is true regarding Economic Cost and Accounting Cost?
(a) Economic Cost = Accounting Cost
(b) Economic Cost > Accounting Cost
(c) Economic Cost < Accounting Cost
(d) None of the above

72. The difference between Economic Cost and Accounting Cost is equal to —
(a) Explicit Cost
(b) Implicit Cost
(c) Both (a) and (b)
(d) Neither (a) nor (b)

73. Which of the following is true regarding Economic Cost and Accounting Cost?
(a) Economic Cost less Accounting Cost = Explicit Cost
(b) Economic Cost less Accounting Cost = Implicit Cost
(c) Accounting Cost less Economic Cost = Explicit Cost
(d) Accounting Cost less Economic Cost = Implicit Cost

74. When Total Revenue equals Accounting Costs, it means that the Firm —
(a) Has No—Profit—No—Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super—Normal Profits)
(d) Incurs Losses in the accounting sense

75. When Total Revenue is less than Accounting Costs, it means that the Firm —
(a) Has No—Profit—No—Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super—Normal Profits)
(d) Incurs Losses

76. When Total Revenue is less than Accounting Costs, it means that the Firm incurs Losses —
(a) In the accounting sense
(b) In the economic sense
(c) Both (a) and (b)
(d) Neither (a) nor (b)

77. When Total Revenue equals Economic Costs, it means that the Firm —
(a) Has No—Profit—No—Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super—Normal Profits)
(d) Incurs Losses in the accounting sense

78. When Total Revenue exceeds Economic Costs it means that the Firm —
(a) Has No—Profit—No—Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super—Normal Profits)
(d) Incurs Losses

79. When Total Revenue is less than Economic Costs, it means that the Firm —
(a) Incurs Losses in the economic sense
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super—Normal Profits)
(d) Incurs Losses in the accounting sense

80. Economic Profits are —
(a) Difference between Total Revenue, and Total Implicit and Explicit Costs
(b) Difference between Total Revenue and Total Economic Costs
(c) Zero in a perfectly competitive industry in the long—run
(d) All the above

81. If there are Implicit Costs of Production —
(a) Economic Profit will be equal to Accounting Profit.
(b) Economic Profit will be less than Accounting Profit.
(c) Economic Profits will be zero.
(d) Economic Profit will be more than Accounting Profit.

82. Which of the following statements is false?

(a) Economic Costs include the Opportunity Costs of the resources owned by the Firm
(b) Accounting Costs include only Explicit Costs
(c) Economic Profit will always be less than Accounting Profit if resources owned and used by the Firm have any Opportunity Costs
(d) Accounting Profit is equal to Total Revenue less Implicit Costs

OPPORTUNITY COSTS

83. Opportunity Cost refers to ... in accepting an alternative course of action.
(a) Value of sacrifice made
(b) Benefit of opportunity foregone
(c) Both (a) and (b)
(d) Neither (a) nor (b)

84. Opportunity Cost refers to —
(a) Cost of opportunity foregone
(b) Comparison between the policy that was chosen and the policy that was rejected
(c) Costs relating to sacrificed alternatives
(d) All of the above

85. The Cost of one thing in terms of the alternative given up is known as —
(a) Production Cost
(b) Physical Cost
(c) Real Cost
(d) Opportunity Cost

86. Opportunity Costs are a result of —
(a) Technology obsolescence
(b) Overproduction
(c) Scarcity
(d) Abundance of resources

87. Opportunity Costs arise only when resources are —
(a) Scarce
(b) Restricted in availability
(c) Available only to a limited extent
(d) All of the above

88. Opportunity Cost arises only when alternatives are available. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

89. If a resource can be put only to a particular use, then, Opportunity Costs —
(a) Are applicable and quantifiable
(b) Are applicable but not quantifiable
(c) Are not applicable at all
(d) None of the above

90. Opportunity Costs —
(a) Involve cash payment
(b) Do not involve any cash payment
Both (a) and (b)

(c) Neither (a) nor (b)

91. Outlay Costs—
(a) Involve cash payment
(b) Do not involve any cash payment
(c) Both (a) and (b)
(d) Neither (a) nor (b)

92. Opportunity Cost is —
(a) Recorded in books of accounts
(b) Not recorded in books of accounts
(c) Sometimes (a) sometimes (b)
(d) Neither (a) nor (b)

93. Opportunity Costs are used for purposes
(a) Accounting and Reporting
(b) Cost Control
(c) Decision Making
(d) All of the above

94. Which of the following is not true with reference to Opportunity Cost?
(a) It is the value of the next best use for an economic good
(b) It is the value of a sacrificed alternative
(c) It is useful in decision—making
(d) It does not take into consideration, the cost of time

95. Which of the following is/are true?
(a) Total Cost includes only Variable Costs
(b) Opportunity Cost is the value of the good of service forgone
(c) Economic Costs include only Out—of—Pocket Costs
(d) Both (a) and (c) above

96. A Manager needs a Stenographer and a Clerk for the Accounts Department. But, due to financial constraints, he can able to recruit only one i.e. either Stenographer or

Clerk. Finally he decides to recruit the Stenographer and had to give up the idea of having an Additional Clerk in the Accounts Department. Here, the Cost of not hiring an accounts clerk is known as —
(a) Accounting Cost
(b) Cost Possibility Curve
(c) Opportunity Cost
(d) Substitution Effect

97. Cost is the Total Additional Cost that a Firm has to incur, as a result of implementing a major managerial decision.
(a) Sunk
(b) Incremental
(c) Opportunity
(d) Marginal

98. Incremental Cost equals —
(a) Additional Variable Costs only
(b) Additional Fixed Costs only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

99. Which of the following statement is true?
(a) Marginal Cost is a sub—set of Incremental Cost
(b) Incremental Cost is sub—set of Marginal Cost
(c) Marginal Cost is a sub—set of Sunk Cost
(d) Sunk Cost is a sub—set of Incremental Cost 100Cost is not relevant for Decision—Making
(a) Economic
(b) Opportunity
(c) Sunk
(d) Incremental Cost

101.Which of the following statement best describes Sunk Costs?
(a) Costs which are incurred in the past
(b) Cost incurred by the Firm as result of bankruptcy of one of its Creditors
(c) Cost incurred by the Firm as a result of the fire that broke into one of the Firm's Godown.
(d) Setting off the losses that the Firm incurred in the previous years

102.Which of the following is correct?
(a) Firms that earn Accounting Profits are economically profitable.
(b) Opportunity Cost plus Accounting Cost equals Economic Cost.
(c) When a Firm's Demand Curve slopes down, Marginal Revenue will rise as output rises.
(d) Firms increase profits by selling more output than their rivals.

103.Suppose you find 100. If you choose to use 100 to go to a football match, your opportunity cost of going to the game is
(a) nothing, because you found the money.
(b) Only The value of your time spent at the game + The Expected Normal Interest / Return on 100.
(c) 100 (because you could have used the 100
to buy other things) plus the value of your time spent at the game, plus the cost of the dinner you purchased at the game.
(d) 100 (because you could have used the 100
to buy other things).

104. .are readily identified and are traceable to a particular product, service, operation or plant.
(a) Direct Costs
(b) Indirect Costs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

105.are not readily identified nor visibly traceable to specific goods, services, operations, etc.
(a) Direct Costs
(b) Indirect Costs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

106.Accounting Process recognizes —
(a) Direct Costs
(b) Indirect Costs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

Read the following paragraph and answer the following four questions.
Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for 100 each. It costs Nicole 20,000 for the raw materials to produce the 1,000 pieces

of pottery. She has invested 100,000 in her factory and equipment: 50,000 from her savings and 50,000 borrowed at 10 per cent. (Assume that she could have loaned her money out at 10 per cent, too.) Nicole can work at a competing pottery factory for 40,000 per year.

107.The accounting cost at Nicole's pottery factory is
(a) 2500
(b) 5000
(c) 8000
(d) 7500

108.The economic cost at Nicole's factory is:
(a) 75000
(b) 70000
(c) 80000
(d) 7 30000

109.The accounting profit at Nicole's pottery
(a) 30000
(b) 50000
(c) 80000
(d) 75000

110.The economic profit at Nicole's factory is:
(a) fi 75000
(b) 35000
(c) fi 80000
(d) 30000

FIXED AND VARIABLE COSTS

111. are costs that do not vary with output, upto a certain level of activity.
(a) Variable
(b) Fixed
(c) Both (a) and (b)
(d) Neither (a) nor (b)

112. Fixed Cost can be defined as —
(a) Which does not change with output
(b) Which changes with Sales
(c) Which changes proportionately with output
(d) All of the above

113. Fixed Costs are —
(a) Period—related
(b) Product—related
(c) Both (a) and (b)
(d) Neither (a) nor (b)

114. Fixed cost Costs are a function of —
(a) Output
(b) Time
(c) Both (a) and (b)
(d) Neither (a) nor (b)

115.Cost must be paid even if the Firm's level output is zero.
(a) Variable
(b) Direct
(c) Incremental
(d) Fixed

116. If a Firm produces zero output in the short period —
(a) Its Total Cost will be zero
(b) Its Variable Cost will be positive
(c) Its Fixed Cost will be positive
(d) Its Average Cost will be zero -

117...........Cost will be incurred even when the Firm's produces Nil output.
(a) Variable
(b) Fixed
(c) Both (a) and (b)
(d) Neither (a) nor (b)

118.As output increases, Total Fixed Cost —
(a) Decreases
(b) Increases
(c) Remains constant
(d) Becomes zero

119.Some portion of Fixed Costs need not be incurred when operations are suspended. These are called —
(a) Avoidable Fixed Costs
(b) Committed Fixed Costs
(c) Variable Costs
(d) Semi—Variable Costs

120. Some portion of Fixed Costs cannot be avoided even when operations are suspended. These are called —
(a) Discretionary Fixed Costs
(b) Committed Fixed Costs
(c) Variable Costs
(d) Semi—Variable Costs

121.Which of the following is not a Fixed Cost?
(a) Payment of Interest on Borrowed Capital
(b) Charges for Fuel and Electricity
(c) Depreciation Charges on Equipment and Buildings
(d) Contractual Rent for Equipment of Building

122.0f the following which one corresponds to Fixed Cost?

(a) Payments for Raw Material
(b) Labour Costs
(c) Transportation Charges
(d) Insurance Premium on Property

123.The following are some Costs incurred by a Clothing Manufacturer. State which among them will be considered as Fixed Cost.
a) Cost of Cloth
b) Piece Wages paid to Workers
c) Depreciation on Machines owing to time
d) Cost of Electricity for running machines

124..........are costs that change, based on the level of output.
(a) Variable
(b) Fixed
(c) Both (a) and (b)
(d) Neither (a) nor (b)

125.Variable Costs are —
(a) Period—related
(b) Product—related
(c) Both (a) and (b)
(d) Neither (a) nor (b)

126.Variable Costs are a function of —*
(a) Output
(b) Time
(c) Both (a) and (b)
(d) Neither (a) nor (b)

127......Cost must be incurred only when the Firm's
produces output.
(a) Variable
(b) Fixed
(c) Both (a) and (b)
(d) Neither (a) nor (b)

128. Variable Costs are incurred only when production takes place. So, they are in the nature of —
(a) Discretionary Costs
(b) Committed Costs
(c) Fixed Costs
(d) Semi—Variable Costs

129.All Variable Costs are avoidable or discretionary in nature. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

130.As output increases, Total Variable Cost —
(a) Decreases
(b) Increases
(c) Remains constant
(d) Becomes zero

131.Which Cost increases continuously with the increase in production?
(a) Average Cost
(b) Marginal Cost
(c) Fixed Cost
(d) Variable Cost

131.Which Cost increases continuously with the increase in production?
(a) Average Cost
(b) Marginal Cost
(c) Fixed Cost
(d) Variable Cost

132.Total Variable Costs always vary proportionately with output. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

133.Over certain ranges of production Variable Costs vary less or more than proportionately depending on the utilisation of fixed facilities and resources during the production process. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

134.Variable Cost includes the Cost of —
(a) Buying Land and Building
(b) Hire Charges paid for the Machinery
(c) Salary to Manager
(d) Material Bought

135.Which of the following is an example of Variable Cost in the short run?
(a) Cost of Equipment
(b) Interest Payment on past borrowings

(c) Payment of Rent on Building
(d) Cost of Raw Materials

MARGINAL COSTS

136. Marginal Cost changes due to change inCost
(a) Variable
(b) Fixed
(c) Total
(d) Average

137............. is the addition made to the total cost by production of an additional unit of output.
(a) Fixed Cost
(b) Variable Costs
(c) Total Costs
(d) Marginal Costs

138. Marginal Cost can be defined as —
(a) Change in Average Variable Cost divided by Change in Total Output
(b) Change in Average Fixed Cost divided by Change in Total Output
(c) Change in Total Fixed Cost divided by Change in Total Output
(d) Change in Total Cost due to Change in Total Output by one additional unit.

139...............Costs are important in short term decision making of the Firm, to determine the output at which profits can be maximized.
(a) Fixed
(b) Sunk
(c) Opportunity
(d) Marginal

140.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

141.Marginal Cost is independent of Fixed Cost. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

142.Marginal Cost is independent of Variable Cost. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

143.Which of the following will affect Marginal Costs?
(a) Variable Costs
(b) Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

144.Which of the following will not affect Marginal Costs?
(a) Variable Costs
(b) Output Quantity
(c) Fixed Costs
(d) All of the above

145.TC_n TC_{n}_i = which cost function?
(a) Marginal Cost
(b) Average Cost
(c) Total Cost
(d) None of the above

146. Marginal Costs per unit =
(a) Change in Total Costs ÷ Change in Output Quantity
(b) Change in Variable Costs ÷ Change in Output Quantity
(c) Either (a) or (b)
(d) Neither (a) nor (b)

147.Which of the following describes the behaviour of Marginal Cost Curve?
(a) Declines first, reaches its minimum and then rises
(b) Rises first, reaches a maximum and then declines
(c) Remains constant throughout all output levels
(d) Nothing can be said

148.Marginal Cost Curve of a Firm will be —
(a) L Shaped
(b) 3 Shaped
(c) U Shaped
(d) Inverted U Shaped

149.Marginal Cost Curve of a Firm will show .... behaviour when compared to Marginal Product (MP) Curve.
(a) Same

(b) Reverse
(c) Either (a) or (b)
(d) Nothing can be said

150. Marginal Costs are applicable in —
(a) Short—Run
(b) Long—Run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

155.Additional cost incurred by a Firm as a result of a business decision —
(a) Sunk Cost
(b) Replacement Cost
(c)Incremental Cost
(d) Extra Cost

156.Costs which are already incurred once and for all, and cannot be recovered.
(a) Historical cost
(b) Sunk Cost
(c)Private Cost
(d) None of the above

157.Which of the following statement is correct?
(a) An increase in price will make Replacement Costs higher than Historical Cost.
(b) A decrease in price will make Replacement Costs higher than Historical Cost.
(c) An increase in price will make Replacement Costs lower than Historical Cost.
(d) None of the above

158,The cost incurred during the acquisition of an asset
(a) Sunk Cost
(b) Replacement cost
(c) Historical cost
(d) None of the above

159. Cost of Production incurred by an Individual firm is —
(a) Private Cost
(b) Social Cost
(c) Production Cost
(d) None of the above

160. Socia I Cost =
(a) Explicit Cost + Implicit Cost
(b) Private Cost + External Cost
(c) Private Cost + Internal Cost
(d) None of the above

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

Short run and long Run cost concept

1. Which of the following statements regarding Output is false?
   (a) Output is under the control of the Firm
   (b) Magnitude of the Output determines the Total Cost of Production
   (c) Change in output level determines the rate of change in the Total Cost of Production
   (d) Output has no role to play in determining the Cost Function

2. If 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

3. If the Firm's output level is below its short run capacity, it is its Plant and Machinery.
   (a) Under utilizing
   (b) Fully utilizing
   (c) Over utilizing
   (d) Exploiting

4. Which of the following statements is correct concerning the relationships among the Firm's Costs?
   (a) TC = TFC — TVC
   (b) TVC = TFC TC
   (c) TFC = TC TVC
   (d) TC = TVC TFC

5. Which of the following statements is correct concerning the relationships among the Firm's Costs?
   (a) TC = TVC X TFC
   (b) TC = TFC — TVC
   (c) TC = TVC — TFC
   (d) TC = TFC+ TVC

6. TFC Curve will be a —
   (a) Curve
   (b) Straight Line
   (c) Rectangular Hyperbola
   (d) None of these

7. TFC Curve will be a straight line
   (a) Parallel to X—Axis
   (b) Parallel to Y—Axis
   (c) Increasing from left to right
   (d) Decreasing from left to right

8. TFC Curve will commence from —
   (a) A certain point on the Quantity Axis (X Axis)
   (b) A certain point on the Cost Axis (Y Axis)
   (c) Origin
   (d) Any of the above

9. TVC Curve will be a —
   (a) Curve with a positive slope
   (b) Curve with a negative slope
   (c) Either (a) or (b)
   (d) Neither (a) nor (b)

10. NC Curve will —
    (a) Increase, i.e. slope upward from left to right
    (b) Decrease, i.e. slope downward from left to right
    (c) Either (a) or (b)
    (d) Neither (a) nor (b)

11. NC Curve will commence from —
    (a) A certain point on the Quantity is (X Axis)
    (b) A certain point on the Cost Axis (Y Axis)
    (c) Origin
    (d) Any of the above

12. TVC Curve will be —
    (a) Higher than the TC Curve
    (b) Lower than the TC Curve
    (c) Parallel to X Axis

(d) Parallel to Y Axis

13. If Variable Cost per unit (i.e. AVC) is constant at all levels of output, NC Curve will be —
(a) Curve with positive slope
(b) Straight Line with positive slope
(c) Rectangular Hyperbola
(d) None of these

14. TC Curve will be a —
(a) Curve with a positive slope
(b) Curve with a negative slope
(c) Either (a) or (b)
(d) Neither (a) nor (b)

15. TC Curve will —
(a) Increase, i.e. slope upward from left to right
(b) Decrease, i.e. slope downward from left to right
(c) Either (a) or (b)
(d) Neither (a) nor (b)

16. TC Curve will commence from —
(a) A certain point on the Quantity Axis (X Axis)
(b) A certain point on the Cost Axis (Y Axis)
(c) Origin
(d) Any of the above

17. TVC Curve will be —
(a) Higher than the NC Curve
(b) Lower than the NC Curve
(c) Parallel to X Axis
(d) Parallel to Y Axis

18. The Vertical difference between TVC and TC is equal to—
(a) M C
(b) AVC
(c) TFC
(d) None of these

19. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short run is:
(a) rational, if the firm is covering its variable cost.
(b) rational, if the firm is covering its fixed costs.
(c) irrational, since plant closing is necessary to eliminate losses.
(d) irrational, since fixed costs are eliminated if a firm shuts down

AVERAGE COST

20. Average Cost is the same as —
(a) Average Fixed Cost
(b) Average Total Cost
(c) Average Variable Cost
(d) All of the above

21. Which of the following is the Average Cost?
(a) Average Fixed Cost + Average Variable Cost
(b) Average Total Cost
(c) Total Cost divided by the number of units
(d) All of the above

22. Which of the following statements is true of the relationship among the Average Cost Function?
(a) ATC = AFC — AVC
(b) AVC = AFC + ATC
(c) AFC = ATC + AVC
(d) AFC = ATC AVC

23. If TVC = 1,000, TFC = 400, then calculate ATC at 5 units.
(a) 280
(b) 250
(c) 150
(d) 300

AVERAGE FIXED COST

24. Average Fixed Cost (AFC) equals —
(a) ATC — AVC

(b) TFC divided by Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

25. Which of the following describes the behaviour of Average Fixed Cost?
(a) Remains constant throughout all output levels
(b) Declines throughout as output increases
(c) Declines first, reaches its minimum and then rises
(d) Rises first, reaches a maximum and then declines

26. In the short run, when the output of a Firm increases, its Average Fixed Cost\--
(a) Increases
(b) Decreases
(c) Remains constant
(d) First declines and then rises

27. The Average Fixed Cost —
(a) Remains the same whatever the level of output
(b) Increase as output increases
(c) Diminishes as output increases
(d) All of the above

28. In the short run, when the output of a Firm decreases, its Average Fixed Cost —
(a) Increases
(b) Decreases
(c) Remains constant
(d) First declines and then rises

29. Average Fixed Cost (AFC) of a Firm is .... related to its output.
(a) Directly
(b) Inversely
(c) Proportionately
(d) Not

30. Which of the following describes the behaviour of Average Fixed Cost Curve?
(a) Declines first, reaches its minimum and then rises
(b) Rises first, reaches a maximum and then declines
(c) Remains constant throughout all output levels
(d) Declines throughout as output increases

31. Which of the following is true with respect to Average Fixed Cost?
(a) It is a bell shaped Curve
(b) As the quantity increases it approaches zero
(c) If quantity produced tends to zero, Average Fixed Cost approaches infinity
(d) Both (b) and (c) above

32. The Average Fixed Cost Curve of a Firm —
(a) Is parallel to the Horizontal Axis
(b) Is parallel to the Vertical Axis
(c) Is a `U' Shaped Curve
(d) Is a Downward Sloping Curve from left to right

33. AFC Curve will be a —
(a) Curve with a positive slope
(b) Curve with a negative slope
(c) Straight Line
(d) None of the above

34. Which curve is downward sloping and does not touch the X-axis?
(a) AVC
(b) MC
(c) ATC
(d) AFC

35. Which of the following Cost Curves is never 'Li' shaped?
(a) Average Cost Curve
(b) Marginal Cost Curve
(c) Average Variable Cost Curve
(d) Average Fixed Cost Curve

36. All of the following are U—Shaped Curves except the—
   (a) AVC Curve
   (b) AFC Curve
   (c) AC Curve
   (d) MC Curve

37. AFC Curve —
   (a) Will touch the Quantity Axis (X Axis)
   (b) Will touch the Cost Axis (Y Axis)
   (c) Will touch both Axes
   (d) Will not touch any Axis.

38. The AFC Curve passes through the Origin. This statement is —
   (a) True
   (b) False
   (c) Partially True
   (d) Nothing can be said

39. Which statement among below is correct in reference to AFC?
   (a) Never becomes zero
   (b) Curve never touch X-axis
   (c) Curve never touch Y-axis
   (d) All of the these

40. AFC curve is always ___
   (a) U-shaped if there is decreasing returns to scale
   (b) U-shaped if there is increasing returns to scale.
   (c) Declining when output increases.
   (d) Intersected by M.0 at its minimum point refer back

41. Average Cost of Producing 50 units of a Commodity is 250 and fixed cost is 1000. What will be the average fixed cost of producing 100 units of the Commodity?
   1 10
   2 30
   3 20
   4 5

42. A Firm's average fixed Cost id 20 at 6 units of output. What will it be at 4 units of output?
   1 60
   2 30
   3 40
   4 20

AVERAGE VARIABLE COST

43. Average Variable Cost (AVC) equals —
   (a) ATC—AFC
   (b) TVC divided by Output Quantity
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

44. AVC decreases as output increases —
   (a) Upto normal capacity output
   (b) Beyond normal capacity output
   (c) At all levels of output
   (d) Nothing can be said

45. Upto Normal Capacity of output, as output increases, AVC will —
   (a) Remain constant
   (b) Decrease
   (c) Increase
   (d) Nothing can be said

46. AVC decreases as output increases, upto normal capacity output, due to —
   (a) Law of constant returns
   (b) Law of diminishing returns
   (c) Law of increasing returns
   (d) Law of negative returns

47. AVC increases as output increases —
   (a) Upto normal capacity output
   (b) Beyond normal capacity output
   (c) At all levels of output
   (d) Nothing can be said

48. Beyond Normal Capacity of output, as output increases, AVC will —
   (a) Remain constant
   (b) Decrease
   (c) Increase
   (d) Nothing can be said

49. AVC increases as output increases, beyond normal capacity output, due to —
   (a) Law of Constant Returns
   (b) Law of Diminishing Returns

(c) Law of Increasing Returns
(d) Law of Equi—Marginal Utility

50. Average Variable Cost Curve —
(a) Slopes downwards at first and then upwards
(b) Slopes upwards, remains constant and then falls
(c) Slopes downwards always
(d) Remains a straight line parallel to X Axis

51. Average Variable Cost Curve slopes downwards —
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

52. Average Variable Cost Curve has a negative slope —
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

53. Average Variable Cost Curve slopes upwards —
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

54. Average Variable Cost Curve has a positive slope —
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

55. Average Variable Cost Curve is —
(a) Exactly a U Shaped Curve
(b) Not exactly a U Shaped Curve
(c) Straight line
(d) Not depicted in the Graph at all

56. The AVC Curve passes through the Origin. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

57. A firm produces 10 units of commodity at an average total cost of Z 200 and with a fixed cost of Z 500. Find out component of average variable cost in total cost.
(a) Z 300
(b) Z 200
(c) 150
(d) Z 100

AVERAGE COST OR AVERAGE TOTAL COST

58. Average Cost (AC) equals —
(a) ATC + AFC
(b) Total Cost divided by Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

59. Initially Average Cost declines sharply due to the reason that —
(a) AFC declines significantly as output increases
(b) AVC declines significantly as output increases
(c) AFC increases as output increases
(d) AVC increases as output increases

60. Initially, even when there is an increase in Average Variable Cost (AVC), Average Cost (AC) may still decline due to the reason that —
(a) Fall in AFC is less than the rise in AVC
(b) Fall in AFC is greater than the rise in AVC
(c) Fall in AFC is equal to the rise in AVC
(d) None of the above

61. Beyond certain output level, when there is an increase in Average Variable Cost (AVC), Average Cost (AC) also increases due to the reason that —

(a) Fall in AFC is less than the sharp rise in AVC
(b) Fall in AFC is greater than the sharp rise in AVC
(c) Fall in AFC is equal to the rise in AVC
(d) None of the above

62. Average Cost Curve —
(a) Slopes downwards at first and then upwards
(b) Slopes upwards, remains constant and then falls Slopes downwards always
(c) Remains a straight line parallel to X Axis

63. The AC Curve and AVC Curve start increasing at the same output level only. This statement is
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

64. The AC Curve passes through the Origin. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

65. Average Cost Curve is a —
(a) U Shaped Curve
(b) J Shaped Curve
(c) L Shaped Curve
(d) Straight Line

66. Average total cost to firm is Z 600 when it produces 10 units of output and Z 640 when the output is 11 units. The MC of the 11th unit is
(a) 40
(b) 540
(c) 840
(d) 1040

MARGINAL COST AND AVERAGE COST RELATIONSHIPS

67. Marginal Cost Curve cuts the Average Cost Curve —
(a) At the left to its lowest point
(b) At its lowest point
(c) At the right to its lowest point
(d) Any of the above

68. 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

69. The relationship between the AC and MC is that
(a) MC will always be less than the AC
(b) MC will be more than AC when MC is falling
(c) AC may be more than MC when MC is rising
(d) None of the above

70. Which of the following statements is correct?
(a) When Average Cost is rising, Marginal Cost must also be rising
(b) When Average Cost is rising, Marginal Cost must be falling
(c) When Average Cost is rising, Marginal Cost is above the Average Cost
(d) When Average Cost is falling, Marginal Cost must be rising

71. If a Firm's Average Variable Cost Curve is rising, its Marginal Cost Curve must be —
(a) Constant
(b) Above the Total Cost Curve
(c) Above the Average Variable Cost Curve.
(d) All of the above.

72. Which of the following is true of the relationship between Marginal Cost and Average Cost Functions?

(a) If MC is greater than AC, then AC is falling
(b) AC Curve intersects the MC Curve at minimum MC
(c) MC Curve intersects the AC Curve at minimum AC
(d) If MC is less than AC, then AC is increasing

73. Marginal Cost is —
(a) Always less than the Average Cost
(b) Always more than the Average Cost
(c) Equal to the Average Cost at its minimum point
(d) Never equal to Average Cost

74. 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 the above

75. The MC Curve cuts the AVC and ATC Curves
(a) At the falling part of each.
(b) At different points.
(c) At their respective minimas.
(d) At the rising part of each.

76. MC Curve cuts the AVC and ATC Curves —
(a) From above
(b) From below
(c) Either (a) or (b)
(d) Neither (a) nor (b)

77. When AC falls as a result of an increase in output —
(a) MC = AC
(b) MC < AC
(c) MC > AC
(d) Nothing can be said

78, MC Curve is lower than AC, when —
(a) AC decreases
(b) AC increases
(c) AC is at its minimum
(d) Nothing can be said

79. When AC increases as a result of an increase in output
(a) MC = AC
(b) MC < AC
(c) MC > AC
(d) Nothing can be said

80. When MC Curve intersects AC Curve, it means that
(a) MC is minimum
(b) AC is minimum
(c) Both MC and AC are minimum
(d) Nothing can be said

81. When MC Curve intersects AC Curve, it means that —
(a) AC is minimum
(b) AC = MC
(c) Both (a) and (b)
(d) Neither (a) nor (b)

COST COMPUTATIONS

82. A Firm's Average Total Cost is ! 300 at 5 units of output and 320 at 6 units of output. The Marginal Cost of producing the 6th unit is —
(a) ! 20
(b) ! 120
(c) ! 320
(d) ! 420

83. 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) 1,400

84. What is the Average Total Cost in producing 20 units, if Fixed Cost is 5,000 and Variable Cost is ! 200?
(a) ! 25
(b) ! 26
(c) ! 25

(d) ! 25

85. 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

86. A Firm's Average Fixed Cost is ! 20 at 6 units of output. What will it be at 4 units of output?

(a) Z 60
(b) Z 30
(c) ! 40
(d) ! 20

87. For producing 100 units, Total Variable Cost is Z 500 and Total Fixed Cost is ! 1,000.Compute Average Cost.

(a) 10
(b) 15
(c) 5
(d) 20

88. The Average Total Cost of producing 50 units is Z 250 and Total Fixed Cost is Z 1,000. What is the Average Fixed Cost of producing 100 units? ,1

(a) Z 10
(b) Z 30
(c) Z 20
(d) Z 5

Use the following data to answer the following 11. questions

Output (in units)	Total Cost (TC) (in Z)
0	240
1	330
2	410
3	480
4	540
5	610
6	690
7	840

89. TFC at all levels of Output is —

(a) Nil
(b) 240
(c) 330
(d) 690

90. AFC for 3 units of Output is —

(a) 240
(b) 120
(c) 80
(d) 60

91. MC for 2nd unit of Output is —

(a) Nil
(b) 90
(c) 80
(d) 70

92. MC for 3rd unit of Output is —

(a) Nil
(b) 90
(c) 80
(d) 70

93. MC for 5th unit of Output is —

(a) 90
(b) 80
(c) 70
(d) 60

94. MC is minimum at units of Output.

(a) 3
(b) 4
(c) 5
(d) 6

95. AC for 3 units of Output is —

(a) 205
(b) 160
(c) 135
(d) 122

96. AC for 4 units of Output is —

(a) 205
(b) 160
(c) 135
(d) 122

97. AC for 5 units of Output is —

(a) 205
(b) 160

(c) 135
(d) 122

98. AC is minimum at units of Output.
(a) 4
(b) 5
(c) 6
(d) 7

99. MC Curve will cut AC Curve at . units of Output.
(a) 4
(b) 5
(c) 6
(d) 7

100.A company produces 10 units of output and incurs Z 30 per unit of variable cost and Z 5 per unit of fixed cost. In this case total cost is:
(a) Z 300
(b) Z 35
(c) Z 305
(d) 350

LONG RUN COST BEHAVIOUR

101.The period of time in which the Plant Capacity can be varied is known as —
(a) Short Period
(b) Market Period
(c) Long Period
(d) All of the above.

102.Which is the other name given to the Long Run Average Cost Curve?
(a) Profit Curve
(b) Planning Curve
(c) Demand Curve
(d) Indifference Curve

103.Which one of the following is also known as Planning Curve?
(a) Long—Run Average Cost Curve
(b) Short—Run Average Cost Curve
(c) Average Variable Cost Curve
(d) Average Total Cost Curve

104.Which one of the following is also known as Plant Curve?
(a) Long—Run Average Cost Curve
(b) Short—Run Average Cost Curve
(c) Average Variable Cost Curve
(d) Average Total Cost Curve

105.LAC = Least Cost combination for an appropriate output level. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

106.In the long—run, the Firm will operate at the .... for any output level, by choosing the appropriate Plant Size.
(a) Optimum cost
(b) Minimum cost
(c) Maximum cost
(d) Nothing can be said

107.In the long—run, the Firm will decide on which SAC Curve it should operate to produce a given output, so that its —
(a) AC is minimum
(b) AC is maxmum
(c) MC is minimum
(d) MC is maximum

108.In the long—run, the Firm will try to select —
(a) Lowest point of every SAC
(b) SAC with the lowest cost for a particular level of output
(c) Both (a) and (b)
(d) Neither (a) nor (b)

109.In the long—run, when there are infinite SAC Curves, the LAC Curve will be —
(a) Perpendicular to each SAC Curve
(b) Connecting the lowest points of each SAC Curve
(c) Smooth Curve, so as to be tangent to each of the SAC Curves
(d) All of the above

110.LAC Curve is tangent to each of the infinite SAC Curves. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

111.LAC Curve is the connection of all minimum points of SAC Curves. This statement is —
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

112.When LAC Curve is declining, it will be tangent to the
(a) Falling portions of the SAC Curves
(b) Rising portions of the SAC Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

113.When LAC Curve is.. , it will be tangent to the falling portions of the SAC Curves.
(a) Decreasing
(b) Increasing Both (a) and (b)
(c) Neither (a) nor (b)

114.When LAC Curve is rising, it will be tangent to the —
(a) Falling portions of the SAC Curves
(b) Rising portions of the SAC Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

115.When LAC Curve is.................., it will be tangent to the rising portions of the SAC Curves.
(a) Decreasing
(b) Increasing
(c) Both (a) and (b)
(d) Neither (a) nor (b)

116.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 LAC 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.

117.If the LAC Curve falls as output expands, this falls is due to —
(a) Economies of Scale
(b) Law of Diminishing Returns
(c) Diseconomies of Scale
(d) Any of the above

118.If the LAC Curve rises as output expands, this falls is due to —
(a) Economies of Scale
(b) Law of Diminishing Returns
(c) Diseconomies of Scale
(d) Any of the above

119. Long Run Average Cost Curves are broadly—
(a) U — shaped
(b) Inverted U — shaped
(c) V shaped
(d) L shaped

120.The LAC Curve —
(a) Falls when the LMC Curve falls
(b) Rises when the LMC Curve rises
(c) Goes through the lowest point of the LMC Curve
(d) Falls when LMC < LAC and rises when LMC > LAC

121.Positively sloped (i.e. rising) part of long run Average Cost Curve is due to which of the following ________________
(a) Constant Returns to Scale
(b) Increasing Returns to Scale
(c) Diseconomies of Scale
(d) Economics of Scale

122.Planning curve is related to which of the following

(a) Short-run average cost curve
(b) Long-run average cost curve
(a) Fixed cost curve
(b) Average variable cost curve

Part B

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	b	a	c	d	b	a	b	a	a	c	b	b	a	a	b	a	c	a	b

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
d	d	a	c	b	b	c	a	b	d	d	d	b	d	d	b	d	b	d	c	a

42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62
b	c	a	b	c	b	c	b	a	a	a	b	b	b	b	c	c	a	b	a	a

63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82
b	b	a	d	b	b	c	c	c	c	c	c	c	b	b	a	c	b	c	d

83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102
a	b	d	b	b	a	b	c	c	d	c	b	b	c	d	c	c	d	c	B

103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122
a	b	a	b	a	b	c	a	b	a	a	b	b	c	a	c	a	d	c	b

Revenue Concept:

1. Total Revenue =
   (a) Money which a Firm realises by selling certain units of a commodity.
   (b) Revenue earned per unit of output
   (c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity.
   (d) None of the above

2. Average Revenue =
   (a) Money which a Firm realises by selling certain units of a commodity.
   (b) Revenue earned per unit of output
   (c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity.
   (d) None of the above

3. Marginal Revenue =
   (a) Money which a Firm realises, by selling certain units of a commodity.
   (b) Revenue earned per unit of output
   (c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity.
   (d) None of the above

4. 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) hThe change in P x Q due to a one unit change in output
   (d) Price, but only if the Firm is a price searcher

5. The firm will attain equilibrium at a point where MC curve cuts _ curve from below
   (a) AR
   (b) MR
   (c) AC
   (d) AVC

6. Price = ...
   (a) Total Revenue
   (b) Average Revenue
   (c) Marginal Revenue
   (d) Zero Revenue

7. Price X Quantity = ...
   (a) Total Revenue
   (b) Average Revenue
   (c) Marginal Revenue
   (d) Zero Revenue

8. If P = Price, and Q = Quantity sold, which of the following statements are correct?
   (a) Total Revenue = P x Q
   (b) Average Revenue= P x Q
   (c) Marginal Revenue= P x Q
   (d) Zero Revenue = P x Q

9. If TR = Total Revenue, and Q = Quantity sold, then TR ÷Q refers to —
   (a) Total Revenue
   (b) Average Revenue
   (c) Marginal Revenue
   (d) Zero Revenue

10. If TR = Total Revenue, Q = Quantity sold, and A is the rate of change, then ATR refers to —
   (a) Total Revenue
   (b) Average Revenue
   (c) Marginal Revenue
   (d) Zero Revenue

11. If Price = Z 50 and Quantity is 1,200 units, then Total Revenue =
   (a) Z 1,250
   (b) Z 1,150
   (c) 60,000
   (d) Z 50,000.

12. If Total Revenue = Z 1,00,000 when 20,000 units are sold, then Average Revenue =
   (a) Z 1,00,000
   (b) Z 20,000
   (c) Z 5
   (d) Z 1,20,000

13. If Total Revenue = Z 2,00,000 when 20,000 units are sold, then Average Revenue =
   (a) Z 1,00,000
   (b) Z 20,000
   (c) Z 10
   (d) Z 1,20,000

14. If a seller obtains Z 3,000 after selling 50 units and Z 3,100 after selling 52 units then MR will be—
    (a) 59.62
    (b) 50.00
    (c) 60.00
    (d) 59.80

15. When Price is Z 10, 5 units can be sold. When price is reduced to Z 9, 6 units can be sold. Here, Marginal Revenue will be —
    (a) Z 10
    (b) ! 9
    (c) Z 1
    (d) Z 4

16. When Price is Z 20, 5 units can be sold. When price is reduced to Z 19, 6 units can be sold. Here, Marginal Revenue will be —
    (a) Z 14
    (b) Z 27
    (c) Z 20
    (d) Z 19

17. When Price is Z 50, 12 units can be sold. When price is reduced to Z 48, 15 units can be sold. Here, Marginal Revenue will be —
    (a) Z 120
    (b) Z 40
    (c) Z 60
    (d) Z 2

18. When Price is Z 5, 40 units can be sold. When price is reduced to Z 4, 60 units can be sold. Here, Marginal Revenue will be —
    (a) Z 120
    (b) Z 40
    (c) Z 60
    (d) Z 2

19. If a Seller gets Z 10,000 by selling 100 units and Z 14,000 by selling 120 units, his Marginal Revenue is
    (a) Z 4,000
    (b) Z 450
    (c) Z 200
    (d) Z 100

20. When Price = Z 20, quantity demanded is 9 units, and when Price = Z 19, quantity demanded is 10 units. What is the Marginal Revenue resulting from an increase in output from 9 units to 10 units?
    (a) Z 20
    (b) 19
    (c) Z 10
    (d) 1

21. When Price = Z 20, quantity demanded is 15 units, and when Price = 18, quantity demanded is 16 units. What is the Marginal Revenue resulting from an increase in output from 15 units to 16 units?
    (a) Z 18 negative
    (b) 18 positive
    (c) Z 12 negative
    (d) Z 12 positive

22. As quantity increases, Total Revenue (TR) Curve —
    (a) Always increases
    (b) Always decreases
    (c) First increases, reaches a maximum, and then decreases.
    (d) First decreases, reaches a minimum, and then increases.

23. If Total Revenue (TR) increases, Marginal Revenue (MR) will be —
    (a) Positive
    (b) Negative
    (c) Zero
    (d) Infinity

24. If Total Revenue (TR) decreases, Marginal Revenue (MR) will be —
    (a) Positive
    (b) Negative
    (c) Zero
    (d) Infinity

25. If Total Revenue (TR) is maximum, Marginal Revenue (MR) will be —
    (a) Positive
    (b) Negative
    (c) Zero
    (d) Infinity

26. Generally, Marginal Revenue (MR) Curve —
    (a) Is parallel to X Axis
    (b) Is parallel to Y Axis
    (c) Slopes upward from left to right

(d) Slopes downward from left to right

27. Generally, Average Revenue (AR) Curve —
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

28. Generally, as quantity sold increases, Marginal Revenue (MR) and Average Revenue (AR) Curve —
(a) MR and AR increase
(b) MR and AR decrease
(c) MR increases but AR decreases
(d) MR decreases but MR increases

29. Generally, as quantity sold increases, Marginal Revenue (MR) Curve —
(a) Increases
(b) Decreases
(c) Remains constant
(d) Cannot be ascertained

30. Generally, as quantity sold increases, Average Revenue (AR) Curve —
(a) Increases
(b) Decreases
(c) Remains constant
(d) Cannot be ascertained

31. Let, Marginal Revenue = MR and Average Revenue = AR. Generally, as quantity sold increases —
(a) MR falls quickly than AR
(b) MR falls slowly than AR
(c) MR and AR fall at the same rate
(d) MR and AR do not change

32. Let, Marginal Revenue = MR and Average Revenue = AR. Generally, as quantity sold increases —
(a) AR falls quickly than MR
(b) AR falls slowly than MR
(c) AR and MR fall at the same rate
(d) AR and MR do not change

33. Marginal Revenue (MR) —
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero, but not negative.
(d) Can be positive or zero or even negative.

34. If Marginal Revenue (MR) Curve is depicted on a graph with Quantity on X axis —
(a) MR will not go below the X axis.
(b) MR may go below the X axis.
(c) MR cannot be depicted on the graph at all.
(d) None of the above

35. Average Revenue (AR) —
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero, but not negative.
(d) Can be positive or zero or even negative.

36. What is the relationship between AR and MR?
(a) AR and MR both are negatively sloped
(b) MR Curves always lies half—way between AR Curve and Origin
(c) AR and MR both can be zero or negative
(d) All of these

37. Average Revenue (AR) Curve denotes—
(a) Demand
(b) Supply
(c) Both (a) and (b)
(d) Neither (a) nor (b)

38. If Average Revenue (AR) Curve is depicted on a graph with Quantity on X axis —
(a) AR will not go below the X axis.
(b) AR may go below the X axis.
(c) AR cannot be depicted on the graph at all.
(d) None of the above

39. Which of the following is correct?
(a) If Marginal Revenue is positive and falling, Total Revenue will rise at a decreasing rate.
(b) Total Revenue is equal to price times the quantity sold.
(c) Marginal Revenue and Average Revenue can be calculated from Total Revenue.
(d) All of the above.

40. If Marginal Revenue = MR, Average Revenue = AR, and Price Elasticity of Demand = 'e' which of the following is correct?

41. If Marginal Revenue = MR, Price Elasticity Demand = `e', and e < 1, then MR will be —
(a) Positive
(b) Negative
(c) Zero
(d) Infinity

42. Marginal Revenue will be negative if Elasticity of Demand is —
(a) Less than one.
(b) More than one.
(c) Equal to one.
(d) Equal to zero.

43. If Marginal Revenue = MR, Price Elasticity of Demand = 'e', and e > 1, then MR will be —
(a) Positive
(b) Negative
(c) Zero
(d) Infinity

44. If Marginal Revenue = MR, Price Elasticity of Demand = `e', and e = 1, then MR will be —
(a) Positive
(b) Negative
(c) Zero
(d) Infinity

45. If Marginal Revenue = MR, Price Elasticity of Demand = `e', and MR is positive (i.e. MR > 0), e will be
(a) e > 1
(b) e < 1
(c) e = 1
(d) e = zero

46. If Marginal Revenue = MR, Price Elasticity of Demand = `e', and MR is negative (i.e. MR < 0), e will be
(a) e > 1
(b) e < 1
(c) e = 1
(d) e = zero

47. If Marginal Revenue = MR, Price Elasticity of Demand = `e', and MR = 0, e will be
(a) e > 1
(b) e < 1
(c) e = 1
(d) e = zero

48. If Average Revenue (AR) = ! 30, Price Elasticity of Demand (e) = 1.5, then MR will be
(a) Z 10
(b) Z 20
(c) Z 30
(d) Z Nil

49. If Average Revenue (AR) = Z 30, Demand (e) = 1, then MR will be —
(a) Positive
(b) Negative
(c) Zero
(d) Infinity

50. If Average Revenue (AR) = Z 30, Price Elasticity of Demand (e) = 0.5, then MR will be —
(a) Z 30 positive
(b) Z 30 negative
(c) Nil
(d) Infinity

51. If Average Revenue (AR) = 300, Price Elasticity of Demand (e) = 2.5, then MR will be

180
120
300
Nil

52. If Average Revenue (AR) =300, Price Elasticity of Demand (e) = 4, then MR will be —
(a) 105
(b) 225
(c) 300
(d) Nil

53. Given AR=5, Elasticity of demand =2 find MR—
(a) 2.5
(b) -2.5
(c) L 5
(d) 2.0

PROFIT MAXIMISATION

54. 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

55. In the short run, as the prices are fixed, Firms can maximize their profit when they operate at
(a) MC = MR
(b) MC > MR
(c) MC < MR
(d) MC = AC

56. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output, the conditions are —
(a) MC = MR
(b) MC Curve should cut MR Curve from below.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output —
(a) MC > MR
(b) MC < MR
(c) MC = MR
(d) None of the above,

58. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output —
(a) MC Curve should cut MR Curve from above.
(b) MC Curve should cut MR Curve from below.
(c) MC Curve should not cut MR Curve at all.
(d) MC Curve should be tangent to MR Curve.

59. If Marginal Cost = MC, and Marginal Revenue = MR, and MC < MR, the Firm should —
(a) Increase its output.
(b) Reduce its output
(c) Operate at the present level itself.
(d) Should shut down.

60. 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

61. What should Firm do when Marginal Revenue is greater than Marginal Cost?
(a) Firm should expand output
(b) Efforts should be made to make then equal
(c) Prices of the products should be lowered down
(d) All of the above

62. If Marginal Cost = MC, and Marginal Revenue = MR, and MC > MR, the Firm should —
(a) Increase its output
(b) Reduce its output
(c) Operate at the present level itself
(d) Should shut down

63. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output —
(a) MC Curve should have positive slope
(b) MC Curve should have negative slope
(c) MC Curve should be parallel to X Axis
(d) MC Curve should be parallel to Y Axis

64. Let Marginal Cost = MC, and Marginal Revenue =
MR. If MC Curve cuts MR from below, it means —
(a) MC Curve has a negative slope
(b) MC Curve has a positive slope
(c) MC Curve is parallel to X Axis
(d) MC Curve is parallel to Y Axis

65. Let Marginal Cost = MC, and Marginal Revenue
MR. If MC Curve cuts MR from above, it means —
(a) MC Curve is parallel to X Axis
(b) MC Curve is parallel to Y Axis
(c) MC Curve has a negative slope
(d) MC Curve has a positive slope

66. Let Marginal Cost = MC, and Marginal Revenue =
MR. If MC Curve cuts MR from above, it means —
(a) Firm is at equilibrium output level.
(b) Firm is below equilibrium output level.
(c) Firm is above equilibrium output level.
(d) Firm does not operate at all.

67. Let Marginal Cost = MC, and Marginal Revenue
MR. If MC Curve cuts MR from below, it means —
(a) Firm is at equilibrium output level.
(b) Firm is below equilibrium output level.
(c) Firm is above equilibrium output level.
(d) Firm does not operate at all.

68. If any unit of production adds more to revenue than to cost it will result into —
(a) Increase in Profit
(b) Decrease in Profit
(c) No change
(d) Loss

69. If any unit of production adds more to cost than to revenue it will result into —
(a) Increase in Profit
(b) Decrease in Profit
(c) No change
(d) Loss

70. When the Firm is said to be in equilibrium?
(a) When it maximizes its Profit
(b) When it maximizes its Losses
(c) When Revenue is equal to Cost
(d) None of these

71. When a Market is in equilibrium —
(a) No shortages exist.
(b) Quantity demanded equals quantity supplied.
(c) A price is established that clears the market.
(d) All of the above are correct.

72. Profits of the Firm will be more at —
(a) MR = MC
(b) AR > AC
(c) Both of the above
(d) None of these

73. Let Average Cost = AC, and Average Revenue = AR. If AR > AC, it means that the Firm —
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut—down

74. Let Average Cost = AC, and Average Revenue = AR. If AR = AC, it means that the Firm —
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut—down

75. Let Average Cost = AC, and Average Revenue = AR. If AR < AC, it means that the Firm —
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses in the economic sense
(d) Has to shut—down.

76. Let Average Cost = AC, and Average Revenue = AR. If AC < AR, it means that the Firm —
(a) Is earning Super—Normal Profits.
(b) Is earning Normal Profits.
(c) Is making Losses.
(d) Has to shut—down.

77. Let Average Cost = AC, and Average Revenue = AR. If AC = AR, it means that the Firm —
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut—down

78. Let Average Cost = AC, and Average Revenue = AR. If AC > AR, it means that the Firm —
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses in the economic sense
(d) Has to shut—down

79. When ..., the Firm will be earning just Normal Profits.
(a) AC = AR
(b) MC = MR
(c) MC = AC

(d) AR = MR

80. When does a Firm earn Normal Profits?
(a) When MR = MC
(b) When AR = AC
(c) When MR = AR = AC = AC
(d) None of these

81. What are conditions when the Firm earns Super—Normal Profit?
(a) Average Revenue is more than Average Cost
(b) Average Cost is more than Average Revenue
(c) MC Curve has negative slope
(d) MR Curve has positive slope

82. For earning super—normal profits, the condition is at the point when MC = MR (MC cutting from below)
(a) AR > AC
(b) AR = AC
(c) AR < AC
(d) None of the above.

83. For earning normal profits, the condition is at
the point when MC = MR (MC cutting from below)
(a) AR > AC
(b) AR = AC
(c) AR < AC
(d) None of the above.

84. For having economic losses, the condition is at
the point when MC = MR (MC cutting from below)
(a) AR > AC
(b) AR = AC
(c) AR < AC
(d) None of the above.

85. When , we know that the Firms are earning just Normal Profits.
(a) AC = AR
(b) MC = MR
(c) MC = AC
(d) AR = MR

86. The Average Profit is the difference between—
(a) AC and TC
(b) AC and VC
(c) AC and AR
(d) AC and TR

87. When AR= Z 10 and AC=Z 8, the Firm makes—
(a) Normal Profit
(b) Net Profit
(c) Gross Profit
(d) Super—Normal Profit

88. Which of the following statements is incorrect?
(a) If Marginal Revenue exceeds Marginal Cost, the Firm should increase output.
(b) If Marginal Cost exceeds Marginal Revenue the Firm should decrease output.
(c) Economic Profits are maximized when Total Costs are equal to Total Revenue.
(d) Profits are maximized when Marginal Revenue equals Marginal Cost.

89. Suppose that a Sole Proprietorship Firm is earning Total Revenues of Z 120,000 and is incurring Explicit Costs of Z 90,000. If the Owner could work for another Company for Z 50,000 a year, we would conclude that

(a) The Firm is incurring an Economic Loss
(b) Implicit Costs are Z 90,000
(c) The total Economic Costs are Z 100,000
(d) The Individual is earning an Economic Profit of Z 25,000

90. Suppose that a Sole Proprietorship is earning Total Revenue of Z 1,50,000 and is incurring Explicit Costs of Z 75,000. If the Owner could work for another Company for Z 30,000 a year, it can be concluded that

(a) The Firm is incurring an Economic Loss
(b) Implicit Costs are Z 25,000
(c) Total Economic Costs are Z 1,00,000

(d) The individual is earning an economic profit of Z 45,000

91. Suppose the Total Cost of Production of Commodity X is Z 1,25,000. Out of this Cost, Implicit Cost is Z 35,000 and Normal Profit is Z 25,000. What will be the Explicit Cost of Commodity X?
(a) Z 90,000
(b) Z 65,000
(c) Z 60,000
(d) Z 1,00,000

92. If the Total Product Cost for manufacturing of a commodity is Z 1,50,000. Out of this, Implicit Cost is Z 55,000 and Normal Profit is Z 25,000, what will be Explicit Cost?
(a) Z 95,000
(b) Z 1,25,000
(c) Z 80,000
(d) Z 70,000

SHUT DOWN POINT

93. Let Average Variable Cost = AVC, and Average Revenue = AR. If AR < AVC, it means that the Firm
(a) Is earning Super—Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses but need not shut—down
(d) Has to shut—down

94. Which of these is a condition for shut—down of a Firm?
(a) AR > AVC
(b) AR > AC
(c) AR < AC
(d) AR < AVC

95. A firm will close down in the short period, if AR is less than
(a) AVC
(b) AC
(c) M C
(d) None

96. If AR < AVC then the Firm —
(a) Will continue and make profits
(b) Will shut—down
(c) Will have losses but will not shut down
(d) Will increase the output

97. If AR < AVC and the Firm continues production, then
(a) Losses will be reduced
(b) Profits will be reduced
(c) Losses will increase
(d) Profits will increase

98. If AR < AVC and the Firm stops production, then —
(a) There is no profit no loss
(b) There is a Loss equivalent to Fixed Costs
(c) There is a Profit
(d) None of the above

99. What should Firm do if Total Revenue from its product does not equal or exceeds its Total Variable Cost?
(a) Firm should carry production
(b) Firm should stop the production
(c) Firm should carry production and at least try to get revenues equal to fixed cost
(d) None of these

100.In the short run, if the Firm cannot cover its Total Variable Cost —
(a) It continues its operations
(b) It shuts down its operations temporarily
(c) It shuts down its operations forever
(d) It makes more investments to make the operations viable

101.A Firm encounters its "Shut—Down 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.

102.At which of the following points, does the Marginal

Cost Curve meet the Average Variable Cost Curve?

(a) Shut Down Point
(b) Break Even Point
(c) Equilibrium Point
(d) Profit Maximization Point

103."I am making a loss, but with the rent I have to pay,

I can't afford to shut down at this point of time." If this Entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short-run is

(a) Rational, if the Firm is covering its Variable Cost.
(b) Rational, if the Firm is covering its Fixed Costs.
(c) Irrational, since Plant Closure is necessary to eliminate losses.
(d) Irrational, since Fixed Costs are eliminated if a Firm shuts down.

104.At Shut-Down Point -

(a) Price is equal to AVC
(b) Total Revenue is equal to TVC
(c) Total Loss of the Firm is equal to TFC
(d) All of the above

105. Long-Run Normal Prices is that which is likely to prevail

(a) All the times
(b) In market period
(c) In short-run period
(d) In long-run period

106.In the long-run, if the Firm is unable to cover the Average Total Cost then it -

(a) Decreases the Selling Price
(b) Increases the Labour to increase production
(c) Decreases the Labour to decrease prediction
(d) Moves out of the business

107.In the long-run, any Firm will eventually leave the industry if -

(a) Price does not at least cover Average Total Cost
(b) Price does not equal Marginal Cost
(c) Economies of Scale are being reaped
(d) Price is greater than Long Run Average Cost

108.In the long-run, Firms will exit the market if the

price of the good offered for sale is less than -

(a) Marginal Revenue
(b) Marginal Cost
(c) Average Total Cost
(d) Average Revenue

109.In the long run, there is enough time for the Firm to cover its Losses and earn Normal Profits. This is because in the long run, all inputs are -

(a) Identical
(b) Homogenous
(c) Variable
(d) Fixed

COMPREHENSIVE PROBLEMS

A Competitive Firm sells as much as of its product as it chooses at a Market Price of 2100 per unit. Its Fixed Costs are 2300 and its Variable Costs for different levels of production are shown in the following table. Use the following table and answer the next 14 questions.

Quantit	TVC	TFC	TC	AVC	AFC	AC	MC
0	0						
5	250						
10	470						
15	700						
20	980						
25	1350						
30	1850						
35	2520						
40	3400						
45	4530						
50				595			

110.When Production is 10 units, AVC will be -

(a) Z 50.00
(b) Z 47.00
(c) Z 46.67
(d) Z 49.00

111.When Production is 10 units, AC will be -

(a) Z 50.00
(b) Z 97.00
(c) Z 77.00
(d) ! 110.00

112.When Production is 20 units, AVC will be -
(a) Z 50.00
(b) Z 47.00
(c) Z 46.67
(d) Z 49.00

113.When Production is 20 units, AC will be -
(a) Z 50.00
(b) Z 64.00
(c) Z 77.00
(d) Z 88.00

114.When Production is 30 units, AVC will be -
(a) Z 56.67
(b) Z 61.67
(c) Z 46.67
(d) Z 66.67

115.When Production is 30 units, AC will be -
(a) Z 66.67
(b) 71.67
(c) Z 56.67
(d) Z 76.67

116.When Production is 40 units, AVC will be -
(a) Z 85.00
(b) Z 82.50
(c) Z 92.50
(d) Z 95.00

117.When Production is 40 units, AC will be -
(a) Z 85.00
(b) 82.50
(c) Z 92.50
(d) 95.00

118.When Production is 50 units, AVC will be -
(a) Z 100.00
(b) Z 110.00
(c) Z 119.00
(d) Z 125.00

119.When Production is 50 units, AC will be -
(a) Z 100.00
(b) Z 110.00
(c) Z 119.00
(d) Z 125.00

120.AC is minimum when output is -
(a) 10 units
(b) 20 units
(c) 30 units
(d) 40 units

121.MC Curve will cut AC Curve when output is -
(a) 10 units
(b) 20 units
(c) 30 units
(d) 40 units

122.To maximize Profit, the Firm should produce -
(a) 15 units
(b) 30 units
(c) 35 units
(d) 50 units

123.If the Market Price drops from Z 100 to Z 56, the Firm's short run response should be -
(a) Shut down
(b) Produce 5 units
(c) Produce 20 units
(d) Continue to produce the same number of units as before the drop in price.

Use Table to answer the following 4 questions.

Bozzo's burgers is a small restaurant and a price taker. The table below provides the data of Bozzo's output and costs in Rupees.

Qty	TC	FC	AVC	AC	**MC**
0	100	-	-		-
10	210				
20	300				
30	400				
40	540				
50	790				
60	1060				

124.If burgers sell for Rs14 each, what is Bozzo's profit maximizing level of output :

(a) 10 burgers
(b) 40 burgers
(c) 50 burgers
(d) 60 burgers

125.What is the total variable cost when 50 burgers are produced?

(a) Z 690
(b) 2960
(c) 2110
(d) Z 440

126.What is average fixed cost when 20 burgers are produced?

(a) Z 5
(b) Z 3.33
(c) Z 10
(d) Z 2.5

127.Between 10 to 20 burgers, what is the marginal cost (per burger)?

(a) Z 11
(b) Z 13
(c) Z 14
(d) Z9

Use Table to answer the following 5 questions.

The following table provides cost and price information for an individual firm. The first two columns represent the demand curve that the firm faces. The firm has a fixed amount of capital equipment, but can change the level of other inputs such as labour and materials. Calculate the missing values in the table, and use the table to answer the below questions. (Make sure you answer each question using the production level specified.)

Q	P	TC	TVC	**MC**	TR	**MR**
0	130	45				
1	124	88				
2	118	125				
3	112	159				
4	106	193				
5	100	230				
6	94	273				
7	88	325				
8	82	389				
9	76	465				

128.When production equals 4 units, the firm's:

(a) Fixed cost is 100 and its variable cost is 93.
(b) Fixed cost is 193 and its variable cost is 0.
(c) Fixed cost is 0 and its variable cost is 193,
(d) Fixed cost is 45 and its variable cost is 148.

129.When production equals 5 units, the firm's Total Revenue is:

(a) Z 100
(b) Z 270
(c) Z 324
(d) Z 500

130.When production equals 6 units, the firm's marginal revenue is:

(a) Z 384
(b) Z 94
(c) Z 64
(d) Z 2.

131.When production equals 7 units, the firm's profit is:

(a) +6Z 0
(b) Z 41.57
(c) Z 291
(d) Z 336

132.To maximize its profit, the firm should produce:

(a) 0 units.
(b) 3 units.
(c) 5 units.
(d) 7 units.

Production optimisation

1. The term "Iso" means —
   (a) Single
   (b) Unequal
   (c) Equal
   (d) Similar

2. Isoquant represents
   (a) Constant quantity of input
   (b) Variable quantity of input
   (c) Variable quantity of output
   (d) Constant quantity of output

3. _________ represents all those combinations of

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inputs which are capable of producing the same level of output.
(a) Isoquant
(b) Isocost
(c) Isoprice
(d) None of the above

4. Isoquants are also called —
(a) Equal—Product Curves
(b) Production Indifference Curves
(c) Isoproduct Curves
(d) All the above

5. Isoquants
(a) Are concave to the origin
(b) Touched both the axis
(c) Are non—intersecting
(d) Are positively sloped

6. Isocost Lines are also called —
(a) Equal cost Lines
(b) Budget Line -
(c) Budget constraint Line
(d) All the above

7. _________ shows the various alternative combinations of two Factor Inputs, which a Firm can buy with given amount of money.
(a) Isocost Lines
(b) Isoproduct Lines
(c) Isoprice Lines
(d) Isoquant lines

8. Which of the following statements is true?
(a) All points on a Budget Line would cost the Firm the same amount.
(b) Whatever the combination of Factor Inputs the Firm chooses, the Total Cost to the Firm remains the same.
(c) A change in the relative Input Price will cause a change in the slope of the Isocost Line.
(d) All the above

9. The point of **tangency** between any Isoquant and an Isocost Line gives the
(a) highest—cost combination of inputs and maximum level of output that can be produced
(b) lowest—cost combination of inputs and minimum level of output that can be produced
(c) lowest—cost combination of inputs and maximum level of output that can be produced
(d) highest—cost combination of inputs and minimum level of output that can be produced

10. A line joining **tangency points** of Isoquants and Isocosts is called
(a) Expansion Path
(b) Contraction Path
(c) Constant Path
(d) None of the above

1	2	3	4	5	6	7	8	9	10
c	d	a	d	c	d	a	d	c	a

Revenue concept ANSWERS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	b		cc	b	b	a	a	b	c	c		cc	b	d	a	a	b	a	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
	cc	a	b	c	d	d	b	b	b	a	b	d	b	c	a	a	a	d	a

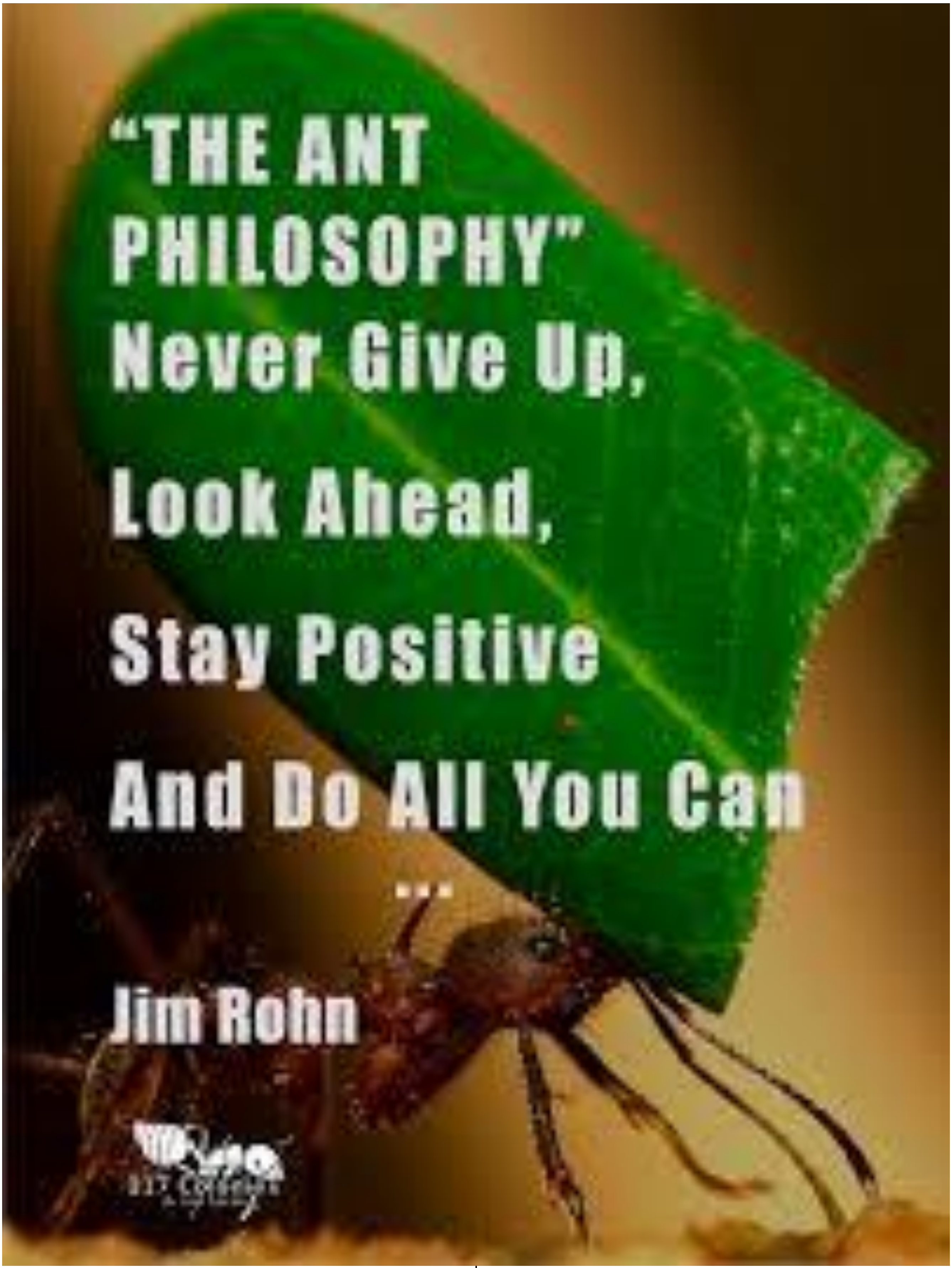
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
b	a	a	c	a	b	c	a	c	b	a	c	a	b	a	c	c	b	a	d

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
a	b	a	b	c	b	a	a	b	a	d	c	a	b	c	a	b	c	a	b

81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
a	a	b	c	a	c	d	c	a	d	b	d	d	d	b	b	c	b	b	b

101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
b	a	a	b	d	d	a	c	c	b	c	d	b	b	b	a	c	c	d	b

121	122	123	124	125	126	127	128	129	130	131	132
b	b	c	b	a	a	d	d	d	c	c	d


"THE ANT PHILOSOPHY"
Never Give Up,
Look Ahead,
Stay Positive
And Do All You Can
...
Jim Rohn

MARKETS BASICS

1. In Economics, a place where Buyers and Sellers meet and bargain over a commodity for a price is called—
   a) Den
   b) Shop
   c) Market
   d) Exchange

2. Which of the following statements best describe a "Market"?
   a) Place where Shares and Securities are bought and sold.
   b) Place where Fruits and Vegetables are bought and sold.
   c) Place where Buyers and Sellers meet and bargain over a commodity for a price.
   d) Place where transactions takes place.

3. Which of these is not a feature of Market?
   a) Buyers and Sellers.
   b) Commodity, Product or Service.
   c) Bargaining for a Price
   d) Government Regulation and Control

4. Which of these is a feature of Market?
   a) Perishable Nature of the commodity
   b) Government Regulation and Control
   c) One Price for a Product or Service at a given time
   d) Scarcity of Resources

5. Which of the following is an element of Market Structure?
   (a) Buyers & Sellers
   (b) A product or service
   (c) Bargaining for a Price
   (d) All of the above

6. The Market for ultimate consumers is known as ___
   (a) Whole Sale Market
   (b) Retail Market
   (c) Unregulated Market
   (d) Regulated Market

7. Which of these is not a Market Structure in Economics?
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) Intense Competition

8. Which of these is a Market Structure in Economics?
   (a) Stock Exchange
   (b) Reserve Bank of India
   (c) Oligopoly
   (d) Government of India

9. Which of the following types of competition is just a theoretical economic concept, not a realistic case where actual competition and trade take place?
   (a) Monopoly
   (b) Oligopoly
   (c) Perfect Competition
   (d) Monopolistic Competition

10. Free Entry / Exit is a characteristic feature of —
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) (a) and (c)

11. Free Entry / Exit is a not a characteristic feature of —
   (a) Perfect Competition
   (b) Monopoly
   (c) Monopolistic Competition
   (d) All the above.

12. Free Entry / Exit is possible in —
   (a) short—run
   (b) long—run
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)

13. Short run price is also known as:
   (a) Market price

(b) Showroom price
(c) Maximum retail price
(d) None of these

14. The market for Foodgrains, Cereals, Vegetables, etc. closely resembles —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

15. Railways is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

16. Air Travel Service Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

17. Electricity Supply Service is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

18. Bottled Cool Drinks Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

19. Agricultural Goods markets depict characteristics close to —
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) Monopolistic Competition

20. Which of the following is an Oligopoly?
(a) Mobile Industry
(b) Cold Drink
(c) Automobile
(d) All of these

21. Toothpaste Manufacturing Industry is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

22. Automobile (Cars) Manufacturing Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

23. Toilet Soaps Industry is an example of —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

24. Mobile Phone Service Providers is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

25. The structure of the Cold Drink Industry in India is best described as
(a) Perfectly Competitive
(b) Monopolistic
(c) Monopolistically Competitive
(d) Oligopolistic

26. The conditions of Firm Equilibrium, i.e. MC = MR, and MC cuts MR from below, is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) All of the above.

27. In which of the following market conditions, does a Firm maximizes its profit when its Marginal Revenue is equal to Marginal Cost?
(a) Perfect Competition
(b) Monopoly Monopolistic Competition
(c) All of the above.

28. What is the other name given for Average Revenue Curve?
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve

29. Which of the following is not a characteristic feature common to both Monopolistic Competition and Perfect Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

30. As in Perfect Competition, the Firms operating in a monopolistically competitive industry can realize only Normal Profits in the long run because
(a) The Firms tend to have diseconomies of scale in the long run
(b) There are virtually no entry or exit barriers
(c) Consumers are more price sensitive in the long ruin that in the short run
(d) Cartels agreements tend to be more unstable with the increase of time as member Firms try to increase their profits by cheating on the agreement

31. The relationship Firm = Industry is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

32. In which of the following market structures is the demand curve of the market is represented by the demand curve of the Firm?
(a) Monopolistic competition
(b) Perfect Competition
(c) Monopoly
(d) Oligopoly

33. The AR Curve and Industry Demand Curve are same in the case of —
(a) Monopoly
(b) Oligopoly
(c) Perfect Competition
(d) None of the above

34. Why is the Demand Curve of the Market in Monopoly is represented by the Demand Curve of the Firm?
(a) Because there are many Firm in the market
(b) Because there is only one Firm in the market
(c) Because there is only one buyer in the market
(d) Because there are many buyers in the market

35. The relationship Industry = Large Number of Firms, is applicable for —
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Both (a) and (b)

36. The relationship Industry = a Few Firms, is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

37. Which among the following market structures has the highest product differentiation?
(a) Pure or Perfect Competition
(b) Monopolistic Competition
(c) Oligopoly
(d) Monopoly

38. Which among the following market structures has the highest price elasticity?
(a) Pure or Perfect Competition
(b) Monopolistic Competition

(c) Oligopoly
(d) Monopoly

39. Which of the following market forms will never suffer losses in the short run?
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) None of these

40. Under which of the following market structures is the price lower and output larger?
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Oligopoly

41. 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

42. Under which of the following forms of market structure does a Firm has no control over the price of its product
(a) Monopoly
(b) Monopolistic competition
(c) Oligopoly
(d) Perfect Competition

43. A market structure in which many Firms sell products that are similar but not identical is known as —
(a) Monopolistic Competition A
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

44. Which of the following types of market structure is the exact opposite of Perfect Competition?
(a) Monopolistic competition
(b) Monopoly
(c) Oligopoly
(d) Duopoly

45. Which of the following statements about Price and Marginal Cost (MC) in competitive and monopolized markets is true?
(a) In Competitive Markets, Price = MC; in monopolized Markets, Price > MC.
(b) In Competitive Markets, Price = MC; in Monopolized Markets, Price = MC.
(c) In Competitive Markets, Price > MC; in Monopolized markets, Price > MC.
(d) In Competitive Markets, Price > MC; in Monopolized markets, Price = MC.

46. In which of the following types of market structures
can a Firm earn abnormal profits in the long run?
(a) Perfect Competition
(b) Monopolistic competition
(c) Monopoly
(d) None of the above

47. In which of the following types of market structure, do Firms produce homogeneous products?
(a) Monopoly
(b) Differentiated Oligopoly
(c) Perfect Competition
(d) Monopolistic Competition

48. Which of the following statements is incorrect?
(a) Even Monopolist can earn 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.

49. Which of the following statements is not true with respect to the long run?
(a) A Firm in a monopolistically competitive industry earns only normal profits in the long run
(b) A Monopolist does not make losses

(c) A Perfectly Competitive Firm earns only normal profits in the long run
(d) Monopolistically Competitive Firms will be producing at minimum average cost

50. P = MR = MC = AC = is the condition of —
(a) Long run equilibrium for a Firm under Perfect Competition
(b) Long run disequilibrium for a Firm
(c) Long run equilibrium for a Firm under Monopoly
(d) Long run equilibrium for a Firm under Monopolistic competition

51. Which of the following features is not seen in Imperfect Competition?
(a) Few Sellers
(b) Product Differentiation
(c) Price wars
(d) All goods are Homogenous

52. Market situation in which there are **only two Firms** in the market
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

53. A market characterized by a **Single Buyer** of a product or service.
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

54. A market characterized by a **small number of large buyers.**
(a) Monoposony
(b) Bilateral Monopoly Duopoly
(c) Oligopsony

55. A market structure in which there is only a **Single Buyer and a Single Seller**
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopsony

56. Duopoly is a market situation in which —
(a) there are **only two Firms** in the market
(b) there is a **Single Buyer** of a product or service
(c) there is only a **Single Buyer and a Single Seller**
(d) none of the above

57. A person who charges different prices in different sub—markets is —
(a) Discriminating Monopolists
(b) Simple Monopolists
(c) Selective Monopolists
(d) None of the above

PERFECT COMPETITION

1. In India which of the following best describes a perfectly competitive market?
(a) Sugarcane Cultivation
(b) Indian Railways
(c) Toilet Soap Industry
(d) Electricity Distribution

2. Which industry best fits the description of a Perfectly Competitive market?
(a) Automobile
(b) PC
(c) Soft—drinks
(d) Agriculture

3. Under Perfect Competition, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

4. Under Pure Competition, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

5. 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

6. Which of the following is not true about perfect competition?
(a) Purchase and sale of homogeneous goods
(b) Mobility of factors of production
(c) Free entry and exit
(d) Presence of advertisement

7. Under Perfect Competition, the product is —
(a) Differentiated
(b) Homogeneous
(c) Influenced by Brand Name
(d) Always Intangible

8. Under Perfect Competition, each Firm is a
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

9. Price under perfect competition is determined by —
(a) Firm
(b) Industry
(c) Government
(d) Society

10. In a perfect competition, who set the prices:
(a) Buyers
(b) Sellers
(c) Both buyers and sellers
(d) Government

11. The assumptions of large number of Sellers and product homogeneity in Perfect Competition, implies that all individual Firms in Perfect Competition are —
(a) Price Takers
(b) Price Movers
(c) Price Givers
(d) Price Offerers

12. In which competition, firm has no control over price?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic Competition
(d) Oligopoly

13. In a Perfect Competitive Market —
(a) Firm is the Price—Giver and Industry is the Price Taker
(b) Firm is the Price Taker and industry is the Price—Giver
(c) Both are Price Takers
(d) none of the above

14. The distinction between a single firm & an Industry vanishes in which of the following market condition
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Imperfect competition

15. How are prices determined under Perfect Competition?
(a) At the equilibrium price of Firm
(b) At the equilibrium prices of Industry
(c) At the point where MR = MC
(d) All of these

16. Under Perfect Competition, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

17. Under Perfect Competition, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic

(d) Infinity

18. In a Perfectly Competitive Market, the Demand Curve is
(a) Relatively inelastic
(b) Unitary elastic
(c) Relatively elastic
(d) Infinitely elastic

19. Under Perfect Competition, the Firm's Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

20. 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

21. In India, the Milk Market resembles a perfectly competitive industry. If the industry is an increasing cost industry, the long run supply curve of the industry
(a) Slopes upward to the right
(b) Slopes downward to the right
(c) Would be a vertical straight line
(d) Would be horizontal straight line

22. Under Perfect Competition, a Firm can earn in the long—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

23. Under Perfect Competition, in the long—run, a Firm
(a) will not have excess capacity.
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

24. Under Perfect Competition, in the long—run, a Firm
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

25. Which of these is not a feature of Perfect Competition?
(a) Large Number of Buyers & Sellers
(b) Homogeneous Products
(c) Free Entry / Exit
(d) Preference of Consumers towards one Supplier

26. Which of the following is a feature of Perfect Competition?
(a) Firms are free to produce any number of units of different commodities
(b) Firms are free to enter and exit from the industry
(c) Firms are free to produce any type of a commodity
(d) None of the above

27. One of the essential conditions Perfect Competition is —
(a) Product Differentiation
(b) Multiplicity of prices for identical product at any one time
(c) Many Sellers and few Buyers
(d) Only one price for identical goods at any one time

28. Which of the following is true about Perfect Competition?
(a) Firms can enter freely in the market but it is difficult to exit from the market
(b) Firms face difficulty in entering the market, but Firms can freely exit from the market
(c) Entry and exit in the market is highly restricted
(d) Firms are free to enter and exit the market

29. Which of the following statements regarding Perfect Competition is false?
(a) Supply and Demand forces determine the price of a commodity
(b) All Buyers in the Market are always in position to influence the market
(c) In the short run, the Firm takes Market Price as given
(d) Considering the Market Price, Firm adjusts the level of output to maximize profits

30. Which of these is not a feature of Perfect Competition?
(a) Restriction in Entry of new Firms
(b) Perfect Knowledge
(c) Efficient Transportation Facilities
(d) Uniform Market Price

31. Which of the following is not a condition of Perfect Competition?
(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

32. 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

33. Which of the following is not a characteristic of a Perfectly Competitive Market?
(a) Large number of Buyers and Sellers
(b) Homogeneous Product
(c) Free entry and exit of Firms
(d) Presence of high transportation costs

34. Which of these is not a feature of Perfect Competition?
(a) Free Entry / Exit
(b) Lack of Perfect Knowledge
(c) Inefficient Transportation Facilities
(d) Mobility of Factors of Production

35. Which of the following is not a characteristic feature of Perfect Competition?
(a) All the sellers sell at the same price
(b) All the products are homogenous
(c) Customers have no bargaining power
(d) Customers have no purchasing power

36. Which of the following statements regarding Perfect Competition is false?
(a) The Marginal Revenue Curve is a straight line
(b) In the short run, Fixed Costs remain constant and cannot be changed
(c) The Firm becomes a Price—Taker and tries to achieve equilibrium
(d) Marginal Revenue is more than the price

37. Under Perfect Competition, all output can be sold —
(a) at different prices
(b) at the same price only
(c) at zero price
(d) only when Buyers are willing to buy.

38. Which of the following statements is false in a Perfectly Competitive Market with constant returns to scale?
(a) The long run average cost curve will be horizontal at each Firm's minimum average cost
(b) The long run average cost curve will be horizontal at each Firm's zero—profit price
(c) The long run equilibrium in a competitive industry will be one with no economic profit
(d) With a constant increase in one input, keeping other inputs constant, the output could be increase

39. Under Perfect Competition, Demand (D) =
(a) Average Revenue (AR)
(b) Marginal Revenue (MR)
(c) Price (P)

(d) All of the above

40. Which of the following curves resembles the Demand Curve in a Perfect Competition?
(a) Average Cost Curve
(b) Marginal Utility Curve
(c) Average Utility Curve
(d) Average Variable Cost Curve

41. Which of the following statement is not true about Perfect Competition?
(a) The Demand Curve is also the Firm's Average Revenue Curve
(b) The Demand Curve is a horizontal line. Demand increases as price increases
(c) Supply increases as price decreases

42. Under Perfect Competition price of the Product
(a) can be controlled by individual Firm
(b) cannot be controlled by individual Firm
(c) can be controlled within certain limit by individual Firm
(d) none of the above

43. 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

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

45. Which of the following is not a characteristic of a "Price Taker"?
(a) TR = P xQ
(b) AR = Price
(c) Negatively — sloped Demand Curve
(d) Marginal Revenue = Price

46. 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 la kh
(d) The individual Firm is unable to affect market price through its output decisions

47. For the 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

48. 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

49. A Perfectly Competitive Firm Producer has control over —
(a) Price
(b) Production as well as price
(c) Control over production, price and consumers
(d) None of the above

50. Under Perfect Competition, Demand (D) = AR = MR = Price. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

51. Under Perfect Competition, Total Revenue is equal to Marginal Revenue times the quantity sold. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

52. If a Competitive Firm doubles its output, its Total Revenue —
(a) doubles
(b) more than doubles
(c) less than doubles
(d) cannot be determined because the price of the good may rise or fall

53. In Perfect Competition, a Firm can maximize its profit in short—run only when —
(a) Average Revenue is more than Marginal Revenue
(b) Marginal Revenue is equal to Total Cost
(c) Average Revenue is equal to Marginal Cost
(d) Marginal Cost is equal to Marginal Revenue

54. A Competitive Firm maximizes profit at the output level where —
(a) Price equals Marginal Cost.
(b) Slope of the Firm's profit function is equal to zero.
(c) Marginal Revenue equals Marginal Cost.
(d) All of the above.

55. In Perfect Competition, when Marginal Cost Marginal Revenue, Profit is
(a) Maximum
(b) Average
(c) Zero
(d) Not Possible

56. In Perfect Competition, a Firm maximizing its profits will set its output at that level where —
(a) Average Variable Cost = Price
(b) Marginal Cost = Price
(c) Fixed Cost = Price
(d) Average Fixed Cost = Price

57. Which of the following market situations explains Marginal Cost equal to Price for attaining equilibrium?
(a) Perfect Competition.
(b) Monopoly
(c) Oligopoly.
(d) Monopolistic Competition.

58. In a Perfectly Competitive Market, if MC = Marginal Cost, MR = Marginal Revenue, AR = Average Cost and P = Price, the first order condition for profit maximization will be —
(a) MC< MR<AR< P
(b) MC= MR=AR=P
(c) MC> MR>AR> P
(d) MC=MR>AR=P

59. 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

60. Under the Perfect Competition a Firm will be in Equilibrium when —
(a) MC = MR
(b) MC cuts MR from below
(c) MC is rising when it cuts MR
(d) All of the above

61. Under Perfect Competition, a Firm can earn in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

62. Under Perfect Competition, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

63. Under Perfect Competition, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

64. Under Perfect Competition, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

65. In the short run, if a Perfectly Competitive Firm finds itself operating at a loss, it will —
(a) reduce the size of its plant to lower fixed costs.
(b) raise the price of its product.
(c) shut down.
(d) continue to operate as long as it covers its variable cost.

66. Under Perfect Competition, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

67. Which of the following is true with reference to shut down point in a Perfect Competition?
(a) The profits of the Firm equals its total costs
(b) At that output level the price covers the average fixed costs of the Firm
(c) At that output level the price covers the average variable costs of the Firm
(d) At that output level the price covers the average total costs of the Firm

68. If the price falls below the Minimum Average Variable Cost, a Firm operating under Perfect Competition should, in the short run,
(a) Produce an output where MR = MC
(b) Reduce its output so as to increase the price and profits
(c) Stop production (output) until price increases
(d) Continue to produce in the short run, but not in long run

69. In Perfect Competition, a Firm increases profit when exceeds
(a) Total Cost, Total Revenue
(b) Marginal Cost, Marginal Revenue
(c) Total Revenue, Total Fixed Cost
(d) Average Revenue, Average Cost

70. In a perfectly competitive markets, if MR is greater than MC then a firm should—
(a) Increase its production
(b) Decrease its production
(c) Increase in sales
(d) Decrease in sales

71. In Perfect Competition, a Firm's Profit diminishes when _______exceeds
(a) Marginal Revenue, Marginal Cost
(b) Marginal Cost, Marginal Revenue
(c) Marginal Revenue, Average Cost
(d) Average Revenue, Average Cost

72. In a perfectly competitive market, in the long run, competitive prices equal the minimum possible cost.
(a) Marginal
(b) Variable
(c) Total
(d) Average

73. Under Perfect Competition, the burden of a specific tax would be borne by —
(a) Seller
(b) Buyer
(c) Seller and buyer equally
(d) Cannot say

74. Under Perfect Competition, the condition for equilibrium is AR = MR = MC = AC. This is for
(a) short—run
(b) long—run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

75. Under Perfect Competition, in the long—run, the LAC Curve will be ____ to the AR Curve.
(a) tangent
(b) perpendicular
(c) parallel
(d) coinciding

76. Under Perfect Competition, in the long—run, the ______ will be tangent to the AR Curve.
(a) LAC Curve
(b) LMC Curve
(c) Demand
(d) Supply

77. Under Perfect Competition, in the long—run, the industry is said to be in equilibrium, if —
(a) All the Firms are earning normal profits only.
(b) There is no further entry or exit of Firms to / from the market.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Under Perfect Competition, in the long—run, if SMC = SAC = LAC = LMC = LMR = LAR = Price, then the industry is said to be —
(a) Growing
(b) in troubled times
(c) in Equilibrium
(d) inefficient

79. In the long—run, Industry Equilibrium is achieved if SMC = SAC = LAC = LMC = LMR = LAR = Price. This condition is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

80. Under Perfect Competition, the condition for Industry Equilibrium, i.e. SMC = SAC = LAC = LMC = LMR = LAR = Price, is applicable for —
(a) short—run
(b) long—run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

81. When the Perfectly Competitive Firm and industry are in long run equilibrium then —
(a) P=MR=SAC=LAC.
(b) D=MR=SMC=LMC.
(c) P=MR=Lowest point on the LAC curve.
(d) All of the above.

82. In the long run, the Pure Competition Firm can have
(a) Super Normal Profit
(b) Normal Profits
(c) Losses
(d) All of these

83. In Long run which of the following is true for a perfect competition
(a) Industry is operating at minimum point of AC curve
(b) MC is greater than MR
(c) AFC is less than AVC
(d) Price is less than AC

84. In Perfect Competition, in the long run —
(a) There are large Profits for the Firm
(b) There are large Losses for the Firm
(c) There is no super—normal profit and no loss for the Firm
(d) There are negligible profits for the Firm

85. What are the conditions for long—run equilibrium of the Competitive Firm?
(a) LMC = LAC = P
(b) SMC = SAC = LMC
(c) P = MR
(d) All of these

86. Under Perfect Competition, in the long—run, Output is produced at —
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

87. Under Perfect Competition, in the long—run, LAC refers to —
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

88. Under Perfect Competition, in the long—run, resources will be —
(a) fully used
(b) partially used
(c) not used at all
(d) wasted

89, Excess Capacity is not found under —
(a) Monopoly
(b) Monopolistic Competition
(c) Perfect Competition.
(d) Oligopoly.

90. Under Perfect Competition, the Firm's AR and MR Curve will be the same as —
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

91. Under Perfect Competition, the Firm's Demand Curve will be the same as —
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

92. Under Perfect Competition, the Firm's MC Curve will be the same as —
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

93. Under Perfect Competition, the Firm's Supply Curve will be the same as —
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Marginal Cost (MC) Curve
(d) Average Cost (AC) Curve

94. Under Perfect Competition, the Firm's Supply Curve will be the same as Marginal Cost (MC) Curve for —
(a) the portion above AVC
(b) the portion below AVC
(c) Both (a) and (b)
(d) Neither (a) nor (b)

95. Normally, in the short run, the supply curve of a perfectly competitive Firm slopes
(a) Downward from left to right
(b) Upward from right to left
(c) Upward from left to right
(d) Downward from right to left

96. The short—run supply curve of the Perfectly Competitive Firm is given by —
(a) Rising Portion of its MC Curve over and above the Shut—Down Point
(b) Rising Portion of its MC Curve over and above the Break—Even Point
(c) Rising Portion of its MC Curve over and above the AC Curve
(d) Rising Portion of its MC Curve

97. 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

98. In Perfect Competition, in the long run, if a new Firm enters the industry, the Supply Curve shifts to the right resulting in —
(a) Fall in Price
(b) Rise in Price
(c) Reduction in Supply
(d) No change in Price

A Competitive Firm sells its product at Market Price of Z 51 per unit. The Fixed Cost is 300 and Variable Cost for different level of production are shown in the following table. Answer the following questions

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0						
10	470					
20	980					
30	1850					
40	3400					
50	950				.	

99. When production is 30 units, the Average Variable Cost is —
(a) 70.6
(b) 60.6
(c) 61.6
(d) 71.6

100. When Production is 50 units, Marginal Cost is —
(a) 265
(b) 255
(c) 245
(d) 275

101.To maximize profit, the Firm should produce —
(a) 30 units
(b) 10 units
(c) 20 units
(d) 40 units

102.If the Market Price drops from Z 51 to Z 47, the Firm should —
(a) Close down
(b) Produce 10 units
(c) Produce 30 units
(d) Produce 20 units

Monopoly

1. Under Monopoly, there is / are______Seller(s).
(a) Many
(b) Only one
(c) A Few
(d) No

2. Under Monopoly, the product is —
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

3. In Monopoly, entry of new Firms —
(a) is restricted at all times
(b) is possible only in short—run
(c) is possible only in long—run
(d) both (b) and (c)

4. Under Monopoly, each Firm is a
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

5. Monopolist can control only
(a) Price
(b) Demand
(c) Utility
(d) Both (a) & (b)

6. Which of the following is false regarding Monopoly?
(a) Firm is a price taker
(b) Unique product
(c) Single Seller
(d) None of the above

7. Under which of the followings forms of market structure does a firm has very considerable control over the price of its product?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

8. A Monopoly will not be a Perfect Monopoly, if cross elasticity of demand of the related goods is
(a) High
(b) Low
(c) One
(d) Zero

9. Which of the following best describes Monopoly?
(a) An indisputable market leader in an industry
(b) Only a single buyer in the market
(c) A single seller with large control over the price in the industry
(d) Only a single seller with complete control over the industry

10. In India, Monopoly exists in the following industry —
(a) Courier Services
(b) Internet Services providing industry
(c) Rail Transportation
(d) Toilet Soaps Industry

11. A Market in which a Single Seller is required for efficient production is called —
(a) Regulated Industry
(b) Natural Monopoly
(c) Legal Monopoly
(d) Contestable Market

12. If the Electricity Market is a Natural Monopoly, it is preferred to have a single producer rather than several small producers because —
(a) Marginal Cost is maximized
(b) Marginal Revenue is maximized
(c) Average Total Cost is minimized
(d) Profits are maximized

13. By Imperfect Monopoly, we mean —
(a) It is possible to substitute the Monopolized product with another monopolized product
(b) Entry of new Firms is possible to produce the same product
(c) The amount of output produced is very small
(d) None of the above

14. Under Monopoly, each Firm's control over price is —
a) Nil
b) Full and Absolute
c) Subject to Competing Firms' Strategies
d) None of the above.

15. In case of a profit maximizing Monopolist, what point determines the Selling Price?
(a) Point where marginal cost equals average revenue
(b) Point where average cost equals marginal revenue
(c) Point where average cost equals average revenue
(d) Point where marginal cost equals marginal revenue

16. Under Monopoly, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

17. Under Monopoly, the Firm's Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

18. The Demand Curve facing an industrial Firm under Monopoly is a/an —
(a) Horizontal Straight Line
(b) Indeterminate
(c) Downward Sloping
(d) Upward Sloping

19, A Monopolist who faces a negatively sloped demand curve operates in the region where the elasticity of demand is —
(a) Less than one
(b) Equal to one
(c) Greater than one
(d) Between zero and one

20. In Monopoly, the relationship between Average and Marginal Revenue Curves is as follows:
(a) AR Curve lies above the MR Curve.
(b) AR Curve coincides with the MR Curve.
(c) AR Curve lies below the MR Curve.
(d) AR Curve is parallel to the MR Curve.

21. Under Monopoly, a Firm can earn in the long-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Either (a) or (b)
(d) Losses

22. In long-run a monopolist always earn profits
(a) Normal
(b) Abnormal
(c) Zero profit
(d) Loss

23. In the short run, the Monopolist —
(a) Earns Normal Profits
(b) Earns Super Normal Profits
(c) Incurs losses
(d) Any of these

24. A Monopoly Producer usually earns even in the long run.
(a) Super Normal Profits
(b) Only Normal Profits
(c) Losses
(d) None of the above

25. Abnormal profits exists in the long run only under ____
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

26. Under Monopoly, in the long—run, a Firm —
(a) will not have excess capacity.
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

27. Under Monopoly, in the long—run, a Firm —
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

28. Monopolies are allocatively inefficient because
(a) they restrict the output to keep the price higher than under Perfect Competition.
(b) they charge a price higher than the Marginal Cost.
(c) both (a) and (b) are correct.
(d) both (a) and (b) are incorrect.

29. The degree of Monopoly Power is measured in terms of difference between —
(a) Marginal Cost and Price
(b) Average Cost and Average Revenue
(c) Marginal Cost and Average Cost
(d) Marginal Revenue and Average Cost

30. Which of these is not a feature of Monopoly? .
(a) Many Sellers
(b) Many Buyers
(c) No substitutes
(d) Firm = Industry

31. Which of these is not a feature of Monopoly?
(a) Single Seller
(b) Firm = Industry
(c) No substitutes
(d) Elasticity of Demand = 0

32. Which of these does not apply to Monopoly?

(a) Single Seller
(b) Firm = Industry
(c) Free Entry and Exit of Firms
(d) No substitutes

33. Which of the following is not the characteristic of Monopoly?
(a) Many Buyers
(b) Heterogeneous Products
(c) Free Entry of new Firms
(d) Both b & c

34. Which of the following features is not associated with a Monopoly market structure?
(a) There is only one seller in the market
(b) There are no close substitutes for the product
(c) There are barriers to entry
(d) There are no close complements for the product

35. All of the following are characteristics of a Monopoly except —
(a) There is a single Firm
(b) The Firm is a Price Taker
(c) The existence of some advertising
(d) The Firm produces a unique product

36. In Monopoly Market, there is a —
(a) Single Seller
(b) Single Buyer
(c) Both (a) and (b)
(d) Neither(a) and (b)

37. Economics of Scale allows the Monopolist to set a ______ price than any new entrant.
(a) Higher
(b) Lower
(c) Economics of scale does not influence the price
(d) At the existing market rate

38. In Monopoly Market, the product has —
(a) Perfect Substitutes
(b) No Close Substitutes
(c) the same feature as Giffen Goods
(d) None of the above

39. Price Elasticity of Demand for Monopolist's Product is
(a) Infinity
(b) More than one
(c) Less than one.
(d) Zero

40. Under Monopoly, in the short—run, the Firm can never make Losses. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

41. In the case of Monopoly —
(a) MR Curve cannot be defined
(b) AR Curve cannot be defined
(c) Short Run Supply Curve cannot be defined
(d) None of the above

42. Under monopoly which of the following are correct—
(a) AR&MR both are downward sloping
(b) MR lies half way between AR & Y axis
(c) MR can be zero or negative
(d) all of the above

43. Equilibrium Price of a Monopolist is —
(a) Less than Marginal Cost
(b) Equal to Marginal Cost
(c) Equal to Marginal Revenue
(d) More than Marginal Cost

44. Under Monopoly, the Firm can earn ____ in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

45. 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

46. If Marginal Revenue exceeds Marginal Cost, a Monopolist should —
(a) increase output.
(b) decrease output.
(c) keep output the same because profits are maximized when Marginal Revenue exceeds Marginal Cost.
(d) raise the price.

47. Under Monopoly, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

48. Under Monopoly, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

49. Under Monopoly, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

50. Under Monopoly, in the short—run, the Firm will never shut—down. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

51. Under Monopoly, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

52. If a Monopolist is operating at a production level where Marginal Cost is 10 and Marginal Revenue is 25, what action you would suggest to him?
(a) To reduce the price to 20
(b) To increase the costs by ' 4
(c) To increase output till Marginal Revenue would equal Marginal Cost
(d) To stop production

53. When different prices are charged by the Producer, from different customers, it is called
(a) Demand Supply Equilibrium
(b) Price Discrimination
(c) Optimum Price Search
(d) Profiteering

54. A Monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he —
(a) Sells below Costs of Production in both markets.
(b) Practices Price Discrimination.
(c) Equates the volume of sales in both markets.
(d) Equates Marginal Costs with Marginal Revenue in one market only.

55. Price Discrimination in a Monopoly is described as —
(a) Same product selling at different prices since the costs of production are different
(b) Same product selling at different prices though the costs of production are same
(c) Different products having same price though costs of production are same
(d) Different products having different prices since costs of production are different

56. Objectives of price discrimination in international market is—
(a) To capture foreign markets
(b) To dispose of surplus stock
(c) To earn maximum profit
(d) All of the these

57. Price discrimination will not be profitable if elasticity of demand is in different markets.
(a) Uniform
(b) Different
(c) Less
(d) Zero

58. 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

59. Which of these is not a pre—requisite for Price Discrimination?
(a) Seller's Control over the supply of his product
(b) Market Segmentation
(c) Differing Elasticity in various market segments
(d) Different versions of the same product

60. 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 conditions all over
(c) The price elasticity of demand is different in different markets
(d) The price elasticity of demand is uniform

61. Which of these is a pre—requisite for Price Discrimination?
(a) Divisibility of Market into segments
(b) No scope of re—sale between segments
(c) Differing Elasticity in various market segments
(d) All of the above

62. Which of the following is a condition which makes Price Discrimination possible?
(a) The market must be divided into sub markets with different price elasticities
(b) There has to be an effective separation of the submarkets
(c) Size of the submarkets should be very large
(d) Both a and b above

63. Barriers to entry like________allows the Monopolist to charge a price much below then the price of new entrant, thereby driving the new entrant out of business.
(a) Economics of Scale
(b) Product Differentiation
(c) Price Discrimination
(d) High Quality Product

64. Why is first degree price discrimination termed as the extreme form of price discrimination —
(a) All the Firms in the industry undertake price discrimination
(b) Firms in the industry discriminate in price for almost all the products they are producing
(c) Firms earn the least profit in this type of discrimination; they are just able to cover the cost
(d) In this type of discrimination Firms charge the consumers the maximum price

65. Which of the following statements in not true about a discriminating Monopolist?
(a) He operates in more than one market
(b) He makes more profit because he discriminates
(c) He maximizes his profits in each market
(d) He charges different prices in each market

66. Under Price Discrimination, the Producer Firm can charge higher prices from a market, if Price Elasticity
(e) —
(a) e = 1

(b) e < 1
(c) e > 1
(d) e = 0

67. Under Price Discrimination, the Producer Firm may charge lower prices from a market, if Price Elasticity (e)
(a) e = 1
(b) e < 1
(c) e > 1
(d) e = 0

68. 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

69. Price Discrimination is not possible if the market is an indivisible whole of Buyers. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

70. For practicing Price Discrimination, the Seller should be able to divide his market into two or more sub—markets. The statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

71. Price Discrimination is possible —
(a) Only under Monopoly situation
(b) Under any market form
(c) Only under Oligopoly
(d) Only under Perfect Competition

72. Discriminating Monopoly is possible if two markets have
(a) Rising Cost Curves
(b) Rising and declining Cost Curves
(c) Different Elasticities of Demand
(d) Equal Elasticities of Demand

73. Discriminating Monopolist divides the total production in two markets in a way that —
(a) MR earned in market with higher elasticity of demand is greater than the other with lower elasticity of demand
(b) MR earned in market with lower elasticity of demand is greater than the other
(c) MR earned in each market is the same
(d) MR earned in each market is maximum

Questions 74 to 76 are based on the Figure

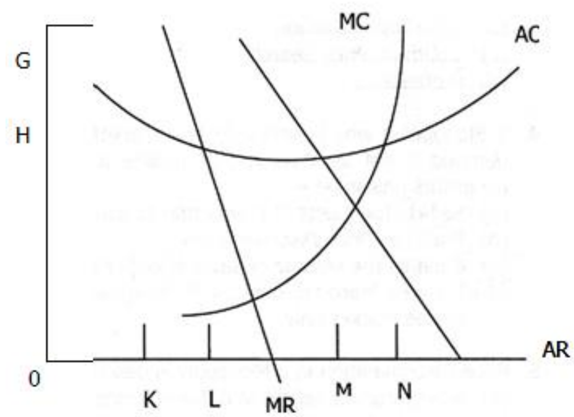


Figure represents a:
(a) Perfectly competitive firm.
(b) Perfectly competitive industry.
(c) Monopolist
(d) None of the above.

75. In figure , the firm's marginal revenue curve is curve:
(a) E.
(b) A
(c) F
(d) B

76. In figure , curve E is the firm's:
(a) Marginal cost curve
(b) Average cost curve

7.34

(c) Demand curve.
(d) Marginal revenue curve

77. Which of the following is false with reference to first—degree price discrimination?
(a) The Monopolist will be able to extract entire Consumer's Surplus
(b) The price of each unit will be different
(c) By following first degree price discrimination, the Monopolist will earn higher profits than he would have earned by adopting a single price
(d) The price of the first unit will be less than that of the subsequent units

Monopolistic Competition

1. Under Monopolistic Competition, there are ______Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

2. Under Monopolistic Competition, the product is
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

3. A market structure in which many firms sell product that are similar, but not identical.
(a) Monopolistic Competition
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

4. Selling outlay is an essential part of which of the following market situation
(a) Monopolistic Competition
(b) Perfect Competition
(c) Monopoly
(d) Pure Competition

5. Under Monopolistic Competition, each Firm is a________
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

6. Under Monopolistic Competition, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Reasonable
(d) None of the above.

7. Under Monopolistic Competition, Price Elasticity of Demand is —
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

8. Under Monopolistic Competition, the Firm's Demand Curve is —
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

9. Product Differentiation in a Monopolistic Competition could lead to —
(a) Horizontal Demand Curve
(b) Downward Sloping Demand Curve
(c) Vertical Demand Curve
(d) Downward sloping supply curve

10. Under Monopolistic Competition, a Firm can earn ______ in the long—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

11. Under Monopolistic Competition, in the long—run, a Firm
(a) will not have excess capacity.

(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

12. Which of the following markets has the concept of group equilibrium in long—run?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

13. 'Excess Capacity' is the essential characteristic of the Firm in the market form of —
(a) Monopoly
(b) Perfect Competition
(c) Monopolistic Competition
(d) Oligopoly

14. Under Monopolistic Competition, in the long—run, a Firm —
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

15. Non-price competition in popular sense called —
(a) Monopoly market
(b) Oligopoly market
(c) Monopolistic competition
(d) Perfect competition

16. Which of these does not apply to Monopolistic Competition?
(a) Large Number of Buyers
(b) Large Number of Sellers
(c) Product Differentiation
(d) Price Competition

17. Which of these does not apply to Monopolistic Competition?
(a) Product Differentiation
(b) Free entry /exit
(c) Large Number of Buyers
(d) Single Seller

18. Which of the following is not a feature of Monopolistic Competition?
(a) Large Number of Sellers
(b) Product differentiation
(c) Non—Price competition
(d) None of these

19. Which of the following is not a characteristic feature of Monopolistic Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

20. Which of the following is not a characteristic of Monopolistic Competition?
(a) Ease of entry into the industry
(b) Product Differentiation
(c) Relatively large number of sellers
(d) Homogenous products

21. Which of these applies to Monopolistic Competition?
(a) Price Competition
(b) Restrictions in entry /exit
(c) Large Number of Sellers
(d) Homogeneous Product

22, Under Monopolistic Competition, each Seller tries to develop Brand Loyalty for his product. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

23. The sale of branded articles is common in a situation of
(a) Excess Capacity.
(b) Monopolistic Competition.
(c) Monopoly.
(d) Pure Competition.

24. A Firm under Monopolistic Competition advertises —
(a) to compete successfully with the rival Firms
(b) to lower cost of production
(c) to increase sales and profit
(d) because it cannot raise price

25. Through more advertising, a monopolistically competitive Firm has successfully created more demand for its product. It would have resulted in shifting of —
(a) AC Curve upward
(b) MR Curve to the left
(c) AC Curve upward and MR curve to the right
(d) AC Curve upward and MR curve to the right

26. Under Monopolistic Competition, Price Discrimination is not possible at all. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

27. Which of these does not apply to Monopolistic Competition?
(a) Aggressive Advertising and Publicity
(b) Product improvement and Development
(c) Price Competition
(d) Efficient after—sales service

28. Under Monopolistic Competition, in the short—run, the Firm can never make Losses. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

29. Under Monopolistic Competition, the Firm can earn ________in the short—run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

30. In short run, a Firm in Monopolistic Competition —
(a) always earns profits
(b) incurs losses
(c) earns normal profit only
(d) may earn normal profit, super normal profit or incur losses

31. In long—run, all Firms in Monopolistic Competition —
(a) earn super normal profits
(b) earn normal profits
(c) incur losses
(d) may earn super normal profit, normal profit or in incur losses

32. In the short run equilibrium of a Firm in Monopolistic Competition, which Curve is U shaped?
(a) AR
(b) AC
(c) MR
(d) MC

33. Under Monopolistic Competition, in the short—run, the condition AR = MR = MC = AC, means that the Firm is earning —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

34. Under Monopolistic Competition, in the short—run, if AR > AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

35. Under Monopolistic Competition, in the short—run, if AR < AC at the point when MC = MR, it means that the Firm —
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

36. Under Monopolistic Competition, in the short—run, the Firm will never shut—down. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

37. Under Monopolistic Competition, in the short—run, the condition for shut—down is —
(a) AR < AC
(b) AR > AC
(c) AR > AVC
(d) AR < AVC

38. In Monopolistic Competition, the long—run equilibrium price will be equal to —
(a) Marginal Revenue
(b) Average Cost
(c) Marginal Cost
(d) Both (a) and (c)

39. Under Monopolistic Competition, in the long—run, if MC = MR and LAC = LAR, then the industry is said to be —
(a) Growing
(b) in troubled times
(c) in Equilibrium
(d) inefficient

40. In the long—run, Industry Equilibrium is achieved if MC = MR and LAC = LAR. This condition is applicable for —
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

41. In the long—run, Industry Equilibrium is achieved in Monopolistic Competition only if LAC = LMC. This statement is —
(a) True
(b) False
(c) Partially True
(d) None of the above

42. In the long—run, Industry Equilibrium is achieved in Monopolistic Competition only at the lowest point of LAC Curve. This statement is
(a) True
(b) False
(c) Partially True
(d) None of the above

43. In Monopolistic Competition, a Firm is in long run equilibrium —
(a) at the minimum point of the LAC Curve.
(b) in the declining segment of the LAC Curve.
(c) In the rising segment of the LAC Curve.
(d) when price is equal to Marginal Cost.

44. Under Monopolistic Competition, in the long—run, Output is produced at —
(a) minimum feasible cost
(b) maximum cost
(c) optimal, and not necessarily minimum cost
(d) zero cost

45. Under Monopolistic Competition, in the long—run, resources —
(a) will be fully used
(b) may be partially used
(c) may not be used at all
(d) will not be required at all

46. 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

47. 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 realize all economies of scale

Oligopoly

1. Under Oligopoly, there are Sellers.
(a) Many
(b) Only one
(c) A Few
(d) No

2. _______is a situation is which a firm bases its market policy on part of the expected behavior of a few close rivals-
(a) monopoly
(b) oligopoly
(c) perfect competition
(d) monopolish

3. Which one of the following is the best example of agreement between Oligopolists?
(a) GATT
(b) OPEC
(c) WTO
(d) UNIDO

4, If Firms in the Toothpaste Industry have the following market shares, which market structure would best describe the industry?

Firm	Market
White Shine Ltd	29.8
White Teeth Ltd	18.7
More White Teeth	14.3
Sure Health Ltd	11.6
Bright Teeth Ltd	9.4
Dental Care Ltd	8.8
Brighter than White	7.4
Total	**100.0**

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

5. One characteristic not typical of Oligopolistic Industry is
(a) Horizontal Demand Curve
(b) Too much importance to Non—Price Competition
(c) Price Stickiness
(d) A small number of Firms in the industry

6. Under Oligopoly, the product is —
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

7. Under Oligopoly, each Firm's control over price is —
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

8. Under Oligopoly, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

9. Under Oligopoly, the Firm's Demand Curve is —
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

10. Oligopoly is the market from in which there are
(a) Many Sellers and many Buyers
(b) One Seller and many Buyers

(c) Few Sellers and many Buyers
(d) None of the above

11. Which of the following most closely approximates the definition of an Oligopoly?
(a) Tobacco Industry
(b) Vehicle manufacturers in India
(c) Rice Producers
(d) Readymade Garments units in a city

12. Pure Oligopoly is one where —
(a) There are many sellers producing homogeneous product
(b) There are many sellers producing differentiated product
(c) There are few sellers producing homogeneous product
(d) There are few sellers producing differentiated product

13. 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

14. In which of the following, a Kinked Demand Curve can be seen in a Firm?
(a) Monopolistic competition
(b) Monopoly
(c) Duopoly
(d) Oligopoly

15. Which of these does not apply to Oligopoly?
(a) A Few Sellers
(b) Inter—dependence between Sellers
(c) Only one Buyer
(d) Group Behaviour between Sellers

16. One characteristic not typical of Oligopolistic industry is
(a) Too much importance to Non—Price Competition
(b) Price Leadership
(c) Horizontal Demand Curve
(d) A small number of Firms in the industry

17. Which of these applies to Oligopoly?
(a) A Few Sellers
(b) Group Behaviour between Sellers
(c) Non—Price Competition
(d) All the above

18. Duopoly is a specific form where are —
(a) No Sellers at all
(b) Only one Seller
(c) Two Sellers
(d) Large Number of Sellers

19. The American Economist Sweezy developed the —
(a) Production Possibility Curve concept
(b) Diminishing Marginal Utility Theory
(c) Kinked Demand Curve Theory
(d) Price Discrimination Theory

20. When an Oligopolistic Firm changes its price, its rival Firms —
(a) will retaliate or react and change their prices
(b) will not react at all
(c) will exit the market
(d) will appeal to the Government

21. A Price War in an Oligopoly refers to —
(a) Successive and continued price cuts by the Firms to increase sales and revenues
(b) Free gift offers by all Firms on a competitive basis
(c) Flooding the market with its goods by one Firm leading to price reduction by others
(d) Increase in the price by one Firm and other Firms following in a reverse way by decreasing their prices

22. A Firm under _______ cannot have sure and definite Demand Curve.
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

23. Price Leadership is form of —
(a) Monopolistic Competition
(b) Monopoly
(c) Non—Collusive Oligopoly
(d) Perfect Competition

24. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally —
(a) reduce their prices
(b) increase their prices
(c) not react at all
(d) exit the market.

25. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally —
(a) reduce their prices
(b) increase their prices
(c) maintain their prices
(d) exit the market.

26. Kinked demand curve is related to—
(a) Oligopoly
(b) Perfect
(c) Monopoly
(d) Monopolistic competition

27. Kinked demand curve is found in:
(a) Monopolistic
(b) Perfectly Competitive firm
(c) Perfectly competitive industry
(d) None of the above

28. As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at —
(a) Prevailing Price
(b) Higher than Prevailing Price
(c) Lower than Prevailing Price
(d) Origin

29. As per Kinked Demand Curve Theory of Oligopoly, the demand above the Kink is —
(a) more elastic
(b) less elastic
(c) unit elastic
(d) zero elastic

30. As per Kinked Demand Curve Theory of Oligopoly, the demand below the Kink is —
(a) more elastic
(b) less elastic
(c) unit elastic
(d) zero elastic

31. The upper part of kinked demand curve is —
(a) Elastic
(b) Inelastic
(c) Perfectly Elastic
(d) Unitary Elastic

32. What does the Kinked Demand Curve explain?
(a) Price Differentiation
(b) Other than Price Competition
(c) Rivalry reactions in an Oligopoly
(d) None of the above

33. A Firm having a Kinked Demand Curve indicates that
(a) If the Firm increases the price, competitive Firms reduce the price
(b) If the Firm increases the price, competitive Firms also increase the price
(c) If the Firm reduces the price, competitive Firms do not reduce the price
(d) If the Firm increases the price, competitive Firm do not increase the price

34. The Kinked Demand Hypothesis is designed to explain in the context of Oligopoly —
(a) Price and Output Determination
(b) Price Rigidity
(c) Price Leadership
(d) Collusion among Rivals

35. The Kinked Demand Curve model assumes that price elasticity of demand —
(a) Is higher for a price increase than for a price decrease
(b) Is lower for a price increase than for a price increase
(c) Is perfectly elastic for a price increase perfectly inelastic for a price decrease
(d) Is perfectly inelastic for a price increase and perfectly elastic for a price increase

36. The demand curve of an oligopolist is
(a) Determinate
(b) Indeterminate
(c) Circular
(d) Vertical

37. Kinky demand curve model explains the market situation known as
(a) Pure Oligopoly
(b) Collusive oligopoly
(c) Differentiated Oligopoly
(d) Price rigidity

38. Kinked DD curve under oligopoly is designed to show
(a) Price & output
(b) Price rigidity
(c) Price & Leadership
(d) Collusion among rivals

39. The Kinked Demand Curve model of Oligopoly assumes that —
(a) Response to a price increase is less than the response to a price decrease
(b) Response to a price increase is more than the response to a price decrease
(c) Elasticity of demand is constant regardless of whether price increases or decreases
(d) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

40. In both the Chamberlin and Kinked Demand Curve models, the Oligopolists —
(a) recognize their independence
(b) do not collude
(c) tend to keep prices constant
(d) all of the above

41. In Oligopoly, why it difficult to determine the equilibrium price and output?
(a) All the Firms take their independent decisions
(b) Firms are interdependent making it difficult to specify the particular reaction of the rivals
(c) Very few Firms exist in the market
(d) A large number of Firms exist in the market

42. If the Demand Curve confronting an individual Firm is perfectly elastic then
(a) The Firm is a Price Taker
(b) The Firm cannot influence the Price
(c) The Firm's Marginal Revenue Curve coincides with Average Revenue Curve
(d) All of the above

43. Kinked demand curve of the Oligopoly indicates
I. If one firm decreases price other firms also decreases the price
II. If one firm increases price other firms also increases the price
III. If one firm decreases the price other firms does not decrease the price.
IV. If one firm increases the price other firms does not increase the price.
(a) Only I
(b) II and IV
(c) I and IV
(d) II and III

ANSWERS to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
c	c	d	c	d	b	d	c	c	d	b	b	a	a	b	d	b	d	a	d	c

22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
d	c	d	d	d		b	b	b	b	c	a	b	d	d	d	a	d	a	a

42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57
d	a	b	a	c	c	c	d	a	d	c	a	d	b	a	a

ANSWERS to MC

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
a	d	a	a	d	d	b	b	b	c	a	b	B	b	b	a	d	d	a	a	a

22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
a	a	a	d	b	d	d	b	a	c	c	dc		d	d	b	d	d	b	c

42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62
b		c	c	d	b	b	d	a	a	a	d	d	a	b	a	b	b	d	d	a

63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82
b	c	d	d	c	c	d	a	b	d	d	b	a	a	c	c	a	b	d	b

83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101
a	c	d	a	a	a	c	b	c	a	c	a	c	a	d	a	c	b	c

ANSWERS to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
b	a	a	a	a	d	a	b	d	c	b	c	a	b	d	b	c		ca	a	c

22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
b	d	a	a	b	c	c	a	a	d	c	c	d	b	a	a	b	c	b	c

42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62
d	d	d	d	a	a	b	c	b	d	c	b	b	b	d	a	d	d	c	d	d

63	64	65	66	67	68	69	70	71	72	73	74	75	76	77
a	d	c	b	c	a	a	a	a	c	c	c	c	c	d

ANSWERS to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
a	a	a	a		cc	c	c	b	a	b	cc		c	c	d	d	d	b	d	c

22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
a	b	c	d	b	c	b	d	d	b	b	a	b	c	b	d	b	c	c	b

42	43	44	45	46	47
b	B	c	b	a	c

ANSWERS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	b	b	c	a	a	c	b	d	c	b	c	a	d	c	c	d	c	c	a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43
a	d	c	a	c	a	d	a	a	b	a	c	d	b	a	b	d	b	a	d	b	d	c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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

2. When does an economic expansion occur in the business cycle?
   (a) At the peak of the business cycle
   (b) At the trough of the business cycle
   (c) Between the peak and trough
   (d) Between the trough and peak

3. Increasing Prosperity and High standards of living are the characteristics of
   (a) Peak
   (b) Contraction
   (c) Expansion
   (d) Trough

4. The end of expansion is termed as —
   (a) Peak
   (b) Contraction
   (c) Trough
   (d) None of the above

5. The beginning of recession is
   (a) Peak
   (b) Trough
   (c) Contraction
   (d) Expansion

6. A significant decline in general economic activity extending over a period of time is
   (a) business cycle
   (b) contraction phase
   (c) recession
   (d) recovery

7. Severe form of recession is
   (a) Contraction
   (b) Depression
   (c) Expansion
   (d) Peak

8. 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

9. The lowest point in the business cycle is referred to as the
   (a) Expansion.
   (b) Boom.
   (c) Peak.
   (d) Trough.

10. Even with lower rate of interest, demand for credit declines in
    (a) Expansion Phase
    (b) Peak
    (c) Contraction Phase
    (d) Depression

11. Which of the following statements is true?
    (a) An Economy grows endlessly
    (b) An Economy Contracts endlessly
    (c) It is easy to predict turning points of Business Cycle
    (d) None of the above

12. Which of the following statement is not correct?
    (a) Business Cycles are periodical
    (b) Business Cycles are regular
    (c) Business Cycles vary in intensity
    (d) Business Cycles vary in length

13. 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

14. 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.

15. Changes in housing interest rate is a
    (a) a leading indicator
    (b) a coincident indicator
    (c) a lagging indicator
    (d) a cyclical indicator

16. Unemployment is a
    (a) a leading indicator
    (b) a coincident indicator
    (c) a lagging indicator
    (d) a cyclical indicator

17. GDP is a
    (a) a leading indicator
    (b) a coincident indicator
    (c) a lagging indicator
    (d) a cyclical indicator

18. 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.

19. 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.

20. 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.

21. 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.

22. During recession, the unemploymentrate __________ and output________
    (a) Rises; falls
    (b) Rises; rises
    (c) Falls; rises
    (d) Falls; falls

23. 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

24. 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

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25. 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.

26. Peaks and troughs of the business cycle are known collectively as
   (a) Volatility.
   (b) Turning points.
   (c) Equilibrium points.
   (d) Real business cycle events.

27. 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

28. 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 arecontagious and unpredictable.

29. 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

30. 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

31. 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

32. According to ________ trade cycle occurs due to onset of innovations.
   a) Hawtrey
   b) Adam Smith
   c) J M Keynes
   d) Schum peter

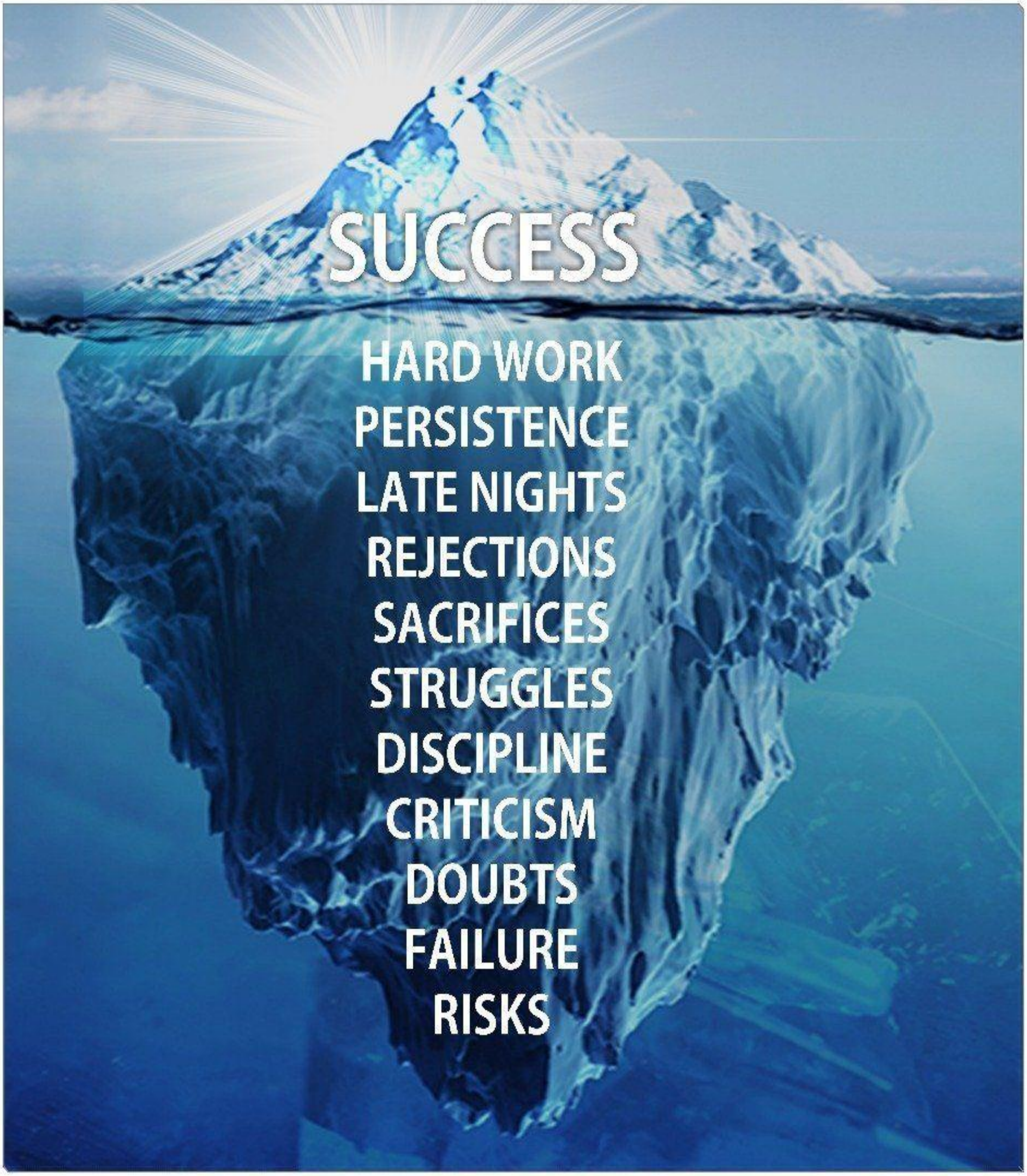
33. According to Keynes, Fluctuations activity are due to fluctuations in
   a) aggregate effective demand
   b) Price
   c) Supply of resources
   d) None of the above

1	2	3	4	5	6	7	8	9	10
b	d	C	**a**	c	c	b	c	d	d

11	12	13	14	15	16	17	18	19	20
d	b	b	c	**a**	c	b	b	d	d

21	22	23	24	25	26	27	28	29	30
a	**a**	c	b	**a**	b	c	c	d	**a**

31	32	33
d	d	d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