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Chapter 1- Nature and Scope of Business Economics

Past Year & Most Frequent MCQ

Q.1. 'Economics is the study of mankind in the ordinary business of life was given by

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

Q.2. The branch of economic theory that deals with the problem of allocation of resources is

- (a) Micro economics
- (b) Macroeconomics
- (c) Econometrics
- (d) None of these

Q.3. Capitalistic Economy uses __ as principal means of allocating Resources

- (a) demand
- (b) supply
- (c) price
- (d) all of the above

Q.4. A study of how an increase in the corporate income tax rate will affect the natural unemployment rate is an example of:

- (a) Macroeconomics
- (b) Descriptive Economics
- (c) Microeconomics
- (d) Normative Economics

Q.5. In which type of economy do consumers and producers make their choices based on the market forces demand and supply?

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

Q.6. Under a free economy, prices are:

- (a) Regulated
- (b) Determined through a free interplay of demand and supply
- (c) Partly regulated
- (d) None of these

Q.7. Which of the following falls under microeconomics?

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

Q.8. In a free-market economy, when consumers increase their purchase of a goods and the level of exceeds then prices tend to rise :

- (a) demand, supply
- (b) supply, demand
- (c) prices, demand
- (d) profits, supply

Q.9. According to Robbins, 'means' are:

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

Q.10. Economics is the study of

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

Q.11. A mixed economy means :

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

Q.12. Who defines Economics in terms of Dynamic Growth and Development?

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

Q.13. A Free Market economy, solves its Central Problems through

- (a) planning authority
- (b) market mechanism
- (c) both
- (d) none

Q.14. Normative aspect of Economics is given by :

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

Q.15. Which one is not the characteristic of a capitalistic economy?

- (a) Profit motive
- (b) Income inequality
- (c) Free employment
- (d) Collective ownership

Q.16. Mixed economy means

- (a) All economic decisions are taken by the Central Authority

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

Q.17. Economic Problem arises when :

- (a) Wants are unlimited
- (b) Resources are limited
- (c) Alternative uses of resources
- (d) All of the above

Q.18. Micro economics is also known as

- (a) public economics
- (b) price theory
- (c) income theory
- (d) demand theory

Q.19. A developed economy uses technique in production

- (a) labour intensive
- (b) capital intensive
- (c) home-based
- (d) traditional

Q.20. Which one is the feature of Marshall's definition?

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

Q.21. Which one in the following is not correct :

- (a) There are limited wants
- (b) Means are scarce
- (c) Resources have alternative uses
- (d) Economics is science

Q.22. Micro Economics is concerned with:

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

Q.23. Who gave the positive aspect of science?

- (a) Alfred Marshall
- (b) A.C. Pigou
- (c) Adam Smith
- (d) Robbins

Q.24. Which of these is a part of microeconomics?

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

Q.25. Which of these is an example of macroeconomics:

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

Q.26. In a capitalist economy the allocation of resources is performed by:

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

Q.27. Which of the following statements is incorrect?

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

Q.28. Inequalities of income do not perpetuate in

- (a) socialism
- (b) mixed economy
- (c) capitalism
- (d) none

Q.29. Which of the following are the features of a mixed economy?

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

Q.30. Normative Economics is based on:

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

Q.31. The dual system of pricing exists in:

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

Q.32. A Capitalist Economy follows the policy of:

- (a) Laissez-faire
- (b) Regulated markets

(c) Promoting public sector

(d) None of the above.

Q.33. "Economics is the science of choice-making"

implies:-

(a) No choice is to be made

(b) The choice to be made between alternative uses

(c) The choice to be made between means and ends

(d) None of the above

Q.34. Which of the following is a part of the subject matter of macro economics?

(a) Study of firms

(b) Aggregate profits of a firm

(c) Market demand for a product

(d) Net national product.

Q.35. A capitalist economy is by and large

(a) a closed economy

(b) a free market economy

(c) a centrally controlled economy

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

Q.36. A free-market economy's driving force is:

(a) Profit motive

(b) Welfare of the people

(c) Rising income and levels of living

(d) None of the above

Q.37. "Economics is neutral between ends". The statement is given by:

(a) L. Robbins

(b) Mrs. Joan

(c) Alfred Marshall

(d) A.C. Pigou

Q.38. A system of economy in which all the means of production are owned and controlled by the private individuals for the purpose of profit is called

(a) Socialist Economy

(b) Capitalist Economy

(c) Mixed Economy

(d) All of the above

Q.39. Where does the price mechanism exist?

(a) Capitalist Economy

(b) Socialist Economy

(c) Both types of economies

(d) None of the above

Q.40. Economics which is concerned with welfare propositions is called

(a) Socialistic economics

(b) Capitalistic economics

(c) Positive economics

(d) Normative economics

Q.41. In which among the following systems the right to property' exists

(a) Mixed economy

(b) Capitalist economy

(c) Socialist economy

(d) Traditional economy

Q.42. Positive science only explains

(a) What is?

(b) What ought to be?

(c) What is right or wrong

(d) None of the above

Q.43. Socialist Economy is also known as

(a) Mixed Economy

(b) Planned Economy

(c) Capitalist Economy

(d) None of the above

Q.44. Who has defined economics as "Science which deals with wealth"?

(a) Adam Smith

(b) Canon

(c) J.B. Say

(d) A.C. Pigou

Q.45. Which of the following is not a feature of a capitalist economy?

(a) Right to private property

(b) Restrictions on consumers right to choose

(c) Profit motive

(d) Freedom of enterprise

Q.46. The most important function of an entrepreneur is to

(a) innovate

(b) bear the sense of responsibility

(c) finance

(d) earn profit

Q.47. The meaning of time element in economics is:

(a) Calendar time

(b) Clock time

(c) Operational time in which supply adjusts with the market demand

(d) None of the above

Q.48. All wants of an individual are not of:

- (a) Equal importance
- (b) Immediate importance
- (c) Fixed importance
- (d) All of the above

Q.49. Micro economics does not study

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

Q.50. Find out the correct statement

- (a) Higher the prices, lower the quality demanded of a product is a normative statement
- (b) Micro and macro-economics are interdependent
- (c) In a capitalist economy, the economic problems are solved by planning commission
- (d) In deductive method logic proceeds from particular to the general

Q.51. Microeconomics is the study of:

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

Q.52. The definition of economics given by Robbins does not deal with one of the following aspects. Indicate that aspect.

- (a) Scarce means
- (b) Limited ends
- (c) Alternative uses
- (d) Economics is a science

Q.53. Which Economic System is described by Schumpeter as 'capitalism in the oxygen tent'?

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

Q.54. The Central problem in every economic society is:

- (a) To ensure a minimum level of income for every individual.
- (b) To allocate scarce resources in such a manner that society, unlimited wants are satisfied in the best possible manner.
- (c) To ensure that production occurs in the most efficient manner.

(d) To provide job to every job seeker.

Q.55. Socialist Economy was propounded by:

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

Q.56. Concept of Business Economics was given by:

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

Q.57. A business economy involves the theory of Business economics with

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

Q.58. Which is not included in Economics?

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

Q.59. In which economy market and government both play an important role?

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

Q.60. Which factor is included in business Economics?

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

Q.61. Which out of these are the features of capitalism?

- (i) Profit motive
 - (ii) Human welfare
 - (iii) Work through price mechanism
- (a) (i) and (ii)
 - (b) (ii) and (iii)
 - (c) (i) and (iii)
 - (d) All of these

Q.62. Socialism ensures

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

(d) Both (a) and (b)

Q.63. Macroeconomics includes

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

Q.64. Exploitation and inequality will be more in

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

Q.65. Shyam: This year due to heavy rainfall my anion crop was damaged Krishna : Climates affect crop yields. Some years are bad, others are good

Hari: Don't worry - Price increase will compensate for the fall in quantity supplied

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

In this conversation, the normative statement is made by

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

Q.66. A capitalist economy consists of

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

Q.67. Applied economics includes

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

Q.68. Economic goods are considered as scarce resources because

- (a) Inadequate quantity to satisfy the needs of the society
- (b) Not possible to increase the quantity
- (c) Limited hands to make goods

(d) Primary importance in satisfying social requirements
(1 mark)

Q.69. Due to recession, employment rate and output

- (a) Rises ; rises
- (b) Falls, falls
- (c) Rises falls
- (d) Falls; rises

Q.70. _____ refers to the work area where surplus manpower is employed out of which some individuals have zero or almost zero marginal productivity, such that if they are removed the total level of output remains unchanged.

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

Q.71. Socialist economy is

- (a) Self-regulation
- (b) Profit Oriented
- (c) Command economy
- (d) Allocation of resources as per market requirements
(1 mark)

Q.72. In a market economy all assets are held by:

- (a) Investors
- (b) Privately
- (c) Government
- (d) Jointly by government

Q.73. The branch of economic theory that deals with problem of allocating resources

- (a) Micro economics
- (b) Marc economics
- (c) Econometrics
- (d) None

Q.74. Larger production of goods would lead to higher production in future.

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

Q.75. Which of the following is not within the scope of business economics?

- (a) Capital budgeting
- (b) Risk analysis
- (c) Business cycle
- (d) Accounting Standards

Q.76. Which type of scarcity is referred to in economics

- (a) Relative scarcity
- (b) Absolute scarcity
- (c) Both (a) and (b)
- (d) None

Q.77. Cons

umer sovereignty is which of the following characteristics?

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

Qn. no	Ans	Qn. no	Ans	Qn. no	Ans	Qn. no	Ans
1	C	21	A	41	B	61	C
2	A	22	D	42	A	62	D
3	C	23	D	43	B	63	C
4	A	24	A	44	A	64	B
5	D	25	D	45	B	65	D
6	B	26	D	46	A	66	B
7	C	27	A	47	C	67	C
8	A	28	A	48	D	68	A
9	A	29	D	49	C	69	B
10	C	30	A	50	B	70	B
11	D	31	C	51	A	71	C
12	B	32	A	52	B	72	B
13	B	33	B	53	C	73	A
14	A	34	D	54	B	74	B
15	D	35	B	55	A	75	D
16	C	36	A	56	A	76	A
17	D	37	A	57	B	77	A
18	B	38	B	58	A		
19	B	39	A	59	A		
20	C	40	A	60	D		

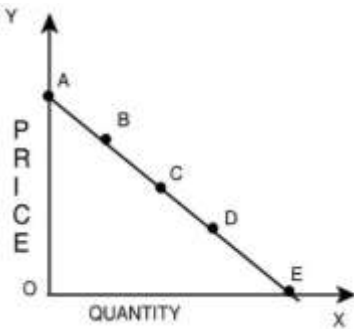
Chapter 2- Utility + Demand+ Supply

Past Year Exam + Most Repeated Question

Q.1. "High priced goods consumed by status seeking rich people to satisfy their need for conspicuous goods" is:

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

Q.2.



- (a) elasticity at point $A = \infty$, at $B = > 1$, at $C = 1$, at $D = < 1$ and at $E = 0$
- (b) elasticity at $A = 0$, at $B = < 1$, at $C = 1$, at $D = > 1$ and at $E = \infty$
- (c) elasticity at $A = 0$, at $B > 1$, at $C = 1$, at $D = < 1$ and at $E = 0$
- (d) None of these.

Q.3. Cardinal approach is related to:

- (a) Indifference curve
- (b) Equi marginal utility
- (c) Law of diminishing returns
- (d) None of these.

Q.4. An Increase in demand can result from:

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

Q.5. Cross elasticity of perfect substitutes is

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

Q.6. Supply is a _____ concept

- (a) Flow
- (b) Stock
- (c) Flow and Stock, both
- (d) Qualitative

Q.7. For what type of goods does demand fall with a rise in income levels of households?

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

Q.8. Which economist said that money is the measuring rod of utility?

- (a) A.C Pigou
- (b) Marshall
- (c) Adam Smith
- (d) Robbins

Q.9. Elasticity between two points:

- (a) Point elasticity
- (b) Arc elasticity
- (c) Cross elasticity
- (d) None.

Q.10. An indifference curve is L shaped, then two goods will be:

- (a) Perfect substitute goods
- (b) Substitute goods
- (c) Perfect complementary goods
- (d) Complementary goods

Q.11. The concept of consumer's surplus is derived from:

- (a) The law of diminishing marginal utility.
- (b) The law of equal-marginal utility
- (c) The law of diminishing returns
- (d) Engel's law

Q.12. When supply curve shifts to the right there is:

- (a) An increase
- (b) expansion
- (c) Contraction
- (d) decrease

Q.13. Short- run price is also called by the name of:

- (a) Market price
- (b) Showroom price
- (c) Maximum retail price
- (d) None of these.

Q.14. When supply price increase in the short run, the profit of the producer _____.

- (a) Increases
- (b) decreases
- (c) Remains constant
- (d) decreases marginally

Q.15. When Price of a commodity increases what will be the effect on quantity demanded?

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

Q.16. According to the law of supply, change in supply is related to?

- (a) Price of goods
- (b) Price of related goods
- (c) Factors of production
- (d) None of the above

Q.17. In case of inferior goods, with a rise in the income of consumers, demand for Giffen goods will

- (a) Increases
- (b) Decreases
- (c) No change
- (d) None of the above

Q.18. In case of necessities, consumer surplus is?

- (a) Infinite
- (b) Zero
- (c) Equals to one
- (d) More than one

Q.19. When the price of a commodity rises from 200 to ₹ 300 and Quantity supply increases from 2000 to 5000 units, find the elasticity of supply?

- (a) 3.0
- (b) 2.5
- (c) 0.3
- (d) 3.5

Q.20. From the following data given below answer question 20 and 21-

Units	TU	MU
1	200	-
2	-	180
3	480	-

Total utility derived from 2nd unit

- (a) 380
- (b) 20
- (c) 100
- (d) 280

Q.21. Marginal utility of 3rd unit is?

- (a) 200
- (b) 280
- (c) 100
- (d) 50

Q.22. Which Equation is correct—

- (a) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
- (b) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
- (c) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
- (d) $\frac{MU_x}{MU_y} \neq \frac{P_x}{P_y}$

Q.23. The slope of the indifference curve shows consumer equilibrium at the point where

$$MRS_{(xy)} = \frac{P_x}{P_y} \text{ (Price line)}$$

- (a) Less than
- (b) More than
- (c) Equal to
- (d) None of the above

Q.24. Which of the following is not the property of the indifference curve?

- (a) IC is convex to the origin
- (b) IC slopes downwards from left to right
- (c) Two IC can touch each other
- (d) IC cannot touch either of the axes

Q.25. Case of Normal goods, rise in price leads to _____?

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

Q.26. Method of demand forecasting does not include?

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

Q.27. An IC shows MRS between the commodity?

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) Zero

Q.28. Forecasting of demand is the Art and Science of predicting?

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

Q.29. Addition made to total utility refers to?

- (a) Total utility
- (b) Average utility
- (c) Marginal utility
- (d) All of the above.

Q.30. The elasticity of supply is zero means?

- a) Perfectly inelastic
- (b) Perfectly elastic
- (c) Imperfectly elastic
- (d) All of the above.

Q.31. The Consumer is in equilibrium when the following condition is satisfied:

(a) Budget line is tangent to the Ic curve

(b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z}$

(c) Both (a) and (b)

(d) None of the above

Q.32. Which of the following statement is correct?

(a) Supply is inversely related to its cost of production

(b) Price and quantity demand of a good have a direct relationship

(c) Taxes and subsidy has no impact on the supply of the product

(d) Seasonal changes have no impact on the supply of the commodity

Q.33. When the supply of a product is perfectly inelastic then the curve will be

(a) Parallel to Y-axis

(b) Parallel to X-axis

(c) At the angle of 45°

(d) Sloping upwards

Q.34. In the case of, there is an inverse relationship between income and demand for a product.

(a) Substitute goods

(b) Complementary goods

(c) Giffen Goods

(d) None of the above

Q.35. If maize has - 0.30 as income elasticity of demand, then maize will be considered as _

(a) Necessity (b) Inferior good

(c) Superior good (d) None

Q.36. If price decreases from 80 to 60 and elasticity of demand is 1.25 then _____.

(a) Demand increase by 25%

(b) demand decrease by 25%

(c) Remains constant

(d) None of the above

Q.37. Which of the following is / are the conditions of theory of consumer surplus if the price is same for all the units he purchased?

(a) The consumer gains extra utility or surplus

(b) Consumer surplus for the last commodity is zero

(c) Both

(d) None

Q.38. Which of the following is not the property of an indifference curve?

(a) Slopes downwards to the right

(b) Always convex to the origin

(c) Intersects each other

(d) Will not touch either of the axes

Q.39. Which of the following is correct ?

(a) Elasticity on the lower segment of demand curve is greater than unity

(b) Elasticity on the upper segment of demand curve is lesser than unity

(c) Elasticity at the middle of the demand curve is equal to unity

(d) Elasticity decreases as one moves from the lower part of the mark demand curve to upper part

Q.40. Which of the following will affect the demand for non-durable goods?

(a) Disposable

(b) Income Price

(c) Demography

(d) All of the above

Q.41. When the price of tea decreases, people reduce the consumption of coffee. Then the goods are

(a) Complementary

(b) Substitutes

(c) Inferior goods

(d) Normal goods

Q.42. Which of the following relation is true with MU?

(a) When MU is positive, Total utility rises at a diminishing rate

(b) When marginal utility is zero, total utility is maximum

(c) When marginal utility is negative, total utility is diminishing

(d) All of the above

Q.43. Contraction of supply implies _____.

(a) Decrease in cost of production

(b) Decrease in price of the good concerned

(c) Decrease in price of related good mark

(d) Increase in price of the good concerned

Q.44. Perishable commodities will have

(a) Perfectly elastic curve

(b) Perfectly inelastic curve

(c) Elastic

(d) Inelastic

Q.45. Budget line is also called

- a) Price line (b) Iso cost line
(c) Iso-quant (d) None

Q.46. The Quantity supplied of a goods or services is the amount that

- (a) As actually bought during a given time period at given price.
(b) Producers wish, they could sell at higher price
(c) Producers plan to sell during a given time period at given price.
(d) People are willing to buy during a given their period at a given price.

Q.47. Luxury goods have income elasticity

- (a) Negative and less than 1
(b) Positive and greater than 1
(c) Zero
(d) None

Q.48. An in difference curve slopes down towards right since more of one commodity and of another commodity result in

- (a) Same level of satisfaction
(b) Maximum satisfaction
(c) Greater satisfaction
(d) Less satisfaction

Q.49. Elasticity for habitual goods is

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

Q.50. Diminishing marginal returns for the first four units of variable inputs is exhibited by the total product sequences.

- (a) 50,100,150,200 (b) 50,50,50,50
(c) 50,110,150,260 (d) 50,90,120,140

Q.51. Demand for a commodity refers to:

- (a) 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.

Q.52. Suppose the price of movies seen person to at a theatre rises from 120 per 200 per person. The theatre manager observed that the rise in prices has lead to a fall in attendance at a given movie from 300 persons to 200 persons. What is the price elasticity of demand for the movie? (Arc elasticity)

- (a) 0.50 (b) 0.8
(c) 1.00 (d) None of these.

Q.53. In case of an inferior good, the income elasticity of demand is:

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

Q.54. For what type of goods does demand fall with a rise in income levels of households?

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

Q.55. In case of Inferior goods like bajra, a fall in its price tends to:

- (a) Make the demand remain constant
(b) Reduce the demand
(c) Increase the demand
(d) Change the demand in an abnormal way

Q.56. Movement along the same demand curve shows:

- (a) Expansion of demand
(b) Expansion of supply
(c) Expansion and contraction of demand (d) Increase and decrease of demand

Q.57. The price of hot-dogs increases by 22% and the quantity demanded falls by 25% this indicates that demand for hot dogs is:

- (a) Elastic (b) Inelastic
(c) Unitary elastic (d) perfectly elastic

Q.58. The quantity demanded does not respond to price change and so the elasticity is:

- (a) Zero (c) Infinite
(b) One (d) None

Q.59. Which factor generally keeps the price-elasticity of demand for a good low:

- (a) Variety of uses for that goods
(b) Its low price

- (c) Close substitutes for that goods
 (d) A high proportion of the consumer's income spent on it

Q.60. In 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

Q.61. An increase in demand can result from:

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

Q.62. Compute income elasticity of demand increases by 5% and income by 1%.

- (a) 5 (b) 1/5
 (c) 0 (d) None

Q.63. For a commodity with a unitary elastic demand curve if the price of the commodity rises, then the consumer's total expenditure on this commodity would :

- (a) Increase
 (b) Decrease
 (c) Remains constant
 (d) Either increase or decrease

Q.64. What is the value of elasticity of demand if the demand for the goods is perfectly elastic?

- (a) 0 (b) 1
 (c) Infinity (d) Less than 0

Q.65. If the price of a complementary good rises :

- (a) Demand curve shifts to the left
 (b) Demand curve shifts to the right
 (c) Demand curve moves downwards
 (d) Demand curve moves upwards

Q.66. Cross elasticity of demand in Monopoly market is :

- (a) Elastic (b) Zero
 (c) Infinite (d) One

Q.67. What is income elasticity of demand, when income changes by 20% and demand changes by 40%

- (a) 1/2 (b) 2

- (c) 0.33 (b) None

Q.68. If demand is parallel to the X- axis, what will be the nature of elasticity?

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

Q.69. Giffen Paradox is an exception of

- (a) Demand (b) Supply Production Utility
 (c) Production (d) Utility

Q.70. Law of demand is a _____.

- (a) Quantitative statement (b) qualitative statement
 (c) Both (a) & (b) (d) Hypothetical

Q.71. The demand for which type of goods do not decrease with the increase in its price

- (a) Comforts (b) Luxury
 (c) Necessities (d) Capital goods

Q.72. Increase in Price from ₹4 to ₹6 then decrease in demand from 15 units to 10 units. What is the price elasticity? (Point elasticity)

- (a) 0.66 (b) 15
 (c) -1.5 (b) 2

Q.73. Expansion & contraction of the demand curve occurs due to:

- (a) Change in the price of commodity
 (b) Change in price of substitute or complementary goods
 (c) Change in income
 (d) None

Q.74. The elasticity between two points:

- (a) Point elasticity (b) Arc elasticity
 (c) Cross elasticity (d) None

Q.75. When price remains constant and quantity demanded changes, then the elasticity of demand will be:

- (a) Vertical to X-axis (b) Horizontal to X-axis
 (c) Either (a) or (b) (d) None

Q.76. Demand of a commodity depends upon:

- (a) Price (b) Income
 (c) Price of related good (d) All of the above

Q.77. In case of substitute goods, cross elasticity is _____.

- (a) Negative
- (b) Zero
- (c) Positive
- (d) None of these

Q.78. The prices of a commodity were increased from % 4 to 6. As a result, demand decreased from 15 units to 10 units. What is the price elasticity? (Point elasticity)

- (a) 0.66
- (b) 0.33
- (c) 1.00
- (d) 1.5

Q.79. Other things remaining constant, if the price of the inferior goods decreases then what will be the effect?

- (a) Demand increases
- (b) Demand decreases
- (c) Quantity demanded increases
- (d) Quantity demand decreases.

Q.80. Consumer spends ₹80 on purchasing a commodity when its price is ₹1 per unit and spends ₹96 when the price is ₹2 per unit. Calculate the price elasticity of demand.

- (a) 0.2
- (b) 0.3
- (c) 0.4
- (d) 0.5

Q.81. When the price of cylinder rises from ₹120 to ₹200, the demand falls from 300 to 200. Calculate the price elasticity of demand.

- (a) 1.00
- (b) 0.50
- (c) 5.00
- (d) None

Q.82. Demand for electricity power is elastic Because _____.

- (a) it is available at a very high price
- (b) it is essential for life
- (c) it has many uses
- (d) it has many substitutes

Q.83. If the income of a person increases by 10% and his demand for goods increases by 30%, income elasticity will be

- (a) equal to one
- (b) less than one
- (c) More than one
- (d) None of these

Q.84. The case of luxury goods, the income elasticity of demand will be

- (a) zero

(b) negative but greater than one

(c) positive but greater than one

(d) positive but less than one

Q.85. The case of a straight-line demand curve meeting two axes, the price elasticity of demand at the point where the curve meets y-axis would be _____.

- (a) zero
- (b) greater than one
- (c) less than one
- (d) infinity

Q.86. Calculate income elasticity for the household when the income of the household increases by 10% and the demand for cars rises by 20%.

- (a) +2
- (b) -2
- (c) +5
- (d) -5

Q.87. The commodity whose demand is associated with the name of Sir Robert Giffen?

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

Q.88. In expansion and contraction of demand _____.

- (a) Demand curve remains unchanged
- (b) demand curve changes
- (c) The slope of the demand curve changes
- (d) both (a) & (c) above

Q.89. Certain goods for which Quantity demanded decreases when Income Increases are called _____ goods.

- (a) superior
- (b) inferior
- (c) prestige
- (d) conspicuous

Q.90. When the price falls by 5% and the demand in rises by 6%, then elasticity of demand is _____.

- (a) elastic
- (b) inelastic
- (c) unitary elastic
- (d) zero

Q.91. Cross elasticity of complementary goods is :

- (a) Positive
- (b) Negative
- (c) Infinity
- (d) None of these.

Q.92. Demand of i-pod increases from 950 to 980 and income increases from 9,000 to 9,800. What is income elasticity?

- (a) 0.53
- (b) 0.35
- (c) 0.43
- (d) None

Q.93. Contraction of demand results due to

- (a) increase in the price of the goods
- (b) decrease in the no. of the producers
- (c) decrease in the output of the sellers
- (d) decrease in the price of the goods.

Q.94. Bricks for houses is an example of which kind of demand?

- (a) Composite
- (b) Competitive
- (c) Joint
- (d) Derived.

Q.95. Normal goods have

- (a) zero income elasticity
- (b) negative income elasticity
- (c) positive income elasticity
- (d) infinite income elasticity

Q.96. In which of the following cases the demand for goods tends to be less elastic?

- (a) Good is necessary
- (b) The time-period is shorter
- (c) Number of close substitutes is less
- (d) All of the above

Q.97. Which of the following elasticity of demand measures a movement along the demand curve rather than a shift in the curve?

- (a) Income elasticity of demand
- (b) Price elasticity of demand
- (c) Substitution elasticity of demand
- (d) None of these.

Q.98. If the price elasticity of demand is zero, the shape of the curve will be:

If the price elasticity of demand is zero, the shape of the curve will be:

Q.99. If a 20% fall in the price of a commodity brings about a 40% increase in its demand, then the demand for the commodity will be termed as:

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

Q.100. Expansion and contraction in demand are caused by

- (a) Change in the income of the buyer

(b) Change in the taste and preference of the buyer

(c) Change in the price of the commodity

(d) Change in the price of the related goods.

Q.101. Fall in the price of normal goods leads to:

- (a) A shift in the demand curve
- (b) Fall in demand
- (c) Arise in consumers real income
- (d) A fall in consumers real income.

Q.102. 10% increase in the price of tea results in an 8% increase in the demand for coffee. Cross elasticity of demand will be :

- (a) 0.80
- (b) 1.25
- (c) 1.50
- (d) 0.80

Q.103. When the total expenditure incurred by the consumers on a commodity due to a change in its price remains the same, then the elasticity of demand for that commodity will be:-

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

Q.104. What will be the price elasticity if the original price is ₹5, the original quantity is 8 units and the changed price is ₹6, and the changed quantity is 4 units:

- (a) 2.5
- (b) 2.0
- (c) 15
- (d) 1.0

Q.105. The original price of a commodity is ₹500 and quantity demanded of that is 20 kgs. If the price rises to ₹750 and the quantity demanded falls to 15 kgs. The price elasticity of demand will be:

- (a) 0.25
- (b) 0.50
- (c) 1.00
- (d) 1.50

Q.106. The demand for factors of production is —

- (a) Fundamental demand
- (b) Derived demand
- (c) Market demand
- (d) Joint demand.

Q.107. The price of a Tiffin Box is ₹100 per unit and the quantity demanded in the market is 1,25,000 units. Company increased the price to ₹125. Due to this increase in price, the quantity demanded decreases to

1,00,000 units. What will be the price elasticity of demand?

- (a) 0.25
- (b) 0.80
- (c) 1.00
- (d) None

Q.108. The price of a commodity decreases from 10 to 8 and the quantity demanded of it increases from 25 to 30 units, then the coefficient of price elasticity will be_____.

- (a) 1.00
- (b) -1.00
- (c) 1.5
- (d) -1.5

Q.109. Which of the following is not a determinant of demand?

- (a) Consumer's tastes and preferences
- (b) Quality supplied of a commodity
- (c) Income of the consumers
- (d) Price of related goods

Q.110. Demand curve parallel to the Y-axis implies:

- (a) $E_p = 0$
- (b) $E_p = 1$
- (c) $E_p < 1$
- (d) $E_p > 1$

Q.111. If the quantity demanded of X commodity increases by 5% when the price of Y commodity increases by 20%, the cross-price elasticity of demand between X and Y commodity will be:

- (a) -0.25
- (b) 0.25
- (c) -4.00
- (d) 4.00

Q.112. Which amongst the following is the right formula for calculating the price elasticity of demand using ratio method?

- (a) $(\Delta Q/\Delta P) \times (P/Q)$
- (b) $(\Delta P/\Delta Q) \times (Q/P)$
- (c) $(\Delta Q/\Delta P) \times (Q/P)$
- (d) $(\Delta P/\Delta Q) \times (1/P)$

Q.113. Straight line demand curve at the point of meeting the x-axis will indicate elasticity coefficient Equal to _____.

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

Q.114. Changes in the quantity demanded in response to changes in the price of the same commodity is called:

- (a) Change in demand
- (b) Change in quantity demanded
- (c) Income demand
- (d) Cross demand

Q.115. Other things being equal, a fall in the price of the complementary goods will cause the of the other to rise.

- (a) Price
- (b) Supply
- (c) Demand
- (d) Utility

Q.116. A horizontal demand curve parallel to X-axis shows that the elasticity of demand is:

- (a) Zero
- (b) Equal to unity
- (c) Greater than unity
- (d) Infinite.

Q.117. When the price of a commodity increases from Z 8 to 9, its demand decreases by 10%. The price elasticity of demand for the commodity

- (a) 0.8
- (b) 0.9
- (c) 1.0
- (d) 1.1

Q.118. Which one of the following is correct about the price elasticity of demand for a commodity?

- (a) It remains the same under all situations
- (b) It has several degrees/nature
- (c) It remains unaffected by the price of any other commodity
- (d) It is an immeasurable concept.

Q.119. The supply of a good refers to :

- (a) Actual production of goods
- (b) Total stock of goods
- (c) Stock available for sale
- (d) Amount of goods offered for sale at a particular price per unit of time

Q.120. Increase or Decrease in Supply means:

- (a) Shift in Supply curve
- (b) Movement along the same supply curve
- (c) Both (a) and (b)
- (d) Neither (a) or (b)

Q.121. When supply price increase in the short run, the profit of the producer _____.

- (a) Increases
- (b) Decreases
- (c) Remains constant
- (d) Decreases marginally

Q.122. A change in the supply of a commodity along with the same supply curve may occur due to:

- (a) Change in the price of the commodity
- (b) Change in the prices of related goods

- (c) Change in future expectations about the price of the goods
 (d) Change in the cost of inputs

Q.123. What is the elasticity of supply, when price changes from ₹15 to ₹12 and supply change from 6 units to 5 units?

- (a) 0.77 (b) 0.87
 (c) 0.833 (d) 0.58

Q.124. If the supply of a commodity is perfectly elastic, an increase in demand will result in:

- (a) Decrease in both the price and quantity at equilibrium
 (b) Increase in both the price and quantity at equilibrium
 (c) Increase in equilibrium quantity, equilibrium price remaining constant
 (d) Increase in equilibrium price, equilibrium quantity remaining constant

Q.125. When the change in the quantity supplied is proportionate to the change in the price, the producer is said to have _____.

- (a) Perfectly elastic supply
 (b) Relatively elastic supply
 (c) Unitary elastic supply
 (d) Perfectly inelastic supply

Q.126. Expansion in supply refers to a situation when the producers are willing to supply a:

- (a) Larger quantity of the commodity at an increased price
 (b) Larger quantity of the commodity due to increased taxation on that commodity
 (c) Larger quantity of the commodity at the same price
 (d) Larger quantity of the commodity at the decreased price

Q.127. If there is an improvement in the technology _____.

- (a) The supply curve shifts to the left
 (b) The supply curve shifts to
 (c) The right quantity supplied increase
 (d) Both (b) and (c)

Q.128. If the price of apples rises from ₹30 per Kg to ₹40 per Kg and the supply increases from 240 Kg to 300 Kg. Elasticity of supply is :

- (a) 0.75 (b) 0.67
 (c) 00.67 (d) 00.77

Q.129. Increase or decrease in supply means:

- (a) Change in supply due to change in its own price
 (b) Change in supply due to change in factors other than its own price
 (c) Both of the above
 (d) None of the above

Q.130. When Supply Curve shifts to the right there is _____ in Supply.

- (a) In increase (b) Expansion
 (c) Contraction (d) Decrease.

Q.131. The supply of the commodity implies?

- (a) Total Output during a specified period
 (b) Its total stock
 (c) Its stock available for sale
 (d) Its Quantity Offered for sale at a particular price per unit of time

Q.132. Supply of a commodity is a _____.

- (a) Stock concept
 (b) Flow concept
 (c) Both stock and Flow concept
 (d) Wholesale concept

Q.133. The price of mangoes increases from ₹30 per kilogram to ₹40 per kilogram and the supply increases from 240 kilograms to 300 kilograms. What will be the elasticity of supply for mangoes?

- (a) -0.67 (b) + 0.67
 (c) -0.77 (d) + 0.75

Q.134. If a 20% fall in price brings about a 10% fall in quantity supplied, in such a case elasticity of supply will be equal to:

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

Q.135. At a price of ₹25 per kg, the supply of a commodity is 10,000 kg per week. An increase in its price to ₹30 per kg, increases the supply of the commodity to 12,000 kg per week. The elasticity of supply will be:

- (a) 0.75 (b) 1.00

(c) 1.50

(d) 1.75

Q.136. Short- run price is also called by the name of _____.

- (a) Market price
- (b) Showroom price
- (c) Maximum retail price
- (d) None of these.

Q.137. The elasticity of supply is greater than one when:

- (a) Proportionate change in price is more than the proportionate change in quantity supplied
- (b) Proportionate change in quantity supplied is more than the proportionate change in price
- (c) Change in price and quantity supplied are equal
- (d) All of the above

Q.138. After reaching saturation point consumption of additional units of commodity causes

- (a) Total utility to fall and marginal utility to increase
- (b) Total and marginal utility both to increase
- (c) Total utility to fall and marginal utility to become negative
- (d) Total utility to become negative and marginal utility to fall

Q.139. As the price of a commodity increases, normally, its supply:

- (a) Decreases
- (b) Remains unchanged
- (c) Increases
- (d) Cannot be determined

Q.140. If equilibrium is present in a market then it can be said that:

- (a) The price of the product will tend to rise
- (b) Quantity demanded equals quantity supplied
- (c) Quantity demanded exceeds quantity supplied
- (d) Quantity supplied exceeds quantity demanded

Q.141. An increase in supply denotes a shift in the supply curve to the right. If there is an increase in supply without a change in demand, the equilibrium price will and the quantity demanded will go up.

- (a) Fall
- (b) Remain constant
- (c) Increase
- (d) Becomes zero.

Q.142. Which among the following is not a determinant of supply?

- (a) Price of the commodity concerned
- (b) Prices of the factors of production
- (c) State of technology used in the production process
- (d) Customs and traditions in society

Q.143. The Supply Curve shifts to the right because of:

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

Q.	Ans.	Q.	Ans.	Q.	Ans.	Q.	Ans.	Q.	Ans.
1	A	31	C	61	B	91	B	121	A
2	A	32	A	62	A	92	B	122	A
3	B	33	A	63	C	93	A	123	C
4	B	34	C	64	C	94	D	124	C
5	D	35	B	65	A	95	C	125	C
6	A	36	D	66	B	96	D	126	A
7	A	37	C	67	B	97	B	127	B
8	A	38	C	68	A	98	B	128	A
9	B	39	C	69	A	99	C	129	B
10	C	40	D	70	B	100	C	130	A
11	A	41	B	71	C	101	C	131	D
12	A	42	D	72	A	102	A	132	B
13	A	43	B	73	A	103	B	133	D
14	A	44	B	74	B	104	A	134	B
15	B	45	A	75	B	105	B	135	B
16	A	46	C	76	D	106	B	136	A
17	B	47	B	77	C	107	B	137	B
18	A	48	A	78	A	108	B	138	C
19	A	49	C	79	D	109	B	139	C
20	A	50	D	80	C	110	A	140	B
21	C	51	D	81	B	111	B	141	A
22	A	52	D	82	C	112	A	142	D
23	C	53	C	83	C	113	C	143	A
24	C	54	A	84	C	114	B		
25	A	55	B	85	D	115	C		
26	A	56	C	86	A	116	D		
27	B	57	A	87	C	117	A		
28	B	58	A	88	D	118	B		
29	C	59	B	89	B	119	D		
30	A	60	B	90	A	120	A		

Chapter 3- Production + Cost + Revenue Concepts

Q.1. _____ shows the overall output generated at a given level of input:

- (a) Cost function
- (b) Production function O
- (c) ISO cost
- (d) Marginal rate of technical substitution

Q.2. If LAC curve falls as output expands, this is due to _____.

- (a) Law of diminishing returns
- (b) Economics of scale
- (c) Law of variable proportion
- (d) Dis-economics of scale

Q.3. Isoquants are equal to:

- (a) Product Lines
- (b) Total utility lines
- (c) Cost lines
- (d) Revenue lines

Q.4. The marginal product curve is above the average product curve when the average product is:

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) None

Q.5. Increasing returns to scale can be explained in terms of:

- (a) External and internal economies
- (b) External and internal diseconomies
- (c) External economies and internal diseconomies
- (d) All of these

Q.6. [6] An isoquant is _____ to an isocost line at the equilibrium point:

- (a) Convex
- (b) Concave
- (c) Tangent
- (d) Perpendicular

Q.7. At the point of inflexion, the marginal product is:

- (a) Increasing
- (b) Decreasing
- (c) Maximum
- (d) Negative

Q.8. Diminishing marginal returns implies:

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) Increasing marginal costs

(d) Decreasing average fixed costs

Q.9. If the marginal product of labour is below the average product of labour, it must be true that:

- (a) Marginal product of labour is negative
- (b) Marginal product of labour is zero
- (c) Average product of labour is falling
- (d) Average product of labour is negative

Q.10. Law of variable proportion is valid when:

- (a) Only one input is fixed and all other inputs are kept variable
- (b) All factors are kept constant
- (c) All inputs are varied in the same proportion
- (d) None of these

Q.11. Change in total revenue due to incremental change in quantity supplied is called:

- (a) Marginal Revenue
- (b) Marginal Change
- (c) Average Revenue
- (d) Average Change

Q.12. Increase in all input leading to less than proportional increase in output is called _____,

- (a) Increasing returns to scale
- (b) Decreasing returns to scale
- (c) Constant returns to scale
- (d) Both increasing and decreasing returns to scale

Q.13. Consider the following combinations of inputs and outputs:

This production technology satisfies

Labour	Capital	Output
5	10	1
6	12	2
7	14	3
8	16	4
9	18	5
10	20	6

- (a) Increasing returns to scale
- (b) Diminishing returns to scale
- (c) Constant returns to scale
- (d) Increasing returns initially, following by decreasing returns to scale.

Q.14. During H^{nd} stage of law of diminishing returns:

(a) P and TP is maximum

(b) MP and AP are decreasing

(c) AP is negative

(d) TP is negative

Q.15. Who has given the concept of Innovative Entrepreneurship?

(a) Robbins (b) Adam Smith

(c) Schumpeter (d) Sweezy

Q.16. AT 10 units Total Cost — ₹200

20 units Total Cost — ₹600

Marginal Cost = ?

(a) 50 (b) 40

(c) 30 (d) 400

Q.17. Average Fixed Cost = ₹20

Quantity Produced = ₹10 units

What will be the Average Fixed Cost of 20th unit?

(a) ₹10 (b) ₹20

(c) ₹5 (d) None

Q.18. What is Production in Economics:

(a) Creation / Addition of Utility

(b) Production of food grains

(c) Creation of services

(d) Manufacturing of goods

Q.19. External Economies of Scale are obtained by:

(a) A firm (b) A group of firm

(c) Small Production (d) Society

Q.20. If a firm's output is zero, then:

(a) AFC will be positive (b) AVC will be zero

(c) Both of (a) and (b) (d) None of (a) and

Q.21. Functions of the entrepreneur are:

(a) Risk bearing

(b) Initiating a business enterprise and resource co-ordinating

(c) Introducing new innovations

(d) All of the above

Q.22. Law of diminishing returns is applicable in:

(a) Manufacturing industry

(b) Agriculture

(c) Neither (a) nor (b)

(d) Any economic activity at a point of time

Q.23. Labour force wants more

(a) facility (b) leisure

(c) benefit (d) all of the above

Q.24. Production activity in the short-run is analysed by:

(a) Returns to scale (b) Economies of scale

(c) Law of variable proportion (d) None of these

Q.25. Increasing returns to scale occurs due to:

(a) Economies of scale (b) Specialization

(c) Indivisibility of factors (d) All of these

Q.26. Law of diminishing returns is applicable in

(a) Only manufacturing industries

(b) Only agriculture

(c) Neither in agriculture nor in industries

(d) In all economic activities after a limit mark

Q.27. Law of increasing returns is applicable because of

(a) Indivisibility of factors (b) Specialization

(c) Economies of scale (d) Both (a) and (b)

Q.28. When output decreases by 20% due to an increase in inputs by 20%, this stage is called the law of

(a) increasing returns to scale

(b) decreasing returns to scale

(c) constant returns to scale

(d) none of the above

Q.29. In the first stage of the law of variable proportions, the total product increases at the

(a) decreasing rate (b) increasing rate

(c) constant rate (d) both a and b

Q.30. What will be the total product when two labourers are hired according to the table given below?

No. of labourers	MP	Total product
0	--	--
1	350	350
2	230	?

(a) 680 (b) 580

(c) 350 (d) 230

Q.31. Which function shows the relationship between input and output?

- (a) Consumption function
- (b) Investment function
- (c) Production function
- (d) Cost function

Q.32. External economies are enjoyed:

- (a) By large producers only
- (b) As the firm expands
- (c) Both (a) and (b)
- (d) None of above

Q.33. The Law of Diminishing Returns is applicable in _____.

- (a) only in manufacturing industries
- (b) only in agriculture
- (c) neither in agriculture nor in industries
- (d) all economic activities after a point

Q.34. The concept of Returns to Scale is related to:

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) None of above

Q.35. The function of an entrepreneur is:

- (a) Initiating an enterprise and resource coordination
- (b) Risk bearing
- (c) Introducing innovations
- (d) All of the above

Q.36. Which of the following is not a characteristic of land?

- (a) It is a free gift of nature
- (b) It is a mobile factor of production
- (c) It is limited in quantity
- (d) Its productive power is indestructible.

Q.37. A production function is defined as the relationship between

- (a) The quantity of physical inputs and physical output of a firm
- (b) Stock of inputs and stock of output
- (c) Prices of inputs and output
- (d) Price and supply of a firm.

Q.38. Production activity in the short period is analysed with the help of:

- (a) Law of variable proportion
- (b) Laws of returns to scale
- (c) Both (a) & (b)
- (d) None of the above.

Q.39. Which of the following is the reason for the working of the law of increasing returns?

- (a) Fuller utilisation of fixed factors
- (b) indivisibility of the factors
- (c) Greater specialization of labour
- (d) All of the above.

Q.40. External economies can be achieved through:

- (a) Foreign trade only
- (b) Superior managerial skill
- (c) Extension of transport and credit facilities
- (d) External assistance.

Q.41. External economies arise due to:

- (a) Growth of ancillary industries
- (b) High cost of technologies
- (c) Increase in the price of factors of production
- (b) None of the above.

Q.42. Innovation theory of entrepreneurship is propounded by:

- (a) Knight
- (b) Schumpeter
- (c) Max Weber
- (d) Peter Drucker

Q.43. Production function is:

- (a) Purely a technical relationship between input & output
- (b) Purely an economic relationship between input & output
- (c) Both the technical & economical relationship between input & output
- (d) None of the above.

Q.44. The concept of returns to scale is related with:

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) None of the above

Q.45. In Cobb-Douglas production function, two inputs are:

- (a) Land and Labour

(b) Labour and Capital mark

(c) Capital and Entrepreneur

(d) Entrepreneur and land

Q.46. 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.

Q.47. An Entrepreneur undertakes which one of the following functions?

(a) Initiating a business and resource co-ordination

(b) Risk or uncertainty bearing

(c) Innovations

(d) All of the above.

Q.48. With a view to increase his production, Hariharan a manufacturer of shoes, increases all the factors of production in his unit by 100%. But at the end of the year, he finds that instead of an increase of 100%, his production has increased by only 80%. Which law of returns to scale is operating in this case?

(a) Increasing returns to scale

(b) Decreasing returns to scale

(c) Constant returns to scale

(d) None of the above.

Q.49. Linear homogeneous production function is based on:

(a) Increasing returns to scale

(b) Decreasing returns to scale

(c) Constant returns to scale

(d) None of the above

Q.50. Which of the following statement is true in relation to an ISO-Quant Curve?

(a) It represents those combinations of two factors of production that will give the same level of output

(b) It represents those combinations of all the factors that will give the same level of output

(c) It slopes upward to the right

(d) It can touch either axis.

Q.51. Production is defined as:

(a) Creation of matter

(b) Creation of utility in matter

(c) Creation of infrastructural facilities

(d) None of the above.

Q.52. Long period production function is related to:

(a) Law of variable proportions

(b) Laws of returns to scale

(c) Law of diminishing returns

(d) None of the above.

Q.53. The conclusion drawn from Cobb-Douglas production function is that labour contributed about _____ and capital about _____ of the increase in the manufacturing production.

(a) $\frac{3^{th}}{4}$, $\frac{1^{th}}{4}$

(b) $\frac{1}{2}$, $\frac{1}{2}$

(c) $\frac{1^{th}}{4}$, $\frac{3^{th}}{4}$

(d) None of the above.

Q.54. ISO quants are also known as:

(a) Production possibility curves

(b) Indifference curves

(c) Production indifference curves

(d) None of the above.

Q.55. Human capital refers to:

(a) Savings by individuals

(b) Mobilisation of savings

(c) Human skills and abilities

(d) Productive investment.

Q.56. The Law of Variable Proportions is associated with:

(a) Short period

(b) Long period

(c) Both short and long periods

(d) Neither short nor long period.

Q.57. Which one of the following statements is not correct?

(a) Land has indestructible powers

(b) Labour is mobile

(c) Capital is nature's gift mark

(d) Land is a passive factor.

Q.58. Which of the following is not a characteristic of labour?

(a) It is perishable

- (b) It has weak bargaining power
- (c) Labour and Labour power cannot be separated
- (d) Labour is not mobile

Q.59. Which among the following is not a characteristic of Land?

- (a) It is an active factor
- (b) It has variety of uses
- (c) Its production powers are indestructible
- (d) Its supply is limited

Q.60. When average product rises as a result of an increase in the quantity of variable factor, marginal product is:

- (a) Equal to average product
- (b) More than average product
- (c) Less than average product
- (d) Becomes negative

Q.61. Suppose the first four units of a variable input generate corresponding total output of 150, 200, 350, 550. What will be the marginal product of the third unit of input?

- (a) 50
- (b) 100
- (c) 150
- (d) 200

Q.62. The famous Cobb-Douglas production function is based on studies of _____ industries in the United States of America.

- (a) manufacturing
- (b) construction
- (c) consumer
- (d) aviation.

Q.63. In Economics, entire process of is nothing but creation of utilities in the form of goods and services.

- (a) Consumption
- (b) Production
- (c) Exchange
- (d) Distribution.

Q.64. Cobb Douglas function is given by $Q = KL^a C^b$

- (a) If $\alpha + \beta > 1$, increasing returns
- (b) If $\alpha + \beta > 1$, increasing returns to scale
- (c) If $\alpha + \beta < 1$, diminishing returns
- (d) If $\alpha + \beta = 1$, decreasing returns to scale.

Q.65. Production is defined as:

- (a) Creation of matter
- (b) Creation of utility in matter
- (c) Creation of infrastructural facilities

- (d) None of the above.

Q.66. The conclusion drawn from Cobb Douglas production function is that labour contributed about _____ and capital about _____ of the increase in the manufacturing production.

- (a) $\frac{3^{th}}{4}$, $\frac{1^{th}}{4}$
- (b) $\frac{1^{th}}{2}$, $\frac{1^{th}}{2}$
- (c) $\frac{1^{th}}{4}$, $\frac{3^{th}}{4}$
- (d) None of the above.

Q.67. At the point of inflexion, the marginal product is:

- (a) Increasing
- (b) Decreasing
- (c) Maximum
- (d) Negative

Q.68. Isoquante's are equal to:

- (a) Product lines
- (b) Total utility lines
- (c) Cost lines
- (d) Revenue lines

Q.69. Increasing returns to scale can be explained in terms of:

- (a) External and internal economics
- (b) External and internal diseconomies
- (c) External economies and internal diseconomies
- (d) All of these.

Q.70. According to Cobb-Douglas production function, will get returns to scale?

- (a) Constant
- (b) Diminishing
- (c) Increasing
- (d) Any of the above

Q.71. Which of the following statement about factors of production is not true?

- (a) Land is a passive factor
- (b) Land is a free gift of nature
- (c) Land is immobile
- (d) Land is perishable

Q.72. Which of the following is considered as production in economics?

- (a) Helping a blind person in crossing the road
- (b) Group dance performance in a collage annual function
- (c) Holding a child who is falling from a wall
- (d) Performing an art in a theatre

Q.73. Marginal, average and total product of a firm in the short run will not comprise with

- (a) When marginal product is at a maximum, average product is equal to marginal product, and total product is rising
- (b) When average product is maximum, average product is equal to marginal product, and total product is rising
- (c) When marginal product is negative, total product and average product are falling
- (d) When total product is increasing, average product and marginal product may be either rising or falling

Q.74. Supply of land is _____ in case of economy?

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

Q.75. MP is the slope of _____.

- (a) TP
- (b) AP
- (c) Both
- (d) None

For Questions [77] - [79] used the data table given below :

No of workers	Total output	Marginal output
0	0	0
1	10	-
2	-	8
3	24	-

Q.76. What will be total output for 2 workers?

- (a) 6
- (b) 18
- (c) 12
- (d) 17

Q.77. What will be marginal output for 3 workers?

- (a) 6
- (b) 12
- (c) 7
- (d) 8

Q.78. Average Product for three labour:

- (a) 12
- (b) 11
- (c) 8
- (d) None

Q.79. Opportunity cost is:

- (a) Direct cost
- (b) Total cost
- (c) Accounting cost
- (d) Cost of foregone opportunity

Q.80. As output increases, average fixed cost:

- (a) Remains constant
- (b) Starts falling
- (c) Start rising
- (d) None

Q.81. Average fixed cost can be obtained through :

- (a) $AFC = \frac{TFC}{TS}$
- (b) $AFC = \frac{EC}{TU}$
- (c) $AFC = \frac{TC}{PC}$
- (d) $AFC = \frac{TFC}{TU}$

Q.82. AFC curve is :

- (a) Convex & downward sloping
- (b) Concave & downward sloping
- (c) Convex & upward sloping
- (d) Concave & upward rising

Q.83. A firm's average fixed cost is ₹20 at 6 units of output what will it be at 4 units of output?

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

Q.84. U-shaped average cost curve is based on:

- (a) Law of increasing cost
- (b) Law of decreasing cost
- (c) Law of constant returns to scale
- (d) Law of variable proportions

Q.85. When shape of average cost curve is upward, marginal cost :

- (a) Must be decreasing
- (b) Must be constant
- (c) Must be rising
- (d) Any of these

Q.86. If total cost at 10 units is ₹600 and ₹640 for 11th unit. The marginal cost of 11th units :

- (a) ₹20
- (b) ₹30
- (c) ₹40
- (d) ₹50

Q.87. Economic cost excludes which of the following :

- (a) Accounting cost + explicit cost
- (b) Accounting cost + implicit cost
- (c) Explicit cost + implicit cost
- (d) Accounting cost + opportunity cost

Q.88. Which of the following cost curves is never 'U' shaped?

- (a) Average total cost curve
- (b) Marginal cost curve
- (c) Total cost curve
- (d) Total Fixed cost curve

Q.89. Suppose, the total cost of production of commodity X is ₹1,25,000. Out this cost implicit cost is ₹35,000 and normal profit is ₹25,000. What will be the explicit cost of commodity X?

- (a) 90,000
- (b) 65,000
- (c) 60,000
- (d) 1,00,000

Q.90. What is the total cost of production of 20 units, if fixed cost is ₹5,000 and variable cost is ₹2 ?

- (a) 5,400
- (b) 5,040
- (c) 4,960
- (d) 5,020

Q.91. External economies accrue due to _____

- (a) Increasing returns to scale
- (b) Increasing returns to factor
- (c) Law of variable proportion
- (d) Low cost

Q.92. At which point does the marginal cost curve intersect the average variable cost curve and short run average total cost curve?

- (a) At equilibrium points
- (b) At their lowest points
- (c) At their optimum points
- (d) They don't intersect at all

Q.93. Implicit cost may be defined as the:

- (a) Costs which do not change over a period of time
- (b) Costs which the firm incurs but doesn't disclose
- (c) Payment to the non-owners of the firm for the resources
- (d) Money payment which the self employed resources could have earned in their best alternative employment

Q.94. A firm's average fixed cost is ₹ 40 at 12 units. What will be the average fixed cost at 8 units:

- (a) ₹60
- (b) ₹70

(c) ₹90

(d) ₹80

Q.95. Returns to scale will said to be in operation when quantity of :

- (a) All inputs are changed
- (b) All inputs are changed in already established proportion
- (c) All inputs are not changed
- (d) One input is changed while quantity of all other inputs remain the same

Q.96. Which of the following curves never touch any axis but is downward?

- (a) Marginal cost curve
- (b) Total cost curve
- (c) Average fixed cost curve
- (d) Average variable cost curve

Q.97. Which of the following is known as Envelope curve?

- (a) MC curve
- (b) AFC curve
- (c) LAC curve
- (d) TFC curve

Q.98. A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production. How much of the average total cost is made up of variable cost?

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

Q.99. Firm's average fixed cost is ₹20 at 6 units of output. What will it be at units of output?

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

Q.100.

Output (Units)	Total Cost
0	30
1	40
2	50
3	60

Find Average Fixed Cost of 3 units

- (a) 10
- (b) 30
- (c) 65
- (d) 60

Q.101. Long run does not have:

- (a) Average Cost (b) Total Cost
(c) Fixed Cost (d) Variable Cost

Q.102. Which of the following curve is not U shaped?

- (a) AFC (b) AVC
(c) MC (d) TC.

Q.103. From the following details, find out the average variable cost of 10 units:

Output	0	10	20
Total Cost	₹200	₹400	₹800

- (a) ₹40 (b) ₹20 mark
(c) ₹200 (d) ₹400

Q.104. The total cost incurred for 10 units is ₹ 400 and 20 units is ₹ 800. Find the marginal cost.

- (a) ₹400 (b) ₹40
(c) ₹200 (d) ₹20

Q.105 Which one of the following is correct?

- (a) $AFC = AVC + ATC$
(b) $ATC = AFC - AVC$
(c) $AVC = AFC + ATC$
(d) $AFC = ATC - AVC$.

Q.106. Calculate AFC of 3 units from the following data:

Unit	0	1	2	3
Total Cost	30	40	50	60

- (a) 30 (b) 15
(c) 10 (d) 5

Q.107. Find AFC of 3 units :

Unit	0	1	2	3
Total Cost	15	25	35	45

- (a) 5 (b) 10
(c) 15 (d) 25

Q.108. What will be the TVC if we produce 2 units?

Unit	0	1	2
Total Cost	20	37	50

- (a) 15 (b) 05

- (c) 17 (d) 30

Q.109. The total cost of production of 10 units is ₹200. When production is increased to 20 units its total cost becomes ₹600. What will be its marginal cost.

- (a) 400 (b) 40
(c) 4 (d) 30

Q.110.

Unit	0	1	2	3	4
Total Cost	20	30	40	50	60

What will be the AFC at 4 units of output.

- (a) 2 (b) 3
(c) 4 (d) 5

Q.111. Payment made to outsiders for their goods and services are called:

- (a) Opportunity cost (b) Real cost
(c) Explicit cost (d) Implicit cost

Q.112. Direct Cost is also known as:

- (a) Indirect Cost (b) Traceable Cost
(c) Opportunity Cost (d) Accounting Cost.

Q.113. Firms AFC is ₹200 at 10 units of output what will be it at 20 units of output?

- (a) 500 (b) 100
(c) 150 (d) 200

Q.114. Long run price is also called by the name of _____

- (a) market price (b) normal price
(c) administered price (d) wholesale price

Q.115. What will be the AFC of 2 units according to the table given below:

Output	0	1	2
Total Cost	580	689	850

- (a) 105 (b) 135
(c) 235 (d) 290

Q.116. Fixed cost is known as _____ cost

- (a) Prime (b) Supplementary
(c) Overhead (d) Direct

Q.117. Average Revenue Curve is also known as

- (a) Profit curve
- (b) Demand curve
- (c) Supply curve
- (d) Average cost curve

Q.118. Supply curve remaining unchanged, an increase in demand will lead to

- (a) A fall in price
- (b) Rise in price
- (c) No change in price
- (d) An increase in supply

Q.119. Find out AFC of 3 unit:

Unit	0	1	2	3
Total Cost	300	1000	2000	3000

- (a) 100
- (b) 200
- (c) 300
- (d) 400

Q.120.

Unit	0	1	2
Total Cost	580	1200	1500

Calculate AFC at 2nd unit of output

- (a) 235
- (b) 290
- (c) 310
- (d) 920.

Q.121. In the long run all factors are

- (a) Fixed
- (b) Variable
- (c) All factors remain unchanged
- (d) None.

Q.122. What is the total cost of production of 20 units, if fixed cost is ₹5,000 and variable cost is x^2 - ?

- (a) 5,400
- (b) 5,040
- (c) 4,960
- (d) 5,020

Q.123. Which of the following is known as Envelope Curve?

- (a) Average variable cost curve
- (b) Average total cost curve
- (c) Long run average cost curve
- (d) Short run average cost curve

Q.124. The average fixed cost for producing an output of 6 units of a product by a firm is ₹ 30. The same cost for producing an output of 4 units will be ₹ _____.

- (a) 50
- (b) 45

(c) 25

(d) 20

Q.125. Given

Output	0	4	8
Total Cost	20	24	48

What will be the AFC of 4 units of Output

- (a) 2
- (b) 3
- (c) 4
- (d) 5

Q.126. Suppose the total cost of production of commodity 'X' is ₹1,25,000 Out of other cost implicit is ₹35,000 and normal profit is ₹25,000 what will be the explicit cost of commodity 'X'?

- (a) 60,000
- (b) 65,000
- (c) 90,000
- (d) 80,000

Q.127. What will be the total fixed cost for the production of three units as per the details given below:

Units	0	1	2	3
Total Cost	62	94	155	367
Cost	0	0	5	0

- (a) 620
- (b) 640
- (c) 1115
- (d) 2650

Q.128. Cost in terms of pain, discomfort, disability involved in supplying the various factors of production by their owners are termed as _____.

- (a) Aocial cost
- (b) Explicit cost
- (c) Real cost
- (d) Implicit cost

Q.129. Which of the following is known as the Envelope Curve?

- (a) Average variable cost curve
- (b) Average total cost curve
- (c) Long run average cost curve
- (d) Short run average cost curve.

Q.130. The cost of resources owned and employed by the entrepreneur himself in his business is termed as cost.

- (a) Explicit
- (b) Implicit
- (c) Fixed
- (d) Variable.

Q.131. A firm will close down in the short period if its average revenue is less than its:

- (a) Average cost (b) Average variable cost
(c) Marginal cost (d) Average fixed cost

Q.132. A firm's total cost is T 200 at 5 units of output and T 220 at 6 units of output. The marginal cost of producing 6th unit of output will be

- (a) 20 (b) 120
(c) 220 (d) 320.

Q.133. Consider the following data

Units of output	0	1	2	3	4
Total Cost	25	45	60	85	105

The Average Variable Cost (AVC) for an output of 4 units will be :-

- (a) ₹20 (b) ₹30
(c) ₹25 (d) ₹26

Q.134 The change in total cost due to one unit change in the output is called cost.

- (a) Marginal (b) Average
(c) Average variable (d) Average fixed

Q.135. When AC curve is rising, the MC curve must be _____ to it.

- (a) Equal (b) Above
(c) Below (d) Parallel.

Q.136. The Average fixed cost for producing an output of 6 units of a product by a firm is ₹30. The same cost for producing an output of 4 units will be ₹_____.

- (a) 50 (b) 45
(c) 25 (d) 20

Q.137. Which of the following cost curve will slope downward and does not touch the x-axis?

- (a) Average cost curve
(b) Marginal cost curve
(c) Average variable cost curve
(d) Average fixed cost curve.

Q.138. Suppose the total cost production of a commodity 'x' is ₹1,25,000 out of which Implicit cost is ₹35,000 and normal profit is ₹25,000. What would be the explicit cost of commodity x?

- (a) ₹90,000 (b) ₹65,000
(c) ₹1,00,000 (d) ₹60,000

Q.139. In which of the following cases opportunity cost concept applies?

- (a) Resources have alternative uses
(b) Resources have limited uses
(c) Resources have no use
(d) None of the above.

Q.140. Direct costs are also known as _____.

- (a) Traceable costs (b) Indirect costs
(c) Opportunity costs (d) Real costs.

Q.141. Which statement among below is correct in reference in Average Fixed Cost

- (a) Never becomes zero
(b) Curve never touches x-axis
(c) Curve never touches y-axis
(d) All of the above.

Q.142. Marginal cost changes due to change in _____ cost.

- (a) Total (b) Fixed
(c) Average (d) Variable

Q.143. A firm produces 10 units of a commodity at an average total cost of 200 and with a fixed cost of ₹ 500. Find out the component of average variable cost in the total cost :

- (a) ₹300 (b) ₹200
(c) ₹150 (d) ₹100

Q.144. Average total cost to a firm is ₹600 when it produces 10 units of output and ₹640 when the output is 11 units. The MC of the 11th unit is :

- (a) ₹340 (b) ₹540
(c) ₹840 (d) ₹1,040

Q.145. Average cost of producing 50 units of any commodity is T 250 and fixed cost is 1,000. What will be the average fixed cost of producing 100 units of the commodity?

- (a) ₹10 (b) ₹30
(c) ₹20 (d) ₹05

Q.146. Company produces 10 units of output and incurs ₹ 30 per unit as variable cost and 5 per unit of fixed cost. What will be its total cost of producing 10 units?

- (a) ₹300 (b) 35
(c) ₹305 (d) ₹350

Q.147. On the basis of the following data what will be the marginal cost of the 6th unit of output?

Output	0	1	2	3	4	5	6	
Total Cost (₹)	0	24	33	41	48	54	61	69

- (a) ₹133 (b) ₹75
(c) ₹80 (d) ₹450

Q.148. The positively sloped (rising) part of the long run average cost curve indicates working of the _____.

- (a) Diseconomies of scale
(b) Increasing returns to scale
(c) constant returns to scale
(d) Economies of scale

Q.149. Average fixed cost curve is always:

- (a) Declining when output increases
(b) U-Shaped, if there are increasing returns to scale
(c) U-Shaped, if there are decreasing returns to scale
(d) Intersected by marginal cost at its minimum point

Q.150. Planning curve is related to which of the following?

- (a) Short run average cost curve
(b) Long run average cost curve
(c) Average variable cost
(d) Average total cost.

Q.151. Using the following data find out the marginal cost (MC) of the sixth unit of output:

Output	0	1	2	3	4	5	6	7
Total cost	4	7	9	11	13	14	16	18
	8	3	4	4	0	8	8	9

- (a) 24 (b) 16
(c) 20 (d) 21

Q.152. Diminishing marginal returns implies

- (a) Decreasing average variable costs
(b) Decreasing marginal costs
(c) Increasing marginal costs
(d) Decreasing fixed costs.

Q.153. When the output of a firm increase in the short run, its average fixed cost

- (a) Increases
(b) Decreases
(c) Remains constant
(d) First declines and then rises.

Q.154. Which of the following cost curves is never 'U' shaped?

- (a) Average cost curve
(b) Marginal cost curve
(c) Average variable cost curve
(d) Average fixed cost curve.

Q.155. Fixed cost curve normally:

- a) Starts from the origin (b) Is U shaped
(c) Is vertical line (d) Is horizontal line.

Q.156. Rational producer will produce in the stage in which marginal product is positive and :

- (a) $MP > AP$ (b) $MP = AP$
(c) $MP < AP$ (d) MP is zero.

Q.157. The vertical difference between TVC and TC curves is equal to:

- (a) MC (b) AVC
(c) TFC (d) None of the above

Q.158. What happens to marginal cost when average cost increases?

- (a) Marginal cost is below average cost
(b) Marginal cost is above average cost
(c) Marginal cost is equal to average variable cost
(d) Marginal cost is equal to average cost.

Q.159. If the market price of good is more than the opportunity cost of producing it, then:

- (a) The market price of the product will increase in the long run
(b) Producers will increase supply in the long run

- (c) Resources will flow away from production of the good, causing supply to decline with the passage of time
- (d) The situation will remain unchanged as long as supply and demand remain in balance.

Q.160. A firm has variable cost of ₹1,000 at 5 units of output. If fixed costs are 400, what will be the average total cost at 5 units of output?

- (a) 380 (b) 600
(c) 280 (d) 400

Q.161. The average total cost of producing 50 units is ₹250 and total fixed cost is 1,000. What is the average fixed cost of producing 100 units?

- (a) 5 (b) 30
(c) 20 (d) 10

Q.162. When average fixed cost is ₹20 at 6 units of output, what will it be at units of output?

- (a) ₹60 (b) ₹30
(c) ₹40 (d) ₹20

Q.163. Modern industrial units face cost curve due to change in their technology of production.

- (a) U shaped (b) L shaped
(c) Dish shaped (d) J shaped

Q.164. The costs which remain fixed over certain range of output but suddenly jump to a new higher level when production goes beyond a given limit are called:

- (a) Variable cost (b) Semi- variable cost
(c) Stair- step variable cost (d) Jumping cost

Q.165. A firm producing 9 units of output has an average total cost of ₹200 and has to pay ₹630 to its fixed cost of production. How much of the average total cost is made up of variable cost?

- (a) ₹150 (b) ₹130
(c) ₹70 (d) ₹300

Q.166. The cost of one thing in terms of alternative given up is known as:

- (a) Opportunity Cost (b) Real Cost
(c) Production Cost (d) Physical Cost.

Q.167. In the short run, when the output of a firm increases, its average fixed cost

- (a) Remains constant
(b) Decreases
(c) Increases
(d) First decreases and then rises

Q.168. What will be average variable cost of producing 5 units of blankets as per details given in the following table?

Blankets	1	2	3	4	5
Total Cost	2,575	3,800	4,500	5,300	6,000

- (a) ₹500 (b) ₹750
(c) ₹900 (d) ₹1,000

Q.169. Which of the following is/are example(s) of an economic cost?

- (a) Wage paid to labourers
(b) Raw materials purchase cost
(c) Interest paid on short term loan
(d) All of the above.

Q.170. Opportunity Cost is:

- (a) Marginal cost (b) Variable cost
(c) Total fixed cost (d) None of these.

Q.171. 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

Q.172. Linear homogenous production function is based on

- (a) Increasing returns to scale
(b) Decreasing returns to scale
(c) Constant returns to scale
(d) None of the above.

Q.173. Which of the following curve is not U shaped?

- (a) AFC (b) MC
(c) AVC (d) TC

Q.174. Unit TC 580 1200 1500 Calculated AFC at 2nd unit of output:

- (a) 235 (b) 290

(c) 310 (d) 920

Q.175. Which of the following curves never touch any axis but is downward

- (a) Marginal cost curve
- (b) Total cost curve
- (c) Average fixed cost curve
- (d) Average variable cost curve

Q.176. External economies accrue due to _____.

- (a) Increasing returns to scale
- (b) Increasing returns to factor
- (c) Law of variable proportions
- (d) LOW cost

Q.177. A firm's average fixed cost is ₹20 at 6 units of output what will be at 3 units of output?

- (a) ₹60 (d) ₹30
- (c) ₹40 (d) ₹20

Q.178. Which of the following is correct?

- (a) $AFC = AVC + ATC$ (b) $ATC = AFC - AVC$
- (c) $AVC = AFC + ATC$ (d) $AFC = ATC - AVC$

Q.179. The vertical difference between TVC and TC curves is equal to:

- (a) MC (b) AVC
- (c) TFC (d) None of the above.

Q.180. The cost of one thing in terms of alternative given up:

- (a) Real cost (b) Production cost
- (c) Opportunity cost (d) Physical cost

Q.181. The cost which remains fixed over certain range of output but suddenly jumps to a new higher level when production goes beyond a given limit are called:

- (a) Variable cost (b) Semi-variable cost
- (c) Stair-step variable cost (d) Jumping cost

Q.182. The slope of Average Fixed cost curve is?

- (a) Falls from left to right
- (b) Rises from left to right
- (c) Parallel to x-axis
- (d) Parallel to y-axis

Q.183. Price of a commodity is best expressed as

- (a) Exchange value (b) Cost of goods sold
- (c) Production cost (d) Nominal value

Q.184. Accounting cost is of Economic cost

- (a) Equal to (b) Less than
- (c) More than (d) Not Included

Q.185. When AC Curve is at minimum then MC Curve is

- (a) Minimum then AC Curve
- (b) Equals to AC Curve
- (c) Above AC Curve
- (d) Less than AC Curve

Q.186. Which of the following equation represents profit maximisation condition?

- (a) $MC = MR$ (b) $MC > MR$
- (c) $MC < MR$ (d) None.

Q.187. MC curve of a firm in a perfectly competitive industry depicts?

- (a) Demand curve (b) Supply curve
- (c) Average cost curve (d) Total cost curve

Q.188. Issues requiring decision making in the context of business are:

- (a) How much should be the optimum output at what price should the firm sell?
- (b) How will the product be placed in the market?
- (c) How to combat the risks and uncertainties involved?
- (d) All of the above.

Q.189. Law of production does not include?

- (a) Returns to scale
- (b) Law of variable proportion
- (c) Law of diminishing returns to a factor
- (d) Least cost combination factors

Q.190. A firm producing 15 units of output has average cost of ₹ 250 and % 125 as per unit cost for fixed factors of production. Then average variable cost will be

- (a) 80 (b) 50
- (c) 125 (d) None of the above

Q.191. Which of the following statement is incorrect?

- (a) AC is sloping downwards, MC is below AC
- (b) AC is sloping downwards, MC must fall

(c) AC is sloping upwards, MC is above AC

(d) MC cuts AC from its lowest point.

Q.192. Diminishing marginal returns implies.

(a) Decreasing average fixed cost

(b) Decreasing average variable cost

(c) Decreasing marginal cost

(d) Increasing marginal cost

Q.193. Opportunity Cost is _____.

(a) Recorded in the book of accounts

(b) Sacrificed alternative

(c) Both (a) and

(d) None of the above

Q.194. Which of the following is true?

(a) $TC = TFC + TVC$ (b) $TC + TVC + TFC$

(c) $2TC - TVC = TFC$ (d) None

Q.195. Total Economic Cost = Explicit Cost + Implicit Cost + _____.

(a) Normal Profit (b) Super Normal Profit

(c) Loss (d) None

Q.196. Economic cost of production differs from accounting cost of production

(a) Partially (b) True

(c) False (d) None

Q.197. Which curve is never U-shaped

(a) AFC (b) AVC

(c) AC (d) None

Q.	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	52	B	103	B	154	D
2	B	53	A	104	B	155	D
3	A	54	C	105	D	156	C
4	A	55	C	106	C	157	C
5	A	56	A	107	A	158	B
6	C	57	C	108	D	159	B
7	C	58	D	109	B	160	C
8	C	59	A	110	D	161	D
9	C	60	B	111	C	162	C
10	A	61	C	112	B	163	B
11	A	62	A	113	B	164	C
12	B	63	B	114	B	165	B
13	C	64	B	115	D	166	A
14	B	65	B	116	C	167	B
15	C	66	A	117	B	168	C
16	B	67	C	118	B	169	D
17	A	68	A	119	A	170	D
18	A	69	A	120	B	171	A
19	B	70	A	121	B	172	C
20	C	71	D	122	B	173	A
21	D	72	D	123	C	174	B
22	D	73	A	124	B	175	C
23	B	74	D	125	D	176	A
24	C	75	A	126	B	177	C
25	D	76	B	127	A	178	D
26	D	77	A	128	A	179	C
27	D	78	C	129	C	180	C
28	D	79	D	130	B	181	C
29	B	80	B	131	B	182	A
30	B	81	D	132	A	183	A
31	C	82	A	133	A	184	B
32	B	83	B	134	A	185	B
33	D	84	D	135	B	186	A
34	C	85	C	136	B	187	B
35	D	86	C	137	D	188	D
36	B	87	A	138	B	189	D
37	A	88	D	139	A	190	C
38	A	89	B	140	A	191	B
39	D	90	B	141	D	192	D
40	C	91	A	142	D	193	B
41	A	92	B	143	C	194	A
42	B	93	D	144	D	195	A
43	A	94	A	145	A	196	B
44	C	95	B	146	D	197	A
45	B	96	C	147	C		
46	C	97	C	148	A		
47	D	98	D	149	A		
48	B	99	C	150	B		
49	C	100	A	151	C		
50	A	101	C	152	C		
51	B	102	A	153	B		

Chapter 4- Market & Its Forms

Q.1. 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

Q.2. Under which of the following forms of market structure does a firm has no control over the price of its product :

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

Q.3. Given the relation $MR = MR = P \left(1 - \frac{1}{e}\right)$ if $e > 1$ then:

- (a) $MR > 0$
- (b) $MR < 0$
- (c) $MR = 0$
- (d) None

Q.4. Profits of the firm will be more at :

- (a) $MR = MC$
- (b) Additional revenue from extra unit equals its additional cost
- (c) Both of above
- (d) None

Q.5. What should firm do when Marginal revenue is greater than marginal cost?

- (a) Firm should expand output
- (b) Effect should be made to make them equal
- (c) Prices should be covered down
- (d) All of these

Q.6. Under monopoly price discrimination depends upon

- (a) Elasticity of demand for commodity
- (b) Elasticity of supply for commodity
- (c) Size of market
- (d) All of above

Q.7. Firms in a monopolistic market are price _____.

- (a) Takers
- (b) Givers
- (c) Makers
- (d) Acceptors

Q.8. Market which have two firms are known as

- (a) Oligopoly
- (b) Duopoly
- (c) Monopsony
- (d) Oligopsony

Q.9. Monopolist can determine :

- (a) Price
- (b) Output
- (c) Either price or output
- (d) None

Q.10. MR of n th unit is given by :

- (a) TR_n/TR_{n-1}
- (b) $TR_n + TR_{n-1}$
- (c) $TR_n - TR_{n-1}$
- (d) All of these

Q.11. The market structure in which the number of sellers is small and there is inter dependence in decision making by the firms is known as :

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

Q.12. 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

Q.13. Given the relation $MR = P \left(\frac{e-1}{e}\right)$, if $e < 1$, then:

- (a) $MR < 0$
- (b) $MR > 0$
- (c) $MR = 0$
- (d) None of these.

Q.14. For a discriminating monopolist the condition for equilibrium is:

- (a) $MR > MC$
- (b) $MR = MC$
- (c) $MR = MR = MC$
- (d) All of the above.

Q.15. Average revenue curve is also known as:

- (a) Profit curve
- (b) Demand curve
- (c) Supply curve
- (d) Average cost curve.

Q.16. Given, $AR = 5$ and Elasticity of demand = 2 Find MR.

- (a) + 2.5
- (b) -2.5
- (c) +1.5
- (d) +2.0

Q.17. If a seller obtains ₹3,000 after selling 50 units and ₹3,100 after selling 52 units, then marginal revenue will be

- (a) ₹59.62
- (b) ₹50.00
- (c) ₹60.00
- (d) ₹59.80

Q.18. A firm will close down in the short period, if its AR is less than :

- (a) AC (b) AVC
(c) MC (d) None of the above

Q.19. Which one of the following expressions is correct for Marginal Revenue?

- (a) $MR = AR \left(\frac{1-e}{e} \right)$ (b) $MR = TR_n - TR_{n+1}$
(c) $MR = \frac{\Delta TR}{\Delta Q}$ (d) $MR = \frac{TR}{Q}$

Q.20. The market for ultimate consumer is known as:

- (a) Wholesale market (b) Regulated market
(c) Unregulated market (d) Retail market

Q.21. For a firm to become profitable it should expand output whenever:

- (a) Marginal revenue is equal to marginal cost
(b) Marginal revenue is less than marginal cost
(c) Marginal revenue is greater than marginal cost
(d) Average revenue is greater than average cost.

Q.22. On the basis of nature of transactions, a market may be classified into:

- (a) Spot market and future market
(b) Regulated market and unregulated market
(c) Wholesale market and retail market
(d) Local market and national market.

Q.23. In very short period market:

- (a) Supply changes but demand remains same
(b) Supply changes but price remains same
(c) Supply remains fixed
(d) Supply and demand both changes

Q.24. firm will close down in the short period, if its AR is less than:

- (a) AC (b) AVC
(c) MC (d) None of the above.

Q.25. Which of the following is correct?

- (a) $MR = AR (e - 1)/e$ (b) $MR = AR (e + 1)/e$
(c) $MR = AR (1 - e)/e$ (d) None of the above

Q.26. According to Behavioural Principles.

- (a) A firm should not produce at all if its total variable costs are not met.

(b) A firm will be making maximum profits by expanding output to the level where marginal revenue is equal to marginal cost.

- (c) Both (a) and (b)
(d) None of these

Q.27. Market consists of

- (a) Buyer and Seller
(b) One price for one product at a given time
(c) Both (a) and
(d) None

Q.28. Demand for a product is unitary elastic then

- (a) $MR=0$ (b) $MR > 0$
(c) $MR < 0$ (d) None of the above

Q.29. Which of the following is true, when the firm is at equilibrium?

- (a) $MC < MR$
(b) MC curve cuts the MR curve from below
(c) Both (a) and (b)
(d) None of the above

Q.30. When TR is at its peak then MR is equal to -

- (a) Zero (b) Positive
(c) Negative (d) None of the above

Q.31. When price is ₹20, Quantity demanded is 10 units and price is decreased by 5% then quantity demand increased by 10% then Marginal revenue is _____.

- (a) ₹10 (b) ₹11
(c) ₹9 (d) ₹20

Q.32. Which of the following represents the supply curve in a perfect competitive market?

- (a) MC curve (b) AC curve
(c) AR curve (d) R curve

Q.33. When TR is man, then MR is

- (a) Zero (b) One
(c) Both (a) & (b) (d) None

Q.34. _____ is also called a free market as there are no stipulations on the transactions

- (a) Unregulated (b) Regulated
(c) Retail (d) Spot

Q.35. In this market, transactions involve contracts with a promise to pay and deliver goods at some future date

- (a) Spot market
- (b) Future market
- (c) Unregulated market
- (d) Retail market

Q.36. A firm reaches its shut down point

- (a) When price is less than AVC in long run.
- (b) When price is less than AVC in short run.
- (c) When price is more than AC in long run.
- (d) When price is more than AC in short run.

Q.37. Demand of good increases from 15 units to 16 units if price decreases from ₹ 40 to ₹ 38. What will be MR of 16" units.

- (a) 8
- (b) 16
- (c) 38
- (d) 15

Q.38. For maximum profit, the condition is :

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

Q.39. Equilibrium price may be determined through:

- (a) Only demand
- (b) Only supply
- (c) Both demand & supply
- (d) None

Q.40. If price is forced to stay below equilibrium price then consequently it can be said that:

- (a) Excess supply exists.
- (b) Excess demand exists
- (c) Either (a) or (b)
- (d) Neither (a) nor (b)

Q.41. An increase in supply with unchanged demand leads to :

- (a) Rise in price and fall in quantity
- (b) Fall in both price and quantity
- (c) Rise in both price and quantity
- (d) Fall in price and rise in quantity

Q.42. In the long run:

- (a) Only demand can change
- (b) Only supply can change
- (c) Both demand and supply can change
- (d) None of these

Q.43. Condition for producer equilibrium is :

- (a) $TR = TVC$
- (b) $MC = MR$
- (c) $TC = TAC$
- (d) None of these

Q.44. An increase in supply with demand remaining the same, brings about.

- (a) An increase in equilibrium quantity and decrease in equilibrium price.
- (b) An increase in equilibrium price and decrease in equilibrium quantity
- (c) Decrease in both equilibrium price and quantity.
- (d) None of these.

Q.45. When the price of a commodity is ₹20, the quantity demanded is 9 units and when its price is ₹19, the Quantity demanded is 10 units. Based on this information what will be the marginal revenue resulting from an increase in output from 9 units to 10 units?

- (a) ₹20
- (b) ₹19
- (c) ₹10
- (d) ₹01

Q.46. If the price of a commodity is fixed, then with every increase in its sold quantity the total revenue will _____ and the marginal revenue will _____

- (a) Increase, also increase
- (b) Increase, remain unchanged
- (c) Increase, decline
- (d) Remain fixed, increase.

Q.47. If supply decreases and demand remains constant, then equilibrium price will be?

- (a) Increases
- (b) Decreases
- (c) No change
- (d) Become Negative

Q.48. According to pigou, first degree price discrimination charges price to;

- (a) Individual capacity
- (b) Quantities sold
- (c) Location
- (d) None of the above

Q.49. What is the shape of monopolist Average Revenue Curve?

- (a) Falls from left to right
- (b) Is parallel to X — axis
- (c) Is parallel to Y — axis
- (d) Rise from left to right

Q.50. What is the shape of perfectly competitive Average Revenue Curve?

- (a) Parallel to X axis
- (b) Parallel to Y axis
- (c) Fall from left to right
- (d) Rise from left to right

Q.51. Monopsony means

- (a) Where there are large firms

- (b) There is a single buyer
- (c) Small number of large buyers
- (d) Single seller and single buyer

Q.52. When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?

- (a) Increases
- (b) Decreases
- (c) Remains Constant
- (d) None of the above

Q.53. An increase in supply with demand remaining the same, brings about

- (a) An increase in equilibrium quantity and decrease in equilibrium price.
- (b) An increase in equilibrium price and decrease in equilibrium quantity.
- (c) Decrease in both equilibrium price and quantity.
- (d) None of these

Q.54. A competitive firm in the short run incur losses. The firm continues production, if:

- (a) $P > AVC$
- (b) $P = AVC$
- (c) $P < AVC$
- (d) $P \geq AVC$

Q.55. Under _____ market condition, firms make normal profits in the long run:

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) None

Q.56. 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

Q.57. Under which of the following market structure AR of the firm will be equal to MR?

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

Q.58. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be:

- (a) Infinite
- (b) Highly elastic

- (c) Highly inelastic
- (d) Zero

Q.59. When $AR = ₹10$ and $AC = ₹8$ the firm makes

- (a) Normal profit
- (b) Net profit
- (c) Gross profit
- (d) Supernormal profit

Q.60. What are the conditions for the long run equilibrium of the competitive firm?

- (a) $LMC=LAC=P$
- (b) $SMC = SAC = LMC$
- (c) $P = MR$
- (d) All of these

Q.61. Kinked demand curve hypothesis is given by:

- (a) Alfred marshal
- (b) A.C Pigou
- (c) Sweezy
- (d) Hicks & Allen

Q.62. Supernormal profits occur, when :

- (a) Total revenue is equal to total cost
- (b) Total revenue is equal to variable cost
- (c) Average revenue is more than average cost
- (d) Average revenue is equal to average cost

Q.63. If under perfect competition, the price line lies below the average cost curve, the firm would : Incur losses

- (a) Make only Normal profits
- (b) Incur losses
- (c) Make abnormal profit
- (d) Profit cannot be determined

Q.64. The MR curve cuts the horizontal line between Y axis and demand curve into:

- (a) Two unequal parts
- (b) Two equal parts
- (c) May be equal or unequal parts
- (d) None of these

Q.65. Kinked demand curve is observed in _____.

- (a) Duopoly market
- (b) Monopoly market
- (c) Competitive market
- (d) Oligopoly market.

Q.66. Competitive firms in the long run earn:

- (a) Super normal profit
- (b) Normal profit
- (c) Losses
- (d) None

Q.67. For a monopolist, the necessary condition for equilibrium is: =

- (a) $P = MC$
- (b) $P = MR = AR$
- (c) $MR = MC$
- (d) None

Q.68. A firm will shut down in the short run if:

- (a) It is suffering a loss
- (b) Fixed costs exceeds revenue
- (c) Variable costs exceed revenues
- (d) Total costs exceed revenues

Q.69. _____ is the price at which demand for a commodity is equal to its supply:

- (a) Normal Price
- (b) Equilibrium Price
- (c) Short run Price
- (d) Secular Price

Q.70. OPEC is an example of:

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

Q.71 _____ is an ideal Market.

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

Q.72. Under which Market Situation demand curve is linear and parallel to X axis:

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

Q.73 Which market have characteristic of product differentiation?

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

Q.74. Which of these are characteristics of Perfect Competition?

- (a) Many Sellers & Buyers
- (b) Homogeneous Product
- (c) Free Entry and Exit
- (d) All of the above

Q.75. The demand curve of oligopoly is:

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

Q.76. $MR \text{ Curve} = AR = \text{Demand Curve}$ is a feature of which kind of Market?

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

Q.77. In the long-run monopolist can:

- (a) Incur losses
- (b) Must earn super normal profits
- (c) Wants to shut-down
- (d) Earns only normal profits.

Q.78. The demand curve of the firm and industry will be same in which form of market:

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

Q.79. Oligopoly having identical products is:

- (a) Pure oligopoly
- (b) Imperfect oligopoly
- (c) Price leadership
- (d) Collusion.

Q.80. The demand curve of oligopoly is:

- (a) Horizontal
- (b) Vertical
- (c) Kinked
- (d) Rising left to right

Q.81. Demand curve is equal to M. R. curve in which market?

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

Q.82. Kinked demand hypothesis is designed to explain _____ in context of oligopoly.

- (a) Price and output determination
- (b) Price rigidity
- (c) Collusion between firm
- (d) All of the above

Q.83. Price discrimination can take place only in _____.

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

Q.84. In oligopoly, the kink on the demand curve is more due to _____.

- (a) Discontinuity in MR.
- (b) Discontinuity in AR.
- (c) Fulfilment of the assumption that a price cut is followed by others and a price increase by a firm is not followed by others.
- (d) Price war amongst the firms.

Q.85. Price Discrimination is possible only when

- (a) Seller is alone
- (b) Goods are homogeneous
- (c) Market is controlled by the government
- (d) None of the above

Q.86. Which of the following is not the feature of an imperfect competition?

- (a) Product differentiation
- (b) Few sellers
- (c) Homogeneous products
- (d) Price wars

Q.87. Price taker firms _____.

- (a) Do not advertise their product because it misleads the customers.
- (b) Advertise their products to boost the level of demand.
- (c) Do not advertise but give gifts along with the sold items to attract customers
- (d) Do not advertise because they can sell as much as they wish at the prevailing price

Q.88. Price rigidity is a situation found in which of the following market forms?

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

Q.89. When elasticity of demand is Equal to one in monopoly, marginal Revenue will be _____.

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

Q.90. Which one of the following statement is Incorrect?

- (a) Competitive firms are price takers and not price makers.
- (b) Price discrimination is possible in monopoly only.
- (c) Duopoly may lead to monopoly.

(d) Competitive firm always seeks to discriminate prices.

Q.91. Under which of the following market structure AR of the firm will be equal to MR?

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

Q.92. Tooth paste industry is an example of _____.

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

Q.93. OPEC is an example of :

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

Q.94. Monopolistic Competitive firms _____.

- (a) Are small in size
- (b) Have small share in total market
- (c) Are very large in size
- (d) both (a) and (b)

Q.95. The price discrimination under monopoly will be possible under which of the following conditions?

- (a) The seller has no control over the supply of his product
- (b) The market has the same condition all over
- (c) The price elasticity of demand is different in different markets 1 mark
- (d) The price elasticity of demand is uniform.

Q.96. Oligopoly having identical products is known as

- (a) Pure oligopoly
- (b) Collusive oligopoly
- (c) Independent oligopoly
- (d) None of these

Q.97. Which of these is the best example of oligopoly?

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

Q.98. Monopolist can fix him price of goods whose elasticity is

- (a) Less than 1
- (b) More than 1
- (c) Elastic
- (d) Inelastic

Q.99. Kinked demand curve is observed in

- (a) Duopoly market
- (b) Monopoly market
- (c) Competitive market
- (d) Oligopoly market.

Q.100. Perfectly competitive firm faces:

- (a) Perfectly elastic demand curve
- (b) Perfectly inelastic demand curve
- (c) Zero
- (d) Negative

Q.101. In perfect Competition when the firm is a price taker, which curve among the following will be a straight line?

- (a) Marginal Cost
- (b) Average Cost
- (c) Total Cost
- (d) Marginal Revenue

Q.102. "Price Discrimination" can be best exercised by the Seller in _____.

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

Q.103. In Oligopoly the kink in the demand curve is more due to _____

- (a) Discontinuity in MR
- (b) Discontinuity in AR
- (c) Fulfilment of the assumption that a price fall is followed by the other and a price increase by a firm is not followed by the other
- (d) Price war among the firms

Q.104. A firm encounters "shut down" point when _____.

- (a) Marginal cost equals the price of the profit maximising level of output
- (b) Average fixed cost equals the price at the profit maximising level of output
- (c) Average variable cost equals the price at the profit maximising level of output
- (d) Average total cost equals the price at the profit maximising level of output

Q.105. Under which market Condition firms make only normal profits in the long run?

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

Q.106. In monopolistic competition excess capacity in the firm

- (a) Always exists
- (b) Sometimes exists
- (c) Never exists
- (d) None of the above

Q.107. Selling costs have to be incurred in case of:

- (a) Perfect Competition
- (b) Monopolistic Competition
- (c) Monopoly
- (d) None of these.

Q.108. In market, the price and output equilibrium is determined on the basis of:

- (a) Total revenue and total cost
- (b) Total cost and marginal cost
- (c) Marginal revenue and marginal cost
- (d) Only marginal cost.

Q.109. A perfect market is characterised by :

- (a) Existence of large number of buyers and sellers
- (b) Homogenous products
- (c) Perfect knowledge of the market
- (d) All of the above.

Q.110. Which of the following IS not a feature of oligopoly market?

- (a) Interdependence of the firms In decision making
- (b) Price rigidity
- (c) Group behaviour
- (d) Existence of large number of firms.

Q.111. A monopolist can fix:

- (a) Both price and output
- (b) Either price or output
- (c) Neither price nor output
- (d) None of the above.

Q.112. In a perfectly competitive market, the demand curve of a firm is:

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

Q.113. In a competitive market, if price exceeds Average Variable Cost (AVC) but remains less than Average Cost (AC) at the equilibrium, the firm is:

- (a) Making a profit
- (b) Planning to quit

- (c) Experiencing loss but should continue production
- (d) Experiencing loss but should discontinue production.

Q.114. Price under perfect competition is determined by the

- (a) Firm
- (b) Industry
- (c) Government
- (d) Society.

Q.115. Under monopoly, which of the following is correct:

- (a) AR and MR both are downward sloping
- (b) MR lies halfway between AR and Y axis
- (c) MR can be zero or even negative
- (d) All of the above.

Q.116. Non price competition is very popular in:

- (a) Monopoly market
- (b) Monopolistic competition
- (c) Oligopolistic market
- (d) Perfect competition.

Q.117. In the 'kinked demand' curve model, the upper portion of the demand curve is:

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

Q.118. Equilibrium price for an industry in perfect competition is fixed through.

- (a) Input and Output
- (b) Market demand and market Supply
- (c) Market demand and firms supply
- (d) None of the above.

Q.119. In a perfectly competitive market, if MR is greater than MC, then a firm should

- (a) Increase its production
- (b) Decrease its production
- (c) Decrease its sales
- (d) Increase its sales

Q.120. Kinked demand curve is related to which market structure

- (a) Oligopoly
- (b) Monopoly
- (c) Monopsony
- (d) Monopolistic competition.

Q.121. In the long run a monopolist always earns

- (a) Normal profit
- (b) Abnormal profit

- (c) Zero profit
- (d) Loss

Q.122. Under which of the following forms of market structure does a firm has a very considerable control over the price of its product?

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

Q.123. One of the essential conditions of Perfect Competition is :

- (a) Product differentiation
- (b) Many sellers and few buyers
- (c) Only one price for identical goods at any one time
- (d) Multiplicity of prices for identical product at any one time

Q.124. The demand curve of an oligopolist is :

- (a) Determinate
- (b) Indeterminate
- (c) Circular
- (d) Vertical

Q.125. Abnormal profits exist in the long run only under

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

Q.126. The distinction between a single firm and an Industry vanishes in which of the following market conditions?

- (a) Perfect Competition
- (b) Imperfect Competition
- (c) Pure Competition
- (d) Monopoly

Q.127. Selling outlay is an essential part of which of the following market situations?

- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) Pure Competition.

Q.128. The Kinked demand curve model explains the market situation

- (a) Pure Oligopoly
- (b) Differentiated Oligopoly
- (c) Collusive Oligopoly
- (d) Price Rigidity

Q.129. 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

Q.130. The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that:

- a. The firm has some but not complete control over its product price
- b. There are so many buyers and sellers in the market that any one buyer or seller cannot affect the market
- c. Each firm produces a homogeneous product
- d. There is easy entry into or exit from the market place.

Q.131. A market structure in which many firms sell products that are similar and identical is known as _____.

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

Q.132. A firm having kinked demand curve indicates that:

- (i) If the firm reduces the price, competitive firms also reduce the price
 - (ii) If the firm increases the price, competitive firms also increases the price
 - (iii) If the firm reduces the price, competitive firms do not reduce the price
 - (iv) If the firm increases the price, competitive firms do not increase the price
- (a) Only (i) above
 - (b) Both (i) and (iv) above
 - (c) Both (ii) and (iv) above
 - (d) Both (ii) and (iii) above

Q.133. Price discrimination will not be profitable, if the elasticity of demand is _____ in different markets

- (a) Uniform
- (b) Different
- (c) Less
- (d) Zero

Q.134. In the long run, which of the following statement is true for a firm in a perfectly competitive industry?

- (a) It operates at its minimum average cost
- (b) The price is more than the average fixed cost
- (c) The marginal cost is greatest than marginal revenue
- (d) The fixed cost is lower than the total variable cost

Q.135. The firm will attain equilibrium at a point where MC curve cuts _____ from below.

- (a) AR curve
- (b) MR curve
- (c) AC curve
- (d) AVC curve.

Q.136. In a monopoly market, a producer has control only over:

- (a) Price of the commodity
- (b) Demand of the commodity
- (c) Both (a) and (b)
- (d) Utility of the product.

Q.137. One of the following is not correct about perfect competition:

- (a) Purchase and Sale of homogeneous goods
- (b) Existence of marketing costs
- (c) Absence of transportation costs
- (d) Perfect mobility of factors of production.

Q.138. Kinked demand curve under oligopoly is designed to show:

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

Q.139. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses.

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

Q.140. Kinked demand curve is the demand curve of

- (a) Perfect Competition
- (b) Monopoly

(c) Monopolistic Competition

(d) None of the above.

Q.141. Price discrimination M^o be profitable only if the elasticity of demand in different markets is

- (a) Uniform (b) Different
(c) Less (d) Zero

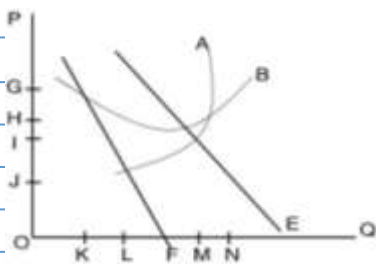
Q.142. Under which of the following form of market structure does a firm have no control over the price of its production?

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

Q.143. _____ is that situation in which a firm bases its market policy, in part on the expected behaviour of a few close rivals.

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

Solve the question No. 91, 92 and 93 on the base of following figure:



Q.144. In the above figure, curve E is the firm's

- (a) Marginal Cost Curve (b) Average Cost Curve
(c) Demand Curve (d) Marginal revenue Curve.

Q.145. Above figure represents a

- (a) Monopolist
(b) Perfectly competition industry
(c) Perfectly competitive firm
(d) None of the above.

Q.146. In above figure, firms marginal revenue curve is

- (a) E (b) A
(c) F (d) B

Q.147. The price elasticity of demand for a product is infinite under:

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

Q.148. Comparing a Monopoly and Competitive firm the Monopolist will:

- (a) Produce less and sell at a lower price
(b) Produce more and sell at a lower price
(c) Produce less and sell at a higher price
(d) Produce zero and sell at a lower price.

Q.149. The reason for the kinked demand curve is that:

- (a) The oligopolist believe that competitors will follow output increases but not output reductions.
(b) The oligopolist believe that competitors will follow price increases but not output reductions.
(c) The oligopolist believe that competitors will follow price cuts but not price rises.
(d) The oligopolist believe that competitors will follow price increases but not output increases.

Q.150. A discriminating monopolist will charge a higher price in the market in which the demand for its product is.

- (a) Highly elastic (b) Relatively elastic
(c) Relatively inelastic (d) Perfectly elastic.

Q.151. If a firm under monopoly wants to sell more, its average revenue curve will be a line.

- (a) Horizontal (b) Vertical
(c) Downward sloping (d) Upward sloping

Q.152. Who sets the price of the product under perfect competition?

- (a) Government (b) Consumers
(c) Sellers (d) Both buyers and sellers

Q.153. Which is the first order condition for the firm to maximise the profit.

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

Q.154. Which market has the concept of 'group' equilibrium in the long run?

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

Q.155. Which of the following is incorrect?

- (a) Even monopolistic can earn losses.
- (b) Firms in perfect competitive market is price taker.
- (c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
- (d) Kinked demand curve is related to an oligopolistic market.

Q.156. Average revenue curve is also known as:

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

Q.157. Which is not characteristic of monopoly?

- (a) The firm is price taker
- (b) There is a single firm
- (c) The firm produces a unique product
- (d) The existence of some advertising.

Q.158. Price discrimination is profitable only when:

- (a) Different markets are kept separate
- (b) Distance between the consumer and the market is more
- (c) Elasticity of demand in different markets is different
- (d) The consumers are segregated on the basis of their purpose of use of the commodity.

Q.159. When the industry is dominated by one large firm which is considered as the leader of the group, the market is described as:

- (a) Open oligopoly
- (b) Perfect oligopoly
- (c) Partial oligopoly
- (d) Organised oligopoly.

Q.160. Which amongst the following is not an objective of price discrimination?

- (a) To hold the extra stocks
- (b) To earn maximum profits
- (c) To enjoy economies of scale
- (d) To secure equity through pricing.

Q.161. Which of the following statement is not correct?

- (a) Under monopoly there is no difference between a firm and industry.

(b) A monopolist may restrict the output and raise the price.

(c) Commodities offered for sale under a perfect competition will be heterogeneous.

(d) Product differentiation is peculiar to monopolistic competition.

Q.162. Under perfect competition firm is described as:

- (a) Price taker and not price maker
- (b) Price maker and not price taker
- (c) Neither price maker nor price taker
- (d) None of the above.

Q.163. Under which of the following forms of market structure does a firm have no control over the price of its product?

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

Q.164. Condition for equilibrium of firm:

- (a) $MR = MC$
- (b) $AR = AC$
- (c) MC curve cuts MR curve from below
- (d) Both (a) and (c)

Q.165. What is/ are feature (s) of oligopoly

- (a) Kinked Demand curve
- (b) Cartel
- (c) Downward sloping demand curve
- (d) Both (a) and (b) are correct

Q.166. Monopoly is undesirable due to:

- (a) It has prices higher than competitive firms
- (b) It produces less output than competitive firms
- (c) It discriminates on prices
- (d) All of the above.

Q.167. In long run equilibrium under perfect competition is/are satisfied by which condition

- (a) $MC = MR$
- (b) $AC = AR$
- (c) $CMC = LAC = P$
- (d) All of the above.

Q.168. In the long run monopolist

- (a) Incur losses
- (b) Must earn super normal profits

- (c) Wants to shut down
- (d) Earns only normal profits.

Q.169. The demand curve of the firm and industry will be same in which form of market:

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

Q.170. Which of these is the best example of oligopoly?

- (a) OPEC
- (b) SAARC
- (c) WTO
- (d) GATT

Q.171. In a perfectly competitive market, if MR is greater than MC, then a firm should:

- (a) Increase its production
- (b) Decrease its production
- (c) Decrease its sales
- (d) Increase its sales

Q.172. Equilibrium price for an industry in perfect competition is fixed through

- (a) Input and output
- (b) Market demand and market supply
- (c) Market demand and firms supply
- (d) None of the above.

Q.173. A competitive firm in the short run incurs losses. The firm continues production, if:

- (a) $P > AVC$
- (b) $P = AVC$
- (c) $P < AVC$
- (d) $P > AVG$

Q.174. Market form in which there is only one buyer and one seller is:

- (a) Oligopoly
- (b) Duopoly
- (c) Bilateral Monopoly
- (d) Monopsony

Q.175. The structure of the Toothpaste Industry in India is best described as:

- (a) Perfectly competitive
- (b) Monopolistic
- (c) Monopolistically competitive
- (d) Oligopolistic

Q.176. Product differentiation is the main features of which market?

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

Q.177. Which market is having a single seller and single Buyer?

- (a) Duopoly
- (b) Monopsony
- (c) Bilateral Monopoly
- (d) None of the above

Q.178. In Long run perfect competitive market incurs

- (a) Normal profit
- (b) Supernormal profit
- (c) Losses
- (d) Constant Returns

Q.179. Which one of the following is not the feature of Oligopoly?

- (a) Interdependency
- (b) Selling cost
- (c) Free Entry
- (d) None of the above/ group behaviour

Q.180. Price leadership is the characteristic of

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

Q.181. MR Curve in perfect competition is

- (a) Parallel to X axis
- (b) Parallel to Y axis
- (c) Fall from left to right
- (d) Rise from left to right

Q.182. Which of the following is not the characteristic of MR?

- (a) When TR is maximum, then MR is zero
- (b) MR cannot be negative
- (c) MR slopes downward from left to right
- (d) MR Curve is below AR Curve

Q.183. Which out of these are not features of perfect competition?

- (a) Homogeneous
- (b) Large number of buyer and sellers
- (c) Free entry and exit
- (d) Selling cost.

Q.184. Which of the following statement is correct?

- (a) Price rigidity is an important feature of monopoly

- (b) Selling cost is possible under perfect competition
- (c) An industry consists of many firms
- (d) Under perfect competition factor of production do not move freely as these are legal restriction

Q.185. Which is the characteristic feature of monopoly?

- (a) Homogeneous goods
- (b) Strong barriers to entry
- (c) Perfect competition
- (d) Perfectly elastic demand curve

Q.186. A discriminating monopolist to reach equilibrium position, his decision on total output depends upon

- (a) How much total output should be produce ?
- (b) How the total output should be distributed between the two sub market ?
- (c) Both (a) and (b)
- (d) None

Q.187. Price discrimination is possible only in _____.

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

Q.188. Kinked demand curve is

- (a) Highly elastic at above the prevailing price
- (b) Inelastic at below the prevailing price
- (c) Both (a) and (b)
- (d) None of the above

Q.189. Demand curve is horizontal in the case of _____.

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

Q.190. What is the characteristic of monopolistic competition?

- (a) Price elasticity is low for the product concerned (b) Large number of sellers
- (c) No degree of control over price
- (d) One buyer

Q.191. If a perfectly competitive firm earns super normal profits then _____

- (a) $AR > MR$
- (b) $AR < MR$
- (c) $AR = MR$
- (d) None of the above

Q.192. Live and let live is characteristics of which of the following market?

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

Q.193. In which of the following market there are only two sellers?

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

Q.194. The degree of elasticity in perfect competition market.

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

Q.195. A perfect competitive firm earns super normal profits when

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

Q.196. A firm is said to earn normal profit when

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

Q.197. Two firms are selling cold drinks and competing with some identical characteristics, This is an example of

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

Q.198. Group Behaviour is a characteristics of _____.

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

Q.199. Myth in Real world

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

Q.200. _____ oligopoly refers to that situation where the firms sell their products through a centralized body

- (a) Syndicate oligopoly
- (b) Organized oligopoly
- (c) Collusive oligopoly
- (d) Partial oligopoly

Q.201. The similarity between monopolistic and perfect competition is _____.

- (a) In short run both earn super normal profit
- (b) In long term both earn normal profit
- (c) In short run their prices remain constant
- (d) None

Q.202. Which Market has a downward demand curve?

- (a) Monopolistic competition
- (b) Monopoly
- (c) Perfect competition
- (d) Both (a) and (b)

QUESTION	ANS	QUESTION	ANS	QUESTION	ANS	QUESTION	ANS
1	D	52	A	103	C	154	C
2	D	53	A	104	C	155	C
3	A	54	D	105	C	156	B
4	C	55	A	106	A	157	A
5	A	56	D	107	B	158	C
6	A	57	D	108	C	159	C
7	C	58	B	109	D	160	A
8	B	59	D	110	D	161	C
9	C	60	D	111	A	162	A
10	C	61	C	112	B	163	D
11	B	62	C	113	C	164	D
12	D	63	B	114	B	165	D
13	A	64	B	115	D	166	D
14	C	65	D	116	B	167	D
15	B	66	B	117	A	168	B
16	A	67	C	118	B	169	C
17	B	68	C	119	A	170	A
18	B	69	B	120	A	171	A
19	C	70	C	121	B	172	B
20	D	71	C	122	A	173	A
21	C	72	A	123	C	174	C
22	A	73	C	124	B	175	B
23	C	74	D	125	B	176	B
24	B	75	C	126	D	177	C
25	A	76	A	127	C	178	A
26	C	77	B	128	D	179	C
27	C	78	C	129	B	180	A
28	A	79	A	130	B	181	A
29	B	80	C	131	C	182	B
30	A	81	D	132	B	183	D
31	C	82	B	133	A	184	C
32	A	83	D	134	A	185	B
33	A	84	C	135	B	186	C
34	A	85	A	136	A	187	A
35	B	86	C	137	B	188	C
36	B	87	D	138	B	189	B
37	A	88	D	139	A	190	B
38	B	89	D	140	D	191	C
39	C	90	D	141	B	192	D
40	A	91	D	142	D	193	A
41	D	92	B	143	A	194	A
42	C	93	C	144	C	195	A
43	B	94	D	145	A	196	A
44	A	95	C	146	C	197	A
45	C	96	A	147	A	198	A
46	B	97	A	148	C	199	C
47	A	98	A	149	C	200	A
48	A	99	D	150	C	201	B
49	A	100	A	151	C	202	D
50	A	101	D	152	D		
51	B	102	B	153	C		

Chapter 5- Business Cycle

Q.1. Rampant unemployment is found in:

- (a) Boom
- (b) Recovery
- (c) Contraction
- (d) Depression

Q.2. According to which economist trade cycle is a purely monetary for phenomenon

- (a) Schumpeter
- (b) Pigou
- (c) Hawtrey
- (d) Marshall

Q.3. Greatest depression suffered by economy in which year.

- (a) 1924
- (b) 1930
- (c) 2008
- (d) 2009

Q.4. Last stage of recession is called:

- (a) Depression
- (b) Recovery
- (c) Slowdown
- (d) All of these.

Q.5. In the long run, a reduction in labour supply would cause output to _____ and the aggregate price level to _____.

- (a) fall, rise
- (b) fall, fall
- (c) rise, tall
- (d) rise, rise.

Q.6. Which of the following macro-economic variables would you include in an index of leading economic indicators?

- (a) Employment
- (b) Inflation
- (c) Real interest rates
- (d) Residential investment

Q.7. 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

Q.8. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called.

- (a) Pro cyclical
- (b) Counter cyclical
- (c) A cyclical
- (d) A leading variable

Q.9. How many phases are there in business cycle?

- (a) Four
- (b) Five
- (c) One
- (d) Many

Q.10. The world economy suffered the longest, deepest and most widespread depression of the 20th century during?

- (a) 1934
- (b) 1928
- (c) 1930
- (d) 1932

Q.11. Business cycle is contagious and _____ in character?

- (a) Local
- (b) Regional
- (c) National
- (d) International

Q.12. Which External Factor affects the business cycle?

- (a) Population growth
- (b) Variation in government spending
- (c) Money supply
- (d) Macro economic policies

Q.13. Which internal factor affects the Business cycle?

- (a) Fluctuations in investment
- (b) Natural factors
- (c) Technology shocks
- (d) Population growth

Q.14. Whose statement out of these is false?

- (a) Hawtrey "Trade cycle is purely Monetary phenomena"
- (b) Keynes "Fluctuations in aggregate Demand"
- (c) Pigou "Fluctuations in investment"
- (d) Schumpeter-"Innovations"

Q.15. When once peak is reached, increase in demand is halted, then _____ phase begins?

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

Q.16. Fashion Retailer is business of?

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

Q.17. Features of business cycles include?

- (a) Discuss periodically
- (b) Have four different phases

(c) Originate in free Market Economy
(d) All of the above.

Q.18. Which of the following is true about leading indicators?

- (a) Measurable economic factors
- (b) Changes after real output
- (c) Both (a) and (b)
- (d) None

Q.19. The internal causes of business cycle is

- (a) Fluctuation in effective demand
- (b) Technology shocks
- (c) Both (a) and (b)
- (d) None

Q.20. Economics activities will be declining in the phase of _____.

- (a) Expansion
- (b) Depression
- (c) Contraction
- (d) Peak

Q.21. Business Cycle occurs

- (a) Periodically
- (b) In different phases
- (c) Both (a) and (b)
- (d) None of the above

Q.22. According to some economists, _____ are the prime causes of business cycles.

- (a) Fluctuations in effective demand
- (b) Fluctuations in investments
- (c) Macroeconomic policies
- (d) All of the above

Q.23. Which is not related to great depression of 1930?

- (a) It started in USA
- (b) John Maynard Keynes regarded lower aggregate expenditure as the cause
- (c) Excess Money Supply
- (d) Both (a) and (b)

Q.24. Which of the following is not the phase of business cycles?

- (a) Prosperity
- (b) Upswing
- (c) Reconstruction
- (d) Depression

Q.25. Boom and depression in business cycle are

- (a) Turning points
- (b) Equilibrium points

(c) Both (a) and (b) (d) None of the above

Q.26. Which is not the characteristic feature of expansion phase in business cycle ?

- (a) Increase in national output
- (b) Unemployment
- (c) Rise in price and costs
- (d) Boost in business confidence

Q.27. "Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism, according to _____.

- (a) Pigou
- (b) Keynes
- (c) Hawtrey
- (d) Schumpeter

Q.28. Find the odd man out: Which of these is not a coincident factor?

- (a) Retail sale
- (b) Industrial production
- (c) Inflation
- (d) New orders for plant & machine

Q.29. Excess capacity in capital industries leads to

- (a) Peak
- (b) Trough
- (c) Expansion
- (d) Recovery

Q.30. Here, growth moves in reverse direction

- (a) Peak
- (b) Expansion
- (c) Contraction
- (d) Recovery

Q.31. Frictional unemployment exists in

- (a) Peak
- (b) Contraction
- (c) Expansion
- (d) Recovery

Q.32. In which stage maximum production occurs.

- (a) Peak
- (b) Expansion
- (c) Boom or Expansion
- (d) Trough or boom

Q.33. Unemployment is caused due to structural changes is known as?

- (a) Ethnic unemployment
- (b) Involuntary unemployment
- (c) Structural
- (d) None

Q.34. At trough production is?

- (a) High
- (b) Low
- (c) Negative
- (d) None

Q.35. Stage at which actual demand is stagnated?

- (a) Peak
- (b) Boom or Peak
- (c) Contraction
- (d) Tough

Q.36. A change of reaction producer cancels their order in which, stage?

- (a) Peak
- (b) Contraction
- (c) Trough
- (d) None

Q.37. Which of the following is true?

- (a) Depression is secure form trough
- (b) Depreciation causes fall in interest rate.
- (c) Both (a) and (b)
- (d) None

Q.38. China's recent slowedow caused

- (a) Cycle of decline and panic across the world.
- (b) Countries across the globe were able to insulate themselves from the crisis.
- (c) Stock Markets in the emerging economics largely remained unaffected
- (d) Old technology fuelled the economic decline.

Q.39. What of the following are not external causes?

- (a) Past war reconstruction
- (b) Population growth
- (c) Technology factors
- (d) Fluctuation in effective demand

Q.40. The four phases of the business cycles are:

- (a) Peak, recession, trough and depression
- (b) Peak, recession, trough and boom
- (c) Peak, depression, trough and boom
- (d) Peak, depression, burst and boom

Q.41. Great Depression occurred during:

- (a) 1930
- (b) 1947
- (c) 1857
- (d) 2000

Q.42. Internal causes of depression include:

- (a) Fluctuation in investments
- (b) Money supply

(c) Psychological factors

(d) All of these

Q.43. External factors for depression does not include:

- (a) Population growth
- (b) Technology shocks
- (c) Macro economic policies
- (d) Post war reconstruction

Q.44. _____ is the measurable economic factor that changes before economy starts to follow a particular pattern or trend:

- (a) Leading indicator
- (b) Lagging indicator
- (c) Concurrent indication
- (d) Coincident indicators

Q.45. The Rhythmic fluctuations in aggregate economic activity over a period of time are called:

- (a) Business cycles
- (b) Trade cycles
- (c) Both (a) and (b)
- (d) None of these

Q.46. According to _____, modern business activities are based on the anticipation of business communities and are affected by waves of optimism and pessimism:

- (a) Pigou
- (b) Hawtrey
- (c) Keynes
- (d) Schumpeter

Q.47. According to _____ trade cycles occurs as a result of innovation which takes place in the system from time to time:

- (a) Pigou
- (b) Hawtrey
- (c) Keynes
- (d) Schumpeter

Q.48. Variables that change after real output changes are:

- (a) Leading indicators
- (b) Lagging indicators
- (c) Coincident indicators
- (d) None of these

Q.49. Severe form of recession is called:

- (a) Boom
- (b) Depression
- (c) Trough
- (d) Recovery

Q.50. Industries which are extremely sensitive to business cycles includes:

- (a) Non-durable goods
- (b) Service Sector
- (c) Capital goods and durable goods
- (d) None of these

Q.51. Peaks and troughs of the business cycles are known collectively as:

- (a) Turning points
- (b) Indicators
- (c) Equilibrium points
- (d) Contraction

Q.52. During recession output:

- (a) Falls
- (b) Rises
- (c) Expands
- (d) None of these.

Q.53. Business cycles generally originate in:

- (a) Free market economies
- (b) Imperfect economies
- (c) Developed nations
- (d) Low growth economies

Q.54. At the time of Great Depression of 1930, GDP fell around:

- (a) 14%
- (b) 15%
- (c) 20%
- (d) 25%

Q.55. The highest point of business cycle is known as:

- (a) Trough
- (b) Peak
- (c) Trend
- (d) Boom

Q.56. During the slowdown of economy,

- (a) GDP is increasing at fast rate
- (b) GDP is increasing at slow rate
- (c) GDP is decreasing at fast rate
- (d) All of these

Q.57. The economic boom is characterised as period when:

- (a) Rising employment
- (b) High demand of imported goods
- (c) Increase in investments
- (d) All of these

Q.58. Which macro-economic variables are excluded from leading economic indicators:

- (a) Industrial production
- (b) Residential investment
- (c) Money supply
- (d) Inventory investment

Q.59. When aggregate economic activity is declining, is the phase of:

- (a) Expansion
- (b) Contraction
- (c) Recovery
- (d) Trough

Sr. No	Ans	Sr. no	Ans	Sr. No	Ans
1	D	28	D	55	B
2	C	29	B	56	B
3	B	30	A	57	D
4	A	31	C	58	A
5	A	32	A	59	B
6	D	33	C		
7	D	34	B		
8	B	35	A		
9	A	36	B		
10	C	37	C		
11	D	38	A		
12	A	39	D		
13	A	40	B		
14	C	41	A		
15	B	42	D		
16	A	43	C		
17	D	44	A		
18	A	45	C		
19	A	46	A		
20	C	47	D		
21	C	48	B		
22	B	49	B		
23	C	50	C		
24	C	51	A		
25	A	52	A		
26	B	53	A		
27	A	54	B		