# 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.** 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.5.** 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.6.** 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.7.** According to Robbins, 'means' are:
(a) Scarce           (b) Unlimited
(c) Undefined        (d) All of these

**Q.8.** 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.9.** Who defines Economics in terms of Dynamic Growth and Development?
(a) Robbins         (b) Paul A Samuelson
(c) Adam Smith      (d) None

**Q.10.** Normative aspect of Economics is given by :
(a) Marshall         (b) Robbins
(c) Adam Smith      (d) Samuelson

**Q.11.** A developed economy uses technique in production
(a) labour intensive    (b) capital intensive
(c) home-based       (d) traditional

**Q.12.** Which one is the feature of Marshall's definition?
(a) Limited ends
(b) Scarce means
(c) Study of wealth as well as study of man
(d) Study of allocation of resources

**Q.13.** In a capitalist economy the allocation of resources is performed by:
(a) Producers        (b) Government
(c) Planners         (d) Price mechanism

**Q.14.** 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.15.** Normative Economics is based on:
(a) Ethical Considerations
(b) Facts and Generalization
(c) What is?
(d) All of the above

**Q.16 .** "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.17 .** 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.18 .** "Economics is neutral between ends". The statement is given by:
(a) L. Robbins          (b) Mrs. Joan
(c) Alfred Marshall     (d) A.C. Pigou

**Q.19 .** Where does the price mechanism exist?
(a) Capitalist Economy
(b) Socialist Economy
(c) Both types of economies
(d) None of the above

**Q.20 .** Economics which is concerned with welfare propositions is called
(a) Socialistic economics
(b) Capitalistic economics
(c) Positive economics
(d) Normative economics

**Q.21 .** Who has defined economics as "Science which deals with wealth"?
(a) Adam Smith          (b) Canon
(c) J.B. Say            (d) A.C. Pigou

**Q.22 .** The most important function of an entrepreneur is to
a) innovate
(b) bear the sense of responsibility
(c) finance
(d) earn profit

**Q.23 .** 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.24 .** 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.25 .** Applied economics includes
(a) Regression analysis and mathematical linear programming
(b) Capital budgeting
(c) Both (a) and (b)
(d) None

**Q.26** _____ 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
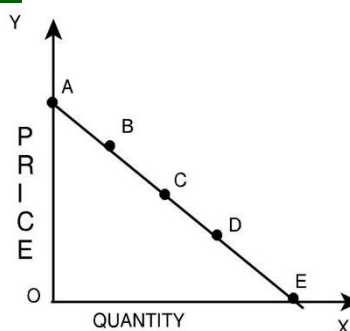
## Chapter 2- Utility + Demand+ Supply

*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=∞, 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 = ∞

(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.** 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.7.** Which economist said that money is the measuring rod of utility?

(a) A.C Pigou              (b) Marshall

(c) Adam Smith            (d) Robbins

**Q.8.** Elasticity between two points:

(a) Point elasticity        (b) Arc elasticity

(c) Cross elasticity        (d) None.

**Q.9.** 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.10.** 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.11.** 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.12.** 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.13.** 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.14.** In case of necessaries, consumer surplus is?

(a) Infinite                  (b) Zero

(c) Equals to one            (d) More than one

**Q.15.** 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.16.** Which Equation is correct—

(a) $\dfrac{MU_x}{MU_y} = \dfrac{P_x}{P_y}$          (b) $\dfrac{MU_x}{MU_y} > \dfrac{P_x}{P_y}$

(c) $\dfrac{MU_x}{MU_y} < \dfrac{P_x}{P_y}$          (d) $\dfrac{MU_x}{MU_y} \neq \dfrac{P_x}{P_y}$

**Q.17.** Which of the following is not the property of the indifference curve?

(a) IC is convex to the origin

(b) IC scopes downwards from left to right

(c) Two IC can touch each other

(d) IC cannot touch either of the axes

**Q.18.** An IC shows MRS between the commodity?

(a) Increasing                (b) Decreasing

(c) Constant        (d) Zero

(d) Increase in price of the good concerned

**Q.19.** 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.26.** Budget line is also called

a) Price line        (b) Iso cost line

(c) Iso-quant        (d) None

**Q.27.** Luxury goods have income elasticity

(a) Negative and less than 1

(b) Positive and greater than 1

(c) Zero

(d) None

**Q.20.** The elasticity of supply is zero means?

a) Perfectly inelastic        (b) Perfectly elastic

(c) Imperfectly elastic        (d) All of the above.

**Q.21.** 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.28.** 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.29.** 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.22.** 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.30.** 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.23.** 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.31.** 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.24.** 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.32.** 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.25.** 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

**Q.33.** 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.34.** 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.35.** 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.36.** Cross elasticity of demand in Monopoly market is :

(a) Elastic                    (b) Zero

(c)Infinite                    (d) One

**Q.37.** Giffen Paradox is an exception of

(a) Demand                    (b) Supply Production Utility

(c) Production                (d) Uitility

**Q.38.** 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.39.** 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.40.** 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.41.** 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.42.** Certain goods for which Quantity demanded decreases when Income Increases are called_____ goods.

(a) superior                  (b)inferior

(c) prestige                  (d) conspicuous

**Q.43.** Cross elasticity of complementary goods is :

(a)Positive                    (b) Negative

(c) Infinity                    (d) None of these.

**Q.44.** Bricks for houses is an example of which kind of demand?

(a) Composite                  (b) Competitive

(c) Joint                      (d) Derived.

**Q.45.** 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.46.** 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.47.** 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.48.** 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.49.** 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.50.** 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.51.** 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.52.** 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.53.** 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.54.** 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.55.** 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.56.** 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.

## 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 0

(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.** Increasing returns to scale can be explained in terms of:

(a) External and internal economies

(b) External and internal diseconomies

(c) External economics and internal diseconomies

(d) All of these

**Q.5.** [6] An isoquant is _____ to an isocost line at the equilibrium point:

(a) Convex      (b) Concave

(c) Tangent      (d)Perpendicular

**Q.6.** At the point of inflexion, the marginal product is:

(a) Increasing      (b) Decreasing

(c) Maximum      (d) Negative

**Q.7.** Diminishing marginal returns implies:

(a) Decreasing average variable costs

(b) Decreasing marginal costs

(c) Increasing marginal costs

(d) Decreasing average fixed costs

**Q.8.** 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.9.** 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.10.** 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.11.** During $II^{nd}$ 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.12.** Who has given the concept of Innovative Entrepreneurship?

(a) Robbins      (b) Adam Smith

(c) Schumpeter      (d) Sweezy

**Q.13.** Average Fixed Cost = ₹20

Quantity Produced = ₹10 units

What will be the Average Fixed Cost of $20^{th}$ unit?

(a) ₹10      (b) ₹20

(c) ₹5      (d) None

**Q.14.** What is Production in Economics:

(a) Creation / Addition of Utility

(b) Production of food grains

(c) Creation of services

(d) Manufacturing of goods

**Q.15.** External Economies of Scale are obtained by:

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

(c) Small Production      (d) Society

**Q.16.** 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.17.** Labour force wants more

(a) facility      (b) leisure

(c) benefit      (d) all of the above

**Q.18.** 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.19.** Increasing returns to scale occurs due to:

(a) Economies of scale      (b) Specialization

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

(d) Entrepreneur and land

**Q.20.** 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.21.** Which function shows the relationship between input and output?

(a) Consumption fun  ction

(b) Investment function

(c) Production function

(d) Cost function

**Q.22.** The concept of Returns to Scale is related to:

(a) Very short period        (b) Short period

(c) Long period              (d) None of above

**Q.23** 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.24.** 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.25.** 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.26.** In Cobb-Douglas production function, two inputs are:

(a) Land and Labour

(b) Labour and Capital mark

(c) Capital and Entrepreneur

**Q.27.** 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.28.** ISO quants are also known as:

(a) Production possibility curves

(b) Indifference curves

(c) Production indifference curves

(d) None of the above.

**Q.29.** 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.30.** 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.31.** 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.32.** 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 «+ B = 1, decreasing returns to scale.

**Q.33.** According to Cobb-Douglas production function, will get returns to scale?

(a) Constant      (b) Diminishing

(c) Increasing      (d )Any of the above

**Q.34.** 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.35.** Supply of land is _____ in case of economy?

(a) Elastic      (b) Inelastic

(c) Perfectly elastic      (d) Perfectly inelastic

**Q.36.** 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.37.** Average fixed cost can be obtained through :

(a) $AFC = \dfrac{TFC}{TS}$      (b) $AFC = \dfrac{EC}{TU}$

(c) $AFC = \dfrac{TC}{PC}$      (d) $AFC = \dfrac{TFC}{TU}$

**Q.38.** AFC curve is :

(a) Convex & downward sloping

(b) Concave & downward sloping

(c) Convex & upward sloping

(d) Concave & upward rising

**Q.39.** 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.40.** 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.41.** 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.42.** 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.43.** 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.44.** 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.45.** Which of the following is known as Envelope curve?

(a) MC curve      (b) AFC curve

(c) LAC curve      (d) TFC curve

**Q.46.** Payment made to outsiders for their goods and services are called:
(a) Opportunity cost      (b)Real cost
(c) Explicit cost      (d) Implicit cost

**Q.47.** Direct Cost is also known as:
(a) Indirect Cost      (b) Traceable Cost
(c) Opportunity Cost      (d) Accounting Cost.

**Q.48.** Long run price is also called by the name of _____.
(a) market price      (b) normal price
(c) administered price      (d) wholesale price

**Q.49.** Fixed cost is known as _____ cost
(a) Prime      (b) Supplementary
(c) Overhead      (d) Direct

**Q.50.** Average Revenue Curve is also known as _____.
(a) Profit curve      (b) Demand curve
(c) Supply curve      (d) Average cost curve

**Q.51.** 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.52.** In the long run all factors are
(a) Fixed
(b) Variable
(c) All factors remain unchanged
(d) None.

**Q.53.** 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.54.** 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.55.** 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.56.** Marginal cost changes due to change in _____ cost.
(a) Total      (b) Fixed
(c) Average      (d) Variable

**Q.57.** 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.58.** Company produces 10 units of output and incurs T 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.59.** 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.60.** 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.61.** 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.62.** The vertical difference between TVC and TC curves is equal to:
(a) MC      (b) AVC

(c) TFC　　　　　　　　(d) None of the above

(d) LOW cost

**Q.63.** 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.64.** 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.65.** 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.66.** 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.67.** 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.68.** Opportunity Cost is:

(a) Marginal cost　　　　(b) Variable cost

(c) Total fixed cost　　　(d) None of these.

**Q.69.** External economies accrue due to _____.

(a) Increasing returns to scale

(b) Increasing returns to factor

(c) Law of variable proportions

**Q.70.** Price of a commodity is best expressed as

(a) Exchange value　　　(b) Cost of goods sold

(c) Production cost　　　(d) Nominal value

**Q.71.** Which of the following equation represents profit maximisation condition?

(a) MC = MR　　　　　(b) MC > MR

(c) MC < MR　　　　　(d) None.

**Q.72.** 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.73.** 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.74.** 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.75.** Total Economic Cost = Explicit Cost + Implicit Cost + _____.

(a) Normal Profit　　　(b) Super Normal Profit

(c) Loss　　　　　　　(d) None

**Q.76.** Economic cost of production differs from accounting cost of production

(a) Partially　　　　　(b) True

(c) False　　　　　　(d) None

## 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.** Monopolist can determine :

(a) Price                (b) Output

(c) Either price or output    (d) None

**Q.9.** 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.10.** For a discriminating monopolist the condition for equilibrium is:

(a) MR >MC                (b) MR, = MR,

(c) MR, = MR, = MC          (d) All of the above.

**Q.11.** Average revenue curve is also known as:

(a) Profit curve            (b) Demand curve

(c) Supply curve            (d) Average cost curve.

**Q.12.** 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.13.** 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.14.** 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.15.** 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.16.** 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.17.** When TR is at its peak then MR is equal to -

(a) Zero                 (b) Positive

(c) Negative           (d) None of the above

**Q.18.** 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.19.** _____ is also called a free market as there are no stipulations on the transactions

(a) Unregulated        (b) Regulated

(c) Retail               (d) Spot

**Q.20.** 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.21.** 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.22.** Demand of good increases from 15 units to 16 units if price decreases from T 40 to ¥ 38. What will be MR of 16" units.

(a) 8                   (b) 16

(c) 38                (d) 15

**Q.23.** 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.24.** 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.25.** 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.26.** Condition for producer equilibrium is :

(a) TR=TVC           (b) MC = MR

(c) TC=TAC           (d) None of these

**Q.27.** 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.28.** According to pigou, first degree price discrimination charges price to;

(a) Individual capacity     (b) Quantities sold

(c) Location              (d) None of the above

**Q.29.** 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.30.** 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.31.** 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.32.** 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.33.** Kinked demand curve hypothesis is given by:

(a) Alfred marshal          (b) A.C Pigou

(c) Sweezy                (d) Hicks & Allen

**Q.34.** 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.35.** 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.36.** OPEC is an example of :

(a) Monopolistic competition

(b) Monopoly

(c) Oligopoly

(d) Duopoly

**Q.37.** _____ is an ideal Market.

(a) Monopoly          (b) Monopolistic

(c) Perfect Competition    (d) Oligopoly

**Q.38.** Which market have characteristic of product differentiation?

(a) Perfect Competition      (b) Monopoly

(c) Monopolistic Competition    (d) Oligopoly

**Q.39.** The demand curve of oligopoly is :

(a) Horizontal          (b) Vertical

(c) Kinked             (d) Rising left to right

**Q.40.** 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.41.** 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.42.** 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.43 .** Price rigidity is a situation found in which of the following market forms?

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Oligopoly.

**Q.44.** Tooth paste industry is an example of _____.

(a) Monopoly          (b) Monopolistic Competition

(c) Oligopoly          (d) Perfect Competition

**Q.45.** 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.46.** 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.47.** Oligopoly having identical products is known as

(a) Pure oligopoly          (b) Collusive oligopoly

(c) Independent oligopoly    (d) None of these

**Q.48.** "Price Discrimination" can be best exercised by the Seller in _____.

(a) Oligopoly

(b) Monopoly

(c) Monopolistic competition

(d) perfect competition

**Q.49.** 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.50.** In monopolistic competition excess capacity in the firm

(a) Always exists      (b) Sometimes exists

(c) Never exists      (d) None of the above

**Q.51** Selling costs have to be incurred in case of:

(a) Perfect Competition

(b) Monopolistic Competition

(c) Monopoly

(d) None of these.

**Q.52.** 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.53.** 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.54.** 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.55.** Non price competition is very popular in:

(a) Monopoly market

(b) Monopolistic competition

(c) Oligopolistic market

(d) Perfect competition.

**Q.56.** 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.57.** 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.58.** 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.59.** The Kinked demand curve model explains the market situation

(a) Pure Oligopoly      (b) Differentiated Oligopoly

(c) Collusive Oligopoly      (d) Price Rigidity

**Q.60.** 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.61.** 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

(d) All of the above.

Q.62. "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.63. Which of the following is incorrect?
(a) Even monopolistic can earn losses.
(b) Firms in perfect competitive market is price taker.
(c) It is always beneficial for a firm in a perfectly competitive market to discriminative prices.
(d) Kinked demand curve is related to an oligopolistic market.

Q.64. 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.65. 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.66. 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.67. 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

Q.68. The structure of the Toothpaste Industry in India is best described as:
(a) Perfectly competitive
(b) Monopolistic
(c) Monopolistically competitive
(d) Oligopolistic

Q.69. Product differentiation is the main features of which market?
(a) Oligopoly
(b) Monopolistic
(c) Discriminating Monopoly
(d) Perfect competition

Q.70. Price leadership is the characteristic of
(a) Oligopoly
(b) Monopoly
(c) Perfect competition
(d) Discriminating Monopoly

Q.71. 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.72. Which is the characteristic feature of monopoly?
(a) Homogeneous goods
(b) Strong barriers to entry
(c) Perfect competition
(d) Perfectly elastic demand curve

Q.73. 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.74. _____ 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.75.** 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

## 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) Schumpter                  (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 20"1 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) Tough 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) Expansion       (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 slovedow 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