Chapter - 1

5 marks

#Q. In the beginning the name of economics was _____ ✓

(MTP Apr. 23)

1776
Adam Smith

(A) Economics of wealth

(B) Political economy (B)

(C) Welfare economics

(D) None of these

#Q. Most of the economic problems are of _____ nature and are affected by _____

Complex

Difficult

(MTP Jun 22)

A Complex, Several forces (A)

B Simple, Several forces

C Simple, single factor

D Complex, Single factor

#Q. Economic is classified into ____

(PYQ Jun 22)

(A) Normative and positive

(B) Micro and macro (B)

(C) Internal and external

(D) None of the above

#Q. The regulatory mechanism of the market system is -

(MTP Jun 22, Nov 22)

Capitalistic

JAPAN, USA etc.

Price mechanism

Solve

(A) Self interest ✓

(B) Private property

(C) Competition ✓ [C]

(D) Specialization ✓

$$\underline{\text{Absence of Compt}^n} \curvearrowright \text{Socialistic}$$

$$\boxed{\text{Waste of Compt}^n} \longrightarrow \text{Capitalistic}$$

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

धलावा

(A) Capitalist Economy

(B) Socialist Economy

(C) Mixed Economy

(D) None of the above

#Q. The 'Communist Manifesto' was published in:

(MTP May 23)

A   1848   Ⓐ

B   1905

C   1952

D   None of these

Marx

Engles

Socialistic

#Q. _____ involves the predominance of bureaucracy and resulting inefficiencies and delays

(PYQ Jun 22)

Corruption

(A)

(A) Socialistic economy

(B) Capitalist economy

(C) Mixed economy

(D) Free market economy

#Q. Business economics is _____

(MTP Nov 22)

(A) Science ✓ .

(B) An art ✓.

(C) Both science and art [C]

(D) None of these

$$\text{(10)} , \boxed{11 , 12}^{\times}$$

$$\underline{13 , 14 , 15 , 16}$$

(A) 3 Pm ✓ (A)

(B) 2 pm
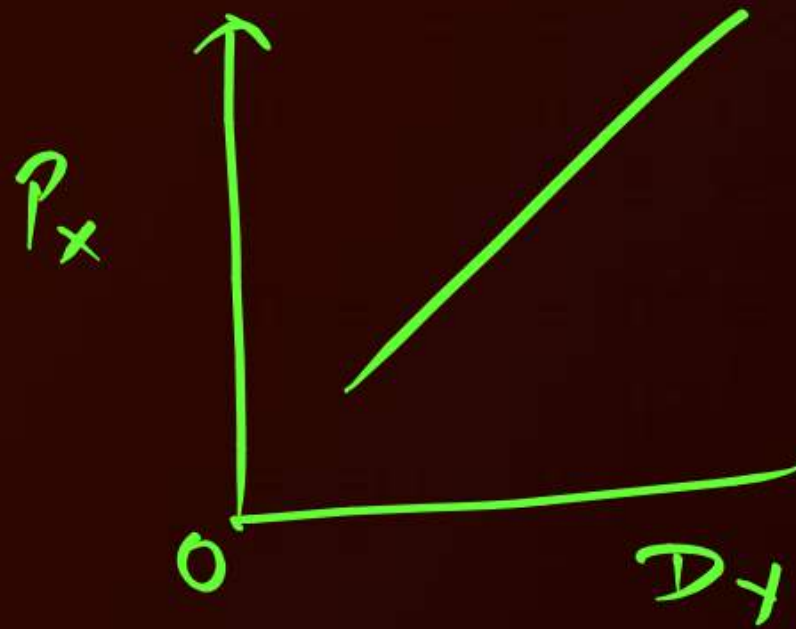
Chapter - 2

#Q. When price of a substitute of X commodity falls, the demand for Y _____

(MTP Mar 18, Dec 22)

$$P_x \downarrow \longrightarrow D_y \square$$

(A) Rises

(B) Falls (B)

(C) Remains unchanged

(D) Any of the above

#Q. From the following demand curve determine the elasticity at the given price

$$Q = 1200 - 10P \overset{\checkmark 5}{} = 1200 - 50 = \underline{1150}$$

When $P = 5$, $dQ/dP = 100$

(MTP Apr 21)

Derivative / Point Elasticity method

(A) Elastic

(B) Inelastic ⟶ ⑬

(C) Unitary elastic

(D) None of these

$$\varepsilon_p = \left(\frac{dQ}{dP}\right) \times \frac{P}{q}$$

$$= 100 \times \frac{\cancel{5}}{\cancel{1150}} = \boxed{\frac{10\checkmark}{23\checkmark}} \quad \varepsilon_p < 1$$

$$23$$

#Q. Law of diminishing marginal utility may not apply to :

(MTP Mar 18)

$$Q\uparrow \longrightarrow mu\downarrow$$

(A) Money ✓ (A)

(B) Butter ✓

(C) Pepsi, Coke etc. ✓

(D) Ice cream ✓

#Q. When price of a good rises from ₹ 20 to ₹ 30 the producer supplier 20 percent more the Price elasticity of supply is :

(MTP Apr 21)

$P \quad \%QS = 20\%$

20
30

$\Delta P = 10$

$$\varepsilon_S = \frac{\%\Delta QS}{\%\Delta P} = \frac{\dfrac{\Delta Q}{Q_1} \times 100}{\dfrac{\Delta P}{P_1} \times 100} \longrightarrow \frac{20}{\dfrac{10}{20} \times 100}$$

$= 0.4$

(A) 0.5

(B) 0.4 (B)

(C) 1

(D) None of these

#Q.   The market demand curve for a perfectly competitive industry is:
$Qd = 12 - 2P$ and the market supply curve is $Qs = 3 + P = 3+3 = 6$
The market will be in equilibrium if

(MTP June 21)

(A) $P = 6$ and $Q = 9$

(B) $P = 5$ and $Q = 2$

(C) $P = 4$ and $Q = 4$

(D) $P = 3$ and $Q = 6$ ✓   (D)
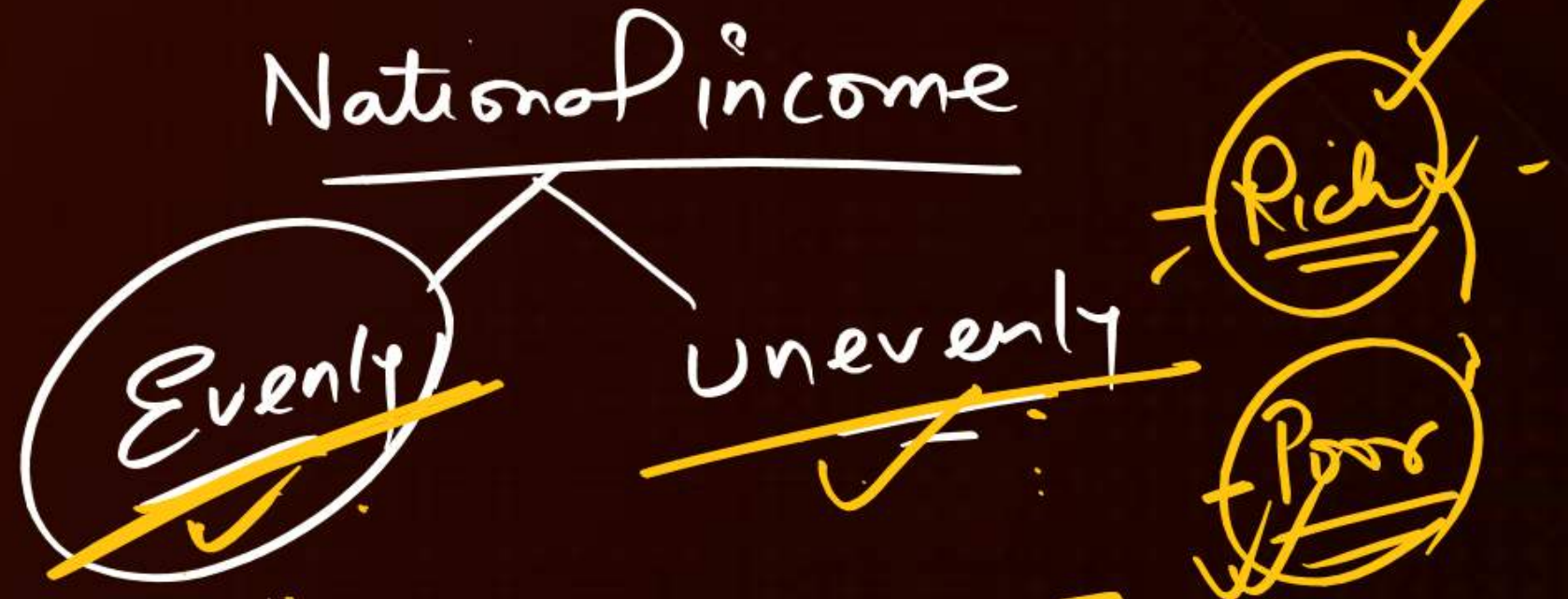
$P =$
$Q =$

$\dfrac{Eqb.}{D = S}$

$12 - 2P = 3 + P$
$12 - 3 = P + 2P$
$9 = 3P$
$3 = \dfrac{9}{3} = P$

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

(A) Relatively High (A)

(B) Relatively Low

(C) Unaffected

(D) None of the above

National income

Evenly   unevenly   Rich

Poor

Poor → 100 ↷ 90-95 | 90-95% |

Ambani = 100 → 100 = 1%
           Cr.

#Q. If price of sugar increases from ₹ 8,000 /- to 10,000/- per tone & due to that quantity supplied of sugar increases from 2000 to 2500 tones. Elasticity of supply will be _____

(PYQ Jun 22)

A (–)1

B 1   (B)

C (–) 0.4

D 0.4

$$
\begin{array}{c|c}
P & Q.S. \\
8000 & 2000 \\
10000 & 2500
\end{array}
$$

$$E_s = \frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1}$$

$$= \frac{500}{2000} \times \frac{8000}{2000}$$

#Q. Match the following

(MTP Nov 22)

List – I		List – II	
(a)	Tea and Coffee	(1)	Veblen goods
(b)	Car and Petrol	(2)	Substitutes
(c)	Gold & Diamond	(3)	Giffen goods
(d)	Ragi and Bajara	(4)	Complementary

	a	b	c	d
A	1	2	3	4
B	2	4	1	3
C	1	3	4	2
D	1	3	2	4

B

#Q. For Giffen good the Engel curve is : P↑ D↑

I↑ D↓
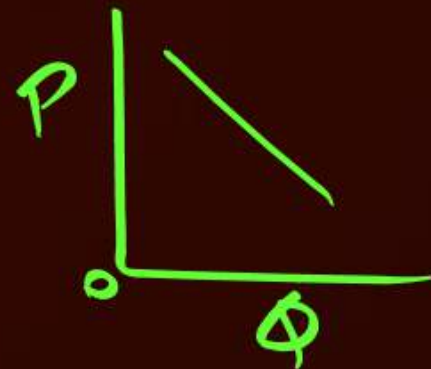
(MTP Mar 22, Apr 23)

(A) Positive sloped

(B) Vertical

(C) Horizontal
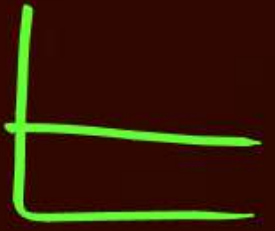
(D) Negative sloped

#Q. In the case of a Giffen good, the demand curve will usually be :

(ICAI SM)

(A) Horizontal

(B) Downward-sloping to the right

(C) Vertical

(D) Upward-Sloping to the right

P↑D↑

$P\uparrow \longrightarrow TR\uparrow \Rightarrow$ when? $\varepsilon_p < 1$

#Q. An increase in price will result in an increase in total revenue if :

(ICAI SM)

A The percentage change in quantity demanded is less than the percentage change in price

$\varepsilon_p < 1$ (A)

B The percentage change in quantity demanded is greater than the percentage change in price

C Demand is elastic

D The consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low

$$\varepsilon_P = \frac{\% \Delta Q.D.}{\% \Delta Price} \checkmark \quad \frac{9}{10} = \underline{0.9}$$

$$\boxed{\varepsilon_P < 1}$$

$$\% \Delta P > \% \, Q.D.$$

$$\varepsilon_P < 1$$

$$\boxed{P\uparrow \ TR\uparrow}$$

#Q. A relative price is:

(ICAI SM)

$$P_x = 50$$
$$P_y = 25$$

$$\frac{50}{25} = 2$$

(A) Price expressed in terms of money

(B) What you get paid for babysitting your cousin

(C) The ratio of one money price to another $\boxed{C}$

(D) Equal to a money price

$-100 + 150 \quad 15 = 50$

#Q. The supply function is given as Q = −100 + 10P. Find the elasticity using point method, when price is ₹ 15 ⇒ P

(ICAI SM)

$$Q = -100 + 10P$$

$$\frac{dQ}{dP} = 10$$

$$\varepsilon_s = \frac{dQ}{dP} \times \frac{P}{Q}$$

$$10 \times \frac{15}{50} \quad \boxed{3}$$

(A) 4

(B) −3

(C) −5

(D) 3

#Q. 'No matter what the price of coffee is, Arjun always spend a total of exactly
100 per week
on coffee.' The statement implies that:

Coffee

(ICAI SM)

A) Arjun is very fond of coffee & therefore he has an inelastic demand for coffee

B) Arjun has elastic demand for coffee

C) Arjun's demand for coffee is relatively less elastic

D) Arjun's demand for coffee is unit elastic

$$P\uparrow \ T\varepsilon\uparrow$$
$$P\downarrow \ T\varepsilon\downarrow \quad \Longrightarrow \quad \varepsilon_p < 1$$

$$P\uparrow \ T\varepsilon\downarrow$$
$$P\downarrow \ T\varepsilon\uparrow \quad \Longrightarrow \quad \varepsilon_p > 1$$

$$T\varepsilon \rightarrow Constant$$
$$\downarrow$$
$$\varepsilon_p = 1$$