

CH 1 -INTRODUCTION

DEFINITION/MEANING OF ECONOMICS/ SCARCITY/ ECONOMIC ACTIVITY

- 'Economics is the study of mankind in the ordinary business of life' was given by:**
 - Adam Smith
 - Lord Robbins
 - Alfred Marshall
 - Samuelson
- According to Robbins, 'means' are:**
 - Scarce
 - Unlimited
 - Undefined
 - All of these
- Who is the author of the Book "An enquiry into the Nature and Causes of Wealth of Nation".**
 - Karl Mars
 - Adam Smith
 - J B Say
 - A C Pigou
- Definition of economics given by Robbins does not deal with limited ends as in the definition he deals with unlimited ends & _____ .**
 - Scarce means
 - Limited means
 - Alternative means
 - Economic is a science
- "Economics is neutral between ends". This statement is given by -**
 - L. Robbins
 - Mrs. Joan
 - Alfred Marshall
 - A.C. Pigou
- Who defines Economics in terms of Dynamic growth & Development?**
 - Robbins
 - Paul A. Samuelson
 - Adam Smith
 - None of the above
- Who defined Economics as "science which deals with wealth"?**
 - Adam smith
 - Canon
 - J B Say
 - A C Pigou

8. 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 “welfare” aspect of Economics
9. Definition of Economics given by Robbins does not deal with one of the following aspect. Indicate that aspect
(a) Scarce means
(b) Limited ends
(c) Alternative uses
(d) Economics is a science
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 fully satisfy our unlimited wants
11. 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.
12. 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
13. What is the “Fundamental Premise” of Economics?
(a) Natural Resources will always be scarce.
(b) Individuals are capable of establishing goals and acting in a manner consistent with achievement of those goals
(c) Individuals choose the alternative for which they believe the net gains to be the greatest
(d) No matter what the circumstances, individual choice always involves a trade—off
14. Consider the following and decide which, economy if any is without scarcity —
(a) The pre—dependent Indian economy, where most people were farmers
(b) A mythical economy where everybody is a rich person
(c) Any economy where income is distributed equally among its people
(d) None of the above
15. The meaning of the word Economic’ is most closely connected with the word —
(a) Extravagant
(b) Scarce
(c) Unlimited
(d) Restricted
16. Human Wants are —
(a) Extravagant
(b) Scarce
(c) Unlimited
(d) Restricted

17. "Ends" refer to —
(a) Human Wants
(b) Resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)
18. "Means" refer to —
(a) Human Wants
(b) Resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)
19. "Resources" refer to —
(a) Unproductive Resources
(b) Productive Resources
(c) Money only
(d) None of the above
20. The Means for satisfying Wants are —
(a) Not available at all
(b) Scarce
(c) Unlimited
(d) Not usable
21. Economists regard decision making as important because:
(a) The resources required to satisfy our unlimited wants and needs are finite or scarce.
(b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs.
(c) Resources have alternative uses.
(d) All the above.
22. In Economics, we use the term scarcity to mean
(a) Absolute scarcity and lack of resources in less developed countries.
(b) Relative scarcity i.e. scarcity in relation to the wants of the society.
(c) Scarcity during times of business failure and natural calamities.
(d) Scarcity caused on account of excessive consumption by the rich.
23. What implication(s) does resource scarcity have for the satisfaction of wants?
(a) Not all wants can be satisfied.
(b) We will never be faced with the need to make choices.
(c) We must develop ways to decrease our individual wants.
(d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.
24. In every economic system, scarcity imposes limitations on -
(a) Households, business firms, governments, and the nation as a whole.
(b) Households and business firms, but not the governments.
(c) Local and state governments, but not the federal government.
(d) Households and governments, but not business firms.
25. Consider the following and decide which, if any, economy is without scarcity:
(a) The pre-independent Indian economy, where most people were farmers.
(b) A mythical economy where everybody is a billionaire.

- (c) Any economy where income is distributed equally among its people.
- (d) None of the above.

26. Economic goods are considered scarce resources because they -
- (a) cannot be increased in quantity
 - (b) do not exist in adequate quantity to satisfy the requirements of the society
 - (c) are of primary importance in satisfying social requirements
 - (d) are limited to man made goods
27. The Law of Scarcity —
- (a) Does not apply to rich, developed countries
 - (b) Applies only to the less developed countries
 - (c) Implies that consumers' wants will be satisfied in a socialistic system
 - (d) Implies that consumers wants will never be completely satisfied
28. Resources are scarce in relation to —
- (a) Human Wants
 - (b) Firm's Profit Motive
 - (c) Country's Social Goals
 - (d) All of the above
29. Economic Theories are —
- (a) Accurate
 - (b) Hypothetical
 - (c) Real
 - (d) Factual

ECONOMIC ACTIVITY

30. Which of the following is an economic activity?
- (a) Listening to music on the radio
 - (b) Teaching one's own son at home
 - (c) Medical Facilities rendered by a Charitable Dispensary
 - (d) A Housewife doing household duties
31. Which of the following is not an economic activity?
- (a) A Son looking after his ailing mother
 - (b) A Chartered Accountant doing his own practice
 - (c) A Soldier serving at the border
 - (d) A Farmer growing Millets
32. Which of the following is an economic activity?
- (a) Sale of Goods to Consumers
 - (b) Teaching one's own nephew at home
 - (c) A Housewife doing household duties
 - (d) Watching Television
33. Which of the following is an economic activity?
- (a) Playing friendly cricket match
 - (b) Teaching one's own daughter at home
 - (c) Manufacturing Chairs at subsidized rate
 - (d) A Housewife doing household duties

BUSINESS ECONOMICS

34. **Business Economics is -**
(a) Abstract and applies the tools of Microeconomics.
(b) Involves practical application of economic theory in business decision making.
(c) Incorporates tools from multiple disciplines.
(d) (b) and (c) above.
35. **Which of the following is not the subject matter of Business Economics?**
(a) Should our firm be in this business?
(b) How much should be produced and at price should be kept?
(c) How will the product be placed in the market?
(d) How should we decrease unemployment in the economy?
36. **Which of the following is not a tool/component of Business Economics?**
(a) Capital Budgeting
(b) Demand Analysis
(c) Break Even Point
(d) None of the above
37. **Integration of Economic theory with business practice is called —**
(a) Managerial Economics
(b) Business Economics
(c) Applied Economics
(d) All of the above
38. **Business Economics has a Pragmatic Approach which means it is not —**
(a) Practical
(b) Realistic
(c) Abstract
(d) All of the above
39. **Business economics is a science because —**
(a) It establishes a cause and effect relationship
(b) Integrates the tools of decision sciences
(c) Follows scientific methods and empirically tests the validity of the results.
(d) All of the above
40. **The emphasis of Business Economics is more on**
(a) Normative theory only
(b) Positive theory only
(c) More Normative than Positive theory
(d) More Positive than Normative theory
41. **_____ refers to the process of selecting an appropriate alternative that will provide the most efficient means of attaining a desired end, from two or more alternative courses of action.**
(a) Decision making
(b) Strategy
(c) Problem solving
(d) Effectiveness

42. **Business Economics is essentially a component of _____ as it includes application of selected quantitative techniques.**
- (a) Pure economics
 - (b) Applied economics
 - (c) Statistical economics
 - (d) None of the above
43. **Business economics enables application of economic logic & analytical tools to –**
- (a) Fill the gap between theory & practice
 - (b) Increase the implementation science
 - (c) Increase the effectiveness
 - (d) Apply the tools of macro economics
44. **Concept of Business economics is given by –**
- (a) Joel Deah
 - (b) Alfred Marshall
 - (c) Adam Smith
 - (d) L Robbins

INDUCTIVE/DEDUCTIVE METHODS

45. **Deductive & Inductive methods are complementary to each other. It is –**
- (a) Absolutely correct
 - (b) Absolutely incorrect
 - (c) Partially incorrect
 - (d) None of the above
46. **In inductive method, logic proceeds from –**
- (a) General to particular
 - (b) Particular to general
 - (c) Both a & b
 - (d) None of these
47. **Under inductive method, logic proceeds from –**
- (a) General to particular
 - (b) Positive to normative
 - (c) Normative to positive
 - (d) Particular to general
48. **In which of the following methods conclusions are drawn on the basis of collection & analysis of facts?**
- (a) Deductive method
 - (b) Scientific method
 - (c) Inductive method
 - (d) Experimental method

MICRO/MACRO ECONOMICS

49. The branch of economics theory that deals with the problem of allocation of resources is:
- (a) Micro Economics
 - (b) Macro Economics
 - (c) Econometrics
 - (d) None of these
50. Which of the following falls under micro economics?
- (a) National income
 - (b) General Price level
 - (c) Factor pricing
 - (d) National saving and investment
51. Micro Economics is also known as _____
- (a) Public economics
 - (b) Price theory
 - (c) Income theory
 - (d) Demand theory
52. 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
53. Micro Economics is concerned with:
- (a) Consumer Behavior
 - (b) Product pricing
 - (c) Factor Pricing
 - (d) All of the above
54. Which of these is a part of micro economics?
- (a) Factor pricing
 - (b) National income
 - (c) Balance of payment
 - (d) None
55. Which of these is an example of macro economics:
- (a) Problem of unemployment in India
 - (b) Rising price level in the country
 - (c) Increase in disparities of income
 - (d) All of the above
56. Macroeconomics is also called——— economics.
- (a) Applied
 - (b) Aggregate
 - (c) Experimental
 - (d) none of the above
57. A study of how increase in the corporate income tax rate will affect the national unemployment rate is an example of -
- (a) Macro-Economics.
 - (b) Descriptive Economics.

- (c) Micro-economics.
- (d) Normative economics.

58. Which of the following does not suggest a macro approach for India?
- (a) Determining the GNP of India.
 - (b) Finding the causes of failure of ABC Ltd.
 - (c) Identifying the causes of in action in India
 - (d) Analyses the causes of failure of industry in providing large scale employment
59. Which of the following is not a subject matter of Micro-economies?
- (a) The price of mangoes.
 - (b) The cost of producing truck for the department at Delhi, India.
 - (c) The quantity of mangoes produced for the mangoes market.
 - (d) The national economy's annual rate of growth.
60. The branch of economic theory that deals with the problem of allocation of resources is
- (a) Micro-Economic theory.
 - (b) Macro-economic theory.
 - (c) Econometrics.
 - (d) None of the above.
61. Which of the following would be considered a topic of study in Macroeconomics?
- (a) The effect of increase in wages on the portability of cotton industry
 - (b) The effect on steel prices when more steel is imported
 - (c) The effect of an increasing in action rate on living standards of people in India
 - (d) The effect of an increase in the price of coffee on the quantity of tea consumed
62. Macro Economics is the study of _____.
- (a) all aspects of scarcity.
 - (b) the national economy and the global economy as a whole.
 - (c) big businesses.
 - (d) the decisions of individual businesses and people
63. Micro economics does not study
- (a) Consumer behavior
 - (b) Factory pricing
 - (c) General price levels
 - (d) firm's equilibrium
64. Micro Economics is —
- (a) Unrealistic
 - (b) Theoretical
 - (c) Abstract
 - (d) All of the above

POSITIVE/NORMATIVE ECONOMICS

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

66. Who gave the positive aspect of science?
 (a) Alfred Marshall
 (b) A.C Pigou
 (c) Adam Smith
 (d) Robbins
67. Which of the following is a normative statement?
 (a) Planned economies allocate resources via government departments.
 (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade.
 (c) There is a greater degree of consumer sovereignty in market economies than planned economies.
 (d) Reducing inequality should be a major priority for mixed economies.
68. An example of 'positive' economic analysis would be:
 (a) An analysis of the relationship between the price of food and the quantity purchased.
 (b) Determining how much income each person should be guaranteed.
 (c) Determining the 'fair' price for food.
 (d) Deciding how to distribute the output of the economy
69. Ram: My corn harvest this year is poor.
 Krishan: Don't worry. Price increases will compensate for the fall in quantity supplied.
 Vinod: Climate affects crop yields. Some years are bad, others are good.
 Madhu: The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by
 (a) Ram
 (b) Krishan
 (c) Vinod
 (d) Madhu
70. Shyam: This year due to heavy rainfall my option crop was damaged.
 Krishna: Climate affects crop yields. Some years are bad, other are good
 Hari: Don't worry, Price increase will compensate for 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
71. Which of the following is a normative economic statement?
 (a) Unemployment rate decreases with industrialization
 (b) Economics is a social science that studies human behavior.
 (c) The minimum wage should be raised to Rs.200/- per day
 (d) India spends a huge amount of money on national defense.
72. The difference between positive and normative Economics is:
 (a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
 (b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.
 (c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.

(d) Positive Economics prescribes while normative Economics describes.

73. Normative Economics is based on:

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

74. Positive Science only explains

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

NATURE/SCOPE OF BUSINESS ECONOMICS

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

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

76. Which of the following statements is incorrect?

- (a) Business economics is normative in nature.
- (b) Business Economics has a close connection with statistics.
- (c) Business Economist need not worry about macro variables.
- (d) Business Economics is also called Managerial Economics.

CENTRAL PROBLEMS OF AN ECONOMY

77. Capital Intensive Technique would get chosen in

- (a) Labour Surplus Economy
- (b) Capital Surplus Economy
- (c) Developed Economy
- (d) Developing Economy

78. Labour Intensive Technique would get chosen in

- (a) Labour Surplus Economy
- (b) Capital Surplus Economy
- (c) Developed Economy
- (d) Developing Economy

79. Production of Capital Goods vs Consumer Goods relates to the problem of —

- (a) What to Produce
- (b) How to Produce
- (c) For whom to Produce
- (d) How to provide for growth

80. Use of Labour or Capital intensive techniques of production relates to the problem of
- (a) What to Produce
 - (b) How to Produce
 - (c) For whom to Produce
 - (d) How to provide for growth
81. Distribution and Sharing of National Product relates to the problem of —
- (a) What to Produce
 - (b) How to Produce
 - (c) For whom to Produce
 - (d) How to provide for growth
82. The issue of “for whom to produce” deals with
- (a) how to distribute and share the national product
 - (b) shares of different people in the total output of goods & services.
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
83. A developed economy uses _____ technique of production
- (a) Labour intensive
 - (b) Capital intensive
 - (c) Home-based
 - (d) Traditional

PRODUCTION POSSIBILITY CURVE / FRONTIER

84. If a point falls inside the PPC, what does it indicate?
- (a) Resources are over utilized
 - (b) Resources are under utilized
 - (c) There is unemployment in the economy
 - (d) Both b & c
85. If opportunity cost is constant, then PPC would be -
- (a) Convex
 - (b) Straight line
 - (c) Backward sloping
 - (d) Concave
86. What will be the shape of PPC when marginal opportunity cost is constant?
- (a) Concave
 - (b) Convex
 - (c) Backward sloping
 - (d) Straight line
87. The usual shape of PPC is _____ towards the origin
- (a) Convex
 - (b) Concave
 - (c) Straight line
 - (d) A rectangular hyperbola

88. PPC is also known as
- (a) Demand curve
 - (b) Transformation curve
 - (c) Supply curve
 - (d) Indifference curve

TYPES OF ECONOMY

89. In which types of economy do consumers and producers make their choices based on the market forces of demand and supply?
- (a) Open Economy
 - (b) Controlled Economy
 - (c) Command Economy
 - (d) Market Economy
90. 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
91. Economics which is concerned with welfare proposition is called
- (a) Socialistic economics
 - (b) Capitalistic economics
 - (c) Positive economics
 - (d) Normative economics
92. A system of economy in which means of all production are owned and controlled by private individuals for the purpose of profit is called _____
- (a) Socialistic economy
 - (b) Capitalistic economy
 - (c) Mixed economy
 - (d) All of the above
93. For analyzing ownership and utilization of resources, Economies are classified into —
- (a) Capitalist Economies
 - (b) Socialist Economies
 - (c) Mixed Economies
 - (d) All of the above
94. Which of the following is not feature of capitalistic economy?
- (a) Right to private property
 - (b) Restriction on consumer's right to choose
 - (c) Profit motive
 - (d) Freedom of enterprise
95. A Capitalist Economy is also called as —
- (a) Free Market Economy
 - (b) Command Market Economy
 - (c) Controlled Market Economy
 - (d) Regulated Market Economy

96. In which type of economic system has the Government no control over price fluctuations?

- (a) Market Economy
- (b) Command Economy
- (c) Mixed Economy
- (d) Regulated Economy

97. Which type of economy gives rise to the most efficient allocation of resources and capital in the standard Micro—Economics framework?
- (a) Free Market Economy
 - (b) Command Market Economy
 - (c) Controlled Market Economy
 - (d) Regulated Market Economy
98. In a Free Market Economy the allocation of resources is determined by
- (a) Votes taken by consumers
 - (b) A Central Planning Authority
 - (c) Consumer Preference
 - (d) All of the above
99. In a Free Market Economy, when consumers increase their purchase of a good and the level of ____ exceeds ____, then the prices of those goods tend to rise.
- (a) Demand, Supply
 - (b) Supply, Demand
 - (c) Prices, Demand
 - (d) Profits, Supply
100. In an economy, people have the freedom to buy or not to buy the goods offered in the market place, and this freedom to choose what they buy dictates what producers will ultimately produce. This condition is called —
- (a) Economic Power of Choice
 - (b) Consumer Sovereignty
 - (c) Positive Economy
 - (d) Producer Sovereignty
101. “Consumer Sovereignty” refers to —
- (a) Consumer participation in Production
 - (b) Consumer is the Ruler of the State
 - (c) Producers produce any type of goods and dump them in the market.
 - (d) Producers produce only those goods which Consumers prefer to buy.
102. A Capitalist Economy uses _____ as the principal means of allocating resources
- (a) Demand
 - (b) Supply
 - (c) Efficiency
 - (d) Prices
103. Which of the following statements regarding Market Economy is not true?
- (a) Price plays a major role in Market Economy
 - (b) The Government controls production and distribution of goods
 - (c) Consumers choose the goods they want
 - (d) Efficiency is achieved through Profit Motive
104. In a Mixed Economy, there are _____ Sectors of industries.
- (a) One
 - (b) Two
 - (c) Three

(d) None

105. In a Mixed Economy, industries are found in—

- (a) Private Sector
- (b) Private Sector
- (c) Joint Sector
- (d) All of the above

106. Prices of essential goods are decided by the Government, and prices of normal goods are decided by the market forces of demand and supply. This concept is called —

- (a) Pricing Mechanism
- (b) Market Mechanism
- (c) Dual System of Pricing
- (d) Unregulated Pricing

107. In a Mixed Economy, the Private Sector —

- (a) are absolute free to make any type of decisions.
- (b) works only for social objectives.
- (c) are regulated directly and / or indirectly by Government
- (d) does not exist at all.

108. Indian Economy is an example of—

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

109. In India, the Central Planning Authority is called —

- (a) State Government
- (b) President of India
- (c) Ministry of Economy
- (d) NITI Aayog

110. Capitalist Economy —

- (a) Encourages Entrepreneurial class
- (b) Facilitates economic growth
- (c) Ignores human welfare
- (d) All of the above

111. Demerits of Capitalistic Economy includes —

- (a) Low cost of production
- (b) Pre dominance of bureaucracy
- (c) Economic inequality
- (d) No incentive for hard work

112. Autonomy and Freedom is more in —

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

113. The classification of economies is based on their:
- (a) Mode of production, exchange & distribution
 - (b) Government's role in economic activity
 - (c) Both a & b
 - (d) Neither a nor b
114. Which of the following is not an example of capitalist economy?
- (a) Japan
 - (b) Mexico
 - (c) Germany
 - (d) Cuba
115. Socialist economy was propounded by -
- (a) Karl Marx
 - (b) Samuelson
 - (c) A.C.Pigou
 - (d) Adam Smith
116. Although price mechanism exists in _____ but it has only a secondary role
- (a) Capitalist economy
 - (b) Socialist economy
 - (c) Mixed economy
 - (d) Price economy
117. Inequalities of income do not perpetuate in _____.
- (a) Socialism
 - (b) Mixed economy
 - (c) Capitalism
 - (d) None
118. A capitalist economy follows the policy of -
- (a) Laissez faire
 - (b) Regulated markets
 - (c) Promoting public sector
 - (d) None of the above

COMPREHENSIVE QUESTIONS

119. Find out the correct statements-
- (a) Higher the prices, lower the quantity demanded of a product is a normative statement
 - (b) Micro and macro-economics are interdependent
 - (c) In a capitalistic economy, the economics problems are solved by planning commission
 - (d) In deduction methods logic proceeds from particular to the general.
120. Which of the following is the best general definition of the study of Economics?
- (a) Inflation and Unemployment in a growing economy
 - (b) Business decision—making under foreign competition

- (c) Individual and Social Choice in the face of scarcity
- (d) The best way to invest in the stock market

121. Rational decision—making requires that —

- (a) One's choices be arrived at logically and without error
- (b) One's choices be consistent with one's goals
- (c) One's choices never vary
- (d) One makes choices that do not involve trade—off

122. Which of the following statements is true?

- (a) The Economy has unlimited resources and there is a need for choosing the most efficient alternative.
- (b) Decisions are always taken under conditions of imperfect knowledge and uncertainty
- (c) Decision making arises only if there is choice available
- (d) All of the above

123. Business Decision making involves —

- (a) Whether the Firm has to make the components or buy the components?
- (b) Whether the Firm has to shut down or continue in the business?
- (c) What mix of debt and equity should the Firm use?
- (d) All of the above

124. Find out the correct statement -

- (a) Higher the prices, lower the quantity demanded of a product are a normative statement
- (b) Micro & 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 general

125. Larger production of _____ goods would lead to higher production in future.

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