



CA Foundation Sep 2024

ECONOMICS

CHP 2 & 4



CA MOHNISH VORA

IMPORTANT MCQS
MARATHON

FREE
PDF

CA Foundation New Syllabus Business Economics

Micro Economics Important MCQs

Chapter No.	Chapter Name	No. of MCQs
2	Demand & Supply	131
4	Markets	117
	Total	248

Important MCQs
By CA Mohnish Vora (MVSIR)

CA Foundation – September 2024

Business Economics - Last 1.50 Days Strategy by CA Mohnish Vora (MVSIR)

18 Sep

- Solve as many Macro Eco MCQs as possible.

[Live @ 7.15 PM]

19 Sep

- 7.00 to 11.00 AM – Eco Chapter 1, 5 & 10
- 11.30 AM to 2.30 PM – Quick Revision of Eco Chp 2 & 4 → [Live session]
- 2.30 to 3.30 PM – Break & Lunch
- 3.30 to 7.30 PM – Eco Chapter 6, 7 & 8
- 7.30 to 9.30 PM – Eco 100 Marks Test → [Live]
- 9.30 to 10.00 PM – Dinner
- 10.00 PM to 1.00 – Eco Chp 3 & 9

20 Sep

- 6.00 AM to 8.30 AM – Important Points Revise
- 8.30 AM to 11.00 AM – Most Expected MCQs for Exam → [Live session]

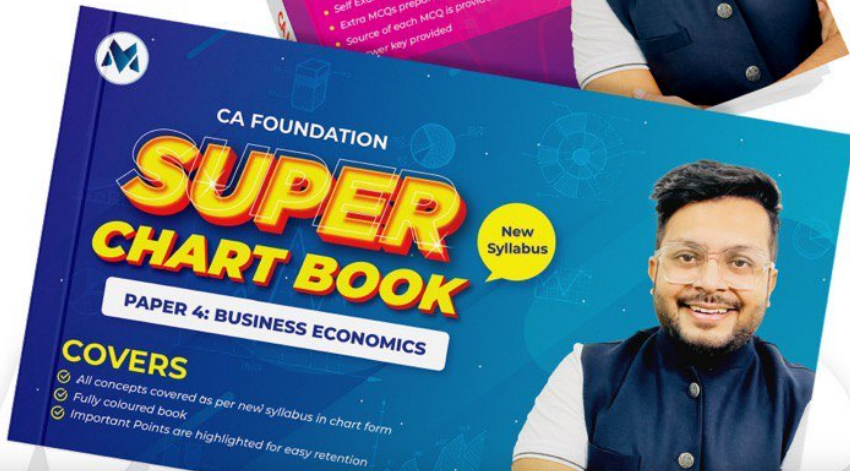


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Business Economics

Chapter 2
THEORY OF DEMAND
AND SUPPLY

Important MCQs
By CA Mohnish Vora (MVSIR)



A.Q., MTP Aug 24

1 The economist's concept of demand is _____ as desire or need or choice or preference or order.

- a) the same thing
- b) not the same thing
- c) (A) or (B)
- d) None of these

D + ATP + WTP
↓
Demand.

MTP Dec 22, A.Q.

2 The ^{imp} most crucial determinant of demand for an item is _____

- a) Income of consumer
- b) Prices of other related goods
- c) Taste and preference of consumer
- d) It's own price

MTP Mar 18

3 If distribution of income is more equal, then the propensity to consume of the country is _____

- a) Relatively High
- b) Relatively Low
- c) Unaffected
- d) None of the above

uneven dist. of NI } PTC ↓
Even dist. of NI } PTC ↑

MTP Mar 18, MTP Dec 22

4 When price of a substitute of X commodity falls the demand for X _____

- a) Rises
- b) Falls
- c) Remains unchanged
- d) Any of the above.

PYQ Jun 23

5 Increase in price of pulses leads to increase in demand of green vegetables

- a) Substitutes
- b) Complimentary goods
- c) Normal goods
- d) None of the above

PT Demt

Extra MCQ

Which of the following statements are true or false-

- 1. Snob Effect represents the desire of people to be exclusive; to be different; to dissociate themselves from the "common herd."
- 2. Snob Effect is a function of price

- a) (1) & (2) are false
 - b) (1) & (2) are true
 - c) (1) is true & (2) is false
 - d) (1) is false & (2) is true
- SE → f of consn of other
Veblen Effect → f(Price)

Extra MCQ

7 Highly priced goods are consumed by status seeking rich people to satisfy their need for conspicuous consumption. This happens because of-

- a) Veblen Effect
- b) Snob Effect
- c) Bandwagon Effect
- d) Price Effect

Show off

MTP Nov 22

Match the following

LIST-I

- a) Tea and Coffee
- b) Car and Petrol
- c) Gold & Diamond
- d) Ragi and Bajara

LIST II

- 1. Veblen goods
- 2. Substitutes
- 3. Giffen goods
- 4. Complementary

- Codes: a b c d
- (a) 1 2 3 4
 - (b) 2 4 1 3
 - (c) 1 3 4 2
 - (d) 1 3 2 4

Become a CA not just for yourself, but for your parents. You are bound to be successful.



A.Q.

9 An important generalization about demand is described by____

- a) Law of demand
- b) Factors affecting demand
- c) Quantity demanded
- d) None of these

Additional Questions - A.Q.

10 'Ceteris Paribus' clause in Law of demand does not mean-

- a) Price of commodity does not change
- b) Price of substitutes does not change
- c) Income of consumer does not change
- d) Price of complementary goods does not change

MTP Apr 21

11 In case of inferior goods: \ominus

- a) Income effect and substitution effect work in opposite direction
- b) Income effect and substitution effect work in same direction
- c) It leads consumer to purchase less of a good and more of the substitute
- d) None of these

Extra MCQ

12 In the case of inferior goods, the expansion in demand due to a price fall will take place only if the

- a) Income effect outweighs the substitution effect
- b) Substitution effect outweighs the income effect
- c) substitution effect equals the income effect
- d) None of the above

MTP Dec 22, MTP Mar 21

13 When violation of law of demand occurs: \hookrightarrow in inferior goods

- a) substitution effect is negative
- b) income effect is negative
- c) Negative income effect is less than substitution effect
- d) negative income effect is greater than substitution effect

PYQ Jun 22

14 The substitution effect will be what when the price of the product falls?

- a) Zero
- b) Negative
- c) Positive
- d) Lower cost

A.Q.

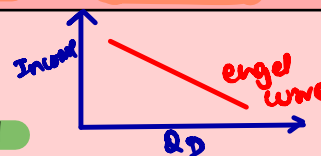
15 The price of a piece of jewellery rises, the demand for it may also rise as consumers attach a ___ to owning & displaying expensive items.

- a) money value
- b) use value
- c) snob value
- d) None of these

MTP Mar 22, Apr 23

16 For Giffen good the Engel curve is:

- a) Positive sloped
- b) Vertical
- c) horizontal
- d) Negative sloped



MTP Dec 22

17 Inspite of the fact that the price of the television sets refrigerators, air conditions etc. have been continuously rising their demand does not stand any tendency to fact because they are

- a) Conspicuous goods
- b) Giffen goods
- c) Speculative goods
- d) Conspicuous necessities.

Exception to law of Dem.

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PYQ Jun 22

18 In case of Veblen goods, the demand curve is

a) Horizontal
b) Vertical
c) Upward sloping to the right
d) Downward sloping to the right

PYQ Jun 22

19 Which of the following statements is not correct?

a) Giffen goods exhibit negative relationship between price and demand
b) Conspicuous goods exhibit positive relationship between price and demand
c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand
d) Law of demand states inverse relationship between price of a commodity and its quantity demanded

MTP Dec 22

20 When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity, the demand curve is negatively sloped,

a) Always
b) Never
c) Sometimes
d) Often.

MTP Dec 22

21 Empirical demand curves refer to demand curves estimated from

a) utility theory
b) the new approach to consumer theory
c) Information provided by individual consumers
d) Actual market price-quantities observations.

PYQ Jun 22

22 The demand for petrol decreases due to increases in its price, it is termed as

a) A decreases in demand
b) A change in demand
c) A contraction in demand
d) An increases in demand

A.Q.

$$\left[\frac{750 - 187.50}{750 + 187.50} \right] \times \left[\frac{2 + 8}{2 - 8} \right] = -1$$

23 Let $QX = 1500/Px$ the elasticity of demand of the good X when its price falls from \$ 8 to \$ 2 per unit, will be (Use Arc Method)

a) greater than one
b) less than one
c) equal to one
d) can't say

$$\frac{Price}{8} \quad \frac{QD}{1500} = 187.50$$

$$2 \quad \frac{1500}{2} = 750$$

Extra MCQ

24 The price of a good decreases from Rs 80 to Rs 60 per unit. If price elasticity of demand = 2 Original Qty demanded = 50 units. Calculate the new qty demanded.

a) 25 units
b) 75 units
c) 100 units
d) 0 units

$$New QD = 50 + 50\% = 75 \text{ units}$$

$$\frac{Price}{80} \quad \frac{QD}{50}$$

$$\frac{60}{x}$$

$$Ep = 2$$

MTP Oct 18

25 If R point bisects the demand curve in two equal part, then elasticity at R equals

a) Zero
b) Five
c) Two
d) One

MTP Apr 21

26 From the following demand curve determine the elasticity at the given price
 $Q = 1200 - 10P$ When $P = 5$, $dQ/dP = 10$

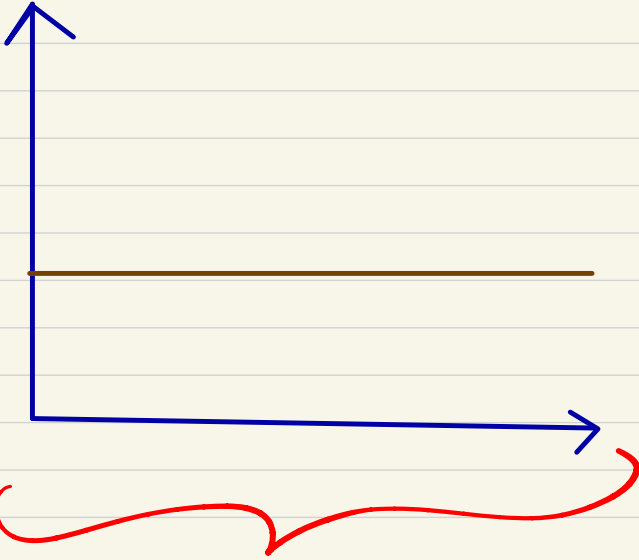
a) Elastic
b) Inelastic
c) Unitary elastic
d) None of these

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

$$= 10 \times \frac{5}{1150} = \frac{50}{1150}$$

Become a CA not just for yourself, but for your parents. You are bound to be successful.

$$Ep = \frac{1}{\text{slope}} \times \frac{P}{Q}$$



$$\text{Slope} = 0$$

$$E_p = \infty$$



$$\text{Slope} = \infty$$

$$E_p = 0$$

MQR 30

Suppose Govt. increase Tax (GST) on goods

↓
If the Demand of Good is

Elastic

↓
Tax badhne ke wajah se seller chaah ke bhi, price increase NAAI kar payega

Agar Price ↑
toh

QD ↓ zyada
kam

Seller has to borne (jhelna)
the increase
in tax.

↓
In case of elastic Demand,
seller cannot
shift the burden
of tax on buyer.

Inelastic

↓
Suppose cigar pe tax
badh gaya

↓
Seller easily price
badha ke, extra ka
tax buyer se
vasool sakta hai

↓
Buyer extra
paisa dega, kyunki
demand Inelastic hai

Agar Price ↑
toh
QD bohot kam NAAI hoga

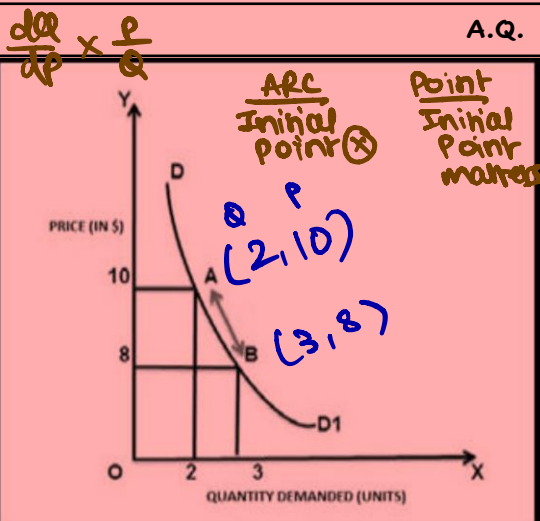
Buyer has to borne (jhelna)
the increase in tax.

↓
In case of Inelastic Demand,
seller can shift the burden
of tax on buyer.



Q128 in MCQ Compiler (Pg 2.17)

A.Q.



27

In the above figure, DD1 is the demand curve of a commodity. There are two points on demand curve i.e., A and B with (P, Q) as (10, 2) & (8, 3) respectively. If initial point is A OR initial point is B, price elasticity of demand will be

- a) same in both cases by point method of price elasticity of demand
- b) different in both cases by Arc method of price elasticity of demand
- c) same in both cases by Arc method & different by point method of price elasticity of demand
- d) None of these

MTP Mar 22

28

The Coefficient of Price elasticity of demand between two points on a demand curve is _____

- a) Arc elasticity
- b) Point elasticity
- c) Price elasticity
- d) None of these

Slope ≠ Elasticity MTP Jun 22

29

Which of the following statements is correct?

- a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
- b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.
- c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.
- d) None of these

MTP Jun 22

30

The share of the tax borne by seller will be larger

- a) If demand for product is less elastic.
- b) If demand for product is inelastic.
- c) If demand for product has greater elasticity.
- d) If elasticity of supply of product is larger.

MTP Mar 22

31

A movement along a curve rather than a shift in the curve can be measured by:-

- a) Cross elasticity of demand \downarrow shift
- b) Income elasticity of demand \downarrow shift
- c) Price elasticity of demand & Price elasticity of Supply (movement)
- d) None of these

Extra MCQ

32

If demand for a good is inelastic, then as per total outlay method [New point added in syllabus]

- a) Quantity Effect > Price Effect \downarrow Elastic
- b) Quantity Effect = Price Effect \downarrow Unitary
- c) Quantity Effect < Price Effect
- d) (a) or (c)

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MTP Aug 18, May 20, Nov 22, Aug 24, SEQ

33 If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of: (Total outlay method)

- a) Zero
b) Greater than zero but less than one
c) One
d) Greater than one

MTP Dec 22, Aug 24, A.Q.

38 During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy vegetables than/as her usual demand showing the demand of vegetables is

- a) more, inelastic demand
b) less, elastic demand
c) same, inelastic demand
d) same, elastic demand

[Total outlay method] A.Q.

34 If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will

- a) Decrease
b) Increase
c) Remain same
d) Can't Say

Ep < 1 Inelastic P ↑ TE ↑

MTP Mar 18, SEQ

39 The income of a household rises by 20 per cent, the demand for computer rises by 25 per cent, this means computer (in Economics) is a/an

- a) inferior good
b) luxury good
c) Necessity
d) can't say

Ey = 25% / 20% = 1.25 Ey > 1

Total outlay MTP Mar 22

35 When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to:

- a) Remain unchanged
b) Increase
c) Decrease
d) Any of the above

Ep = 1

MTP Oct 19

40 Suppose income elasticity of bread is 0.25, its means that bread is-

- a) Inferior goods
b) Luxury goods
c) Normal goods
d) Can't say

Necessity General Classification

A.Q.

36 Commodities such as prescribed medicines and salt have and hence, have an demand

- a) Several substitutes, elastic
b) Several substitutes, inelastic
c) No close substitutes, inelastic
d) No close substitutes, elastic

A.Q.

37 Demand for water is -

- a) Elastic
b) Inelastic (No close sub) & Necessity
c) Perfectly elastic
d) Relatively elastic

MTP Aug 18

41 Which of the following is incorrect?

- a) The cross elasticity of demand for two substitutes is positive.
b) The income elasticity of demand is the percentage change in quantity demanded of a good due to a change in the price of a substitute.
c) The cross elasticity of demand for two complements is negative.
d) The price elasticity of demand is always negative, except for Giffen goods.

correct PT QDT

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ICAI SM ~~Extra MCQ~~

42 When the numerical value of cross elasticity between two goods is very high, it means

- a) Goods are perfect complements and therefore have to be used together
- b) Goods are perfect substitutes and can be used with ease in place of one another $\rightarrow EC = \infty$
- c) There is a high degree of substitutability between the two goods
- d) Goods are neutral and therefore cannot be considered as substitutes

Extra MCQ

43 The cross elasticity between personal computers and soft wares is:

- a) Positive
 - b) Zero
 - c) Negative
 - d) One
- \rightarrow Complementary

MTP Mar 22

44 Between two perfect substitute The elasticity of Substitution is

- a) < Zero
- b) >Zero
- c) < Infinity
- d) Infinity

Extra MCQ

45 If the value of cross-price elasticity between 2 goods is only slightly below zero, then it is a case of

- a) Remote substitutes
 - b) Close substitutes
 - c) Weak complements
 - d) Strong complements
- \rightarrow -ve & very small

PYQ Jun 22

46 Advertising elasticity of demand is typically

- a) Negative
- b) Positive
- c) Always zero
- d) None of the above

MTP MCQ ~~Extra MCQ~~

47 The objective of advertisement is to

- a) Shift demand Curve to left & Reduce elasticity of demand
- b) Shift demand Curve to right & increase elasticity of demand
- c) Shift demand Curve to left & increase elasticity of demand
- d) Shift demand Curve to right & Reduce elasticity of demand

MTP May 23

48 There will be in the demand Curve of cars with an increase in the Price of Petrol

- a) Leftward shift
- b) Rightward Shift
- c) Upward Movement
- d) Downward Movement

PYQ Jun 23

49 Movement along the same demand curve represents

- a) Change in demand
- b) Change in Quantity demand
- c) Increase in demand
- d) Decrease in demand

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A.Q.

50 Luxuries are goods that are

a) Enjoyable and essential
 b) Enjoyable but not essential
 c) Essential but not enjoyable
 d) Neither enjoyable nor essential

A.Q.

51 People know utility of goods by means of _____

a) price
 b) introspection
 c) demand
 d) desire

A.Q.

52 By way of an optimal choice, a consumer tends to

a) save money
 b) purchase large quantity
 c) maximize satisfaction
 d) Maximize satisfaction subject to constraints like tastes and preferences

SEQ

53 Consumer stops purchasing the additional units of the commodity when \rightarrow when equi is achieved

a) marginal utility starts declining
 b) marginal utility become zero
 c) marginal utility is equal to marginal utility of money price
 d) total utility is increasing

MTP Dec 22, A.Q.

54 At saturation point of TU curve, the slope of TU curve is _____

a) 1
 b) Infinity
 c) Zero $\} \text{MU} = 0$
 d) Positive

Point of satiety or Satiation point

A.Q.

55 MU curve will be below X-axis when

a) MU is zero
 b) TU is falling
 c) MU is negative
 d) Both (B) and (C)

MTP Mar 21

56 MU from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. Consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y _____

a) 5
 b) 10
 c) 40
 d) None of these

$MU_m = \frac{MU_y}{P_y}$
 $\Rightarrow 10 = \frac{50}{P_y} \} P_y = 5$

MTP Oct 18, Oct 20

57 Marginal utility approach to demand was given by _____

a) J R Hicks
 b) Alfred Marshall
 c) Robbins
 d) A C Pigou

Extra MCQ

58 Which of the following is incorrect relating to Law of Diminishing Marginal Utility ?

a) Law may not apply in case of prestigious goods
 b) Law may not hold in case of hobbies
 c) Law applies in case of habit forming commodities \rightarrow does not apply
 d) Law may not be operating in cases such as creative art

MTP Nov 22, MTP Apr 19

59 Cardinal Measurability of utility means:

a) Utility can be measured
 b) Utility cannot be measured
 c) Utility can be ranked
 d) Utility can be measured in some case

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MTP Mar 18

60 Law of diminishing marginal utility may not apply to:

a) Money
b) Butter
c) Pepsi, Coke etc.
d) Ice cream

MTP Jun 22

61 A consumer is in equilibrium when s/he is deriving _____ satisfaction from the goods.

a) maximum
b) possible
c) maximum possible
d) None of these

MTP Mar 22

62 After reaching the saturation point, consumption of additional units of the commodity cause:

a) Total utility to fall and marginal utility to increase
b) Total utility 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

PYQ Jun 22

63 When total utility is diminishing, the marginal utility is _____

a) Diminishes
b) Zero
c) Negative
d) Increases

MTP Nov 22, Aug 18, Mar 19, RTP Sep 24 SEQ


64 The law of consumer surplus is based on :

a) indifferent curve analysis
b) revealed preference theory
c) law of substitution
d) the law of diminishing marginal utility

MTP Mar 18, Mar 19

65 In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:

a) Infinite
b) Zero
c) Marginally positive
d) Marginally Negative

 **Extra MCQ**

66 Consumer surplus is represented by the _____

a) Area above the demand curve and below the price
b) Area below the demand curve and above the price
c) Area on the right of demand curve
d) None of the above

SEQ, MTP Apr 23

67 Under income effect, consumer _____

a) Move along original indifference curve
b) moves to higher or lower indifference curve
c) always purchases higher quantities of both the commodities
d) none of the above

*Not in syllabus
But still ICAI asked* **MTP Nov 22, Aug 24, A.Q.**

68 A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____

a) more of one of the goods
b) less of at least one of the goods
c) more of at least one of the goods and less of the other good.
d) more of at least one of the goods and no less of the other good.

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A.Q.

69 According to ordinal approach of consumer's behavior-

- a) Consumer is able to indicate the exact amounts of utilities that he derives from commodity or any combinations of them.
- b) Utility being psychological feeling is not quantifiable.
- c) The consumer is capable of simply comparing the different levels of satisfaction.
- d) Both (B) and (C)

A.Q., MTP Jun 22

70 Which of the following statements is correct regarding indifference curve?

- a) Two ICs can never may not intersect each other.
- b) Two ICs can never may intersect each other
- c) Two ICs are always parallel to each other may or may not
- d) None of these

MTP Mar 21

71 When goods are complementary the indifference curve is :

- a) is a straight line
- b) is convex to the origin
- c) consist of two straight line with a right angle bent. → L shaped
- d) none of these

MTP MAR 18, Apr 19

72 Which is not the assumption of Indifference curve Analysis?

- a) The consumer is rational and possesses full information about all the aspects of economic environment
- b) The consumer is not capable of ranking all combinations
- c) If consumer prefers combination A to B, and B to C, then he must prefer combination A to C
- d) If combination A has more commodities than combination B, then A must be preferred to B.

MTP Apr 19

73 Indifference curve is convex to the origin due to:

- a) Falling MRS by Slope
- b) Rising MRS
- c) Constant MRS
- d) None of the above



MTP Mar 19, Jul 24

74 _____ depicts complete picture of consumer tastes and preferences.

- a) Budget line
- b) Average cost curve
- c) Indifference map
- d) Marginal revenue curve



Extra MCQ

75 Which of the following is not a property of the indifference curve ?

- a) Indifference curves slope downward to the right
- b) Indifference curves slope downward to the right
- c) Indifference curves may or may not intersect each other can never
- d) Indifference curve will not touch either axes

MTP Mar 22

76 When two goods are perfect substitute for each other:

- a) Indifference curve for these two goods are straight parallel line with a constant slope along the curve
- b) Indifference curve has a constant MRS
- c) Concave to the Origin
- d) Both (a) and (b)

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MTP Dec 22, Aug 24

77 The substitution effect for a fall in the price of a commodity (ceteris paribus) is given by

- a) a movement up a given indifference curve
- b) a movement from a higher to a lower indifference curve
- c) A movement down a given indifference curve
- d) any of the above.

MTP Nov 22

Match the following LIST-I

- a) Two perfect substitute goods
- b) Two perfect complementary goods
- c) Indifference curve is always
- d) Higher IC gives higher level of satisfaction

78

LIST - II

- 1. Linear indifference curve
- 2. Monotonic preference
- 3. L-Shape Indifference curve
- 4. Convex to the origin

Codes:	a	b	c	d
(a)	1	2	3	4
(b)	3	1	4	2
(c)	1	3	4	2
(d)	1	3	2	4

A.Q.

79 While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be - [Where, P_p - Price of Pepsi, P_N - Price of Nachos & M - Money income of consumer]

- a) $\frac{P_p}{P_N}$
 - b) $\frac{P_N}{P_p}$
 - c) $\frac{M}{P_N}$
 - d) $\frac{M}{P_p}$
- Slope = $\frac{P_x}{P_y} = \frac{P_{pepsi}}{P_{nachos}}$

Extra MCQ

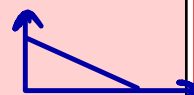
80 We can write the budget constraint for two goods X and Y as -

- a) $P_x.Q_x + P_y.Q_y \leq B$
- b) $P_x.Q_x + P_y.Q_y < B$
- c) $P_x.Q_x + P_y.Q_y > B$
- d) $P_x.Q_x + P_y.Q_y = B$

MTP Oct 19

81 The slope of consumer's budget line is -

- a) Positive and constant
- b) Negative and decreasing
- c) Negative and constant
- d) Positive and increasing



MTP Dec 22

82 Shift in the budget line when prices are constant are due to

- a) Change in income
- b) Change in demand
- c) Change in utility
- d) None of these

MTP Mar 19

83 When the consumer is in equilibrium his price line is _____ to indifference curve

- a) Parallel
- b) At right angle
- c) Diagonally opposite
- d) Tangent

MTP May 23

84 The budget line is also known as:

- a) Production Possibility Curve
- b) Consumption Possibility Curve
- c) Iso Utility Curve
- d) None of these

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A.Q., MTP Apr 23

85 Supply and stock are _____

- a) same things
- b) different
- c) having no comparison
- d) Both (B) and (C)

MTP Mar 22

86 Behavior of Supply depends upon:

- a) Phenomenon Considered
- b) Degree of possible adjustment in supply
- c) Time Period under Consideration
- d) All the above

MTP Mar 22

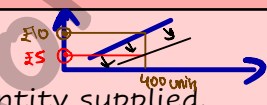
87 Suppose we are drawing a supply curve of a farmer which of the following will not be held constant. :

- a) Price of Inputs
- b) Weather Conditions
- c) Technology
- d) The price of the Commodity under consideration

SEQ

88 Yesterday, seller A supplied 400 units of a good X at Rs. 10 per unit. Today, seller A supplies the same quantity of units at Rs. 5 per unit. Based on this evidence, seller A has experienced a (an)

- a) Decrease in supply.
- b) Increase in supply.
- c) Increase in the quantity supplied.
- d) Decrease in the quantity supplied



$Q = -55 + 15(20) = 245$ Extra MCQ

89 The supply function is given as: $-55 + 15p$. Find elasticity of supply using point method, if price = Rs 20

- a) -2
- b) 1.56
- c) 1.22
- d) 1.82

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

$$= \frac{d(-55 + 15P)}{dP} \times \frac{20}{245}$$

$$= 15 \times \frac{20}{245} = \frac{300}{245} = 1.22$$

fish → perishable goods

MTP Aug 18, SEQ

90

If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is.

- a) zero.
- b) infinite.
- c) one.
- d) unable to be determined from this information.



$$E_s = \frac{1}{\text{slope}} \times \frac{P}{Q}$$

A.Q.

91

Relationship between slope of supply curve and elasticity of supply can be defined as -

- a) Product of slope of supply curve and ratio of quantity supply to price
- b) Elasticity of supply is equal to the slope of supply curve.
- c) Product of reciprocal of slope of supply curve and ratio of price to quantity supplied
- d) Elasticity of supply is equal to reciprocal of slope of supply curve.

MTP Apr 21

92

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

- a) 0.5
- b) 0.4
- c) 1
- d) None of these

$$E_s = \frac{20\%}{50\%} = 0.40$$

MTP MCQ Extra MCQ

93

To improve price elasticity of supply an organisation can

- a) Improve the technology used
- b) Increase production capacity
- c) Expand storage space for stock while making sure that products can last long while stored
- d) All of the above

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MTP Jun 22

94

Slope of supply curve is 0.6, calculate elasticity of supply when initial price is \$ 30 per unit & initial qty is 100 units.

- a) 0.5
- b) 5.55
- c) (-) 0.5
- d) (-) 0.18

$$E_s = \frac{1}{\text{Slope}} \times \frac{P}{Q}$$

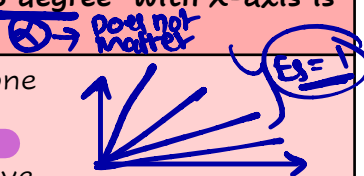
$$= \frac{1}{0.6} \times \frac{30}{100} = 0.50$$

MTP Dec 22

95

Elasticity of supply at any point on a supply curve passing through origin point making angle of 35 degree with X-axis is _____

- a) Greater than one
- b) Less than one
- c) Equal to one
- d) Any of the above



PYQ Jun 22

96

If price of sugar increases from Rs. 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 _____

- a) (-) 1
- b) 1
- c) (-) 0.4
- d) 0.4

$$E_s = \frac{2590}{2590} = 1$$

PYQ Jun 22

97

Supply will be _____ if firms are not working to full capacity

- a) Inelastic
- b) Perfectly Inelastic
- c) Elastic
- d) Any of the above

A.Q.

98

Supply is _____ when there is large number of producers and there is high degree of competition

- a) Less elastic
- b) More elastic
- c) Perfectly inelastic
- d) Any of the above

MTP Apr 21

99

Products that involve more complex production processes or require relatively longer time to produce exhibit _____

- a) Greater elasticity of supply
- b) Lower elasticity of supply
- c) Zero elasticity of supply
- d) None of the above

MTP Jun 22

100

The market demand curve for a perfectly competitive industry is: $Q_d = 12 - 2P$ and the market supply curve is: $Q_s = 3 + P$. The market will be in equilibrium if _____

- a) $P = 6$ and $Q = 9$
- b) $P = 5$ and $Q = 2$
- c) $P = 4$ and $Q = 4$
- d) $P = 3$ and $Q = 6$

$$Q_d = Q_s$$

$$12 - 2P = 3 + P$$

$$\Rightarrow 9 = 3P$$

$$\Rightarrow P = 3$$

Extra MCQ

101

_____ represents the net gains to society from all exchanges that are made in a particular market

- a) Market Equilibrium
- b) Consumer welfare
- c) Social Efficiency
- d) None of the above

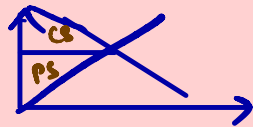
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Extra MCQ

102 _____ is represented by the area above the supply curve and below the price line

a) Consumer surplus
 b) **Producer surplus**
 c) Consumer Welfare
 d) (a) or (c)



MTP Jul 24

107 The level of consumption at which **marginal utility** of a commodity reaches zero is called:

a) **Point of Satiation**
 b) Point of Equilibrium
 c) Point of breakeven
 d) None of these

A.Q.

103 Elasticity of demand and supply are _____ concepts

a) **Relative**
 b) Absolute
 c) Both (A) and (B)
 d) Neither (A) and (B)

MTP Jul 24

108 Following is **not** a factor affecting **price elasticity of demand**:

a) Price level
 b) **Cost of Production**
 c) Availability of substitutes
 d) Time period

MTP Mar 22

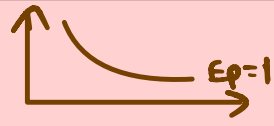
104 A theory is :

a) An assumption
 b) A hypothesis
 c) **A validated hypothesis**
 d) None of these

MTP Jul 24

109 On all points of **rectangular hyperbola demand curve**, **elasticity of demand** is:

a) **equal to unity**
 b) zero
 c) less than unity
 d) greater than unity



MTP Jul 24

105 When both the **price of a substitute** and the **price of a complement of commodity X** rise, the **demand for X**:

a) Rises
 b) falls
 c) remains unchanged
 d) **all of the above are possible.**

MTP Jul 24

110 Imposition of **GST** shifts the **supply curve**:

a) **to the left**
 b) to the right
 c) to the right as well as the left
 d) None of these

Handwritten notes: GST shifts supply curve to the left. Cost ↑, Profit ↓, Supply down.

MTP Jul 24, Aug 24

106 A consumer who is **below** the **personal budget line** (rather than on it):

a) **is not spending all personal income**
 b) is spending all personal income
 c) may or may not be spending all personal income
 d) is in equilibrium.

MTP Aug 24

Repeat

111 When the **price of a substitute of commodity X** falls, the **demand for X**:

a) rises
 b) **falls**
 c) remains unchanged
 d) any of the above

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MTP Aug 24

112 If the income elasticity of demand is greater than 1, the commodity is:

- a) a necessity
- b) a luxury
- c) an inferior good
- d) a non-related good

MTP Aug 24

113 If a good has a price elasticity of demand greater than 1, it is considered:

- a) Price inelastic
- b) Price elastic
- c) Unit price elastic
- d) Price neutral

MTP Aug 24

114 Which of the following factors does NOT influence supply?

- a) Production costs
- b) Technological advancements
- c) Prices of inputs
- d) Consumer preferences *y demand*

MTP Aug 24

115 Price Elasticity of Demand of a good is (-) 3. It shows that:

- a) When price falls by 1%, demand rises by 3%
- b) When price rises by 1%, demand falls by 3%
- c) Either (a) or (b)
- d) Neither (a) nor (b)

MTP Aug 24

116 The demand for labour in response to the wage rate is direct whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is derived demand

- a) Derived demand, Direct demand
- b) Direct demand, Derived demand
- c) Individual demand, Market demand
- d) Company demand, Industry demand

MTP Aug 24

117 By way of an optimal choice, a consumer tends to:

- a) save money
- b) purchase large quantity
- c) None of these
- d) maximize satisfaction subject to constraints like tastes and preferences.

MTP Aug 24

118 Successful business firms spend considerable time, energy, and efforts in analyzing the _____ for their products.

- a) Supply
- b) Price
- c) Demand
- d) None of these

MTP Aug 24

119 Which of the following groups of goods have inelastic demand?

- a) Salt, Smart phone
- b) School uniform, branded goggles and smart phone
- c) Salt, school uniform and medicine
- d) Medicine, branded sports shoes and diamond ring

MTP Aug 24

Repeat

120 If the price of a commodity is raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will _____.

- a) decrease
- b) Increase
- c) remain same
- d) can't Say

Inelastic
PT (TET)

MTP Aug 24

121 Inferior goods are those whose income effect is:

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

P ↓ y ↓ Inc ↑ y ↓ RD ↓
Negative I.E.

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MTP Aug 24

122 Income is the exception to law of demand.

a) Income
b) Price
c) Giffen Good
d) Fashions

MTP Aug 24

123 Being Subjective utility varies with different persons:

a) Subjective
b) Absolute
c) Objective
d) None of these

MTP Aug 24

124 Availability of close substitute makes the demand:

a) more elastic
b) Less elastic
c) Parallel to X axis
d) None of these

MTP Aug 24

125 Suppose the price of a commodity X increases from Rs. 2000 per unit to Rs. 2100 per unit and consequently the quantity supplied rises from 2500 to 3000 units. Calculate the elasticity of supply.

a) 4
b) 6
c) 8
d) None of these

$E_s = \frac{20\% \uparrow}{50\% \uparrow} = 4$

RTP Sep - 24

Repeat

126 The law of consumer surplus is based on:

a) Indifference curve analysis
b) Revealed preference theory
c) Law of substitution
d) The law of diminishing marginal utility

RTP Sep 24

127 The indifference curve of two substitute will be:

a) Straight line
b) U- Shaped
c) C Shaped
d) L shaped

RTP Sep 24

Repeat

128 Suppose we are drawing a supply curve of a farmer which of the following will be held constant:

a) Price of Inputs
b) Weather Conditions
c) Technology
d) The price of the Commodity under consideration

RTP Sep 24

129 The substitution effect will be stronger when:

a) The goods are closer substitutes
b) There is lower cost of switching to the substitute good
c) There is lower inconvenience while switching to the substitute good.
d) All of these

RTP Sep 24

130 The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because:

a) The consumer's real income has increased.
b) The consumer's real income has decreased.
c) The product is now relatively less expensive than before.
d) Other products are now less expensive than before.

MTP Aug 24

131 If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is:

a) >1
b) = 1
c) < 1
d) 0

$P \uparrow \downarrow Y \text{ (no change)}$
 $E_p = 0$



Answer Key – Economics Chapter 2 – Extra MCQs

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

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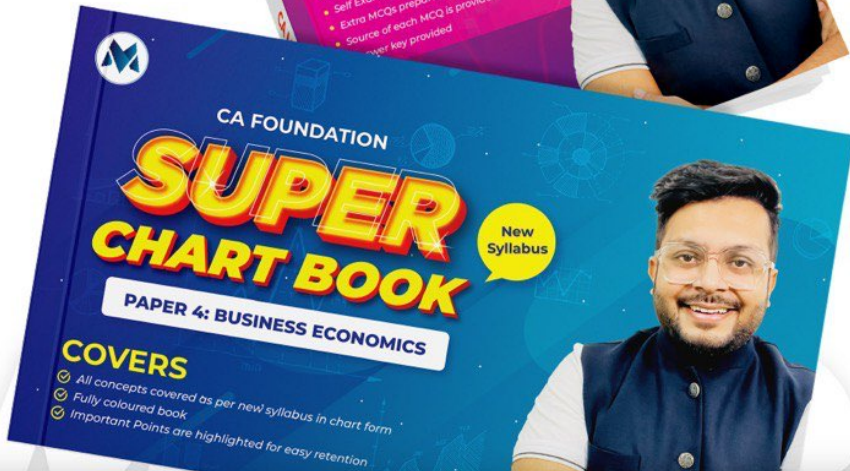
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Business Economics

Chapter 4
PRICE DETERMINATION
IN DIFFERENT MARKETS

Important MCQs
By CA Mohnish Vora (MVSIR)



MTP Mar 21, RTP Sep 24, SEQ

1	The opportunity cost of a good is
<ul style="list-style-type: none"> a) the time lost in finding it b) the quantity of other goods sacrificed to get another unit of that good c) the expenditure on the good d) the loss of interest in using saving 	

MTP Mar 19

2	Economic goods are goods which:
<ul style="list-style-type: none"> a) Cannot be increased in quantity b) Obey the law of Micro Economics c) Are limited in supply and are scarce d) Are limited to man-made goods. 	

MTP Jun 22

3	In economics, we are concerned with
<ul style="list-style-type: none"> a) Value in use only b) Exchange value only c) Both value in use and exchange value d) None of the above 	

MTP Nov 22

4	Value in exchange is also known as
<ul style="list-style-type: none"> a) Value in use → (X) b) Economic value c) Both (a) and (b) d) None of these 	

Elements of Market MTP Nov 22

5	Which one of the following features of the term market is <u>incorrect</u> ?
<ul style="list-style-type: none"> a) Market is the collection of buyers and sellers with the potential to trade. b) A market need not be a formal. c) A market need not to be held in a particular place. d) A market must be formal or to be held in a particular place. 	

MTP Nov 22

6	The study of demand and supply model is useful in explaining
<ul style="list-style-type: none"> a) How government works b) How markets work c) How consumers behave d) None of these 	

MTP Dec 22, PYQ Jun 23

7	On the basis of nature of transaction the market is classified into
<ul style="list-style-type: none"> a) Regulated and Unregulated market b) Wholesale and Retail market c) Spot and future Market d) None of these 	

PYQ Jun 22

8	When commodities are sold in small quantities are called as which of the following ?
<ul style="list-style-type: none"> a) Wholesale market b) Regulated market c) Spot market d) Retail market 	

MTP Oct 18, SEQ

9	If a seller realizes Rs. 10,000 after selling 100 units and Rs. 14,000 after selling 120 units. What is the marginal revenue here?
<ul style="list-style-type: none"> a) Rs. 4000 b) Rs. 450 c) Rs. 200 d) Rs. 100 	

Qty	TR
100	10,000
120	14,000
$MR = \frac{4000}{20} = ₹200$	

A.Q.

10	If the price of a product is Rs.20/unit and its price elasticity of demand is (-) 0.25. Its MR will be
<ul style="list-style-type: none"> a) 60 b) 100 c) - 60 d) None of these 	

$MR = AR \times \frac{e-1}{e}$

 $MR = 20 \times \frac{0.25-1}{0.25}$

 $= 20 \times -0.75/0.25 = -60$

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MTP Jun 22, MTP Nov 22

11 When total revenue is increasing

- a) Marginal revenue may be either positive or negative.
- b) The demand curve is relatively inelastic.
- c) Marginal revenue is positive.
- d) Marginal revenue is negative.

PYQ Jun 22

12 Which of the following statement is not correct ?

- a) Marginal revenue is the revenue of an additional unit sold of a commodity
- b) Total revenue is obtained by multiplying the total number of units sold with the price per unit of a commodity
- c) Average revenue is the revenue earned per unit of an output
- d) Total revenue is the sum total of average revenue

MTP Oct 19, Oct 21, SEQ, ICAI SM, MTP Mar 18, Apr 19

13 A firm encounters its "shutdown point" when:

- a) average total cost equals price at the profit-maximising level of output.
- b) average variable cost equals price at the profit-maximising level of output.
- c) average fixed cost equals price at the profit-maximising level of output.
- d) marginal cost equals price at the profit-maximising level of output.

MTP Aug 18, May 20

14 "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behavior in the short run is:

- 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 shuts down

MTP Mar 18, Aug 18, Oct 21

15 In the long run any firm will eventually leave the industry if

- a) Price does not at least cover average total cost.
- b) Price does not equal marginal cost.
- c) Economies of scale are being reaped.
- d) Price is greater than long run average cost

PYQ Jun 23

16 Which one of the following is not element of market

- a) Buyer
- b) Service
- c) Firm
- d) Bargaining for price

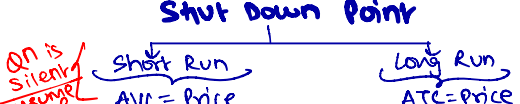
Handwritten: Elements (circled), with arrows pointing to Buyer, Service, and Firm.

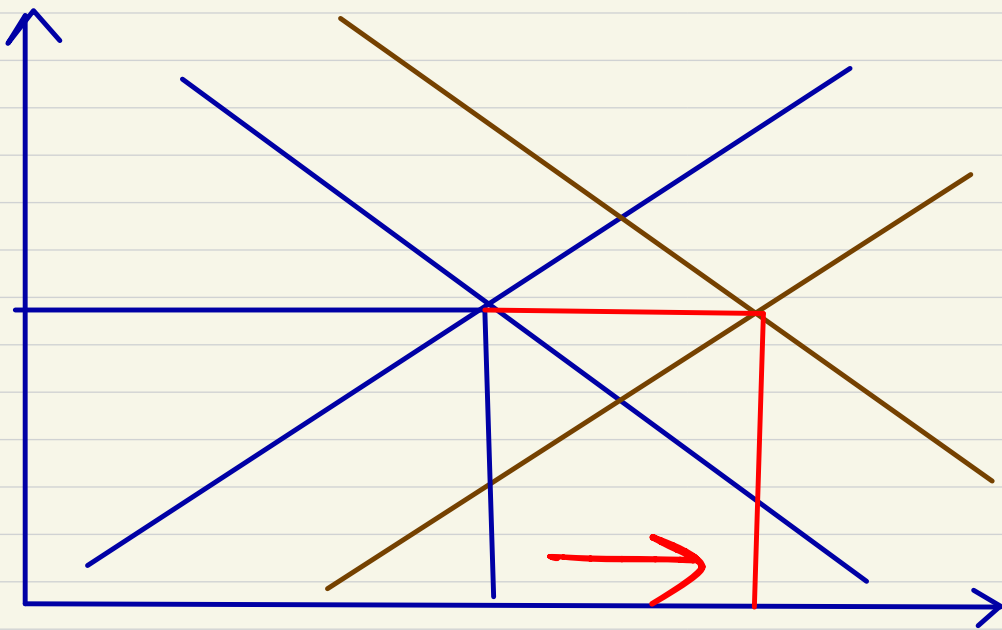
MTP Mar 21

17 A rise in supply and demand in equal proportion will result in

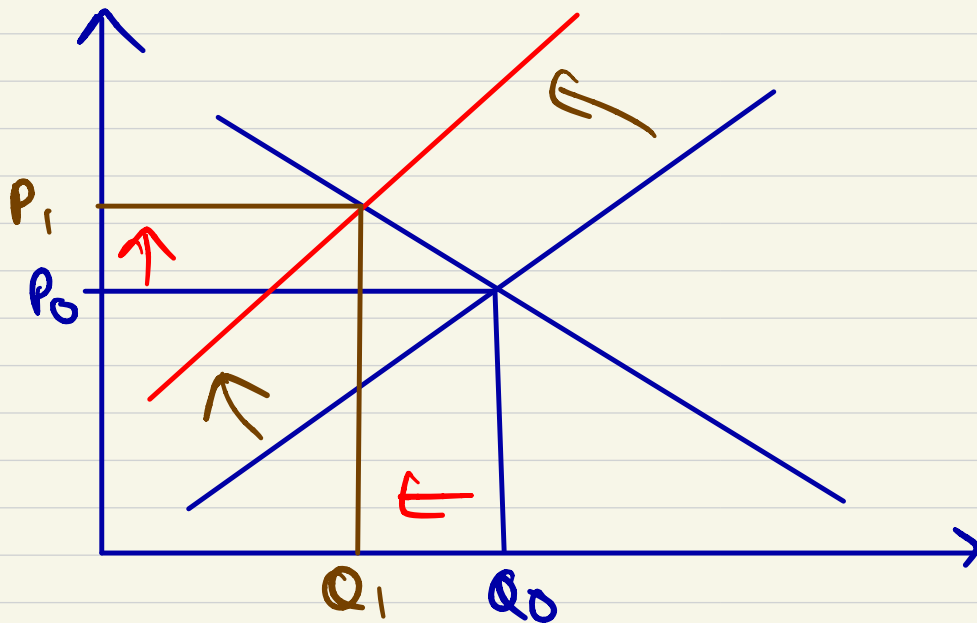
- a) Increase in equilibrium price and decrease in equilibrium quantity
- b) decrease in equilibrium price and increase in equilibrium quantity
- c) no change in equilibrium price and increase in equilibrium quantity
- d) increase in equilibrium price and no change in equilibrium quantity

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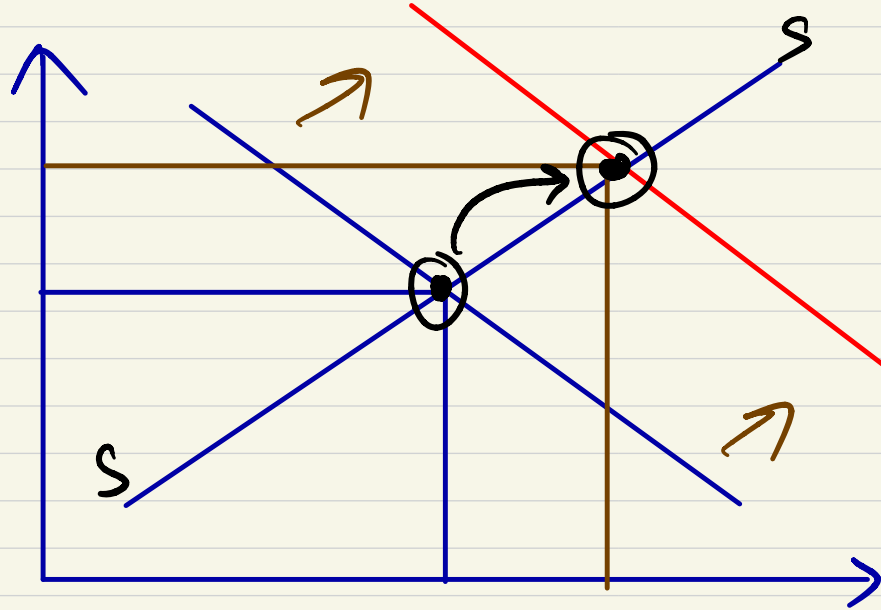




Q18



Q19





MTP Oct 18

18	A drought in India leads to unusually low level of wheat production. This would lead to a rise in price of wheat and fall in the quantity of wheat demanded due to:
-----------	---

a) excess demand at the original price.
 b) excess supply at the original price.
 c) the supply curve shifting to the right.
 d) the demand curve shifting to the left.

MTP Aug 18

19	Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples?
-----------	--

a) There is an increase in the quantity demanded of apples and in the supply for apples
 b) There is an increase in the demand and supply of apples.
 c) There is an increase in the demand for apples and a decrease in the supply of apples.
 d) There is an increase in the demand for apples and an increase in the quantity supplied.

MTP Mar 18

20	In perfectly competitive firm, MC curve above AVC is _____ Curve of firm
-----------	--

a) Average cost
 b) Marginal revenue
 c) Demand
 d) Supply

Extra MCQ

21	In _____ market, price being given, a firm decides only about the output.
-----------	---

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

SEQ

22	A perfectly competitive firm has control over
-----------	---

a) price
 b) production as well as price
 c) production, price and consumers
 d) none of the above

MTP Oct 21, MTP Mar 22, SEQ

23	Full capacity is utilized only when there is
-----------	--

a) Monopoly
 b) Perfect competition
 c) Price discrimination
 d) Oligopoly

MTP Aug 18 , SEQ

24	If a competitive firm doubles its output, its total revenue:
-----------	--

a) doubles.
 b) more than doubles.
 c) less than doubles.
 d) cannot be determined because the price of the good may rise or fall

*Price constant
Qty Double & TR double*

MTP Oct 18, SEQ

25	In the short run if a perfectly competitive firm finds itself operating at a loss, it will:
-----------	---

a) Reduce the size of its plant to lower fixed costs.
 b) Raise the price of its product.
 c) Shutdown.
 d) Continue to operate as long as it covers its variable cost

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A.Q.

26 For a competitive firm, long period normal price will

a) Equal AC and MC of production
 b) Equal MC of production only α
 c) Equal TC of production only α
 d) None of these

A competitive firm sells as much as of its product it chooses at a market price of Rs. 100 per unit. Its fixed cost is Rs. 300 and its variable costs (in rupees) for different levels of production are shown in the following table. Use Table to answer questions 27 - 29

$\rightarrow \text{Price} = \text{AR} = \text{MR} = ₹100$

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0	300	-	-	-	-
5	270					
10	490					
15	720					
20	1000					
25	1370					
30	1870					
35	2540					
40	3420					
45	4550					
50	5970					

27 When production is 35 units, the average variable cost is _____:

a) Rs. 7.25
 b) Rs. 72.25
 c) Rs. 72.57
 d) Rs. 85.50

$AVC = \frac{2540}{35} = 72.57$

30 If the market price drops from Rs. 100 to Rs. 74, the firm short run response should be: _____

- a) Continue to produce the same number of units as before the drop in price
 b) Produce 10 units
 c) Produce 20 units
 d) Produce 25 units
- units $\} MC = 74$
 $\} MR = MC$

28 In the table marginal cost per unit that corresponds to 25 units of production is _____

a) Rs. 3.50
 b) Rs. 74
 c) Rs. 450
 d) Rs. 370

$MC = \frac{\Delta TVC}{\Delta Q} = \frac{370}{5} = 74$

MTP Jul 24, A.Q.

31 A firm reaches a break-even point (normal profit position) where,

- a) Marginal revenue curve cuts the horizontal axis.
 b) Marginal cost curve intersects the average variable cost curve.
 c) Total revenue equals total variable cost.
 d) Total revenue and total cost are equal.

MTP Oct 21, MTP Mar 22, SEQ

29 To maximize profit output, the firm should produce _____

a) 30
 b) 35
 c) 45
 d) 50

$\rightarrow MR = MC$
 $\} ₹100 \} ₹100$

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MTP Apr 21

32 Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:

a) Monopoly
 b) Perfect Competition
 c) Monopolistic Competition
 d) Oligopoly

MTP Apr 21

33 Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:

a) Price will remain constant
 b) Price will decrease
 c) Price will increase
 d) None of these

MTP Oct 21, Mar 21

34 In which type of market buyers have no preference between different sellers and between different units of commodity offered for sale ?

a) Monopoly
 b) Perfect Competition
 c) Monopolistic Competition
 d) Oligopoly

MTP Mar 21

35 Foreign Exchange market is an example of -

a) perfect competition
 b) oligopoly
 c) monopoly
 d) monopolistic competition

MTP Oct 18, Oct 21

36 Price taker firms :

a) Advertise to increase the demand for their products.
 b) Do not advertise because most advertising is harmful for the society.
 c) Do not advertise because they can sell as much as they want at the current price.
 d) Who advertise will get more profits than those who do not

MTP Nov 22, MTP Oct 18 May 20

37 Excess capacity is not found under Perfect competition.

a) ~~doubles.~~
 b) ~~more than doubles~~
 c) ~~less than doubles.~~
 d) ~~cannot be determined because the price of the good may rise or fall~~

MTP Mar 18, MTP Mar 19

38 In the long run, normal profits are included in the MC curve.

a) LAC
 b) LMC
 c) AFC
 d) SAC

MTP Mar 22

39 In the Short run level of output the firm at the optimum will be:

a) Minimizing total losses
 b) Maximizing total profit
 c) Either maximizing total profit or minimizing total losses
 d) None of these

*MR=MC
 PML or LML*

MTP Mar 21

40 When firm is in long run equilibrium in perfect competition, which of following is not true -

a) AC = MR
 b) TR = TC
 c) firm will earn supernormal profit
 d) None of these

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Monopoly = Monopolist

(single seller)

↳ No close substitutes

Monopolistic = Monopolistic

competitive firm

(Large no. of sellers)

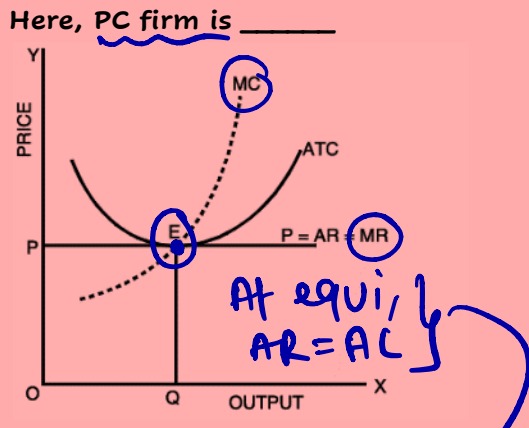
↓
Differentiated Products.

↳ close substitutes available



Extra MCQ

41



- a) Incurring Losses
- b) Earning super-normal profit
- c) Earning normal profit
- d) Any of the above

Extra MCQ

42

In case of Monopolistic Competition, the less differentiated the product is from its competitors, the _____ demand curve will be

- a) Less elastic
 - b) More elastic
 - c) More steeper
 - d) None of the above
- Handwritten note: Less Differentiate, More Similarity*

MTP Nov 22, A.Q.

43

The monopolistically competitive seller's demand curve will become more elastic, the

- a) more significant the barriers to entering the industry.
- b) Greater the degree of product differentiation.
- c) larger the number of competitors.
- d) smaller the number of competitors

MTP Apr 21

44

Shampoo manufactures is an example of :

- a) Perfect Competition
- b) Monopolistic Competition
- c) Monopoly
- d) None of these

MTP Mar 21

Problem

45

The dilemma faced by a Monopolistic is setting _____.

- a) Price
- b) Output
- c) Both a and b
- d) Either a or b

MTP Apr 21

46

Monopolistic Competition theory architect was :

- a) Roden
- b) Marx
- c) J R Hicks
- d) Chamberlin

MTP Mar 21

47

Which is not the characteristics of monopolistic competition:

- a) Large number of sellers
- b) homogeneous Product
- c) freedom of entry and exit
- d) non price discrimination

MTP Mar 21

48

Average revenue curve is more elastic under monopolistic competition than monopoly due to

- a) low degree of governmental control
- b) lack of close substitute
- c) availability of close substitute
- d) none of these

MTP Oct 21

49

A Monopolistic Competitive firm advertises :

- a) Because it has no control over price of its product.
- b) To lower its cost of production
- c) To increase its sales and profits
- d) Because it cannot raise price of its product

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PC & Monopolistic
comp firm

free entry
and exit

→ Long Run
Equi

NORMAL
PROFIT

PC
↓
At equi
 $AR = MC$
⏟
Allocative
efficiency

vs

Monopoly
↓
At equi
 $AR > MC$
⏟
Allocative
Inefficiency.

↗ Long Run
super normal
profit
↓
Blocked
entry

Productive
Efficiency

At equi,
lowest pt of
AC

$$MC = AC$$

Allocative
Efficiency

At equi,
 $AR = MC$

→ This happens only
in perfect comp.



MTP Mar 19

50 Excess Capacity is the essential characteristic of the firm in the market form of:

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

MTP Aug 18

51 The sale of branded articles is common in a situation of _____

a) Excess capacity
b) Monopolistic competition
c) Monopoly
d) Pure competition

Product Differentiation

MTP Dec 22

52 When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve,

a) always
b) never
c) sometimes
d) cannot say.

Monopolistic firm produces on the falling portion of LAC curve.

PYQ Jun 22

53 Non-price competition is observed in which type of following market?

a) Monopoly
b) Monopolistic competition
c) Duopoly
d) Oligopoly

MTP Oct 18, SEQ

54 In monopoly, the relationship between average and marginal revenue curves is as follows:

a) AR curve lies above the MR curve
b) AR curve coincides with the MR curve
c) AR curve lies below the MR curve
d) AR curve is parallel to the MR curve

MR < AR

MTP Aug 18, SEQ

55 Which of the following statements about price and marginal cost in competitive and monopolized markets is true?

a) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
b) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
c) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.

A.Q.

56 **Monopoly firm** With respect to the pure monopolist's demand curve it can be said that

a) The stronger the barrier to entry, the more elastic is the monopolist's demand curve. *AR > MR*
b) Price exceeds marginal revenue at all outputs greater than 1.
c) Demand is perfectly inelastic.
d) Marginal revenue equals price at all outputs

A.Q.

57 If a monopolist could perfectly discriminate then which of the following statements would be true?

a) Every increment of the goods would be priced separately so as to capture the entire consumer surplus. *(first degree of PD)*
b) Every increment of the goods would be priced evenly.
c) Every increment of goods would be priced higher than the previous one.
d) Every increment of goods would be priced lower than the previous one.

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MTP Apr 21, Apr 23

58 Unique supply curve in monopoly is not due to _____

- a) $P > MC$
- b) $P < MC$
- c) $P = MC$
- d) None of these

Price Discr.
 $P > MC$

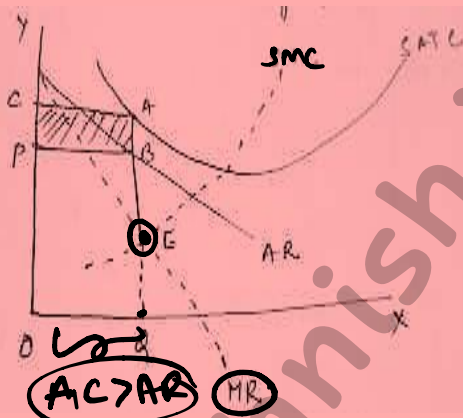
MTP Mar 22

59 Cross elasticity of demand for the monopolist's product or any other product is _____.

- a) Zero
- b) Very small
- c) High
- d) Either (a) or (b)

MTP Apr 21

In the following diagram the Monopolist is incurring _____



- a) Losses
- b) Profit
- c) Super normal profit
- d) None of these

MTP Mar 21, Aug 24

61 Dynamic fare charged by Indian railways is an example of :

- a) pure monopoly
- b) discriminating monopoly
- c) perfect competition
- d) none of these

MTP Mar 21

62 The shape of TR curve of the monopolist is :

- a) u shaped
- b) inverted u shaped
- c) downward sloping
- d) none of these



MTP Aug 18

63 A monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he _____

- a) Sells below costs of production in both markets
- b) Practices price discrimination.
- c) Equates the volume of sales in both markets.
- d) Equates marginal costs with marginal revenue in one market only

MTP Nov 22, MTP Oct 18

64 Monopolies are allocatively inefficient because:

- a) They restrict the output to keep the price higher than under perfect competition.
- b) They charge a price higher than the marginal cost.
- c) Both (a) and (b) are correct.
- d) Both (a) and (b) are incorrect

Extra MCQ

65 Family pack of soaps or biscuits tends to cost less per kg than smaller packs. It is case of _____

- a) First degree of price discrimination
- b) Second degree of price discrimination
- c) Third degree of price discrimination
- d) Fourth degree of price discrimination

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MR < AR MTP Jun 22

66 Marginal Revenue of a monopoly firm is less than the price because

a) Demand curve has a positive slope.
 b) Demand curve has a negative slope.
 c) Monopolist incurs losses.
 d) Monopolist is in equilibrium.

MTP Mar 22, Apr 23

67 If the monopolist incur losses in the short run then in the long run:

a) It will stay in the business
 b) Go out of business
 c) Will break even
 d) Any of the above is possible

in oligopoly MTP Mar 22

68 A cartel which is market sharing will reach the monopoly situation:

a) Always when the product is homogenous
 b) Always when the product is differentiated
 c) Sometime
 d) None of these

MTP Mar 22

69 The price elasticity for demand for monopolist's product is :

a) <1
 b) >1
 c) =0
 d) None of these

Monopoly MTP Nov 22

70 A monopolized market is in long run equilibrium when

a) Zero economic profit is earned by the monopolist
 b) Production takes place where price is equal to long run MC and AC
 c) Production takes place where long run MC is equal to MR and price is not below the long run average cost.
 d) All of the above are correct

Cartel SEQ

71 If oligopolists engage in collusion and successfully form a cartel, the market outcome is _____

a) The same as if it were served by a monopoly
 b) The same as if it were served by competitive firms
 c) Efficient because cooperation improves efficiency
 d) Known as Nash equilibrium

MTP Oct 18

72 Which one of the following is the best example of agreement between oligopolists?

a) GATT
 b) OPEC
 c) WTO
 d) UNIDO

Paul A Sweeney MTP Dec 22

73 In the kinked demand curve models, the oligopolists

a) Recognize their interdependence
 b) Do not collude
 c) Tend to keep prices constant
 d) All of the above

MTP Nov 22

74 A point of 'Kink' in the kinked demand curve indicates

I. Price rigidity
 II. Quantity rigidity
 III. Price flexibility
 IV. Quantity flexibility

a) I & II are correct
 b) II & III are correct
 c) III & IV are correct
 d) I & IV are correct

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PYQ Jun 22

75 The elasticity of demand on the upper segment of a kinked demand curve will be _____.

a) Infinite
b) Equal to one
c) Greater than one
d) Less than one

A.Q.

76 Imperfect competition arises when

a) There is imperfect rivalry among competitors
b) There are unexplainable imperfections in the market
c) Competition does not exist
d) Product variation, ignorance of consumers and distance & transportation costs lead to Imperfection in the competitive market which operates on certain assumptions.

A.Q.

77

*LR
PE
equil*

Marginal cost is equal to marginal revenue, average cost is equal to average revenue, average revenue is equal to marginal revenue and average cost is equal to marginal cost

This is the condition of-

1. Long period equilibrium for a firm under oligopoly
2. Short period equilibrium for a firm under oligopoly
3. Long period equilibrium
4. Long period equilibrium for a firm under perfect competition
5. Short period equilibrium for a firm under perfect competition

a) 1 & 5 only
b) 3 & 4 only
c) 3 & 1 only
d) 2 only

MTP Apr 21

78 Cinema Halls, Telephone bills etc. are following

a) Differential Pricing
b) Full cost pricing
c) Marginal Cost Pricing
d) None of these

MTP Mar 21

79 The Government offer minimum assured price to the farmers to purchase their output is called:

a) market Price
b) support Price (MSP)
c) equilibrium Price
d) ceiling Price

PYQ Jun 22

80 If the market demand curve for a commodity has a negative slope then the market structure must be:

a) Perfect competition
b) Monopoly
c) ~~Imperfect competition~~ Monopolistic comp.
d) The market structure cannot be determined as the information is insufficient

The following Table provides cost and price information for a firm called Comfy Cushions (CC). The firm produces and sells cushions using a fixed amount of capital equipment but can change the level of inputs such a labour and materials. Read the Table and answer questions 81-85

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Production (Q)	Price per unit (P)	Total Cost (TC)	Average total cost (ATC)	Marginal Cost (MC)	Total Revenue (TR)	Marginal Revenue (per unit) (MR)
0	250	500				
1	240	730				
2	230	870				
3	220	950				
4	210	1010				
5	200	1090			1000	
6	190	1230		140	1140	140
7	180	1470			1260	
8	170	1850			1360	2100
9	160	2410				

MTP Mar 18

81 What is the value of fixed cost incurred by CC?

a) Rs. 252
 b) Rs. 730
 c) Rs. 500
 d) cannot be determined

MTP Mar 18

84 What is the marginal cost when production increase from 3 to 4 units?

a) 140
 b) 80
 c) 60
 d) 240

MTP Mar 18

82 What is the average total cost when 5 units are produced?

a) Rs. 218
 b) Rs. 1090
 c) Rs. 730
 d) Rs. 210

1090 / 5

MTP Mar 18

85 To maximize its profit or minimize its loss, what level of production should CC choose?

a) 7 units
 b) 6 units
 c) 4 units
 d) 8 units

MR = MC

MTP Mar 18

83 What is the marginal revenue (per unit) when production increase from 7 units to 8 units?

a) 160
 b) 140
 c) 120
 d) 100

MTP Mar 18

86 At the profit maximizing level, what price should be charged?

a) Rs. 190
 b) Rs. 200
 c) Rs. 210
 d) Rs. 220

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MTP Mar 18

87 Calculate CC's maximum profit or minimum loss. *At 6 units,*

a) Loss of Rs. 100
b) Loss of Rs. 60
c) Profit of Rs. 90
d) Loss of Rs. 90

*TR - TC
1140 - 1230
= -90*

Exam MCQ

88 This type of oligopoly tends to process raw materials or produce intermediate goods that are used as inputs by other industries

a) Open Oligopoly
b) Collusive Oligopoly
c) Pure Oligopoly
d) Full Oligopoly

PYQ Jun 23

89 _____ is not an objective of price discrimination

a) To enjoy economics of scale
b) To dispose of surplus stock
c) To escape foreign market
d) To secure equity through pricing

MTP Jul 24

90 Under Monopoly, selling costs are incurred for:

a) Persuading customers for not buying competitor's product
b) Informative purpose (As per ICAI)
c) Promoting sales of the product
d) None of these

MTP Jul 24

91 The kinked demand curve theory explains that even when the demand conditions _____ the price _____.

a) Change, changes
b) Change, remains stable → rigid
c) Remain stable, changes
d) Remain stable, falls

MTP Jul 24

92 Firms cooperate with each other in determining price or output or both. It is a feature of:

a) Pure Oligopoly
b) Non-Collusive Oligopoly
c) Imperfect Oligopoly
d) Collusive Oligopoly

Not in syll

MTP Jul 24

93 In both the Chamberlin and kinked demand curve models, the oligopolists

a) recognize their independence
b) do not collude
c) tend to keep prices constant
d) all the above

assumption

MTP Jul 24

94 The degree of monopoly power is measured in terms of difference between:

a) Marginal cost and the price
b) Average cost and average revenue
c) Marginal cost and average cost
d) Marginal revenue and average cost

MTP Jul 24

95 Perfect competition firm's supply curve is the rising part of the MC curve starting from above the point minimum AVC.

a) rising; AC curve
b) falling; AC curve
c) rising; MC curve
d) falling; MC curve

MTP Jul 24

96 Under monopoly condition, the firm is able to sell more units of output _____.

a) at the same price
b) at higher price
c) at constant price
d) at lower price

Demand curve is downward sloping.

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MTP Jul 24

97 "A firm can earn only normal profits in long the run." It is an implication of following feature.

- a) Large number of buyers & sellers.
- b) Free entry and exit
- c) Availability of substitutes
- d) Full or partial control over price

I CASE SM, MTP Aug 24

98 At the shut-down point:

- a) $P = AVC$
- b) $TR = TVC$
- c) the total losses of the firm equal TFC
- d) all the above.

Repeat

MTP Aug 24

99 If the monopolist incurs losses in the short run, then in the long run:

- a) the monopolist will go out of business
- b) the monopolist will stay in business
- c) the monopolist will break even
- d) any of the above

MTP Aug 24

100 The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:

- a) always
- b) never
- c) often
- d) sometimes

MTP Aug 24

101 Supply curve under Monopoly is:

- a) Upward sloping
 - b) Downward sloping
 - c) Highly elastic
 - d) Indeterminate
- y Bco 2 of price discrimination*

MTP Aug 24

102 In monopolistic competition, we have:

- a) few firms selling a differentiated product
- b) many firms selling a homogeneous product
- c) few firms selling a homogeneous product
- d) many firms selling a differentiated product

Repeat

MTP Aug 24

103 In both the Chamberlin and the kinked demand curve models, the oligopolists:

- a) recognize their interdependence
- b) do not collude
- c) tend to keep prices constant
- d) all the above.

MTP Aug 24

104 Who gave the theory of price discrimination?

- a) Marshall
- b) Pigou
- c) Cournot
- d) Simon

MTP Aug 24

105 Demand curve of a firm under monopoly is:

- a) Downward sloping
- b) Indeterminate
- c) Upward sloping
- d) Perfectly elastic

MTP Aug 24

106 Demand curve under Oligopoly is:

- a) Less elastic
- b) Perfectly elastic
- c) Highly elastic
- d) Indeterminate

y vaise nah banana salike
Kinked dem curve
Bolkr assump leke banate hai

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→ ELO Chp 4 Unit 2

MTP Aug 24

107 In a commodity market, excess demand exists when:

- a) market price is greater than equilibrium price
- b) equilibrium price is greater than market price
- c) equilibrium price is not equal to market price
- d) government fixes the price

MTP Aug 24

108 The Firm and Industry are same in:

- a) Perfect Competition
- b) Monopoly
- c) Oligopoly
- d) None of these

MTP Aug 24

109 In Oligopoly the firms may collude in order to:

- a) Increase Competition
- b) Prisoner dilemma for buyers
- c) To raise the price of the good they offer
- d) None of these

MTP Aug 24

110 An Industry comprised of a very large number of sellers producing a standardized product is known as: *homogenous*

- a) Pure competition
- b) Pure monopoly
- c) Monopolistic competition
- d) None of these

MTP Aug 24

111 Characteristic of Oligopoly market is _____

- a) Strategic Independence
- b) Importance of Advertising and selling costs
- c) Group Behaviour
- d) All of above

MTP Aug 24

112 Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:

- a) Selling costs are zero
- b) There is freedom of entry and exit
- c) Firm is a price-taker
- d) None of these

MTP Aug 24

113 In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP1RQ1 is _____

- a) Total Revenue (TR)
- b) Marginal Revenue (MR)
- c) Total Cost (TC)
- d) None of these

MTP Aug 24

114 When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be:

26 $\frac{Q}{TR}$ $\frac{10}{300}$ $\frac{12}{330}$ 30

c) 15 $MR = \frac{330 - 300}{12 - 10} = 15$

- a) 30
- b) 20
- c) 15
- d) None of these.

MTP Aug 24

115 Huge selling costs are incurred in which form of market?

- a) Monopolistic competition
- b) Perfect competition
- c) Monopoly
- d) None of these

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RTP Sep 24

116 Under which market form, the demand curve is steeper as compared to monopolistic competition?

a) Monopoly
b) Oligopoly
c) Perfect Competition
d) None of these

RTP Sep 24

Repeat

117 If the market demand curve for a commodity has a negative slope, then the market structure must be:

a) Perfect competition
b) Monopoly
c) ~~Imperfect competition~~ **Monopolistic comp**
d) The market structure cannot be determined as the information is insufficient

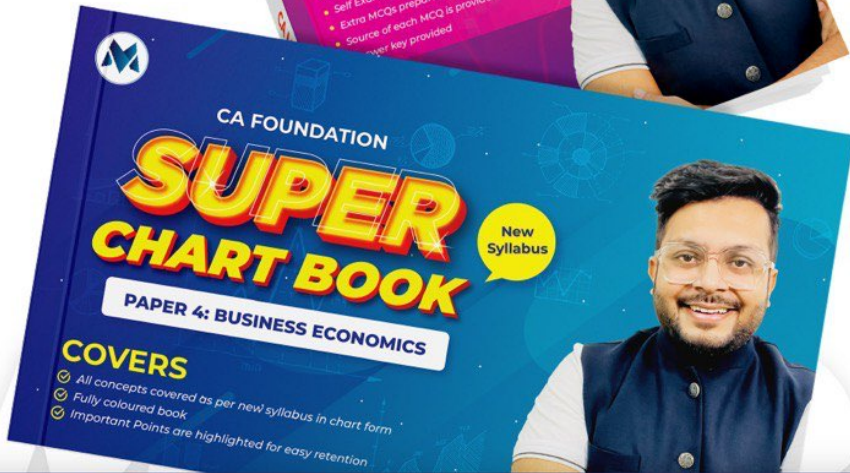
Answer Key – Economics Chapter 4

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

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