

VishwasCA
Business Economics
Chapter 1 to Chapter 5

Q.1) Which of the following is NOT a central issue in macroeconomics?

- (a) How should the central bank of a country fight inflation?
- (b) What is responsible for high and persistent unemployment?
- (c) How do tax changes influence consumers' buying choices?
- (d) What factors determine economic growth?

Q.2) Freedom of choice is the advantage of ____.

- (a) Socialism
- (b) Capitalism
- (c) Communism
- (d) None of the above

Q.3) Marshallian theory of consumer's behaviour is based on:

- (a) Hypothesis of additive utilities.
- (b) Hypothesis of independent utilities.
- (c) Both (A) and (B)
- (d) Weak ordering

Q.4) Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.

Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.

- (a) (A) is true and (R) is false
- (b) Both (A) and (R) are true & (R) is the correct explanation of (A)
- (c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
- (d) (A) is false and (R) is true

Q.5) Which of the following is a FALSE statement?

- (a) The very long run focuses on the growth of productive capacity
- (b) In the very long run, the productive capacity is assumed to be given
- (c) In the very short run, shifts in aggregate demand determine how much output is produced
- (d) Fluctuations in the rates of inflation and unemployment are important long-run issues

Q.6) The producer is in equilibrium at a point where the cost line is:

- (a) above the isoquant
- (b) below the isoquant
- (c) cutting the isoquant
- (d) tangent to isoquant

Q.7) Which of the following is true of an imperfect market structure?

- (a) Participants in the market have little or no control over outcome in the market.
- (b) Consumer surplus is maximized.
- (c) The maximization of producer surplus may lead to a loss of net benefit for society.
- (d) Imperfect market structures include monopolies but not cartels.

Q.8) Monopolistic competition constitutes:

- (a) Single firm producing close substitutes
- (b) Many firms producing close substitutes
- (c) Many firms producing differentiated substitutes
- (d) Few firms producing differentiated substitutes

Q.9) A monopolist is able to maximize his profits when:

- (a) his output is maximum
- (b) he charges a high price
- (c) his average cost is minimum
- (d) his marginal cost is equal to marginal revenue

Q.10) Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:

- (a) uniform
- (b) different
- (c) less
- (d) zero

Q.11) 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

Q.12) Which of the following groups of goods have inelastic demand?

- (a) Salt, Smart Phone and Branded Lipstick
- (b) School Uniform, Branded Goggles and Smart Phone
- (c) Salt, School Uniform and Medicine
- (d) Medicine, Branded Sports Shoes, and Diamond ring

Q.13) 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.

Q.14) The quantity of dollars supplied will decrease if:

- (a) imports into the United States increase.
- (b) the expected future exchange rate falls.
- (c) the interest rate in the United States falls.
- (d) fewer U.S. residents travel abroad.

Q.15) ____ is concerned with welfare proposition.

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

Q.16) 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

Q.17) 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

Q.18) The income elasticity of demand measures:

- (a) The responsiveness of quantity demanded to change in price
- (b) The responsiveness of quantity demanded to change in income
- (c) The responsiveness of quantity supplied to change in price
- (d) The responsiveness of quantity supplied to change in income

Q.19) Which of the following factors does NOT influence supply?

- (a) Production costs
- (b) Technological advancements
- (c) Prices of inputs
- (d) Consumer preferences

Q.20) Which of the following is not a reason for operation of increasing returns to a factor?

- (a) Better utilisation of fixed factor
- (b) Limitation of fixed factor
- (c) Increase in efficiency of variable factor

(d) Indivisibility of fixed factor

Q.21) At the Point of Inflexion:

- (a) Total Product is maximum
- (b) Average Product is maximum
- (c) Marginal Product is maximum
- (d) Marginal Product is zero

Q.22) The cost which is never zero even when production is stopped is known as:

- (a) Supplementary Cost
- (b) Prime Cost
- (c) Explicit cost
- (d) None of these

Q.23) 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

Q.24) When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be:

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

Q.25) Huge selling costs are incurred in which form of market?

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

Q.26) 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)

Q.27) The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:

- (a) Proportionately large fall in quantity demanded
- (b) No change in quantity demanded

- (c) Proportionately small fall in quantity demanded
- (d) Infinite change in quantity demanded

Q.28) If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:

- (a) 0
- (b) > 0 but < 1
- (c) 1
- (d) > 1

Q.29) If the price of a commodity is raised by 12% and E_d is $(-) 0.63$, the expenditure made on the commodity by a consumer will ____ .

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

Q.30) What social function is served by profits in a capitalist economic system?

- (a) Taxes on profits support government programs.
- (b) They provide an incentive for the reallocation of resources.
- (c) Profits allow individuals to accumulate wealth and engage in capital investment.
- (d) Profits result in higher levels of employment.

Q.31) Positive economics means:

- (a) Does not depend on market interactions,
- (b) only looks at the best parts of the economy.
- (c) Examines how the economy works (as opposed to how it should work)
- (d) is very subjective.

Q.32) In a capitalist economy, profit is socially desirable because it:

- (a) reallocates wealth from small firms to large firms.
- (b) attracts resources to the most desirable types of production.
- (c) allows firms to operate at higher levels of cost.
- (d) permits firms to hire more workers and thereby reduces the unemployment rate

Q.33) The price elasticity of demand for a good will tend to be more elastic if:

- (a) the good is broadly defined (e.g., the demand for food as opposed to the demand for carrots).
- (b) the good has relatively few substitutes.
- (c) a long period of time is required to fully adjust to a price change in the good.
- (d) None of the above is true.

Q.34) The law of diminishing returns begins at the level of output where:

- (a) marginal cost is at a minimum.
- (b) average variable cost is at a minimum.
- (c) average fixed cost is at a maximum.
- (d) None of the above is correct.

Q.35) By using computers to design and manufacture products, firms are able to:

- (a) reduce production costs.
- (b) reduce the optimal lot size.
- (c) reduce the time required to introduce new products.
- (d) All of the above are correct.

Q.36) The Distinction between Selling Cost and Production cost was made by:

- (a) Chamberlin
- (b) Sweezy
- (c) Mrs Joan Robinson
- (d) None of these

Q.37) Price discrimination is a situation when a producer:

- (a) Charge same price
- (b) Charges may prices
- (c) Charges different prices in different market
- (d) None of these.

Q.38) Which type of market structure does not typically have a negatively sloped market demand curve?

- (a) Monopoly
- (b) Perfect competition
- (c) Oligopoly
- (d) All of the above typically have negatively sloped market demand curves.

Q.39) The restaurant industry has a market structure that comes closest to:

- (a) monopolistic competition.
- (b) oligopoly.
- (c) perfect competition.
- (d) monopoly.

Q.40) Which of the following industries is most likely to be monopolistically competitive?

- (a) The automobile industry
- (b) The steel industry
- (c) The car repair industry
- (d) The electrical generating industry

Q.41) Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:

- (a) Huge Selling Costs
- (b) Freedom of Entry and Exit
- (c) Presence of Close Substitutes
- (d) Large Number of Firms

Q.42) If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce.”

On the basis of the above statement, which of the following conclusion can be made?

- (a) The possession of goods and services by USA has enormously increased to exceed their wants.
- (b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants to remain a head of their increased resources and capacity to produce.
- (c) The affluent and developed countries are not facing the problem of scarcity.
- (d) None of these

Q.43) Microeconomics deals primarily with:

- (a) comparative statics, general equilibrium, and positive economics
- (b) comparative statics, partial equilibrium, and normative economics
- (c) dynamics, partial equilibrium, and positive economics
- (d) comparative statics, partial equilibrium, and positive economics.

Q.44) What is economic planning?

- (a) It refers to Central planning authority.
- (b) It refers the planning of agricultural production.
- (c) It means development in the seller's market.
- (d) A process through which targets are being achieved as per need & means of the economy

Q.45) Normative economics is also known as -

- (a) Prescriptive Economics
- (b) Positive Economics
- (c) Applied Economics
- (d) None of these

Q.46) 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.

Q.47) 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.

Q.48) Following is not a factor affecting price elasticity of demand:

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

Q.49) 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

Q.50) If a farmer sells wheat to miller for ₹ 600 and miller sells flour to baker for ₹ 800. The baker sells bread to consumer for ₹ 1300, then the total value added in the process is:

- (a) ₹ 600
- (b) ₹ 800
- (c) ₹ 700
- (d) ₹ 1200

Q.51) Which of the following is incorrect formula?

- (a) $TC = AC \times Q$
- (b) $\sum MC = TC$
- (c) $\sum MC = TVC$
- (d) $\sum MC + TFC = TC$

Q.52) _____ is an implicit cost of production.

- (a) Wages of the labour.
- (b) Charges for electricity.
- (c) Interest on owned money capital.
- (d) Payment for raw material.

Q.53) The MC curve cuts the AVC and ATC curves:

- (a) at different points
- (b) at the falling parts of each curve
- (c) at their respective minimas
- (d) at the rising parts of each curve

Q.54) Under Monopoly, selling costs are incurred for:

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

Q.55) 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.

Q.56) 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

Q.57) 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

Q.58) Which economic indicator is required to predict the turning point of business cycle?

- (a) Leading Indicator
- (b) Lagging Indicator
- (c) Coincident
- (d) All of the above

Q.59) Firm's supply curve is the _____ part of the _____ starting from above the point minimum AVC.

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

Q.60) Which of the following statements is false:

- (a) When MP rises, TVC increases at an increasing rate.
- (b) When MP rises, TVC increases at a diminishing rate.
- (c) When MP becomes constant, TVC increases at a constant rate.
- (d) When MP falls, TVC increases at a increasing rate.

Q.61) Implicit cost added in _____ cost

- (a) Economic
- (b) Simple
- (c) Accounting
- (d) None of the above

Q.62) 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

Q.63) In which economy material means of production i.e factories, capital, mines are owned by whole community represented by state

- (a) Socialist
- (b) Capitalist
- (c) Mixed
- (d) All of the above

Q.64) Price in Capitalist economy is determined by

- (a) Small pvt firms
- (b) Big Corporates
- (c) Market Forces of demand & supply
- (d) Government

Q.65) Business Economics is basically concerned with _____ economics

- (a) Applied
- (b) Managerial
- (c) Micro
- (d) Macro

Q.66) At higher level of output, ATC curve & AVC curve comes closer due to _____

- (a) AFC remains constant
- (b) AVC remains constant
- (c) AFC amounts relatively smaller % of ATC
- (d) AVC amounts relatively smaller % of ATC

Q.67) For 5 units of production AFC is ₹4 per unit. For 10 units of production AC is ₹7 per unit. Find AVC for producing 10 units

- (a) ₹4
- (b) ₹5
- (c) ₹6
- (d) ₹10

Q.68) Cost which remains fixed over certain range of output, then jumped if output goes beyond that level

- (a) VC
- (b) SVC
- (c) Stair Step Variable Cost
- (d) Sunk Cost

Q.69) When does law of variable proportion or law of diminishing return becomes relevant

- (a) In Long run
- (b) In Short run
- (c) In both
- (d) Only when all factors are variable

Q.70) Three major manufacturers of smartphone dominate the market, Alpha tech, Beta Mobile, Gamma gadgets. These companies are in constant competition of innovation & market share which type of market structure is this?

- (a) Monopoly
- (b) Oligopoly
- (c) Monopolistic Competition
- (d) None of the Above

Q.71) Market structure in which all firms are price takers

- (a) Monopoly
- (b) Oligopoly
- (c) Perfect Competition
- (d) All of the above

Q.72) The central problem in economics is that of

- (a) comparing the success of command versus market economies.
- (b) guaranteeing that production occurs in the most efficient manner.
- (c) guaranteeing a minimum level of income for every citizen.
- (d) allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.

Q.73) The managerial economics –

- (a) Is Applied Economics that fills the gap between economic theory and business practice
- (b) Is just a theory concept
- (c) Trains managers how to behave in recession

(d) Provides the tools which explain various concepts

Q.74) Data on production of vegetables for the past two years showed that, despite stable prices, there is a substantial decline in output of cabbage leading to lower supply into the market. Which of the following can possibly be the reason?

- (a) An increase in the price of cauliflower which is equally preferred by consumers
- (b) Announcement of a subsidy by government on vegetable production
- (c) More farmers producing cabbage and the increasing competition among them
- (d) A substantial decrease in the price of capsicum

Q.75) How would that budget line be affected if the price of both goods fell?

- (a) The budget line would not shift.
- (b) The new budget line must be parallel to the old budget line.
- (c) The budget line must be shifting to the left
- (d) The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion.

Q.76) A firm learns that the own price elasticity of a product it manufactures is 3.5. What would be the correct action for this firm to take if it wishes to raise its total revenue?

- (a) Lower the price because demand for the good is elastic.
- (b) Raise the price because demand for the product is inelastic.
- (c) Raise the price because demand is elastic.
- (d) We need information in order to answer this question.

Q.77) With which of the following is the concept of marginal cost closely related?

- (a) Variable cost.
- (b) Fixed cost.
- (c) Opportunity cost.
- (d) Economic cost.

Q.78) Which of the following statements is true?

- (a) The services of a doctor are considered production.
- (b) Man can create matter.
- (c) The services of a housewife are considered production.
- (d) When a man creates a table, he creates matter.

Q.79) Which one of the following is an external economies of scale in long run?

- (a) Risk bearing economies
- (b) Financial economies
- (c) Development of skill labour
- (d) None of the above

Q.80) Which of the following is true of the relationship between the marginal cost function and the average cost function?

- (a) If MC is greater than ATC, then ATC is falling.
- (b) The ATC curve intersects the MC curve at minimum MC.
- (c) The MC curve intersects the ATC curve at minimum ATC.
- (d) If MC is less than ATC, then ATC is increasing.

Q.81) Agricultural goods markets depict characteristics close to

- (a) perfect competition.
- (b) oligopoly.
- (c) monopoly.
- (d) monopolistic competition.

Q.82) When $e < 1$ then MR is

- (a) negative
- (b) zero
- (c) positive
- (d) one

Q.83) Under _____ the monopolist will fix a price which will take away the entire consumers' surplus.

- (a) second degree of price discrimination
- (b) first degree of price discrimination
- (c) third degree of price discrimination
- (d) none of the above.

Q.84) Sweezy's Model explains the concept of price rigidity relating to following market form:

- (a) Oligopoly Market
- (b) Perfect Competition Market
- (c) Monopoly Market
- (d) Monopolistic Market

Q.85) It is assumed in economic theory that

- (a) decision making within the firm is usually undertaken by managers, but never by the owners.
- (b) the ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organisation.
- (c) as the firm's size increases, so do its goals.
- (d) the basic decision making unit of any firm is its owners.

Q.86) Collusive agreements are most common in:

- A) Monopoly
- B) Oligopoly
- C) Perfect competition
- D) Monopolistic competition

Q.87) In monopolistic competition, firms can earn supernormal profit:

- A) In the long run
- B) In the short run
- C) Never
- D) None of the above

Q.88) In the long run, in a perfectly competitive market, firms produce at:

- A) Minimum point of ATC
- B) Maximum point of ATC
- C) Above the minimum point of ATC
- D) Below the minimum point of ATC

Q.89) In the long run, a monopolistically competitive firm earns:

- A) Supernormal profit
- B) Normal profit
- C) Loss
- D) None of the above

Q.90) Monopolies can sustain supernormal profits in the long run due to: A) Perfect competition

- B) Barriers to entry
- C) Product differentiation
- D) None of the above

Q.91) Business cycles are caused by:

- A) Only internal factors
- B) Only external factors
- C) Both internal and external factors
- D) None of the above

Q.92) The term "depression" is used to describe:

- A) A mild recession
- B) An extremely severe recession
- C) A short-term economic slowdown
- D) The transition from peak to trough

Q.93) Which of the following is considered an external factor affecting business cycles?

- A) Interest rates
- B) Government policies
- C) Consumer spending
- D) Technological changes

Q.94) Which of the following policies is typically used to combat recession?

- A) Increase in taxes
- B) Reduction in government spending
- C) Expansionary monetary policy

D) Increase in interest rates

Q.95) Which of the following is NOT a phase of a business cycle?

- A) Expansion
- B) Peak
- C) Recession
- D) Stabilization

Q.96) One of the indicators of a recession is:

- A) Decrease in consumer spending
- B) Increase in production
- C) Falling unemployment
- D) Rising stock market

Q.97) The term "boom" in a business cycle refers to:

- A) The recovery from recession
- B) The peak of economic activity
- C) The trough of economic activity
- D) A sustained period of unemployment

Q.98) According to Keynes, fluctuations in Economic activities are due to-.

- (a) Fluctuation in aggregate effective demand.
- (b) Innovations
- (c) Changes in money supply
- (d) Fluctuation in agricultural output

Q.99) The cobweb theory was propounded by _____

- (a) Hawtrey
- (b) Adam Smith
- (c) J M Keynes
- (d) Nicholas Kaldor

Q.100) When should a competitive firm should shut down it's operation

- (a) Price is above TVC
- (b) Price is below AVC
- (c) Price is equal to TR
- (d) When price is constant