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CA Foundation New Syllabus Business Economics

Micro Economics Important MCQs

(MTP Dec 24, Jan 25,
RTP Jan 25, May 25,
PYQ Jan 25)

Compiled Chapter-wise
by CA Mohnish Vora (MVSIR)



Chapter 1 – Important MCQs

MTP Dec 24

1

In a mixed economy resources are used as a result of:

- a) The decisions of consumers
- b) The decisions of firms only
- c) The decisions of consumers & firms
- d) The decisions of consumers and firms and government

MTP Jan 25

2

Which of the following refers to the study of the total or aggregate level of output, income, employment, consumption, investment, and prices for the economy viewed as a whole?

- a) Managerial economics
- b) Microeconomics
- c) Macroeconomics
- d) Econometrics

MTP Jan 25

3

Which of the following is not a merit of socialist economy?

- a) It provides equal access to health care and education
- b) Workers are no longer exploited because they own the means of production
- c) Profits are not spread equitably among all workers according to their individual contributions.
- d) Natural resources are preserved for the good of the whole.

MTP Jan 25

4

Which of the following is NOT dealt with in microeconomics?

- a) the effect of agricultural subsidies on the price of milk
- b) differences between the market for skilled labour versus the market for unskilled labour
- c) issues related to the structure and performance of the health care sector
- d) policies that affect the level of aggregate consumption

MTP Jan 25

5

Which of the following areas of study refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its aims or objectives most efficiently?

- a) Business economics
- b) Microeconomics
- c) Macroeconomics
- d) Econometrics

PYQ Jan 2025

6

Which of the following is not one of the four basic economic problems of an economy ?

- a) What to produce?
- b) Where to produce ?
- c) For whom to produce?
- d) What provisions are to be made for economic growth?

PYQ Jan 2025

7

Finance minister was discussing, balance of trade and balance of payments this area comes under:

- a) Micro Economics
- b) Macro Economics
- c) Capitalist Economy
- d) Mixed Economy

PYQ Jan 2025

8

Which of the following is an example of normative statement ?

- a) The demand for a good will increase if its price decreases.
- b) The government should increase taxes on liquor to reduce its consumption.
- c) A decrease in interest rates will lead to an increase in investment.
- d) An increase in government spending will reduce the unemployment rate.

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PYQ Jan 2025	
9	Which of the following does not describe the nature of business economics?
a) It is normative in nature. b) It is abstract and purely theoretical c) It is an art. d) It incorporates elements of Macro Analysis.	

PYQ Jan 2025	
10	"Buyers ultimately determine which goods and services will be produced and in what quantities." The given statement is the meaning of:
a) Planned economy b) Consumer Sovereignty c) Freedom of economic choice d) Freedom of enterprise	

RTP Jan 25	
11	How to Produce is related to:
a) Product's Choice b) Choice of technique c) Either (a) or (b) d) None of these	

RTP May 2025	
12	_____ is concerned with welfare proposition.
a) Normative Economics b) Positive Economics c) Both (a) and (b) d) None of these	

Answer Key – Economics Chapter 1 – Important MCQs

1	D	6	B	11	B
2	C	7	B	12	A
3	C	8	B		
4	D	9	B		
5	A	10	B		

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Chapter 2 – Important MCQs

MTP Dec 24

1

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-

- a) $\frac{P_P}{P_N}$
- b) $\frac{P_N}{P_P}$
- c) $\frac{M}{P_N}$
- d) $\frac{M}{P_P}$

MTP Dec 24

2

With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:

- a) Substitution Effect
- b) Income Effect
- c) Law of Demand
- d) Law of diminishing Returns

MTP Dec 24

3

Which of the following conditions would violate the consumer equilibrium in a two-good world?

- a) The marginal rate of substitution between the two goods equals the ratio of their prices.
- b) The marginal utility per dollar spent on each good is equal.
- c) The consumer's indifference curve is steeper than the budget line at the chosen bundle.
- d) The consumer is spending their entire budget.

MTP Dec 24

4

Assertion (A): Consumer surplus is the difference between the potential price and actual price.
Reason (R): There exists an inverse relationship between the price and consumer surplus.

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

MTP Dec 24

5

If students' expenditures on airline travel increase as a consequence of more heavily discounted fares, students' demand for airline travel must be:

- a) income elastic.
- b) income inelastic.
- c) price elastic.
- d) price inelastic

MTP Dec 24

6

Shift in demand is caused by changes in the.....

- a) non-price factors
- b) price of a good alone
- c) cost of production
- d) raw material prices

MTP Dec 24

7

Let $Q_X = \frac{1500}{P_X}$ 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

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MTP Dec 24

8

With reference to Arc elasticity measures the responsiveness of demand on the demand curve.

- a) at one given point
- b) at intercepts on X-axis & Y-axis
- c) between two points
- d) Any of the above

MTP Dec 24

9

Which of the following elasticities measure a movement along a curve rather than a shift in the curve?

- a) The price elasticity of demand.
- b) The cross elasticity of demand.
- c) The income elasticity of demand.
- d) The price elasticity of supply.

MTP Dec 24

10

When some people start investing money in share market then many people start following the same without considering its advantage and disadvantages is called:

- a) Demonstration effect
- b) Snob effect
- c) Veblen effect
- d) None of these

MTP Jan 25

11

With reference to Arc elasticity measures the responsiveness of demand ----- on the demand curve.

- a) at one given point
- b) at intercepts on X-axis & Y-axis
- c) between two points
- d) Any of the above

MTP Jan 25

12

Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.

- 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

MTP Jan 25

13

Assume that corn and wheat are substitutes in production; that is, the same inputs can be used to produce either one of these two commodities. Also assume that the laws of supply and demand apply in both markets. If the demand for one of these commodities increases, what will likely happen in the other market?

- a) The demand will increase.
- b) The demand will decrease.
- c) The supply will increase.
- d) The supply will decrease.

MTP Jan 25

14

If we notice that an increase in the price of product X causes reductions in the demand for product Y, then we can conclude that these two products are:

- a) complements in consumption.
- b) substitutes in consumption.
- c) complements in production.
- d) substitutes in production.

MTP Jan 25

15

For Giffen good the angle Curve is:

- a) Vertical
- b) Horizontal
- c) Negatively Sloped
- d) Positively Sloped

MTP Jan 25

16

The management of firm A observed that every time there is an increase in the price charged by firm B, the level of sales of firm A declines. But when firm C increases its price, the level of sales of firm A increases. From this we can conclude that:

- a) firms A and B produce substitutes in consumption.
- b) firms A and C produce substitutes in consumption.
- c) firms A and B produce unrelated in consumption products.
- d) firms A and C produce unrelated in consumption products



MTP Jan 25

17

Which of the following is not a determinant of the demand for a good?

- a) Its cost of production
- b) Expectations
- c) The prices of related products
- d) Preferences

MTP Jan 25

18

Why is the supply of eggs inelastic?

- a) eggs cannot be stored
- b) eggs are perishable
- c) Both (A) and (B)
- d) None of these

MTP Jan 25

19

If the price of a good increases, then:

- a) the demand for complementary goods will increase.
- b) the demand for the good will increase.
- c) the demand for substitute goods will increase.
- d) the demand for the good will decrease.

MTP Jan 25

20

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

- a) perfect competition.
- b) monopoly.
- c) imperfectly competitive.
- d) The market structure cannot be determined from the information given.

MTP Jan 25

21

When goods are complementary the Indifference Curve is:

- a) Is a straight line
- b) Is Convex to the origin
- c) Consist of two straight lines with a right angle bent.
- d) None of these

MTP Jan 25

22

A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?

- a) + 1.5
- b) -1.5
- c) 2.5
- d) None of these

PYQ Jan 2025

23

When some people start investing money in share market then many people start following the same without considering its advantages and disadvantages is an example of:

- a) Veblen effect
- b) Bandwagon Effect
- c) Snob Effect
- d) Sheep Effect

PYQ Jan 2025

24

A shopkeeper sells two commodities A and B, which are close substitute of each other. It is observed that when the price of commodity A rises by 20% the demand for B increases by 30% What is the cross price elasticity for commodity B against the price of commodity A ?

- a) +1
- b) +1.5
- c) -1
- d) -1.5

PYQ Jan 2025

25

"Excess of the price which a consumer would be willing to pay rather than go without a thing over that which he actually does pay", is called

- a) Consumers equilibrium
- b) Consumers surplus
- c) Change in demand
- d) Change in price

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PYQ Jan 2025

26

With reference to the following indifference map, which of the following curve represents highest satisfaction level?



- a) IC3
- b) IC2
- c) IC1
- d) All the curves represents same satisfaction level

PYQ Jan 2025

27

'Ceteris Paribus' is a Latin phrase that generally means :

- a) All other things being equal
- b) An inverse relationship
- c) income of consumers
- d) tastes and preferences of consumers

PYQ Jan 2025

28

The slope of a demand curve is :

- a) $\Delta Q/\Delta P$
- b) $\Delta P/\Delta Q$
- c) $-\Delta Q/\Delta P$
- d) $-\Delta P/\Delta Q$

PYQ Jan 2025

29

In case of perfectly elastic supply:

- a) $E_s > 1$
- b) $E_s = 1$
- c) $E_s = 0$
- d) $E_s = \infty$

PYQ Jan 2025

30

The supply function is given as $q = 120 + 6p$. Find the elasticity of supply, when price is Rs. 10.

- a) $+1/3$
- b) $+2/3$
- c) $-2/3$
- d) $+3/4$

PYQ Jan 2025

31

Which of the following refers to the want satisfying power of goods and services ? It is not absolute but relative. It is a subjective concept and it depends upon the mental attitude of people.

- a) Utility
- b) Consumers equilibrium
- c) Need
- d) Demand

PYQ Jan 2025

32

If the price of Wheat increases from Rs. 1,800 per Quintal to Rs. 2,200 per Quintal and consequently the quantity supplied rises from 2,000 Quintal to 3,200 Quintal. Calculate the elasticity of supply.

- a) +0.7
- b) +1.7
- c) +2.7
- d) +3.7

RTP Jan 25

33

When total demand for a commodity whose price has fallen increases it is due to:

- a) Price effect
- b) Income effect
- c) Substitution effect
- d) Complementary effect

RTP Jan 25

34

Snob effect is explained as:

- a) It is a function of consumption of others
- b) It is a function of price
- c) Both (a) and (b)
- d) None of these

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RTP May 2025	
35	The share of the tax borne by seller will be larger
a) If the demand for the product is less elastic. b) If the demand for the product is inelastic. c) If the demand for the product has greater elasticity. d) If the elasticity of supply of the product is larger.	

RTP May 2025	
36	What is the limitation of Consumer Surplus:
a) Consumer surplus cannot be measured precisely b) The Consumer surplus derived from a commodity is affected by availability of substitute c) Both (a) & (b) d) None of these	

RTP May 2025	
37	The quantity demanded of money rises:
a) As the interest rises b) As the interest falls c) As the supply of money falls d) As the number of banks rises	

Answer Key – Economics Chapter 2 - Important MCQs

1	A	11	C	21	C	31	A
2	A	12	B	22	A	32	C
3	C	13	D	23	B	33	A
4	A	14	A	24	C	34	A
5	C	15	C	25	B	35	C
6	A	16	B	26	A	36	C
7	C	17	A	27	A	37	B
8	C	18	C	28	D		
9	A/D	19	C	29	D		
10	A	20	C	30	A		

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Chapter 3 – Important MCQs

MTP Dec 24

1 Which of the following curve cannot be u-shaped?

- a) Average total cost
- b) Average variable cost
- c) Average fixed cost
- d) Marginal cost

MTP Dec 24

2 The point at which the total product curve begins to flatten out indicates:

- a) The onset of diminishing marginal returns
- b) Maximum efficiency in production
- c) A decrease in fixed costs
- d) end of increasing returns to scale

MTP Dec 24

3 Assertion (A): Sunk costs are not relevant in economic decisions. Reason (R): The opportunity cost of such resources is zero.

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

MTP Dec 24

4 If only part of the labor force employed by a firm can be dismissed at any time and without pay, the total wages and salaries paid out by the firm must be considered:

- a) a fixed cost
- b) a variable cost
- c) partly a fixed and partly a variable cost
- d) any of the above.

MTP Dec 24

5 When the law of diminishing returns begins to operate, the TVC curve begins to:

- a) fall at an increasing rate
- b) rise at a decreasing rate
- c) fall at a decreasing rate
- d) rise at an increasing rate.

MTP Dec 24

6 Which of the following cost curve is never U Shaped?

- a) Marginal cost curves
- b) Average cost curve
- c) Average fixed cost curve
- d) None of these

MTP Dec 24

7 The most important function of an entrepreneur is to:

- a) Innovate
- b) Bear the sense of responsibility
- c) Finance
- d) None of these

MTP Dec 24

8 In the long run, all production costs are

- a) Fixed
- b) Sunk
- c) Variable
- d) Marginal

MTP Jan 25

9 Implicit cost is equal to:

- a) business profit minus economic profit.
- b) business profit plus economic profit.
- c) economic profit minus business profit.
- d) economic profit minus explicit cost.

MTP Jan 25

10 Short-run average variable cost is equal to:

- a) total variable cost divided by output.
- b) average total cost minus average fixed cost.
- c) the cost per unit of the variable input divided by the average product of the variable input.
- d) All of the above are correct.



MTP Jan 25

11

Which one of the following is not an assumption of law of variable proportion?

- a) Technology of production remains unchanged.
- b) Only physical inputs & output are considered.
- c) All units of variable factors are different.
- d) There must be some inputs whose quantity is kept fixed.

MTP Jan 25

12

In describing a given production technology, the short run is best described as lasting:

- a) Up to six months from now.
- b) Up to five years from now.
- c) As long as all inputs are fixed.
- d) As long as at least one input is fixed.

MTP Jan 25

13

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

MTP Jan 25

14

If an input is owned and used by a firm, then its:

- a) explicit cost is zero.
- b) implicit cost is zero.
- c) opportunity cost is zero
- d) economic cost is zero.

MTP Jan 25

15

Short-run average variable cost is equal to:

- a) total variable cost divided by output.
- b) average total cost minus average fixed cost.
- c) the cost per unit of the variable input divided by the average product of the variable input.
- d) All of the above are correct.

MTP Jan 25

16

One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm to:

- a) employ more specialized machinery.
- b) obtain bulk purchase discounts.
- c) employ a greater division of labour.
- d) All of the above are correct.

MTP Jan 25

17

Economies of scope refers to the decrease in average total cost that can occur when a firm:

- a) produces more than one product.
- b) has monopoly power in world markets.
- c) controls the raw materials used as inputs.
- d) narrows the scope of its regional markets.

MTP Jan 25

18

In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called?

- a) Elasticity
- b) Return to scale
- c) Total Product
- d) Marginal Revenue

MTP Jan 25

19

Long Run Average Cost (LAC) is:

- a) U Shaped
- b) Is also called envelope curve
- c) Both a and b
- d) None of These

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PYQ Jan 2025

20

Which of the following is not a characteristic of land ?

a) Land is heterogeneous
b) Land is an active factor.
c) Supply of land is fixed
d) Land has multiple uses.

PYQ Jan 2025

21

Cobb- Douglas production function is stated as:

a) $Q = K^a L C^{(1-a)}$
b) $Q = K^{(1-a)} L^a C$
c) $Q = K^a L^{(1-a)} C$
d) $Q = K L^a C^{(1-a)}$

Qty of Labour	TP	AP	MP
1	10	?	?
2	?	?	11
3	?	11	?
4	?	?	11
5	52	?	?
6	?	?	8

Use this table for Q 22, 23 & 24

PYQ Jan 2025

22

What will be the average product when quantity of labour is 6?

a) 9
b) 10
c) 11
d) 12

PYQ Jan 2025

23

What will be the total product when quantity of labour is 4?

a) 38
b) 40
c) 42
d) 44

PYQ Jan 2025

24

What will be the marginal product when quantity of labour is 5?

a) 8
b) 9
c) 10
d) 11

PYQ Jan 2025

25

Initially a firm enjoys Of scale and beyond a certain limit it suffers from Of scale.

a) Internal economies, internal diseconomies
b) External economies, external diseconomies
c) Internal diseconomies, internal economies
d) External diseconomies, external economies

PYQ Jan 2025

26

The long – run average cost curve is also called:

a) Kinked curve
b) Equal quantity curve
c) Envelope curve
d) Sharp curve

PYQ Jan 2025

27

Who describes production function as the relationship between the maximum amount of output that can be produced and the input required to make that output?

a) Cobb-Douglas
b) Samuelson
c) Paul Sweezy
d) Alfred Marshall

PYQ Jan 2025

28

In short – run, when average cost falls as a result of an increase in output, marginal cost is Average cost.

a) Greater than
b) Less than
c) Equal to
d) Independent of

PYQ Jan 2025

29

..... Are already incurred once and for all, and cannot be recovered.

a) Sunk costs
b) Historical cost
c) Private costs
d) Social costs

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11.10



RTP Jan 25

30 Envelope curve is also called:

- a) Long Run Average Cost curve
- b) Short Run Average Cost curve
- c) Average Fixed Cost
- d) None of these

RTP Jan 25

31 The shape of the Cost curve depends upon:

- a) Cost function
- b) Factor of Production
- c) Outlay
- d) None of these

RTP Jan 25

32 A firm normal profit earned are included in _____

- a) Explicit Cost
- b) Implicit Cost
- c) Variable Cost
- d) Fixed Cost

RTP Jan 25

33 Isoquant in the relevant range are:

- a) Convex to the Origin
- b) Negatively Sloped
- c) Cannot cross
- d) All of the Above

RTP May 2025

34 The Distinction between Selling Cost and Production cost was made by :

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

Answer Key – Economics Chapter 3 – Important MCQs

1	C	11	C	21	D	31	A
2	A	12	D	22	B	32	B
3	A	13	C	23	D	33	D
4	D	14	A	24	A	34	A
5	D	15	D	25	A		
6	C	16	D	26	C		
7	A	17	A	27	B		
8	C	18	B	28	B		
9	A	19	C	29	A		
10	D	20	B	30	A		

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Chapter 4 – Important MCQs

MTP Dec 24

- 1 Which of the following assumptions is correct in connection with oligopoly?
1. If an oligopolist increases his price his rivals will follow.
 2. If an oligopolist increases his price his rivals will not follow.
 3. If an oligopolist increases his price his rivals will lower their prices.
 4. If an oligopolist decreases his price his rivals will not react.

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

MTP Dec 24

- 2 In an oligopoly, price determination is often influenced by:

- a) The actions of a single firm
b) The collective behavior of a few dominant firms
c) Government-imposed price floors
d) The elasticity of supply alone

MTP Dec 24

- 3 In a monopoly, the lack of close substitutes for the product typically results in:

- a) Perfect elasticity of demand
b) A downward-sloping demand curve for the monopolist
c) Constant returns to scale
d) The ability to practice price discrimination

MTP Dec 24

- 4 At the shut-down point:

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

MTP Dec 24

- 5 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.

MTP Dec 24

- 6 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 of the above.

MTP Dec 24

- 7 Game theory in oligopoly was developed by:

- a) Von Neumann and Oskar Morgenstern
b) Maltas
c) Adam Smith
d) Robinson

MTP Dec 24

- 8 If an oligopolist incur losses in the short run then in the long run:

- a) The oligopolist will go out of the business
b) The oligopolist will stay in business
c) The Oligopolist will break even
d) any of the above is possible

MTP Jan 25

- 9 If the demand curve for a firm's output is perfectly elastic, then the firm is:

- a) a monopolist.
b) perfectly competitive.
c) an oligopolist.
d) monopolistically competitive.

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



MTP Jan 25

10

The type of industry organization that is characterized by recognized interdependence and nonprice competition among firms is called:

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

MTP Jan 25

11

The restaurant industry has a market structure that comes closest to:

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

MTP Jan 25

12

The Pure monopolist in the long run can make pure profit due to:

- a) High Selling Price
- b) Advertising
- c) Low LAC Cost
- d) Blocked entry

MTP Jan 25

13

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 Jan 25

14

Firms in an industry that produces a differentiated product:

- a) are either monopolists or oligopolists.
- b) are either monopolistically competitive or perfectly competitive.
- c) are either monopolistically competitive or oligopolists
- d) are either perfectly competitive or oligopolists.

MTP Jan 25

15

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.

MTP Jan 25

16

If a firm sells its output on a market that is characterized by many sellers and buyers, a homogeneous product, unlimited long-run resource mobility, and perfect knowledge, then the firm is:

- a) a monopolist.
- b) an oligopolist.
- c) a perfect competitor.
- d) a monopolistic competitor.

MTP Jan 25

17

If a firm sells its output on a market that is characterized by many sellers and buyers, a differentiated product, and unlimited long-run resource mobility, then the firm is :

- a) a monopolist.
- b) an oligopolist.
- c) a perfect competitor.
- d) a monopolistic competitor.

MTP Jan 25

18

Which of the following is not a barrier to entry that typically results in monopoly?

- a) The firm controls the entire supply of a raw material.
- b) Production of the industry's product is subject to economies of scale over a broad range of output.
- c) Production of the industry's product requires a large initial capital investment.
- d) The firm holds an exclusive government franchise.



MTP Jan 25

19 Price discrimination is possible when

- a) The Seller should have some control over the supply of the Product
- b) The Price elasticity of the Product should be different in different sub market
- c) The seller should be able to divide his market into two or more Submarket
- d) All of the above

PYQ Jan 2025

20 Many sellers offering differentiated products to many buyers is the characteristics of :

- a) Perfect competition
- b) Monopolistic competition
- c) Oligopoly competition
- d) monopoly

PYQ Jan 2025

21 Identify the correct relationship among MR, AR & e (price elasticity of demand).

- a) $MR = AR \times e (e - 1)$
- b) $AR = MR \times (e - 1)/e$
- c) $MR = AR \times e / (e - 1)$
- d) $MR = AR \times (e - 1)/e$

PYQ Jan 2025

22 Total revenue will be maximum, where elasticity is equal to :

- a) 1
- b) Less than 1
- c) Greater than 1
- d) Zero

PYQ Jan 2025

23 When both demand and supply increase, the equilibrium quantity But the change in equilibrium price is

- a) Decreases, uncertain
- b) Increases, constant
- c) Increases, uncertain
- d) Decreases, constant

PYQ Jan 2025

24 Price elasticity of demand of a firm under perfect competition will be :

- a) Very large
- b) Infinite
- c) Large
- d) Small

PYQ Jan 2025

25 Identify the correct below mentioned condition / conditions for equilibrium of a firm under perfect competition :

- I) $MR = MC$
- II) $MR > MC$
- III) $MR < MC$
- IV) MC should have a positive slope,
- V) MC should have a negative slope.

- a) (II) and (V)
- b) (II) and (IV)
- c) (III) and (V)
- d) (I) and (IV)

PYQ Jan 2025

26 Downward sloping and highly inelastic demand curve is the feature of :

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

PYQ Jan 2025

27 Market characterized by a single buyer of a product or service, and is mostly applicable to factor markets in which a single firm is the only buyer of a factor is known as :

- a) Oligopsony
- b) Duopoly
- c) Bilateral monopoly
- d) monopsony

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28

Assume that when price is Rs. 20, the quantity demanded is 9 units, and when price is Rs. 19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units ?

- a) Rs. 20
- b) Rs. 19
- c) Rs. 10
- d) Rs. 1

PYQ Jan 2025

29

Average revenue curve is also known as :

- a) Profit Curve
- b) Demand curve
- c) Average cost curve
- d) Indifference curve

PYQ Jan 2025

30

With a decrease in demand there is

- a) An overall decrease in price but an increase in equilibrium quantity.
- b) An overall increase in price but a decrease in equilibrium quantity.
- c) A decrease in the equilibrium price and quantity demanded and supplied.
- d) No change in overall price but a reduction in equilibrium quantity.

PYQ Jan 2025

31

When a perfect competitive firm earns, its average revenues are more than its average total cost.

- a) Supernormal profits
- b) Normal profits
- c) Normal profits and supernormal profit
- d) losses

PYQ Jan 2025

32

Market for soaps and detergents are the appropriate example of :

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

PYQ Jan 2025

33

If supply increases in a greater proportion than demand then

- a) The new equilibrium price and quantity will be greater than the original equilibrium price and quantity.
- b) The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher.
- c) The new equilibrium price and quantity will be less than the original equilibrium price and quantity.
- d) The new equilibrium price will be less than the original equilibrium price.

PYQ Jan 2025

34

In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group, then it is called.

- a) Open oligopoly
- b) Collusive oligopoly
- c) Partial oligopoly
- d) Syndicated oligopoly

RTP Jan 25

35

Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to:

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

RTP Jan 25

36

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



RTP May 2025

37

The Price in Collusive Oligopoly is decided by :

- a) The Firm
- b) Price leader
- c) The Industry
- d) None of these

RTP May 2025

38

Which one of the following is not an internal economies of scale?

- a) Technical economies
- b) Financial economies
- c) Economies due to localization of industries
- d) Marketing economies

RTP May 2025

39

Excess capacity is not found under _____

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

RTP May 2025

40

Example of Third-Degree Price Discrimination:

- a) Dumping
- b) Charging different prices for domestic and commercial uses
- c) Lower prices in railways for senior citizen
- d) All of the above

Answer Key – Economics Chapter 4 – Important MCQs

1	B	11	A	21	D	31	A
2	B	12	D	22	A	32	C
3	B	13	C	23	C	33	D
4	D	14	C	24	B	34	C
5	B	15	B	25	D	35	A
6	D	16	C	26	A	36	C
7	A	17	D	27	D	37	B
8	D	18	B	28	C	38	C
9	B	19	D	29	B	39	C
10	C	20	B	30	C	40	D

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