

Chapter 1 -NATURE AND SCOPE OF BUSINESS ECONOMIC

1. Economists regard decision making as important because:

- (a) The resources required to satisfy our unlimited wants and needs are finite, or scarce.
- (b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs.
- (c) Resources have alternative uses.
- (d) All the above.

2. Business Economics is -

- (a) Abstract and applies the tools of Microeconomics.
- (b) Involves practical application of economic theory in business decision making.
- (c) Incorporates tools from multiple disciplines.
- (d) (b) and (c) above.

3. What implication(s) does resource scarcity have for the satisfaction of wants?

- (a) Not all wants can be satisfied.
- (b) We will never be faced with the need to make choices.
- (c) We must develop ways to decrease our individual wants.
- (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.

4. Which of the following is a normative statement?

- (a) Planned economies allocate resources via government departments.
- (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade.
- (c) There is a greater degree of consumer sovereignty in market economies than planned economies.
- (d) Reducing inequality should be a major priority for mixed economies.

5. In every economic system, scarcity imposes limitations on

- (a) households, business firms, governments, and the nation as a whole.
- (b) households and business firms, but not the governments.
- (c) local and state governments, but not the federal government.
- (d) households and governments, but not business firms.

6. Macroeconomics is also called——— economics.

- (a) applied
- (b) aggregate
- (c) experimental
- (d) none of the above

7. An example of 'positive' economic analysis would be:

- (a) an analysis of the relationship between the price of food and the quantity purchased.
- (b) determining how much income each person should be guaranteed.
- (c) determining the 'fair' price for food.
- (d) deciding how to distribute the output of the economy.

8. Which of the following does not suggest a macro approach for India?

- (a) Determining the GNP of India.
- (b) Finding the causes of failure of ABC Ltd.
- (c) Identifying the causes of inflation in India.
- (d) Analyse the causes of failure of industry in providing large scale employment

9. Consider the following and decide which, if any, economy is without scarcity:

<p>(a) The pre-independent Indian economy, where most people were farmers.</p> <p>(b) A mythical economy where everybody is a billionaire.</p> <p>(c) Any economy where income is distributed equally among its people.</p> <p>(d) None of the above</p>
<p>10. Which of the following is not a subject matter of Micro-economies?</p> <p>(a) The price of mangoes.</p> <p>(b) The cost of producing a fire truck for the fire department of Delhi, India.</p> <p>(c) The quantity of mangoes produced for the mangoes market.</p> <p>(d) The national economy's annual rate of growth.</p>
<p>11. The branch of economic theory that deals with the problem of allocation of resources is-</p> <p>(a) Micro-Economic theory.</p> <p>(b) Macro-economic theory.</p> <p>(c) Econometrics.</p> <p>(d) None of the above.</p>
<p>12. Which of the following is not the subject matter of Business Economics?</p> <p>(a) Should our firm be in this business?</p> <p>(b) How much should be produced and at price should be kept?</p> <p>(c) How will the product be placed in the market?</p> <p>(d) How should we decrease unemployment in the economy?</p>
<p>13. Which of the following is a normative economic statement?</p> <p>(a) Unemployment rate decreases with industrialization</p> <p>(b) Economics is a social science that studies human behaviour.</p> <p>(c) The minimum wage should be raised to ` 200/- per day</p> <p>(d) India spends a huge amount of money on national defence.</p>
<p>14. Which of the following would be considered a topic of study in Macroeconomics?</p> <p>(a) The effect of increase in wages on the profitability of cotton industry</p> <p>(b) The effect on steel prices when more steel is imported</p> <p>(c) The effect of an increasing inflation rate on living standards of people in India</p> <p>(d) The effect of an increase in the price of coffee on the quantity of tea consumed</p>
<p>15. The difference between positive and normative Economics is:</p> <p>(a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.</p> <p>(b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.</p> <p>(c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.</p> <p>(d) Positive Economics prescribes while normative Economics describes.</p>
<p>16. Which of the following statements is incorrect?</p> <p>(a) Business economics is normative in nature.</p> <p>(b) Business Economics has a close connection with statistics.</p> <p>(c) Business Economist need not worry about macro variables.</p> <p>(d) Business Economics is also called Managerial Economics</p>
<p>17. In a free market economy the allocation of resources is determined by</p> <p>(a) voting done by consumers.</p> <p>(b) a central planning authority.</p> <p>(c) consumer preferences.</p>

(d) the level of profits of firms.
<p>18. Which of the following is considered as a disadvantage of allocating resources using the market system?</p> <p>(a) Income will tend to be unevenly distributed.</p> <p>(b) People do not get goods of their choice.</p> <p>(c) Men of Initiative and enterprise are not rewarded.</p> <p>(d) Profits will tend to be low.</p>
<p>19. Which of the following statements does not apply to a market economy?</p> <p>(a) Firms decide whom to hire and what to produce.</p> <p>(b) Firms aim at maximizing profits.</p> <p>(c) Households decide which firms to work for and what to buy with their incomes.</p> <p>(d) Government policies are the primary forces that guide the decisions of firms and households.</p>
<p>20. Capital intensive technique would get chosen in a</p> <p>(a) labour surplus economy where the relative price of capital is lower.</p> <p>(b) capital surplus economy where the relative price of capital is lower.</p> <p>(c) developed economy where technology is better.</p> <p>(d) developing economy where technology is poor.</p>
<p>21. Which of the following is not one of the four central questions that the study of economics is supposed to answer?</p> <p>(a) Who produces what?</p> <p>(b) When are goods produced?</p> <p>(c) Who consumes what?</p> <p>(d) How are goods produced?</p>
<p>22. Macro Economics is the study of _____.</p> <p>(a) all aspects of scarcity.</p> <p>(b) the national economy and the global economy as a whole.</p> <p>(c) big businesses.</p> <p>(d) the decisions of individual businesses and people.</p>
<p>23. Freedom of choice is the advantage of -</p> <p>(a) Socialism (b) Capitalism</p> <p>(c) Communism (d) None of the above</p>
<p>24. Exploitation and inequality are minimal under:</p> <p>(a) Socialism (b) Capitalism</p> <p>(c) Mixed economy (d) None of the above</p>
<p>25. Administered prices refer to:</p> <p>(a) Prices determined by forces of demand and supply</p> <p>(b) Prices determined by sellers in the market</p> <p>(c) Prices determined by an external authority which is usually the government</p> <p>(d) None of the above</p>
<p>26. In Economics, the central economic problem means:</p> <p>(a) Output is restricted to the limited availability of resources</p> <p>(b) Consumer do not have as much money as they would wish</p> <p>(c) There will always be certain level of unemployment</p> <p>(d) Resources are not always allocated in an optimum way</p>
<p>27. Which of the following is not one of the features of capitalist economy?</p> <p>(a) Right of private property</p>

(b) Freedom of choice by the consumers (c) No profit, No Loss motive (d) Competition
28. There is need of economic study, because - (a) The resources are limited (b) The wants are unlimited (c) The resources are unlimited (d) Both a and b
29. The benefit of economic study is - (a) It ensure that all problems will be appropriately tackled (b) It helps in identifying problems (c) It enable to examine a problem in its right perspective (d) It gives exact solutions to every problem
30. 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
31. Which of the following statements is correct? (a) Micro economics is important for study of a particular household and a particular firm (b) Macro economics is important for study of economic conditions of a country (c) None of the above (d) Both a and b
32. Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using? (a) Micro economics (b) Macro economics (c) None of the above (d) Both(a) and (b)
33. Profit motive is a merit of (a) Socialism (b) Capitalism (c) Mixed economy (d) None of the above
34. Which of the following statements is/are correct regarding business economics? (a) Business economics attempts to indicate how business policies are firmly rooted in economic principles. (b) Business economics uses micro economic analysis of the business unit and macro economic analysis of business environment. (c) Business economics takes a pragmatic approach towards facilitating an integration between economic theory and business practices. (d) All the above.
35. Unlimited ends and limited means together present the problem of _____. (a) Scarcity of resources (b) Choice (c) Distribution (d) None of the above
36. What is the merit of Capitalism? (a) It promotes self-interest & economic growth. (b) It leads economic balance in the country (c) It leads to equitable distribution of wealth.

(d) It leads to equitable distribution of wealth
37. Normative economics is also known as - (a) Prescriptive Economics (b) Positive Economics (c) Applied Economics (d) None of these
38. Who defined Business economics in terms of the use of economic analysis in the formulation of business policies? (a) Adam Smith (b) Robbins (c) Joel Dean (d) Alfred Marshall
39. The choice between labour- and Capital-intensive techniques is related with: (a) What to Produce? (b) How to Produce? (c) For whom to Produce (d) All of the above.
40. 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?
41. Which of the following matters is/are fundamentally connected to economic analysis? (a) Economic prosperity (b) Higher standard of living (c) Changes in price of a commodity (d) All of the above
42. Which aspect of taxation involves Normative Economics? (a) the incidence of the tax (b) the effect of the tax on incentives to work (c) the "fairness" of the tax (d) all the above.
43. In a market economy, resource allocation is primarily determined by: (a) Central planning by the government (b) Consumer demand and supply in the marketplace (c) The decisions of a few large corporations (d) International trade agreements
44. Which of these countries is a purely socialist economy? (a) USSR (b) China (c) Vietnam (d) None of these
45. 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.
46. 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.
47. 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.
48. Scarcity of resources exist at: (a) Micro level (b) Macro level (c) Micro as well as Macro (d) None of these
49. The Characteristics of Production Possibility Curve: (a) Slopes downwards from left to right (b) PPC is concave to the origin (c) Both A and B (d) None of these
50. Problem of choice is the basis of: (a) Economic Problem (b) Social Problem (c) Political Problem (d) None of these
51. The regulatory mechanism of the market system is: (a) Self interest (b) Private property (c) Competition (d) Specialization
52. 'Economics is the study of mankind in the ordinary business of life was given by (a) Adam Smith (b) Lord Robbins (c) Alfred Marshall (d) Samuelson
53. The branch of economic theory that deals with the problem of allocation of resources is (a) Micro economics (b) Macroeconomics (c) Econometrics (d) None of these
54. Capitalistic Economy uses ___ as principal means of allocating Resources (a) demand (b) supply (c) price (d) all of the above
55. A study of how an increase in the corporate income tax rate will affect the national unemployment rate is an example of: (a) Macroeconomics (b) Descriptive Economics (c) Microeconomics (d) Normative Economics
56. In which type of economy do consumers and producers make their choices based on the market forces demand and supply? (a) Open Economy (b) Controlled Economy (c) Command Economy (d) Market Economy
57. Under a free economy, prices are: (a) Regulated (b) Determined through a free interplay of demand and supply (c) Partly regulated

(d) None of these
58. Which of the following falls under microeconomics? (a) National income (b) General price level (c) Factor pricing (d) National saving and investment
59. In a free-market economy, when consumers increase their purchase of a goods and the level of____ exceeds_____ then prices tend to rise : (a) demand, supply (b) supply, demand (c) prices, demand (d) profits, supply
60. According to Robbins, 'means' are: (a) Scarce (b) Unlimited (c) Undefined (d) All of these
61. Economics is the study of (a) How society manages its unlimited resources (b) How to reduce our wants until we are satisfied (c) How society manages its scarce resources (d) How to fully satisfy our unlimited wants
62. A mixed economy means : (a) Co-existence of small and large industries (b) Promoting both agriculture and industries in the economy (c) Co-existence of rich and poor (d) Co-existence of public and private sectors
63. Who defines Economics in terms of Dynamic Growth and Development? (a) Robbins (b) Paul A Samuelson (c) Adam Smith (d) None
64. A Free Market economy, solves its Central Problems through (a) planning authority (b) market mechanism (c) both (d) none
65. Normative aspect of Economics is given by : (a) Marshall (b) Robbins (c) Adam Smith (d) Samuelson
66. Which one is not the characteristic of a capitalistic economy? (a) Profit motive (b) Income inequality (c) Free employment (d) Collective ownership
67. Mixed economy means (a) All economic decisions are taken by the Central Authority (b) All economic decisions are taken by private entrepreneurs (c) Economic decisions are partly taken by the state and partly by private entrepreneurs (d) None of these
68. A developed economy uses_____ technique in production (a) labour intensive (b) capital intensive (c) home-based (d) traditional
69. one is the feature of Marshall's definition? (a) Limited ends (b) Scarce means

(c) Study of wealth as well as study of man (d) Study of allocation of resources
70. Which one in the following is not correct : (a) There are limited wants (b) Means are scarce (c) Resources have alternative uses (d) Economics is science
71. Who gave the positive aspect of science? (a) Alfred Marshall (b) A.C. Pigou (c) Adam Smith (d) Robbins
72. Which of these is an example of macroeconomics: (a) The problem of unemployment in India (b) The rising price level in the country (c) Increase in disparities of income (d) All of the above
73. In a capitalist economy the allocation of resources is performed by: (a) Producers (b) Government (c) Planners (d) Price mechanism
74. Which of the following statements is incorrect? (a) Alfred Marshall propagated the wealth definition of Economics (b) L. Robbins introduced the 'Scarcity' definition of Economics (c) Samuelson emphasized upon the "growth" aspect of Economics (d) A.C Pigou believed in the 'welfare' aspect of Economics
75. Inequalities of income do not perpetuate in (a) socialism (b) mixed economy (c) capitalism (d) none
76. Which of the following are the features of a mixed economy? (a) Planned economy (b) Dual system of pricing exists (c) Balanced regional development (d) All of the above.
77. Normative Economics is based on: (a) Ethical Considerations (b) Facts and Generalization (c) What is? (d) All of the above
78. A Capitalist Economy follows the policy of: (a) Laissez-faire (b) Regulated markets (c) Promoting public sector (d) None of the above.
79. "Economics is the science of choice-making" implies:- (a) No choice is to be made (b) The choice to be made between alternative uses (c) The choice to be made between means and ends (d) None of the above

80. A capitalist economy is by and large (a) a closed economy (b) a free market economy (c) a centrally controlled economy (d) an economy in which a government neither collects any taxes nor incurs any expenditure
81. A free-market economy's driving force is: (a) Profit motive (b) Welfare of the people (c) Rising income and levels of living (d) None of the above
82. "Economics is neutral between ends". The statement is given by: (a) L. Robbins (b) Mrs. Joan (c) Alfred Marshall (d) A.C. Pigou
83. Where does the price mechanism exist? (a) Capitalist Economy (b) Socialist Economy (c) Both types of economies (d) None of the above
84. Economics which is concerned with welfare propositions is called (a) Socialistic economics (b) Capitalistic economics (c) Positive economics (d) Normative economics
85. In which among the following systems the right to property' exists (a) Mixed economy (b) Capitalist economy (c) Socialist economy (d) Traditional economy
86. Positive science only explains (a) What is? (b) What ought to be? (c) What is right or wrong (d) None of the above
87. Socialist Economy is also known as (a) Mixed Economy (b) Centrally Planned Economy (c) Capitalist Economy (d) None of the above
88. Who has defined economics as "Science which deals with wealth"? (a) Adam Smith (b) Canon (c) J.B. Say (d) A.C. Pigou
89. The meaning of time element in economics is: (a) Calendar time (b) Clock time (c) Operational time in which supply adjusts with the market demand (d) None of the above
90. All wants of an individual are not of: (a) Equal importance (b) Immediate importance

(c) Fixed importance (d) All of the above
91. Micro economics does not study (a) Consumer behavior (b) Factor pricing (c) General price level (d) Firms equilibrium.
92. Find out the correct statement (a) Higher the prices, lower the quality demanded of a product is a normative statement (b) Micro and macro-economics are interdependent (c) In a capitalist economy, the economic problems are solved by planning commission (d) In deductive method logic proceeds from particular to the general
93. Microeconomics is the study of: (a) Individual parts of the economy (b) The economy as a whole (c) Choice making (d) Development of the economy
94. The definition of economics given by Robbins does not deal with one of the following aspects. Indicate that aspect. (a) Scarce means (b) Limited ends (c) Alternative uses (d) Economics is a science
95. Which Economic System is described by Schumpeter as 'capitalism in the oxygen tent'? (a) Laissez-Faire Economy (b) Command Economy (c) Mixed Economy (d) Agrarian Economy
96. The Central problem in every economic society is: (a) To ensure a minimum level of income for every individual. (b) To allocate scarce resources in such a manner that society, unlimited wants are satisfied in the best possible manner. (c) To ensure that production occurs in the most efficient manner. (d) To provide job to every job seeker.
97. Socialist Economy was propounded by: (a) Karl Marx & Fredut Angles (b) Samuelson (c) A.C. Pigou (d) Adam Smith
98. Concept of Business Economics was given by: (a) Joel Dean (b) Alfred Marshall (c) Adam Smith (d) L. Robbins
99. A business economy involves the theory of Business economics with (a) Normative Economics (b) Business practices (c) Micro Economics (d) Macro Economic
100. Which factor is included in business Economics? (a) Business Economics is an art (b) Interdisciplinary in nature (c) Normative in nature (d) All of the above

Solution :-

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