CHAPTER 1 - NATURE & SCOPE OF BUSINESS ECONOMICS:

UNIT-1 INTRODUCTION:
UNIT-2 BASIC PROBLEMS OF AN ECONOMY & ROLE OF PRICE MECHANISM

1. "Human wants have unlimited wants" & "The means are relatively scarce" form
   a) Definition of Economics   b) Meaning of Economics
   c) Subject matter of Economics   d) None

2. Economics not just deals with how a nation allocates its scarce resources but deals with _____ by which productive capacity of resources can be in-creased:
   a) Principles   b) laws   c) decisions   d) Processes

3. The term "Economics' owes its origin to the Greek word
   (a) Aikonomia   (b) Wikonomia
   (c) Oikonomia   (d) None of the above

4. Oikonomia means
   (a) Industry   (b) Household   (c) Services   (d) None of the above

5. "Economics is a study of.....in the ordinary business of life." Alfred Marshall
   (a) Human   (b) Wealth   (c) Mankind   (d) Agriculture

6. The meaning of Greek words "OIKOU & NOMOS"
   (a) Micro and macro economics   (b) The rule of economics
   (c) House Hold Management   (d) The Law of Management

7. Economics is called ... of social sciences
   (a) Branch   (b) Queen   (c) King   (d) None

8. Who is the father of Economics?
   (a) Lionel Robbins   (b) Alfred Marshall
   (c) Adam Smith   (d) Paul Samuelson

9. 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

10. Operation Research, Statistics, Mathematics & Theory of Decision - Making has close connection with_____
    (a) Pure Economics   (b) Business Economics
    (c) Econometrics   (d) None

11. Economics provides certain..... which can be used for solving various business problems?
    (a) Tools   (b) Methods   (c) Principles   (d) Laws

12. Professor _____ has defined the concept of Business Economics:
    (a) Alfred Marshall   (b) Samuelson
    (c) Hicks   (d) Joel Dean

13. Application of quantitative technique like, linear programming, Capital budgeting, Break-even analysis are the components of _____ Economics
    (a) Pure   (b) Business
    (c) Micro   (d) Neither (a) or (b)

14. Business Economics implies:
    a) Combination of manufacturing activity & applied economics;
    b) Combination of business & trading;
    c) Combination of business & profit;
    d) All of the above

15. Business Economics is:
    a) Abstract & applies the tools of Micro economics;
    b) Practical application of economic theory in business decision making;
    c) Incorporates tools from multiple decisions
    d) Both b & c

16. Which one is not within the scope of Business Economics?
    (a) Capital budgeting   (b) Risk analysis
    (c) Business Cycle   (d) Accounting Standards

17. Business Economics is _____ as it deals both quantitative tools & practical application for attainment of set objectives:
    (a) Science & Art   (b) Only science
    (c) Only art   (d) None

18. Business Economics is:
    (a) Branch of general economics
    (b) Comprising pure economics
    (c) Combination of "consumption & production units
    (d) Both b & c

19. Business Economics comprises of:
    (a) Micro economic in nature   (b) Pragmatic in nature
    (c) Quantitative analysis   (d) All of the above

20. Scarcity of resources means?
    (a) Non –existence of resources (b) Limited resources
    (c) Both a& b   (d) None

21. The Law of scarcity-
    (a) Does not apply to rich/developed countries
    (b) Applies only to the less developed countries
    (c) Implies that Consumer's wants will be satisfied in a socialistic system
    (d) Implies that consumer; wants will never be completely satisfied

22. Business Economics is "_____ in approach" as it not only deals with theory but tackles practical problems of firms:
    (a) Positive   (b) Inductive   (c) Realistic   **(d) Pragmatic**

23. Business Economics is "_____ in nature" as it incorporates tools from other disciplines such as Mathematics, Management theory, Accounting, Finance etc.:
    (a) Positive   (b) Inductive
    (c) Interdisciplinary   (d) Pragmatic

24. Demand analysis, forecasting, production & cost analysis, inventory management are _____ Economics applied to operational or internal issues
    (a) Micro   (b) Macro   (c) Pure   (d) Pragmatic

25. "Work in process", 'Raw materials', 'Finished goods' are the forms of _____
    (a) Demand forecasting   **(b) Inventory management**
    (c) Market research   (d) None

26. Environmental factors are part of ___ Economics:
    (a) Pure   **(b) Macro**   (c) Micro   (d) None

27. The Central Economic problem is –
    (a) What to produce?   (b) How to produce?
    (c) For whom to produce?   **(d) All of above**

28. Theory of capital & investment decisions, risk & uncertainty are the parts of _____ Economics applied to operational issues:
    (a) Pure   (b) Macro   **(c) Micro**   (d) None

29. 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 a society's unlimited needs or wants are satisfied as well possible.

30. Micro Economics is connected with......
    (a) Consumer's Behavior   (b) Product Pricing
    (c) Factor Pricing   **(d) All of these**

31. When we are studying how a producer fixes prices of products we deal with:
    (a) Macro Economics   **(b) Micro Economics**
    (c) Both a& b   (d) None

32. Right of private property is found in –
    (a) Socialism   **(b) capitalism**
    (c) mixed economy   (d) none of these

33. Which of the following is a study of particular units rather than all the units combined?
    (a) Macro Economics
    (b) Micro Economics
    (c) Welfare Economics
    (d) None

34. Which of the following refer to the micro economic aspects from a national angle :
    (a) Per capita income of the country
    (b) Capital-output ratio in steel industry
    (c) Income from the railways
    (d) Both b) & (c)

35. State which refers to micro economic approaches from a national angle :
    (a) Unemployment among the educated people
    (b) Inflation in the Economy
    (c) Lockout in Indian Airlines
    (d) Distribution of coal in the country

36. Which of the following falls under Micro Economics?
    (a) National Income
    (b) General Price level
    (c) Factor Pricing
    (d) National Saving and investment

37. Price theory is also known as
    (a) Positive Economics
    (b) Normative Economics
    (c) Micro Economics
    (d) Macro Economics

38. Macro Economics is the study of.....
    (a) All aspects of scarcity
    (b) The national Economics and the global Economy as a whole
    (c) Big businesses
    (d) The decisions of individual businesses and people

39. When we study why saving rates are high or low, we are studying
    (a) Macro Economics
    (b) Micro Economics
    (c) Econometrics
    (d) Both a) &b)

40. Identify the correct statement –
    (a) In the deductive method logic proceeds from the particular to the general
    (b) Micro and macro Economics are interdependent
    (c) In a capitalist Economy economic problem are solved by Planning Commission
    (d) Higher the prices, lower is the quantity of a product is a normative statement

41. Economics considered with welfare propositions are called...... economics:
    (a) Socialist   (b) Capitalist   (c) Positive   (d) Normative

42. An example of positive Economic analysis would be-
    (a) An analysis of the relationship between the price of food and the quantity .
    (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

43. Economics as a positive science should be between ends.
    (a) Unique   (b) socially responsible
    (c) Neutral   (d) Inspiring

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

45. Which of the following is an example of normative science?
    (a) Rich people should be taxed more
    (b) Free education should be given to the poor
    (c) India should spend more money on defence
    (d) All of the above

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

47. Social insurance, sickness benefits, old age pension, etc are some social benefits provided by _____
    (a) State in capitalist economy   (b) State in socialist economy
    (c) State in mixed economy   (d) Both b and c

48. Which of the following statements is normative?
    (a) Large government deficits cause an Economy to grow more slowly
    (b) People work harder if the wage is higher
    (c) The unemployment rate should be lower
    (d) Printing too much money cause inflation

49. The difference between positive & normative economics is:
    (a) Positive economics explains the performance of the economy while normative economics finds out the reasons for poor performance
    (b) Positive economics describes the facts of the economy while normative economics involves evaluating whether some of these are good or bad for the welfare of the people
    (c) Normative Economics describes the facts of the economy while positive economics involves evaluating whether some of these are good or bad for the welfare of the people
    (d) Positive economics prescribes while normative economics describes

50. Exploitation & inequality are minimal under :
    (a) Socialism   (b) Capitalism   (c) Mixed economy   (d) None

51. Who gave the positive aspect of science:
    (a) Marshall   (b) Robbins   (c) Adam Smith   (d) Samuelson

52. Inequality of income does not perpetuate in:
    (a) Socialism   (b) Capitalism   (c) Mixed economy   (d) None

53. In which economic system all the means of production are owned and controlled by private individuals for profit:
    (a) Socialism   (b) Capitalism
    (c) Mixed economy   (d) Communism

54. Freedom of choice is the advantage of
    (a) Socialism   (b) Capitalism
    (c) Mixed economy   (d) Communism

55. In which type of economy do consumers and producers make their choices based on the market forces of demand and supply?
    (a) Open   (b) Controlled   (c) Command   (d) Market Economy

56. 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   (b) Supply, Demand
    (c) Prices, Demand   (d) Profit, Supply

57. A Free Market economy solves its central problems through
    (a) Planning authority   (b) Market mechanism
    (c) Both   (d) None

58. Find out the correct statement:
    (a) Higher the prices the lower the quantity demanded is "Normative statement'
    (b) Micro & Macroeconomics are independent to each other
    (c) In capitalist economy economic problems are solved by Planning Commission
    (d) In deductive method logic proceeds from particular to general

59. Under a controlled economy___.
    (a) State plays a major role
    (b) Central authority decides how much will be produced
    (c) Both (a) & (b)
    (d) Neither (a) nor (b)

60. Mixed economy.
    (a) All economic decisions are taken by the central authority
    (b) All economic are taken by private entrepreneurs
    (c) Economic decisions are partly taken by the state and partly by the private entrepreneurs
    (d) None

CHAPTER 2 - THEORY OF DEMAND AND SUPPLY

1. In economics, demand refers to_____
    (a)   Quantity demanded at a particular time
    (b)   Quantity demanded backed by ability to pay
    (c)   Quantity demanded of all goods
    (d)   Quantity demanded at a particular price in a given period of time

2. The concept of demand demonstrates that _____
    (a)   Demand is always with reference to price
    (b)   Demand is reference to in a given period of time
    (c)   Buyer's ability and willingness to pay
    (d)   All the above

3. Individual demand is also called_____
    (a)   Industrial demand   (b)   Market demand
    (c)   Household's demand   (d)   All the above

4. _____ means quantity demanded of a good by a single consumer at various prices per unit of time.
    (a)   Market demand   (b)   Individual demand
    (c)   Industrial demand   (d)   None of the above

5. _____ means the aggregates of the quantities demanded by all consumers in the market at different prices per unit of time.
    (a)   Market demand   (b)   Individual demand
    (c)   Industrial demand   (d)   Household's demand

6. _____ is a tabular presentation showing different quantities demanded by buyers at different levels of prices in a given period.
    (a)   Supply Schedule   (b)   Demand Schedule
    (c)   Production Schedule   (d)   Cost Schedule

7. Market demand is the sum total of___
    (a)   All quantities that producers can produce
    (b)   All quantities actually sold in the market
    (c)   All quantities demanded by individual household and consumers
    (d)   All the above

8. Demand of a good of several consumers when added together is called_____
    (a)   Individual   (b)   Market
    (c)   Joint   (d)   Independent

9. When a good can be used to satisfy two or more wants, it is said to have _____ demand
    (a)   Composite   (b)   Competitive
    (c)   Joint   (d)   Market

10. If two goods are complementary then rise in the price of one results in _____
    (a) Rise in demand for the other   (b) Fall in demand for the other
    (c) Rise in demand for both   (d) None of these

11. When price of commodity rises, the demand for it ____
    (a) Rises   (b) Contracts   (c) Remain constant   (d) Become negative

12. When the price of petrol goes up, demand for two-wheeler will_____
    (a) Rise   (b) Fall   (c) Remain same   (d) None of these

13. An increase in the income of a consumer has _____ effect on demand in general.
    (a) No   (b) Negative   (c) Opposite   (d) Positive

14. The demand for Scooter and petrol is an example of _____ demand
    (a) Joint   (b) Composite   (c) Competitive   (d) Market

15. _____ goods are those goods which are used for the production of other goods
    (a) Durable   (b) Producer's   (c) Non-durable   (d) Consumer's

16. Bread, Milk, Readymade clothes, T.V., etc. are examples of _____ goods.
    (a) Perishable   (b) Producer's   (c) Consumer's   (d) Inferior

17. The goods which cannot be consumed more than once, like milk are known as ___ goods
    (a) Non-durable consumer goods   (b) Producer's
    (c) Inferior   (d) Durable consumer goods

18. _____ goods meets only our current demand
    (a) Producer's   (b) Durable consumer goods
    (c) Non-durable consumer goods   (d) Inferior

19. When demand of any good depends upon the demand of another good, it is said to have
    _____
    (a) Joint   (b) Derived   (c) Competitive   (d) Direct

20. The total demand for steel in the country denotes ____ demand
    (a) Industry   (b) Company   (c) Both (a) and (b)   (d) Autonomous

21. If the demand for a product is independent of the demand for other goods, it is called as
    _____
    (a) Company   (b) Industry   (c) Autonomous   (d) Derived

22. When demand of any good reacts immediately to price changes, income changes, etc. it is
    said to have _____ demand.
    (a) Short-run   (b) Long-run
    (c) Very short run   (d) Very long run

23. When we draw a market demand curve, we _____
    (a) Do not consider tastes, income and all prices
    (b) Assume that tastes, incomes and all other prices change in the same way price changes
    (c) Assume that tastes, incomes and all other prices are irrelevant
    (d) Assume that tastes, incomes and all other prices remains the same

24. If a fall in price of 'Y' results in a decrease in the sale of 'X', the two good appear to be _____
    (a) Substitute goods   (b) Complementary
    (c) Inferior goods   (d) Neutral goods

25. _____ goods are the goods which can be used with equal case in place of each other.
    (a) Neutral   (b) Normal   (c) Complementary   (d) Substitute

26. If the demand rises with the rises in consumer's real income, such a good is called _____
    (a) Normal goods   (b) Neutral goods
    (c) Inferior goods   (d) Luxury goods

27. Giffen goods are _____
    (a) Normal goods   (b) Inferior goods
    (c) Luxury goods   (d) Neutral goods

28. As the consumer's income increases, the demand for necessaries of life will increase _____ to the increase in income.
    (a) Less than proportionate   (b) More than proportionate
    (c) Proportionate   (d) Nothing can be said

29. As the consumer's income increases, the demand for comforts and luxuries will increase _____ to the increase _____
    (a) Less than proportionate   (b) More than proportionate
    (c) Proportionate   (d) Nothing can be said

30. During boom period in economy, the demand for goods in general _____
    (a) Rises   (b) Falls
    (c) Remains same   (d) None of these

31. In case the consumer expects a steep rise in price of Potatoes in future, his current demand for it will _____
    (a) Remain same   (b) Fall
    (c) Rise   (d) None of the above

32. If the government increase the rate of indirect taxes on goods and services, the demand for then will _____ in general.
    (a) Rise   (b) Fall   (c) Remain neutral   (d) Be ineffective

33. If the government reduces the tax on any product, the demand for the product _____ in the short run
    (a) Rises
    (b) Falls
    (c) Remain unchanged
    (d) Tax has nothing to do with the demand of any product

34. If the demand for petrol remains unchanged with rise in its price, it means petrol is a _____
    (a) Normal good   (b) Necessity good
    (c) Luxury good   (d) Inferior good

35. If quantity demanded of good 'X' is plotted against the price of its substitute good 'Y', the demand curve will be _____
    (a) Vertical Straight line   (b) Positively sloped
    (c) Horizontal Straight line   (d) Negatively sloped

36. When the quantity of a good that a buyer demands rises when there is growth of purchases by other individuals, such an effect is called _____
    (a) Bandwagon Effect   (b) Snob effect
    (c) Veblen Effect   (d) None of the above

37. In case of normal goods the income effect is _____
    (a) Zero   (b) Negative   (c) Positive   (d) Constant

38. Income effect on demand of a good is _____
    (a) Positive for normal goods   (b) Always positive
    (c) Negative for normal goods   (d) Always negative

39. The Laws of Demand is explained by _____
    (a) Cardinal approach   (b) Ordinal approach
    (c) Both 'a' and 'b'   (d) Neither 'a' nor 'b'

40. The Laws of Demand refers to functional relation between _____
    (a) Price & supply   (b) Price & cost
    (c) Price & income   (d) Price & demand

41. The term "Ceteris Paribus" in the Laws of Demand means _____
    (a) All factors except one of remain constant   (b) All factor remain constant
    (c) All factor are variable   (d) None of the above

42. Which of the following is a variable and influencing factor in the Laws of demand?
    (a) Consumer's Income   (b) Consumer's Tastes and Preferences
    (c) Price of related goods   (d) Price of the good

43. The phrase "Other things being equal "in the Laws of Demand means_____
    (a) Income of the consumer remain unchanged
    (b) Price of related goods remain unchanged
    (c) Tastes and preference of consumer remain unchanged
    (d) All the above

44. The total effect of price change of a good is _____
    (a) Substitution Effect + Income Effect
    (b) Substitution Effect + Price Effect
    (c) Substitution Effect + Demonstration Effect
    (d) Demonstration Effect + Veblen Effect.

45. _____ refers to the effect of change in the price of a product on the consumer's purchasing power
    (a) Real Income Effect   (b) Substitution Effect
    (c) Consumer's Surplus   (d) None of the above

46. When the price of Thumbs-up falls, other things being constant, buyers substitute Thumbs-up for Coca-Cola. This is called-
    (a) Price Effect   (b) Substitution Effect
    (c) Income Effect   (d) Veblen Effect

47. _____ refers to the buyer's reaction to a change in the relative price of two products, keeping the total utility constant
    (a) Consumer's Surplus   (b) Income Effect
    (c) Substitution Effect   (d) None of the above

48. The Law of Demand can be explained by_____
    (a) The law of Diminishing Marginal utility   (b) Indifference Curves
    (c) Both 'a' and 'b'   (d) Neither 'a' nor 'b'

49. Downward slope of the demand curve shows_____
    (a) Positive relationship between price and quantity demanded
    (b) Inverse relationship between price and quantity demanded
    (c) No relationship between price and quantity demanded
    (d) None of the above

50. Law of Demand fails in case of _____
    (a) Normal goods   (b) Giffen's goods
    (c) Inferior goods   (d) Both 'b' and 'c'

51. A Giffen good is one which a small change in price results in _____
    (a) Zero income effect out weighted by a positive substitution effect
    (b) Zero income effect being equal to Zero substitution effect
    (c) Negative income effect weighed by a positive substitution effect
    (d) None of these

52. Analysis of the relationship between demand of a commodity and price of related commodities is-
    (a) Price Demand analysis   (b) Income demand analysis
    (c) Cross Demand analysis   (d) Market Demand analysis

53. _____ observed that when the price of inferior goods fall, the demand for such goods also fall.
    (a) Adam Smith   (b) Dr. Alfred Marshall
    (c) Ragnar Frisch   (d) Sir Robert Giffen

54. The tendency of low income group to imitate the consumption pattern off high income group is known as ___ effect.
    (a) Demonstration   (b) Copy (c) Prestige   (d) Veblen

55. When price changes and proportionate change in market demand is more than proportionate change in individual demand implies that the market demand curve is ___ than the individual demand curves.
    (a) Steeper (b) Flatter   (c) Vertical   (d) None of the above

56. A positively sloped demand curve implies
    (a) Violation of the law of demand
    (b) Giffen good
    (c) Income effect is negative and greater than substitution effect
    (d) All the above

57. An increase in consumer's income will increase demand for a ____ but decrease demand for a :
    (a) Substitute good; inferior good   (b) Normal good; inferior good
    (c) Substitute good; complementary good   (d) Inferior good; normal good
58. Who explained the abnormal shape of demand curve for diamonds through the doctrine of conspicuous consumption?
    (a) Thorstein Veblen   (b) Robert Giffen
    (c) David Ricardo   (d) Alfred Marshall

59. Elasticity of demand is define as the responsiveness of the quantity demanded of a good to changes in _____
    (a) Price of the commodity   (b) Price of related goods
    (c) Income of the consumer   (d) All the above

60. The concept of Elasticity of demand whenever referred unless otherwise specified always means _____
    (a) Price Elasticity of Demand   (b) Income Elasticity of Demand
    (c) Cross Elasticity of Demand   (d) All the above

61. The concept of price elasticity of demand analyses _____
    (a) Direction of change in response to change
    (b) Degree of change in response to change in price of the commodity
    (c) Absolute change in response to change in price of the commodity
    (d) None of these

62. When there is no change in quantity demanded in response to any change in price. It is a situation of _____
    (a) Infinite price elasticity   (b) Unitary price elasticity
    (c) Zero price elasticity   (d) High price elasticity

63. Price Elasticity of Demand is given by _____
    (a) Δp/Δq x q/p   (b)   Δp/(Δq) x p/q
    (c) Δq/Δp x q/p   (d)   Δq/(Δp) x p/q

64. When percentage change demand is less than percentage change in price, demand is _____
    (a) Perfectly elastic   (b)   Perfectly inelastic
    (c) Less than unitary elastic (d)   More than unitary elastic

65. When percentage change in demand is equal to percentage change in price, demand is _____
    (a) Perfectly elastic   (b)   Unitary elastic
    (c) Perfectly inelastic   (d)   More elastic

66. Price Elasticity of demand is always _____ because of _____ relationship between price and quantity demanded
    (a) Negative; inverse   (b)   Positive; direct
    (c) Negative; positive   (d)   Positive inverse

67. When there is an infinite demand at a particular price and demand becomes zero with a slight rise in the price then _____
    (a) Demand by commodity is perfectly elastic
    (b) Ed=∞
    (c) Demand curve is horizontal straight line parallel to X – axis
    (d) All the above

68. When percentage in quantity demanded is more than percentage change in price then _____
    (a) Demand of highly elastic
    (b) Ed > 1 and demand curve is flatter
    (c) Ed < 1 and demand curve is steeper
    (d) Only 'a' and 'b'

69. When demand curve is parallel to X – axis, elasticity of demand is _____
    (a) Unity   (b)   Zero (c)   Greater than unity (d)   Infinity

70. Which curve is called rectangular hyperbola?
    (a) Highly Elastic Demand Curve   (b)   Less Elastic Demand Curve
    (c) Unitary Elastic Demand Curve   (d)   None of the above

71. A demand curve is perfectly inelastic if _____
    (a) A rise in price causes a fall in quantity demanded
    (b) A fall in price causes rise in sellers total receipts
    (c) The commodity in question is very perishable
    (d) A change in price does not change quantity demanded

72. When the demand curve is vertical straight line, demand is _____
    (a) Perfectly elastic   (b)   Perfectly inelastic
    (c) Relatively elastic   (d)   Relatively inelastic

73. If the demand of a commodity is less elastic the demand curve will be_____
    (a)   Horizontal line
    (b)   Vertical line
    (c)   Downward sloping to the right, flatter
    (d)   Downward sloping to the right, steeper

74. If you spend more on rent than on soap, your price elasticity of demand for housing is likely to be :
    (a)   Greater than your price elasticity of demand for soap
    (b)   Less than your price elasticity of demand for soap
    (c)   Equal to your price elasticity of demand for soap
    (d)   None of the above

75. The demand for common salt has low price elasticity because _____
    (a)   It has no close substitute
    (b)   It is necessity
    (c)   It constitutes only a small proportion of consumer's expenditure
    (d)   All the above

76. The devaluation of currency would increase the export earing only when demand for the nation's exports in foreign market is _____
    (a)   Elastic   (b)   Inelastic   (c)   Perfectly elastic   (d)   Unitary elastic

77. Elasticity is greater than unity for _____
    (a)   Necessaries   (b)   Luxuries
    (c)   Complementary goods   (d)   Inferior goods

78. Complementary goods exhibit _____ elasticity
    (a)   Low   (b)   High   (c)   Unitary   (d)   None of the above

79. All but one of following commodities has elastic demand. Which one has inelasticity demand?
    (a)   Coca-Cola   (b)   Butter for poor person
    (c)   Cigarettes   (d)   Electricity

80. Demand is _____ in the long period than in the short period
    (a)   Less elasticity   (b)   Perfectly elastic
    (c)   Perfectly inelastic   (d)   More elastic

81. If the demand for a commodity is _____, the entire burden of indirect tax will fall on the consumer.
    (a)   Relatively inelastic   (b)   Perfectly inelastic
    (c)   Relatively elastic   (d)   Perfectly elastic

82. Which of the following helps the manager to estimate the demand of a commodity?
    (a)   Price of the commodity   (b)   Price of the substitute commodities
    (c)   Elasticity of the commodity   (d)   All the above

83. If demand is _____ then price cuts will _____ spending.
    (a) Perfectly inelastic; increase   (b) Elastic; increase
    (c) Elastic; decrease   (d) None of the above

84. Suppose the demand for Dosa at Dosa Plaza is elastic. If the owner of the restaurant is considering raising the price, it can expect relatively-
    (a) Larger fall in quantity demanded   (b) Larger fall in demand
    (c) Small fall in quantity demanded   (d) Small fall in demand

85. If a 10% rise in the price of a commodity causes the demand to fall by 20%
    (a) Demand was elastic   (b) Demand was infinitely elastic
    (c) Demand was elastic   (d) None of the above

86. On typical straight line demand curve, the elasticity of demand at a point where it meets the price axis is _____
    (a) 2   (b) 0.75   (c) 1   (d) Infinite

87. To measure price elasticity over large changes in price we use _____
    (a) Point elasticity method   (b) Arc elasticity method
    (c) Income elasticity method   (d) None of the above

88. If the demand for a good is elastic, an increase in tis price will cause the total expenditure of the consumers of the good to _____
    (a) Remain the same   (b) Increase
    (c) Decrease   (d) None of these

89. All but one are the commodities that have both utility and usefulness except _____
    (a) Pencil   (b) Notebook   (c) Tobacco   (d) Clothes

90. Utility is _____
    (a) A subjective and relative concept   (b) Morally or ethically colourless
    (c) Different from pleasure   (d) All the above

91. The utility of a commodity is _____
    (a) Its accepted social value
    (b) The extent to which it is of practical use
    (c) The face that it is wanted by some people
    (d) Its relatively scarcity

92. The cardinal approach postulates that utility can be _____
    (a) Compared   (b) Measured   (c) Ranked   (d) All the above

93. Cardinal Utility Theory is associated with _____
    (a) W.S. Jevons   (b) Dr. A. Marshall
    (c) H.H. Gossen and Walras   (d) All the above

94. Cardinal Utility approach is also known as _____
    (a)　Indifferent Curve Analysis　　(b)　Hicks and Allen Approach
    (c)　Marginal utility Analysis　　(d)　All the above

95. Marginal Utility Approach is also called _____
    (a)　Ordinal Utility Analysis　　(b)　Hicks and Allen Approach
    (c)　Cardinal Utility Analysis　　(d)　Al the above

96. Cardinal measured of utility is required in _____
    (a)　Marginal Utility Theory　　　　(b)　Indifferent Curve Theory
    (c)　Revealed Preference Theory　　(d)　None of the above

97. Which of the theories is applicable under Cardinal Approach to Utility?
    (a)　Law of Diminishing Marginal Utility　(b)　Law of Equi-Marginal Utility
    (c)　Consumer Surplus Theory　　　　(d)　All the above

98. All but one are the assumptions of the Cardinal Utility Theory. Which one is not the assumption?
    (a)　Rational Consumer　　　　　　(b)　Constant Marginal Utility of money
    (c)　Perfectly Competitive Market　　(d)　Independent Utilities

99. Which of the following assumptions ignores the presence of complementary and substitute goods in Cardinal Utility Theory?
    (a)　Rational Consumer　　　　　(b)　Constant Marginal Utility of money
    (c)　Independent Utilities　　　　　(d)　None of the above

100. The price that a consumer is ready to pay for a commodity represents the utility he is expecting from the commodity means_____
    (a)　Utility is measurable　　　　　　(b)　Utility is not measurable
    (c)　Money is the measuring rod of utility　(d)　Both 'a' and 'c'

101. Consumer makes all calculation carefully and then purchase the commodities in order to maximize his utility means consumer is _____
    (a)　Careless　　(b)　Rational　　(c)　Irrational　　(d)　Unpredictable

102. Which of the following statement regarding ordinal utility is true?
    (a)　Utility can be measured, but cannot be ranked in order of preferences
    (b)　Utility can be measured only
    (c)　Utility can neither be measured nor be ranked in order or preferences
    (d)　Utility cannot be measured, but can be ranked in order of preferences

103. Marginal utility can be stated by _____
    (a)　Additional utility derived from additional unit of a commodity
    (b)　$TU_n – Tu_{(n-1)}$
    (c)　Both A and B
    (d)　None of the above

104. Utility of a good can be termed as the _____
    (a) Monetary value a consumer gains from consuming a particular good
    (b) The difference between what a consumers is willing to pay and actually pays
    (c) The satisfaction a consumer derives from the consumption of a particular good
    (d) The desire to consume a good

105. The supply of perishable goods is___
    (a) Relatively elastic   (b) Relatively inelastic
    (c) Perfectly elastic   (d) None of the above

106. The supply function of a commodity is given by _ Q = 20 + 3 Px. If the price is ₹ 6, the quantity supplied is ___
    (a) 35 units   (b) 38 units   (c) 40 units   (d) 42 units

107. When price of a commodity falls by 20%, the quantity supplied falls by 25%, the price elasticity of supply is ____
    (a) 0.75   (b) 1.25   (c) 1.50   (d) 1.75

108. Supply is the ____
    (a) Limited resources that are available with the seller
    (b) Cost of producing a good
    (c) Entire relationship between the quantity supplied and the price of good
    (d) Willingness to produce

109. A perfectly inelastic supply curve shooting up from X – axis shows ____
    (a) Constant supply at higher price   (b) Constant supply at lower price
    (c) Constant supply at zero price   (d) All the above

110. What is incorrect about advertisement elasticity?
    (a) It is the responsiveness of good's demand to changes in firm's expenditure on advertising
    (b) It is also called promotional elasticity of demand
    (c) Advertising elasticity of demand is typically positive
    (d) ~~All the above~~

111. All but one are correct about demand forecasting. Which one is not correct?
    (a) Demand forecasting is the art and science of predicting probable demand of a product in future
    (b) Demand forecasting is a simple guesses
    (c) It considers past behaviour pattern and prevailing trends in the present
    (d) Demand forecasting plays an important role in planning and decision making

112. The burden of forecasting is put on customers in ____ method of demand forecasting
    (a) Survey of buyers intention   (b) Collective opinion
    (c) Expert opinion   (d) Controlled experiments

113. Delphi technique was developed by _____
     (a)   Schumpeter   (b)   Nichols Kaldor
     (c)   Olaf Hamler   (d)   Hawtrey

114. _____ method of forecasting is useful in use of capital goods.
     (a)   Collective opinion   (b)   Expert opinion
     (c)   Barometric   (d)   Survey of buyer's intention

115. Consider demand function Q = 100 – 0.5 P. The inverse function is :
     (a)   P = 200 – 2Q   (b) $\frac{1}{100-0.5P}$ (c) $\frac{100-0.5P}{Q}$ (d)   None

116. Price of blue jeans and demand for black jeans are shown by diagram as
     (a)   Downward sloped   (b)   Parallel to horizontal axis
     (c)   Upward sloped   (d)   none

117. Which of the following could provide an example of exceptional demand curves?
     (i)   Demand for "Giffen goods".
     (ii)   Demand based on fears of a future rise in Prices
     (iii) Demand for second – hand clothes
     (iv)   Demand for daily newspapers.
     (a)   I only   (b)   I, ii and iii   (c)   ii and iii   (d)   I, ii, iii and iv

118. If two commodities are substitutes a change in the price of one, ceteris parivus, causes a change in the quantity purchased of the other.
     (a)   In the same direction.   (b)   In an insignificant manner
     (c)   In the opposite direction   (d)   None

119. The price elasticity of demand for cake is:
     (a)   The change in the quantity demanded of cake when cake increases by 60 paisa per rupee.
     (b)   The percentage increase in the quantity demanded of cake when the price of cake falls by a percent per rupee.
     (c)   The increase in the demand for cake when the price of cake falls by 10 percent per rupee.
     (d)   The decrease in the quantity demanded of cake when the price of cake falls by 1 percent per rupee.

120. A business firm recently decreased price by 50%, assuming no other change & if elasticity of demand is unitary, total revenue will -
     (a)   Double   (b)   Increase by 50%
     (c)   Remain unchanged   (d)   Decrease by 50%

121. Name the economists who develop marginal utility theory & indifference curve theory:
     (a)   Hicks, Samuleson   (b)   Marshall, Robins
     (c)   Marshall, Hicks   (d)   Hicks & Allen

122. The statement A = B = 80 utility implies :
     (a)   An ordinal approach   (b)   A cardinal approach
     (c)   Both a & b.   (d)   None

123. Find out Total Utility for 4 units of goods when quantity demanded are 1,2,3,4,5 with respective Marginal utilities as 5,4,3,2,1
     (a)   4 units   (b)   14 units   (c)   15 units   (d)   None

124. Assume that utility can be measured in rupees. From the utility schedule, find how many cakes the consumer would consume at the price of ₹ 9 per cake:

Cakes.	1	2	3	4	5
Total Utility	30	45	54	59	59

(a) 4   (b) 3   (c) 2   (d) 5

125. Consumer's surplus is :
(a) What is the price before discount minus what a consumer actually pays.
(b) What a consumer is ready to pay minus what he actually pays.
(c) Free gifts received by consumers on purchase of any commodity.
(d) None.

126. Maximum consumer surplus arises on _____ of the commodity consumed.
(a) First unit   (b) 2nd unit   (c) All units   (d) All except last unit

127. Consumer has no consumer surplus on _____ of the commodity consumed.
(a) First unit   (b) 2nd unit   (c) All units   (d) Last unit

128. Consumer surplus arises because:
(a) Consumer has lot of money
(b) Quality of different units of the same commodity differs.
(c) Consumer receives more than what he pays for.
(d) None

129. Consumer surplus is the difference between:
(a) Price demanded & price paid.
(b) Price Quoted & price actually paid.
(c) Price that a consumer is willing to pay & the price actually paid.
(d) None.

130. Consumer surplus is best described as:
(a) Extra Utility   (b) Price paid
(c) Sacrifice & commodities.   (d) All of the above.

131. Consumer's surplus is the highest in the case of:
(a) Necessities   (b) Comforts
(c) Luxuries   (d) Conventional necessities.

132. The concept consumer surplus is useful :
(a) In monetary policy   (b) In investment policy
(c) In fixing remuneration of the factors.   (d) In tax policy

133. Marginal utilities of goods A & B are 600 & 900 and the price of good B is ₹ 120. If the consumer is in equilibrium the price of good A is :
(a) ₹ 60   (b) ₹ 70   (c) ₹ 80   (d) ₹ 90

134. MU_x = 300, P_x = Rs. 12, P_y = ₹ 30, MU_y _____
(a) 350   (b) 700   (c) 550   (d) 750

CHAPTER 3 - THEORY OF PRODUTION AND COST

1. The term production in economics means_____
    (a) Creation of physical product only   (b) Rendering of a service only
    (c) Creation of economic utilities   (d) None of the above

2. Which of the following is considered production in economics?
    (a) Singing a song in a birthday party   (b) Run for fun
    (c) Giving tuitions   (d) Helping an old man to cross road

3. Making use of personal skill of doctors, lawyers, actors, etc. results in the creation of ____
    (a) Form utility   (b) Place utility
    (c) Personal/service utility   (d) Time utility

4. Which of the following can be considered as labour in economics _____
    (a) Singing for pleasure   (b) A teacher teaching his own child at home
    (c) Looking after, a sick friend (d) A teacher teaching in school

5. Land in economics means_____
    (a) Material and non-material goods
    (b) Minerals under the surface of earth
    (c) All natural resources available to man for producing wealth
    (d) All the above

6. Supply curve of labour is _____
    (a) Upward sloping   (b) Horizontal
    (c) Backward bending   (d) Vertical

7. Income effect when wages rises means
    (a) Work hours rise   (b) Work hours fall
    (c) Work hours remain constant   (d) Work hours first fall and then rise

8. Which of the following statements is not true?
    (a) Capital is a produced means a production
    (b) Capital is a man made instrument of production
    (c) Capital is a primary factor of production
    (d) Machine tools, factories, dams, canals, etc. are example of capital

9. Tools, machines, etc. are included in _____
    (a) Circulating capital   (b) Fixed capital
    (c) Sunk capital   (d) Human capital

10. The capital belongs to the society as a whole is called_____
    (a) Individual capital   (b) Human capital
    (c) Social capital   (d) Floating capital

11. Raw Material is an example of _____
    (a) Circulating capital   (b) Fixed capital
    (c) Tangible capital   (d) Real capital

12. Which capital includes education, training, skill, ability?
    (a) Human capital   (b) Individual capital
    (c) Social capital   (d) Real capital

13. Goodwill, patent right, etc. are example of _____
    (a) Tangible capital   (b) Real capital
    (c) Intangible capital   (d) Human capital

14. Which of the following statements is true?
    (a) Capital Formation involves production of more capital goods
    (b) Capital formation is also called investment
    (c) To accumulate capital goods, some current consumption is to be sacrificed
    (d) All the above

15. Surplus of production over consumption in an economy in a year is called_____
    (a) Capital   (b) Capital formation   (c) Stock   (d) Savings

16. The third stage of capital formation is _____
    (a) Creation of savings   (b) Mobilization of savings
    (c) Distribution of savings   (d) Investment of savings

17. An individual saving level depends upon _____
    (a) Ability to save   (b) Willingness to save
    (c) Both 'a' and 'b'   (d) Only 'a'

18. The factor which mobilize land, labour and capital; combines them in the right proportion and then organizes the production activity is _____
    (a) Owner   (b) Labour   (c) Manger   (d) Entrepreneur

19. The reward of all factors of production is usually pre-determined (pre-fixed) except _____
    (a) Land   (b) Labour   (c) Capital   (d) Entrepreneur

20. The risks which can be anticipated and can be insured against are called _____
    (a) Insurable risks   (b) Non-insurable risks
    (c) Unforeseeable risks   (d) None of the above

21. The risk like change in demand for a commodity, the cost structure, fashion, technological, etc. which an entrepreneur has to bear are called_____
    (a) Uncertainties   (b) Insurable risks
    (c) Foreseeable risk   (d) Both 'a' and 'c'

22. According to _____ innovations introduced by an entrepreneur give rise to profits.
    (a) Prof. F.H. Knight   (b) Prof. Joseph A. Schumpeter
    (c) Prof. Paul Samuelson   (d) Dr. Alfred Marshall

23. Which of the following statement is incorrect?
    (a) Mobilization of savings is done through network of banking and other financial institutions
    (b) Land lacks geographical mobility but has occupational mobility
    (c) Entrepreneur is also called the organizer, the manager or the risk taker
    (d) Labour can be stored

24. Leather in a shoe factory is _____
    (a) Fixed capital   (b) Sunk capital
    (c) Floating Capital   (d) Circulating capital

25. Capital that can be used for several purposes or by several industries is _____
    (a) Working capital   (b) Social capital
    (c) Floating capital   (d) Human capital

26. Addition to the stock of capital goods in a country means _____
    (a) Capital reduction   (b) Investment
    (c) Capital formation   (d) Both (b) & (c)

27. Find the odd out _____
    (a) Capital is man-made   (b) All capital is wealth
    (c) Capital is durable   (d) Mobilization of saving

28. Consider the following group of items:
    (a) Factory building   (b) Plant and machinery
    (c) Stocks of raw material   (d) Wage bills
    Which of these are known as working capital?
    (a) 1 and2   (b) 3 and 4   (c) 1, 2, and 3   (d) 2, 3, and 4

29. The production function means relationship between
    (a) Cost of input   (b) Cost of output
    (c) Physical input to physical output (d) Wages of profit

30. A production function is an expression of _____ relation between inputs and outputs
    (a) Monetary   (b) Economic   (c) Quantitative   (d) Qualitative

31. A short run production function is one in which_____
    (a) At least one factor is fixed   (b) All factor are fixed
    (c) All factor are variable   (d) At least one factor is variable

32. Technically efficient combination of inputs of those which _____
    (a) Minimizes wastage   (b) Maximizes profits
    (c) Minimizes cost   (d) Maximizes revenue

33. In the short period there is no change in _____ factor
    (a) Fixed   (b) Variable   (c) Human   (d) Physical

34. In the _____ period all factor are variable
    (a) Short   (b)   Long   (c)   Market   (d)   Secular

35. In its original for Cobb-Douglas production function applies to _____
    (a) Individual manufacturing firm   (b)   Individual firm
    (c) Whole of manufacturing in US   (d)   None of the above

36. Cobb-Douglas production function revealed that the increase in the manufacturing production was contributed by labour and capital respectively by _____
    (a) 3/4th and 1/4th (b)   1/4th and 3/4th
    (c) 2/3rd and 1/3rd   (d)   None of the above

37. Cobb-Douglas production-
    (a) Is liner   (b)   Is homogenous
    (c) Shows constant returns to scale   (d)   All the above

38. Cobb-Douglas production function exhibits _____ returns to scale
    (a) Increasing   (b)   Diminishing   (c)   Constant   (d)   Negative

39. $50x = f (5L, 4\bar{k})$
    $55x = f (6L, 4\bar{k})$
    The above equation shows that –
    (a) One factor is fixed and another variable
    (b) Both factors are fixed
    (c) Both factors are variable
    (d) Both factors are semi-variable

40. The main difference between the short period/run and the long period/run is that _____
    (a) In the short period all inputs are fixed, while in the long period all inputs are variable
    (b) In the short run at least one input is fixed
    (c) In the short run firm varies the quantities of all inputs
    (d) In the long run, the firm uses the existing plant capacity

41. The law of variable proportions is a law of production which takes place in the _____
    (a) Market period   (b)   Short run   (c)   Long run   (d)   Very long period

42. All but one are the assumption of the law of variable proportions. Which one is not?
    (a) There is only one factor which is variable
    (b) All units of variable factor are homogenous
    (c) State of technology remains constant
    (d) Applies in long run

43. When there is a fixed factor and a variable factor, then the law would be_____
    (a) Law of increasing returns to scale   (b)   Law of constant returns to scale
    (c) Law of decreasing returns to scale   (d)   Law of variable proportions.

44. The total quantity of goods and services produced by a firm with the given inputs during a specified period of time is called _____
    (a) Total Product (b) Average Product
    (c) Marginal Product (d) Labour Product

45. The change in TP resulting from the employment of an additional unit of a variable factor is called _____
    (a) Total Product (b) Marginal Product
    (c) Average Product (d) All the above

46. The average product of a variable input can be describe as _____
    (a) Total product divided by the number of units of variable input
    (b) Additional output resulting from employment of additional unit of variable factor
    (c) The total quantity of goods produced with all inputs
    (d) None of the above

47. Initially TP curve increases at an _____
    (a) Increasing rate (b) Diminishing rate
    (c) Constant rate (d) Maximum rate

48. AP curve is _____
    (a) U-shaped (b) S-shaped
    (c) Inverted U-shaped (d) Inverted S-shaped

49. MP Curve is the slope of _____ at each point
    (a) AP curve (b) TP curve (c) TR curve (d) AR curve

50. When TP is maximum, MP is _____
    (a) Rising (b) Falling (c) Zero (d) Negative

51. When TP is falling, MP is _____
    (a) Zero (b) Rising (c) Negative (d) Falling

52. MP curve is _____
    (a) U-shaped (b) S-shaped
    (c) Inverted U-shaped (d) Inverted S-shaped

53. When TP is maximum, the slope of TP curve is _____
    (a) Rising (b) Falling (c) Constant (d) Zero

54. MP is positive so long as TP is _____
    (a) Increasing (b) Decreasing (c) Maximum (d) Negative

55. When TP is rising
    (a) AP and MP are rising
    (b) AP and MP are falling
    (c) AP and MP may be either rising or falling
    (d) Only MP is either rising or falling

56. When MP is negative_____
    (a) TP and AP are falling   (b) TP and AP are rising
    (c) TP and AP are constant   (d) Only TP is falling

57. When MP is at a Maximum _____
    (a) AP = MP and TP is rising   (b) AP < MP and TP is rising
    (c) AP > MP and TP are rising   (d) AP and TP are falling

58. If MP goes on increasing, it should be understood that law of _____ is applying
    (a) Increasing returns   (b) Decreasing returns
    (c) Constant returns   (d) Diminishing returns

59. If MP goes decreasing it should be understood that law of _____is not operational
    (a) Decreasing cost   (b) Constant cost
    (c) Average cost   (d) Increasing cost

60. When MP is falling, TP will increases at the _____ rate
    (a) Constant   (b) Increasing   (c) Diminishing (d) Normal

61. When Average product is maximum, marginal product is equal to _____
    (a) Total product (b) Zero   (c) One   (d) Average product

62. MP Curve cuts AP curve from _____
    (a) Its top   (b) Below
    (c) Both 'a' and 'b'   (d) Neither 'a' nor 'b'

63. The marginal product is maximum at the _____
    (a) Equilibrium point   (b) Inflection point
    (c) Focal point   (d) Optimum point

64. The stage of production where the marginal product is greater than the average product is _____
    (a) Stage if increasing returns   (b) Stage of diminishing returns
    (c) Stage of negative returns   (d) Stage of constant returns

65. Which of the following statements reveal the diminishing returns?
    (a) The MP of a factor is constant
    (b) The MP of a factor is positive and rising
    (c) The MP of a factor is falling and negative
    (d) The MP of a factor is positive but falling

66. The MP curve is above the AP curve when the average product _____
    (a) Is constant   (b) Is falling   (c) Is increasing (d) Is negative

67. The actual stage of production under the law of variable proportion is _____
    (a) Stage of increasing returns   (b) Stage of diminishing returns
    (c) Stage of negative returns   (d) Stage of either increasing or diminishing returns

68. Reason for rise in both AP and MP curve is _____
    (a) Under utilization of the fixed factor
    (b) Under utilization of the variable
    (c) Over utilization of the fixed factor
    (d) Over utilization of the variable

69. When AP and MP curve are falling, MP curve falls _____
    (a) At a faster rate   (b) At a lower rate
    (c) At a normal rate   (d) At constant rate

70. When AP and MP curve are rising, AP curve _____
    (a) Lies above the MP curve   (b) Lies below the MP curve
    (c) Co-inside with the MP curve   (d) None of the above

71. The reason for increasing returns to factor is _____
    (a) Indivisibility of fixed factor   (b) Division of labour
    (c) Specialization   (d) All the above

72. AP increases so long as _____
    (a) MP > AP   (b) MP < AP   (c) MP = AP   (d) MP is zero

73. AP may continue to _____ even when MP starts declining
    (a) Rise   (b) Fall   (c) Remain constant (d) Fluctuate

74. MP Curve cuts AP curve from its top, this means _____
    (a) MP <AP   (b) MP > AP   (c) MP is rising   (d) MP is zero

75. Increasing MP implies TP is increasing at _____
    (a) Increasing rate   (b) Constant rate
    (c) Diminishing rate   (d) Fluctuating rate

76. MP of labour becoming negative implies _____
    (a) Excessive employment   (b) Disguised unemployment
    (c) Over exploitation   (d) All the above

77. TP starts declining only when _____
    (a) MP is rising   (b) MP is falling
    (c) MP is negative   (d) MP is constant

78. A right – angled isoquant denotes that the _____
    (a) Two factors are perfect substitute of each other
    (b) Two factor are imperfect substitute of other
    (c) Two factor are perfect complements
    (d) Position between perfect substitutes and perfect complements

79. The MRTS xy is constant if two factors are _____
    (a)   Perfect substitutes   (b)   Perfect complements
    (c)   Imperfect substitutes   (d)   Imperfect complements

80. MRTSxy =
    (a) $\Delta y/\Delta x$ (b)   MPx/MPy   (c) $\Delta y/\Delta x$ = MPx/MPy   (d)   All the above

81. Increasing MRTSxy could happen only when the _____ operate
    (a)   Law of increasing returns   (b)   Law of diminishing returns
    (c)   Law of constant returns   (d)   Law of negative returns

82. Convexity of an isoquant denotes that the two factors are _____ of each other
    (a)   Perfect complements   (b)   Imperfect complements
    (c)   Perfect substitute   (d)   Imperfect substitutes

83. In order to increases output, if both inputs must be increased in fixed proportion, it follow
    that the inputs are _____ of each other.
    (a)   Perfect substitutes   (b)   Perfect complements
    (c)   Imperfect substitutes   (d)   Imperfect complements

84. _____ is the locus of various combinations of two inputs which a producer can buy
    with the given outlays and the prices of two inputs
    (a)   Iso cost line   (b)   Opportunity cost line
    (c)   Production line   (d)   Profit line

85. Iso cost line also known as _____
    (a)   Outlay line   (b)   Price line
    (c)   Producer's budget line   (d)   All the above

86. The iso-cost line in production optimization is _____
    (a)   Vertical straight line
    (b)   Straight line sloping upward toward right
    (c)   Straight line sloping downwards toward right
    (d)   Horizontal straight line

87. The slope of isocost line with factor 'Y' on the vertical axis and factor 'X' on the horizontal
    axis is-
    (a)   Py/Px   (b)   X/Y   (c)   y/x   (d)   Px/Py

88. Where the slope of isocost = the slope of isocost line, it is the _____ combination of
    inputs
    (a)   Maximum cost   (b)   Least cost
    (c)   Balanced cost   (d)   Cost-production

89. MRTSxy = $\Delta y/\Delta x$=(MPx)/MPy=Px/Py where,
    (a)   Consumer is in equilibrium   (b)   Consumer is not in equilibrium
    (c)   Producer is in equilibrium   (d)   Producer is not in equilibrium

90. If there is perfect substitution between two factors of production the shape of iscoquant is _____

    (a) Linear   (b) Non-linear
    (c) Positively sloped   (d) Right angled

91. Condition for the producer's equilibrium is _____
    (a) Isoquant should be tangent to the isocost line
    (b) At tangency point, isocost should be convex to origin
    (c) MPx/Px= MPy/Py
    (d) All the above

92. Technically efficient combinations of inputs is those which _____
    (a) Minimizes cost   (b) Minimizes loss
    (c) Maximizes profits   (d) Maximizes revenue

93. Internal economies and diseconomies of scale occurs due to _____ causes.
    (a) Endogenous   (b) Exogenous   (c) Internal   (d) External
    (a) 1 and 2   (b) 3 and 4   (c) 1 and 3   (d) 2 and 4

94. External economics and diseconomies of scale occurs due to _____
    (a) Endogenous   (b) Exogenous   (c) Internal   (d) Both (b) and (c)

95. When a firm's dependence on external sources of funds increase and it finds difficulty to repay, it is a case of _____
    (a) Financial diseconomies   (b) Financial economies
    (c) Managerial diseconomies   (d) Technical diseconomies

96. From the following find out AP and MP of 4th unit of Labour.

Labour	0	1	2	3	4	5
TP of Labour	0	15	35	50	40	48

    (a) 15;15   (b) 10 ; 15   (c) 10 ; -15   (d) 10; - 10

97. Cost is a _____ function
    (a) Direct   (b) Derived
    (c) Both direct and derived   (d) None of the above

98. _____ costs related to those costs which involves cash payment by the entrepreneur of the firm
    (a) Accounting   (b) Marginal   (c) Economic   (d) Implicit

99. Economic cost includes
    (a) Accounting cost + Explicit cost   (b) Accounting cost + Implicit cost
    (c) Fixed cost + Variable cost   (d) Accounting cost + direct Cost

100. _____ cost are the value foregone opportunities that do not involve any contractual obligation of cash payment
   (a) Explicit   (b) Implicit   (c) Accounting (d) Hidden

101. _____ includes all payments made to factors of production and opportunity cost
   (a) Accounting costs   (b) Economic costs
   (c) Implicit costs   (d) Explicit costs

102. An entrepreneur must recovered his _____ cost if he wants to earn normal and abnormal profits
   (a) Accounting   (b) Implicit   (c) Economic   (d) All the above

103. Which of the following are implicit costs?
   (a) A shop taken on rent by entrepreneur
   (b) Savings invested to start business
   (c) An individual is both owner and manager of business
   (d) A farmer takes a farm on rent
   (a) 1 and 2   (b) 3 and 4   (c) 2 and 3   (d) 1 and 4

104. Which of the following are explicit cost?
   (a) A producer borrows money to start a factory
   (b) A producer invest his savings to start a factory
   (c) Wages paid to workers
   (d) An individual is both owner & manager of business
   (a) 1 and 2   (b) 3 and 4   (c) 1 and 3   (d) 2 and 4

105. The difference between Economic Cost and Accounting Cost is equal to _____
   (a) Implicit cost   (b) Explicit cost
   (c) Marginal cost   (d) None of the above

106. Explicit costs are known as _____
   (a) Accounting cost   (b) Outlay cost
   (c) Out-of-Pocket costs   (d) All the above

107. Opportunity cost refer to _____
   (a) Money expenses incurred on purchasing or hiring factor, services
   (b) The next best alternative
   (c) Involving cash payment
   (d) All the above

108. The cost of one thing in terms of the alternative given up is known as _____
   (a) Production cost   (b) Accounting cost
   (c) Opportunity cost   (d) Real cost

109. Opportunity costs are a result of _____
   (a) Abundance of resources   (b) Scarcity of resources
   (c) Technology obsolescence   (d) Cost control

110. Accounting process recognizes _____
   - (a) Direct costs
   - (b) Indirect costs
   - (c) Only direct costs
   - (d) Both direct and indirect costs

111. The function which gives least cost combinations of inputs corresponding to different levels of output is called_____
   - (a) Production function
   - (b) Demand function
   - (c) Cost function
   - (d) Supply function

112. Cost function are derived from _____
   - (a) Demand function
   - (b) Supply function
   - (c) Isoquant function
   - (d) Production function

113. _____ refers to the functional relationship between cost of a product and the various determinants of cost.
   - (a) Cost function
   - (b) Isoquant function
   - (c) Production function
   - (d) Supply function

114. Which one of the following is the dependent variable in a cost function?
   - (a) Level of capacity utilization
   - (b) Lot size of output
   - (c) Scale of operations
   - (d) Total cost

115. The functional relationship between output and the long – run cost of production is called _____
   - (a) Cost function
   - (b) Production function
   - (c) Lon-run Cost function
   - (d) Long-run production function

116. A cost function determines the behaviour of cost with change in _____
   - (a) Output   (b) Input   (c) Technology   (d) Wages

117. Increase in the size of as firm and tis production capacity determines_____
   - (a) Short-run production function
   - (b) Long –run production function
   - (c) Fixed production function
   - (d) No one of the above

118. When a firm operates with a given scale of production it affects the _____
   - (a) Long-run production function
   - (b) Fixed production function
   - (c) Short-run production function
   - (d) All the above

119. Find the odd one _____
   - (a) Output
   - (b) Price of raw-materials
   - (c) Time period
   - (d) Total cost

120. The costs which do not change with the level output are called:
   - (a) Supplementary cost
   - (b) Money costs
   - (c) Overhead costs
   - (d) Prime cost
   - (a) 1 & 2   (b) 2 & 3   (c) 1 & 3   (d) 1, 2, 3 & 4

121. Fixed costs includes _____
    (a)   Historical costs   (b)   Explicit costs
    (c)   Implicit costs   (d)   Both 'b' and 'c'

122. At zero level of output _____ cost can never be zero
    (a)   Variable   (b)   Fixed   (c)   Direct   (d)   Real

123. _____ costs are incurred even before production starts
    (a)   Fixed   (b)   Variable   (c)   Real   (d)   Marginal

124. At zero level of output Fixed Cost must be greater than Variable Cost
    (a)   False   (b)   Partially True   (c)   True   (d)   None of the above

125. Variable Costs are a function of _____
    (a)   Time   (b)   Output   (c)   Both time and output   (d)   All the above

126. _____ costs are directly or positively related to output
    (a)   Fixed   (b)   Stair –step   (c)   Semi-Variable   (d)   Variable

127. When production level is zero, then fixed cost is _____
    (a)   Zero   (b)   Negative   (c)   Positive   (d)   Equal to variable cost

128. Individual's saving level depends on:
    (a)   Income   (b)   Inflation
    (c)   Ability and willingness to save   (d)   Government Policy

129.   Which production function shows short run features
    (a) $Q = K^2 + L^2$ (b) $Q = \sqrt{K^2} + \sqrt{L^2}$
    (c) $Q = \overline{2K} + 3L + 4L^2$ (d)   None

130. The production process is :
    (a)   Technical relationship between physical inputs & physical output.
    (b)   Relationship between fixed factor of production & variable factors of production.
    (c)   Relationship between a factor of production & the utility created by it.
    (d)   Relationship between quantity of output produced & time taken to produce the output.

131. Laws of production does not include _____
    (a)   Returns to scale   (b)   Law of diminishing returns to a factor
    (c)   Law of variable proportion   (d)   Least cost combination of factors

132. Labour is defined as _____
    (a)   Any work done without remuneration.
    (b)   Any exertion of mind or body to get some reward.
    (c)   Helping mother
    (d)   Helping friends

133. Economies of scale means:
     (a) Reduction in unit cost of production
     (b) Reduction in unit cost of distribution
     (c) Addition to the unit cost of production
     (d) Reduction in the total cost of production

134. In electricity generation plants, When the plant grows too large, risks of plant failure with regards to output increases disproportionately. This leads to
     (a) Constant Returns to Scale
     (b) Increasing Returns to Scale
     (c) Diminishing Returns to Scale
     (d) Balanced Returns to scale

135. In the long run, if a very small factory were to expand its scale of operating, it is likely that it would initially experience
     (a) An increase in pollution level
     (b) Diseconomies of scale
     (c) Economies of scale
     (d) Constant returns to scale

136. Slope of Isoquant is :
     (a) $\dfrac{MPL}{MPK}$
     (b) $\dfrac{w}{r}$
     (c) $-\dfrac{MPL}{MPK}$
     (d) Both (a) and (c)

137. Total cost is given in short-run as summation of
     (a) AVCXQ and AFC
     (b) TFC & AVC
     (c) AFCXQ and AVCXQ
     (d) None

138. Shape of TVC curve is
     (a) Upward sloped
     (b) Inverted 'U' shaped
     (c) Inverted 'S' shaped
     (d) None

139. Which of the following statements is false?
     (a) Marginal cost is equal to the rate of change in variable costs
     (b) MC is the same whether it is computed from TVC or from TC
     (c) If AC is above MC, MC must be rising
     (d) Marginal cost is 'U' shaped due to Law of variable proportion

140. Minimum marginal cost occurs at the output where
     (a) The total product is at a maximum
     (b) The marginal product of the variable factor is at a maximum
     (c) The factors are combined in their best possible proportions
     (d) The average product of the variable factors is at a maximum

141. When average cost is falling, marginal cost
     (a) May also be falling
     (b) May be rising
     (c) May be rising & falling
     (d) Has no relation with average cost

142. "U" shaped AC Curve is based on
     (a) Law of increasing cost
     (b) Law of constant returns to scale
     (c) Law of diminishing cost
     (d) Law of variable proportion

143. Which of the following curve is never "U" shaped
     (a) Average variable cost
     (b) Average fixed cost
     (c) Average cost
     (d) All

144. In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience :
    (a)   An increase in pollution level.   (b)   Economies of scale
    (c)   Diseconomies of scale   (d)   Constant returns to scale

145. Long run does not have :
    (a)   Average cost   (b)   Fixed cost   (c)   Total cost   (d)   Variable cost

146. Cost function TC = 500 + 100Q – 0.25Q3.
    If the current output is 100 unit, AFC is
    (a)   ₹ 500   (b)   ₹ 10   (c)   ₹ 5   (d)   ₹ 100

147. A firm's average fixed cost is Rs. 40 at 12 units. What will be the average fixed cost at 8 units.
    (a)   ₹ 60   (b)   ₹ 70   (c)   ₹ 80   (d)   ₹ 90

148. Calculate total cost of four units:

Units	Total cost	Marginal Cost
2	80	40
4	—	30

    (a)   140   (b)   120   (c)   50   (d)   40

149. Find out TVC for two units

Output	0	1	2
Total cost	20	37	50

    (a)   15   (b)   5   (c)   17   (d)   30

150. AFC = ₹ 20, Quantity produced = 10 units. What will be the AFC of 20th Units?
    (a)   10   (b)   20   (c)   5   (d)   None

151. Find out Marginal cost of 67 units of production.

Output	0	10	25	37	67
Total cost	160	200	300	500	1400

    (a)   10   (b)   20   (c)   30   (d)   50

Read the following & answer question 126,127,128
Raj owns a small potters factory. He can make 1,000 pieces of pottery per year & sell them for ₹ 100 each. It costs Raj ₹ 20,000 for the raw materials to produce the 1000 pieces of pottery. He has invested ₹ 100,000 in his factory & equipment; ₹ 50,000 from his savings & ₹ 50,000 borrowed at 10% (Assume that he could have loaned his money out at 10% too). He can work at a competing pottery factory for ₹ 40,000 per year.

152. The accounting cost at Raj's pottery factory is :
    (a)   ₹ 25000   (b)   ₹ 50,000
    (c)   ₹ 80,000   (d)   ₹ 75,000

153. The economic cost at Raj's factory is :
     (a) ₹ 75000   (b)   ₹ 70000
     (c) ₹ 80000   (d)   ₹ 30000

154. The accounting profit at Raj's pottery factory is
     (a) ₹ 30000   (b)   ₹ 50000
     (c) ₹ 80000   (d)   ₹ 75000

155. A firm has a variable cost of Rs.1,000 at 5 units of output. If fixed costs are Rs.400, what will be the average total cost at 5 unit of output?
     (a) ₹ 250   (b)   ₹ 60   (c)   ₹ 120   (d)   None

156. Ramesh inherited 1 acre of land from his grandfather who paid ₹ 10,000 cash for the land back in 1961. Today, land in the area sells for ₹ 2,00,000 per acre. What is the opportunity cost to Ramesh for keeping the land?
     (a) Nothing, since the land was inherited.
     (b) Nothing, since the grandfather paid cash.
     (c) ₹ 1,90,000, since this is what is the difference.
     (d) ₹ 2,00,000, since this what Ramesh is giving up by keeping the land.

157. Find out AVC for 20 unit of output

Output (unit)	Total cost (₹)
0	100
10	200
20	290
30	390

     (a) 9.6   (b)   9.5   (c)   2.9   (d)   None

158. TR minus total explicit cost called____
     (a) Profit   (b)   Economic profit
     (c) Super normal profit   (d)   Accounting Profit

CHAPTER 4 - PRICE DETERMINATION IN DIFFERENT MARKET

1. The basic behavioural principle which apply to all market conditions _____
    (a)   A firm should product only if its TR ≥ TVC
    (b)   A firm should produce at a level where its MC= MR
    (c)   MC curve cuts the MR curve from below
    (d)   All the above

2. Total revenue can be found out by_____
    (a)   AR x q   (b) $\dfrac{TR}{q}$ (c) $\dfrac{AR}{dxq}$ (d) $\dfrac{\Delta TR}{\Delta y}$

3. When marginal revenue is zero, total revenue will be_____
    (a)   Lowest   (b)   Highest   (c)   Negative   (d)   Zero

4. If MR < 0, then the TR will be _____
    (a)   Rising   (b)   Highest   (c)   Falling   (d)   Zero

5. The change in the total revenue that results from a one unit change in sales is _____
    (a)   Total revenue   (b)   Marginal revenue
    (c)   Average revenue   (d)   None of the above

6. The revenue per unit of one commodity sold is called as _____
    (a)   Total revenue   (b)   Marginal revenue
    (c)   Average revenue   (d)   None of the above

7. AR can be found out by the formula_
    (a)   TRn-TRn-1   (b) $\dfrac{\Delta TR}{\Delta q}$ (c)   MR x q   (d) $\dfrac{TR}{q}$

8. If a producer sells 4 units of a good at Rs 10 per unit and 5 units at Rs 8 per uint, marginal revenue would be __
    (a)   0   (b)   1   (c)   2   (d)   3

9. $\dfrac{P \times Q}{Q}$ represents-
    (a)   Total revenue   (b)   Marginal revenue
    (c)   Average revenue   (d)   Price
   (a)   1 & 3   (b)   2 & 4   (c)   2 & 3   (d)   3 & 4
    Use the following figure to answer questions
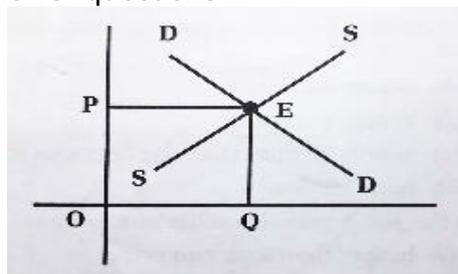
10. In the figure above at the equilibrium point E _____
    (a) Demand I more than supply   (b) Supply is more than demand
    (c) Demand and supply are equal   (d) None of the above

11. When demand and supply increase equally, then _____
    (a) Both equilibrium price and equilibrium quantity remain unchanged.
    (b) Both equilibrium price and equilibrium quantity increase
    (c) Equilibrium price remains unchanged but equilibrium quantity increase
    (d) Equilibrium price changes but equilibrium quantity remains unchanged

12. If increase in demand is more than increase in supply then _____
    (a) Equilibrium price will fall but equilibrium quantity will increase
    (b) Equilibrium price will increase but Equilibrium quantity will decrease
    (c) Both Equilibrium price and Equilibrium quantity will increase
    (d) Both Equilibrium price and Equilibrium quantity will decrease

13. When demand increase equilibrium price will increase only if _____
    (a) Supply also increases   (b) Supply also decreases
    (c) Supply remain same   (d) If the elasticity remains the same

14. The equilibrium price remains constant only if demand and supply
    (a) Increase unequally   (b) Decrease unequally
    (c) Increase equally   (d) None of the above

15. The price will decrease if demand remains same and _____
    (a) Supply increases   (b) Supply decreases
    (c) Supply is more than the previous level   (d) None of these

16. The inter – action of market demand and supply curve determines the _____
    (a) Equilibrium price   (b) Reserve price
    (c) Both a & b   (d) None of these

17. Uniform price for homogeneous product at any one time is the essential condition of _____
    (a) Monopolistic competition   (b) Oligopoly
    (c) Perfect competition   (d) Duopoly

18. For maximizing profit, the condition is _____
    (a) AR = AC   (b) MR = AR   (c) MR = MC   (d) MC = AC

19. MC = MR = AR means equilibrium position of a firm _____
    (a) In the long period
    (b) In the short period under imperfect competition
    (c) In the short period under perfect competition
   (d) Under perfect competition

20. Under perfect competition _____
    (a) MC = Price   (b) MC > Price   (c) MC < Price   (d) None of these

21. An increase in demand for a commodity causes _____
    (a) An increase in equilibrium price   (b) An increase in equilibrium quantity
    (c) Both a & b   (d) None of these

22. The demand curve of a commodity faced by a competitive firm is _____
    (a) Very elastic   (b) Perfectly inelastic
    (c) Very inelastic   (d) Perfectly elastic

23. In the short period, a perfectly competitive firm earns _____
    (a) Normal profit   (b) Super normal profit
    (c) Can incur losses   (d) All the above

24. The following figure shows that _____
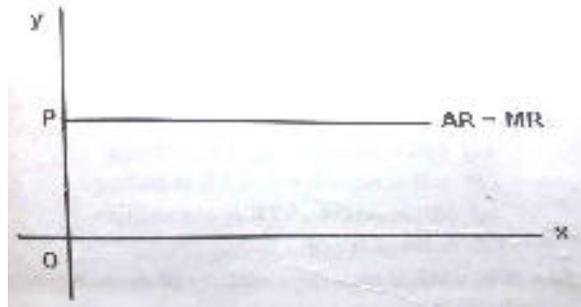
    (a) A firm is a price marker   (b) A firm is price taker
    (c) An industry is price taker   (d) None of these

25. The figure above shows that the firm belong to _____
    (a) Imperfect competitive market   (b) Monopoly
    (c) Oligopoly   (d) Perfectly competitive market

26. The firm's short run supply curve is its marginal cost curve above its average variable cost curve is correct about _____
    (a) Perfectly competition   (b) Oligopoly
    (c) Monopoly   (d) Duopoly

27. Under perfect competition the price of commodity _____
    (a) Can be controlled by a firm   (b) Cannot be controlled by a firm
    (c) Controlled up for some extent by a firm   (d) None of the above

28. AR and MR curve coincide in _____
    (a) Monopoly   (b) Monopolistic competition
    (c) Perfect competition   (d) Oligopoly

29. Consider the following figure
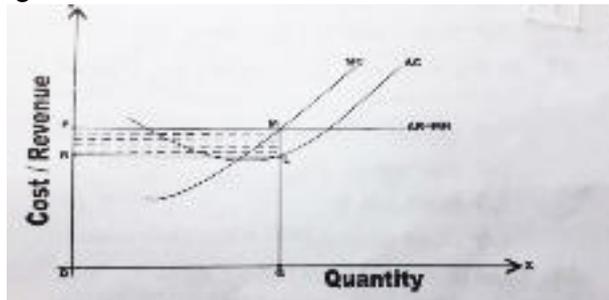
The shaded are PRLM shows _____
(a) Super normal profit   (b) Normal profit
(c) Loss   (d) Shut down point

30. Perfectly elastic demand curve implies that _____
(a) The firm has no control over price
(b) The firm can sell any quantity at the ruling price
(c) The firm is price taker and output adjuster at ruling price
(d) All a, b, and c

31. Under perfect competition, if the AR curve lies below the AC curve, the firm would _____
(a) Make only normal profit   (b) Incur losses
(c) Make super normal profit   (d) Firm cannot determine profit

32. Short run supply curve of a perfectly competitive firm is represent by _____
(a) Short run MC curve   (b) Short run AC curve
(c) The part of the MC curve that lies above   (d) None of these

33. In the long run, equilibrium for a competitive firm is _____
(a) Perfect competition   (b) Monopoly
(c) Both a & b   (d) None of these

34. Odd one out of the following:
(a) Firms are of optimum size earn normal profits only in long run
(b) Firms sell identical product at uniform price
(c) Firms are not of optimum size and earn super normal profits in long run
(d) Firms are free to move in or out of the industry

35. The industry's demand curve and the average revenue curve are same in case of _____
(a) Perfect competition   (b) Monopoly
(c) Oligopoly   (d) None of the above

36. All the characteristic of monopolistic competition except _____
(a) Large number of buyers and sellers
(b) Freedom of entry and exist
(c) Excess production capacity in long run
(d) Full control over price of commodity

37. Kinked demand curve shows _____
    (a) Fall in price   (b) Rise in price
    (c) Stability in price   (d) Both (a) and (b)

38. The demand curve is undefined / uncertain _____ market structure
    (a) Oligopoly   (b) Monopoly
    (c) Perfect competition   (d) Monopolistic competition

39. When demand is elastic, MR is _____
    (a) Negative   (b) Positive   (c) Zero   (d) One

40. The characteristic of monopolistic competition which is compatible with monopoly is _
    (a) One seller and large number of buyers
    (b) Full control over price
    (c) Freedom of entry and exit
    (d) Demand curve slopes downward

41. Firms have chronic excess production capacity in _____ market
    (a) Duopoly   (b) Perfect competition
    (c) Monopolistic competition   (d) Oligopoly

42. The theory of monopolistic competition is developed by _____
    (a) H.E. Chamberlin   (b) Mrs. Joan Robinson
    (c) Dr. Marshall   (d) Nicholas Kaldor

43. The point where P = AC is called _____
    (a) Profit earing point   (b) Loss making point
    (c) Breakeven point   (d) Shut down point

44. TR is a straight positively sloping line from origin is under _____
    (a) Perfect competition   (b) Monopoly   (c) Duopoly   (d) Oligopoly

45. If a monopolist resorts to price discrimination, price will be higher in the market where demand is _____
    (a) Unitary elastic   (b) Elastic   (c) Inelastic   (d) None of these

46. Under collusive oligopoly, price is often decided by _____
    (a) The industry   (b) The firm   (c) Price leader (d) None of these

47. Slope of firm's demand curve = ∞ under perfect competition means demand curve is –
    (a) Horizontal   (b) Vertical   (c) Positive   (d) Negative

48. Price exceeds MC under monopoly, but not under perfect competition because
    (a) In perfect competition AR = MR   (b) In perfect competition AR = MC
    (c) In monopoly AR > MR   (d) All the above

49. IN long run, a monopolist produces _____ level of output and charge a _____ price than a firm under perfect competition market
    (a)   Lower; higher   (b)   Lower; lower (c)   Higher; lower (d)   Higher; higher

50. TR minus total explicit cost called _____
    (a)   Profit   (b)   Economic profit
    (c)   Super normal profit   (d)   Accounting profit

51. Under perfect competition when price line (AR) passes through minimum point of AVC curve is called_____
    (a)   Minimum losses point   (b)   Shut down point
    (c)   Breakeven point   (d)   Profit point

52. At the shutdown point, losses of a firm under perfect competition are equal to _____
    (a)   AVC   (b)   TFC (c)   AC   (d)   MC

53. In the long run under monopolistic competition, profit maximizing profit is _____
    (a)   Less than least cost output   (b)   More than least cost output
    (c)   Equal to least cost output   (d)   None of the above

54. A monopolist can determine _____
    (a)   Price   (b)   Output
    (c)   Either price or output   (d)   Both price and output

55. A monopolistic competition firm has a position of ATC = price in the _____
    (a)   Short run equilibrium   (b)   Very short run equilibrium
    (c)   Long run equilibrium   (d)   Any period of time

56. In perfect competition, in the long run, if new firms enter the industry the supply curve shifts to the right resulting in _____
    (a)   Fall in price   (b)   Rise in price
    (c)   No change in price   (d)   None of the above

57. The difference between least cost output and profit maximizing output is called_____
    (a)   Reserve capacity   (b)   Excess capacity
    (c)   Normal capacity   (d)   Abnormal capacity

58. The kink occur at _____
    (a)   Any price   (b)   Prevailing price
    (c)   Any quantity   (d)   To be determined price

59. Doctors, lawyers, consultants, services like power supply, telecommunication fees to different patients/clients. This is a _____ price discrimination
    (a)   First degree   (b)   Second degree
    (c)   Third degree   (d)   Both second and third degree

60. Charging different prices by monopolists' to customers in geographically separate market is a _____ degree of price discrimination
    (a) First   (b) Second
    (c) Third   (d) Price discrimination is not separate markets

61. Monopolist charging a price that takes away the entire consumer surplus is a case of _____ degree of price discrimination
    (a) First   (b) Second   (c) Third (d) None of the above

62. Which of the following statements refer to 'price leadership'
    (a) Existence of perfect competition
    (b) A form of price collusion
    (c) Stiff competition
    (d) The maintenance of a monopolistic price

63. How many sellers usually exist in an oligopoly market?
    (a) A large number of sellers   (b) One seller
    (c) Few sellers   (d) Two sellers

64. Long-run supply curve in the constant cost industry _____
    (a) Slopes downward to the right   (b) Slopes upward to the right
    (c) Is horizontal straight line   (d) None of the above

65. The concept of group equilibrium is related to _____
    (a) Paul Sweezy   (b) Chamberlin's monopolistic competition
    (c) Perfect competition   (d) None of the above

66. Dumping is an example of price discrimination which is _____ price discrimination
    (a) Of first degree   (b) Of second degree
    (c) Of third degree   (d) International

67. _____ is the market structure where there is a single buyer:
    (a) Monopsony   (b) Monopoly   (c) Oligopoly   (d) Duopoly

68. At all the level of output AR = MR in _____
    (a) A perfect competition market   (b) A monopoly market
    (c) A oligopoly market   (d) All the above

69. Under perfect competition, the MC curve at equilibrium will be _____
    (a) Constant   (b) Rising   (c) Falling(d) None of these

70. Market price is the price that prevails in a _____
    (a) Very short period market   (b) Short period market
    (c) Long period market   (d) Secular period market

71. The market in which normal price prevails is a _____ market
    (a) Market period   (b) Short period
    (c) Long period   (d) Secular period

72. Excess capacity is not found under _____
    (a) Monopoly   (b) Monopolistic competition
    (c) Oligopoly   (d) Perfect competition

73. Which of the following is not a characteristic of a "price taker"?
    (a) TR = P X Q   (b) AR = Price
    (c) Negatively sloped demand curve (d) Marginal Revenue = Price

74. The sale of branded goods is common situation is case of _____
    (a) Perfect competition   (b) Monopolistic competition
    (c) Monopoly   (d) Pure competition

Consider the following figure as initial equilibrium point 1 for Perk Chocolate and answer 9, 10, 11, 12 and 13.
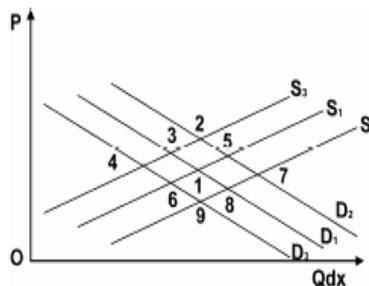

74. Find out the new equilibrium if there is an increase in price of Dairy Milk Chocolate
    (a) Point 3   (b) Point 5   (c) Point 4   (d) Point 2

75. Find out the new equilibrium if there is economic growth but cost of labour producing Perk also rises
    (a) Point 3   (b) Point 9   (c) Point 2   (d) Point 6

76. Find out the new equilibrium if there is health scare about the effect of Chocolate
    (a) Point 2   (b) Point 9   (c) Point 3   (d) Point 6

77. Find out the new equilibrium if there is new technology for producing Perk Chocolate
    (a) Point 8   (b) Point 9   (c) Point 3   (d) Point 6

78. Find out the new equilibrium if there is an increase in productivity an at the same time price of 5 Star Chocolate falls :
    (a) Point 2   (b) Point 9   (c) Point 3   (d) Point 6

79. Price is the value of good in terms of :
    (a) Quality   (b) Money   (c) Substitutes value   (d) None of the above

80. When demand & supply both increase in a same proportion
    (a) Equilibrium quantity remains unchanged   (c) Equilibrium price remains same
    (b) Price slightly increases   (d) Quantity slightly decreases

81. When equilibrium of market takes place we get
    (a) Excess demand > Excess supply
    (b) Excess supply = Excess demand = zero
    (c) Excess supply = Excess demand = one
    (d) None

82. Find out MR for price ₹ 10 and Price elasticity of demand 0.2
    (a) - 30   (b)   - 40   (c)   40   (d)   None of these

83. Find out price in imperfect competition when MR = 10 Price elasticity of demand 6
    (a) 6   (b)   20   (c)   12   (d)   None of these

Consider table & answer 123, 124, 125, 126, 127

Production	Price	Total Cost
0	130	45
1	124	88
2	118	125
3	112	159
4	106	193
5	100	230
6	94	273
7	88	325

84. When production = 6 units, the firm's :
    (a) Fixed cost is zero and variable cost is 273
    (b) Fixed cost is zero and variable cost is 228
    (c) Fixed cost is 45 and variable cost is 273
    (d) Fixed cost is 45 and variable cost is 228

85. When production = 5 units, total revenue is :
    (a) ₹ 100   (b) ₹ 230   (c)   ₹ 500   (d)   None

86. When production = 6 units, the firm's marginal revenue is :
    (a) ₹ 384   (b) ₹ 94   (c) ₹ 64   (d)   ₹ 2

87. On production = 7 units, the firm's profit is :
    (a) 0   (b) ₹ 41.57   (c)   ₹ 291   (d)   None

88. To maximize profit the firm's should produce:
    (a) 0 unit   (b)   3 units   (c)   5 units   (d)   7 units

89. What is the formula for calculating profit per unit ?
    (a) TC – TR
    (b) AR – AC
    (c) MC – MR
    (d) AVC – AR
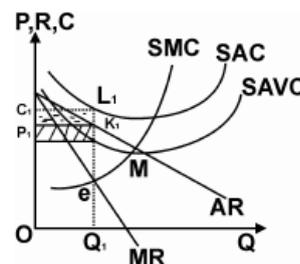
90. In this monopoly market, at equilibrium output 'e', it:
    (a) Incurs loss   (b) Enjoys profit
    (c) Incurs loss but continues production   (d) All

91. For a rational monopolist, choose the suitable option from the following:
    (a) Monopolist shuts down production.
    (b) Monopolist continues production till point 'e' is reached.
    (c) Monopolist continues production till 'M' point is reached.
    (d) None.

92. Monopoly has no closed substitutes goods and therefore AR is :
    (a) Parallel   (b) Downward   (c) Upward   (d) None

93. Advertisement costs are
    (a) Not required under Perfect Competition   (b) Not required under duopoly
    (c) Required under Perfect Competition   (d) None

94. Which of the following is not a characteristic of a monopolistically competitive market?
    (a) Free entry & exit   (b) Abnormal profits in the long run
    (c) Many sellers   (d) Differentiated products

95. In the Perfect Competition, if a new firm enters the industry in the long run, the supply curve:
    (a) Shifts to the left   (b) Turns upwards
    (c) Turns downwards   (d) Shifts to the right

96. In Perfect Competition, since the firm is a price taker, the _____ curve is straight line.
    (a) Marginal cost   (b) Total cost
    (c) Total revenue   (d) Average cost

97. In the Perfect Competition, when the marginal revenue & marginal cost are equal, profit is _____.
    (a) Maximum   (b) Average
    (c) Zero   (d) Not possible

98. In Perfect Competition, a firm increases profit when _____ exceeds the _____.
    (a) Total cost, Total revenue   (b) Marginal cost, Marginal revenue
    (c) Total revenue, Total fixed cost   (d) Average revenue, Average cost

99. In the long run there is enough time for normal profits. This is because in the long run, all inputs are.
    (a) Identical   (b) Homogeneous
    (c) Variable   (d) Fixed

100. In a perfectly competitive market, in the long run, competitive prices equal the minimum possible _____ cost of good.
    (a) Marginal   (b) Variable   (c) Total   **(d) Average**

101. In the case of price discrimination price will be higher in the market where:
    (a) Demand is perfectly elastic.   (b) Demand is highly elastic.
    (c) Demand is unitary elastic.   **(d) Demand is less elastic**.

102. Price discrimination is undertaken with the aim of:
    (a) Increasing sales & maximizing profits.
    (b) Reducing sales & raising prices
    (c) Minimising cost & maximizing revenue.
    (d) Serving the markets without earning profits.

103. Which of the following statements is correct?
    (a) A monopolistic never earns losses.
    (b) In a Perfectly Competitive Market, the products are differentiated.
    (c) In a monopolistically competitive market, the products are differentiated.
    (d) Perfect Competition makes equilibrium at loss in long run

104. At point kink of Oligopoly
    (a) Elasticity's are same   (b) Slopes are same
    (c) Differences in elasticity take place   (d) None.

105. In Perfect Competition, necessary condition of short run equilibrium is _____.
    (a) SMC=MR   (c) Slope of SMC > Slope of MR
    (b) SMC>MR   **(d) All**

106 If price is forced to stay below equilibrium price :
    (a) Excess demand exists   (b) Excess supply exists
    (c) Either a or b   (d) Neither a nor b

107. When equilibrium of market takes place we get
    (a)   Excess demand > Excess supply
    (b)   Excess supply = Excess demand = zero
    (c) Excess supply = Excess demand = one
    (d) None

108. Under perfect competition _____.
    (a) MC = Price   (b) MC > price
    (c) MC < price   (d) None of these

CHAPTER 5 - BUSINESS CYCLE

1. Economic fluctuations occur again & again but not at _____ intervals, nor are they of the _____ length:
   a) Same ; Same   b) Regular; Same
   c) Irregular; Different   d) None of the above

2. As production & employment expand, economy_____:
   a) Gradually decreases   b) Gets destructed
   c) Revives   d) All of the above

3. The state of expansion continues till there is _____ of resources:
   a) Full employment   b) Under utilisation
   c) Scarcity   d) None of the above

4. High level of consumer spending, business confidence, production, factor incomes. profit & investment exhibit phase as _____:
   a) Peak   b) Expansion   c) Contraction   d) Trough

5. The end of expansion & when economic growth has reached a point where it will stabilise for a short period is known as :
   a) Peak   b) Expansion   c) Contraction   d) Both a& b

6. "Producers being aware of the fact that they have indulged in excessive investment & over production respond by holding back future investment plans, cancellation of orders etc." are known as _____:
   a) Peak   b) Expansion   c) Contraction   d) Trough

7. When discrepancy between demand & supply get widened further, we get____:
   a) Trough   b) Depression   c) Contraction   d) None

8. When growth rate becomes negative & the level of National Income & expenditure declines rapidly we observe_____:
   a) Recovery   b) Expansion   c) Trough   d) Both a & b

9. The economy cannot continue to contract endlessly, it will go for_____:
   a) Recovery   b) Boom   c) Peak   d) Trough'

10. Expansion is characterised by:
    a) Increase in national output   b) Upswing of Trade Cycle
    c) Downswing of Trade Cycle   d) Both a and b

11. Peak or Boom refers to:
    (a) Lowest of Trade Cycle   (b) Turning Point of Trade Cycle
    (c) Middle point of Trade Cycle (d) None of the above

12. Contraction is characterised by:
    (a) Decrease in national output   (b) Downswing of Trade Cycle
    (c) Upswing of Trade Cycle   (d) Both a and b

13. Depression occurs when:
    (a) Process of recession on its way   (b) Process of recession is complete
    (c) Severe contraction in economic activities (d) Both b & c

14. Economists use changes in variety of activities to measure Business Cycle, which are called
    (a) Variables   (b) Parameters   (c) Indicators   (d) All

15. Variables that change after real output changes are called:
    (a) Lagging variables   (b) Lagging indicators
    (c) Lagging parameters   (d) All

16. According to Keynes, fluctuations in economic activities are due to fluctuations in aggregate _____
    a) Market Demand   b) Effective Demand
    c) Volatile Demand   d) None

17. According to Hawtrey, Trade Cycle is purely _____ phenomenon.
    (a) Fiscal   (b) Monetary   (c) Business   (d) All

18. Macroeconomic policies which causes Business Cycle are:
    (a) Price and market policies   (b) Monetary and fiscal policies
    (c) Business policies   (d) All

19. According to Professor _____ modern business activities are based on anticipating of business community and are affected by waves of optimism or pessimism
    (a) Samuelson   (b) Marshall   (c) Hicks (d) Pigou

20. According to Professor _____ Trade Cycles occur as a result of innovations which take place in the system from time to time:
    (a) Samuelson   (b) Marshall   (c) Schumpeter (d) Allen

21. The term business cycle refers:
    (a) The ups and downs in production of commodities
    (b) The fluctuating levels of economic activity over a time period
    (c) Decline in economic activities over a prolonged period of time
    (d) Increasing unemployment rate and diminishing rate of savings

22. When aggregate activity is declining the economy is said to be in:
    (a) Contraction   (b) Expansion   (c) Trough   (d) Turning point

23. During recession unemployment rate _____ and output _____
    (a) Rises, falls   (b) Rises, rises
    (c) Falls, rises   (d) Falls, falls

24. Peaks and troughs of business cycle are known collectively as:
    (a) Volatility   (b) Turning points   (c) Equilibrium points (d) None

25. Rampant unemployment is found in:
    (a) Boom   (b) Recovery   (c) Contraction (d) Depression

26. Greatest depression suffered by economy in:
    (a) 1924   (b) 1930   (c) 1945   (d) 2008

27. Last stage of recession is called:
    (a) Depression   (b) Recovery   (c) Shutdown   (d) All

28. In the long run, a reduction in labour supply would cause output _____ and _____ the aggregate price level.
    (a)   Fall, rise   (b)   Fall, fall   (c)   Rise, fall   (d)   Rise, rise

29. Which of the following macro-Economic variable would you include in an index of leading economic indicators.
    (a)   Employment   (b)   Inflation
    (c)   Real interest rate   (d)   Residential investment

30. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called:
    (a)   Pro cyclical   (b)   Counter cyclical
    (c)   Cyclical   (d)   A leading variable

31. Business cycle is contagious and _____ in character.
    (a)   Local   (b)   Regional   (c)   National   (d)   International

32. Which external factor affects business cycle:
    (a)   Population growth   (b)   Variation in government supply
    (c)   Money supply   (d)   Macro Economic policies

33. Which internal factor affect the business cycle:
    (a)   Fluctuations in investment   (b)   Natural factor
    (c)   Technology shocks   (d)   Population growth

34. Fashion retailer is known as:
    (a)   Cyclical business   (b)   Sunrise business
    (c)   Sluggish business   (d)   None

35. Features of business cycle include:
    (a)   Discuss periodically   (b)   Have 4 different phases
    (c)   Originate in free market economy   (d)   All

36. Internal causes of depression include:
    (a)   Fluctuating in investment   (b)   Money supply
    (c)   Psychological factors   (d)   All

37. Whose statement out of these is false ?
    (a)   Hawtrey - " Trade cycle is purely monetary phenomenon
    (b)   Keynes   - " Fluctuations in aggregate demand
    (c)   Pigou   - "Fluctuations in investment
    (d)   Schumpeter – "Innovations"

38. Technology shocks is one of the _____ causes of Business Cycle:
    (a)   Internal   (b)   External   (c)   Psychological   (d)   All

39. Change in money supply is one of the _____ causes of Business Cycle:
    (a)   Internal   (b)   External   (c)   Psychological (d)   All

40. Business managers need to work effectively to arrive at sound strategic decisions in complex times across the _____ _____, managing through four phases:
    (a)   Trade Cycle   (b)   Business Cycle
    (c)   Both a & b   (d)   None