Nature & Scope of Business Economics

I. BASICS OF BUSINESS ECONOMICS

BASIC OF ECONOMICS

1. The meaning of the word "Economic is most closely connected with the word-
(a) Extravagant (b) Scarce
(c) Unlimited (d) Restricted

2. Human Wants are-
(a) Extravagant (b) Scarce
(c) Unlimited (d) Restricted

3. "Ends" refer to-
(a) Human Wants (b) Resources
(c) Both (a) and (b) (d) Neither (a) nor (b)

4. "Means" refer to-
(a) Human Wants (b) Resources
(c) Both (a) and (b) (d) Neither (a) nor (b)

5. "Resources" refer to-
(a) Unproductive Resources
(b) Productive Resources
(c) Money only
(d) None of the above

6. The Means for satisfying Wants are -
(a) Not available at all (b) Scarce
(c) Unlimited (d) Not usable

7. Which of the following is an economic activity?
(a) Listening to music on the radio
(b) Teaching one's own son at home
(c) Medical Facilities rendered by a Charitable Dispensary
(d) A Housewife doing household duties

8. Which of the following is not an economic activity?
(a) A Son looking after his ailing mother
(b) A Chartered Accountant doing his own practice
(c) A Soldier serving at the border
(d) A Farmer growing Millets

9. Which of the following is an economic activity?
(a) Sale of Goods to Consumers
(b) Teaching one's own nephew at home
(c) A Housewife doing household duties
(d) Watching Television

10. Which of the following is an economic activity?
(a) Playing friendly cricket match
(b) Teaching one's own daughter at home
(c) Manufacturing Chairs at subsidised rate
(d) A Housewife doing household duties

SCARCITY

11. The Law of Scarcity-
(a) Does not apply to rich, developed countries
(b) Applies only to the less developed countries
(c) Implies that consumers' wants will be satisfied in a socialistic system
(d) Implies that consumers wants will never be completely satisfied

12. Which of the following is the best general definition of the study of Economics?
(a) Inflation and Unemployment in a growing economy
(b) Business decision-making under foreign competition
(c) Individual and Social Choice in the face of scarcity
(d) The best way to invest in the stock market

13. What implication(s) does resource scarcity have for the satisfaction of wants?
(a) Not all wants can be satisfied
(b) We will never be faced with the need to make choices
(c) We must develop ways to decrease our Individual wants
(d) The discovery of new natural resources is necessary to increase our ability to satisfy wants

14. Rational decision-making requires that -
(a) One's choices be arrived at logically and without error
(b) One's choices be consistent with one's goals
(c) One's choices never vary
(d) One makes choices that do not involve trade-off

15. What is the "Fundamental Premise" of Economics?
(a) Natural Resources will always be scarce.
(b) Individuals are capable of establishing goals and acting in a manner consistent with achievement of those goals
(c) Individuals choose the alternative for which they believe the net gains to be the greatest
(d) No matter what the circumstances, individual choice always involves a trade-off

16. Consider the following and decide which, economy if any is without scarcity-
(a) The pre-independent Indian economy, where most people were farmers
(b) A mythical economy where everybody is a rich person
(c) Any economy where income is distributed equally among its people
(d) None of the above

17. A system of economy in which all means of production are owned and controlled by private individuals for the purpose of profit is called_____
(a) Socialistic economy
(b) Capitalistic economy
(c) Mixed economy
(d) All of the above

18. 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

19. Scarcity in Economics is an -
(a) Absolute Concept
(b) Relative Concept
(c) Irrelevant Concept
(d) Not a Concept at all.

20. Resources are scarce in relation to-
(a) Human Wants
(b) Firm's Profit Motive
(c) Country's Social Goals
(d) All of the above

21. In Economics, we use "scarcity" the term to mean:
(a) Absolute scarcity and lack of resources in less developed countries.
(b) Relative scarcity i.e. scarcity in relation to the wants of the society.
(c) Scarcity during times of business failure and natural calamities.
(d) Scarcity caused on account of excessive consumption by the rich.

BUSINES ECONOMICS

22. The process of selecting the appropriate alternative, that will provide the most efficient means of attaining specified objectives, from two or more alternative courses of action available is called
(a) Problem solving
(b) Decision making
(c) Economic analysis
(d) Managerial Expertise

23. Which of the following statements is true?
(a) The Economy has unlimited resources and there is a need for choosing the most efficient alterative.
(b) Decisions are always taken under conditions of Imperfect knowledge and uncertainty
(c) Decision making arises only if there is choice available
(d) All of the above

24. Business Decision making involves-
(a) Whether the Firm has to make the components or buy the components?

(b) Whether the Firm has to shut down or continue in the business?
(c) What mix of debt and equity should the Firm use?
(d) All of the above

25. Which of the following is not a tool/component of Business Economics?
(a) Capital Budgeting
(b) Demand Analysis
(c) Break Even Point
(d) None of the above

26. Integration of Economic theory with business practice is called -
(a) Managerial Economics
(b) Business Economics
(c) Applied Economics
(d) All of the above

27. Economic Theories are -
(a) Accurate
(b) Hypothetical
(c) Real
(d) Factual

28. Micro Economics is-
(a) Unrealistic
(b) Theoretical
(c) Abstract
(d) All of the above

29. Business Economics has a Pragmatic Approach which means it is not-
(a) Practical
(b) Realistic
(c) Abstract
(d) All of the above

30. Business economics is a science because -
(a) It establishes a cause and effect relationship
(b) Integrates the tools of decision sciences
(c) Follows scientific methods and empirically tests the validity of the results.
(d) All of the above.

31. The emphasis of Business Economics is more on
(a) Normative theory only
(b) Positive theory only
(c) More Normative than Positive theory
(d) More Positive than Normative theory

32. Positive Science explains-
(a) "What was"
(b) "What is"
(c) "What ought to be"
(d) "What will"

33. Normative Science is-
(a) Descriptive
(b) Prescriptive
(c) Explanatory
(d) None of the above

34. Normative Science explains-
(a) "What was"
(b) "What is
(c) "What ought to be"
(d) "What will"

35. The study of the economic behaviour of an Individual Firm or Industry in the national economy is called-
(a) Micro Economics
(b) Business Economics
(c) Macro Economics
(d) Behavioral Economics

36. Micro Economics deals with-
(a) External Value of Money
(b) Employment
(c) Savings and Investment
(d) Consumer Behaviour

37. Macro Economics deals with-
(a) Study of Firms
(b) General Price Level
(c) Consumer Behaviour
(d) Factor Pricing

38. The study of the nature of consumer preferences and the effect of changes in the determinants of demand is called-
(a) Demand Analysis
(b) Production Analysis
(c) Demand Forecasting
(d) Market Analysis

39. Demand analysis means-
(a) Technique of predicting future demand for goods and services
(b) Study of behavior of consumers in the market
(c) Analysis of the Market Structure and extent of competition
(d) Measurement and management of profits under conditions of uncertainty

40. The technique of predicting future demand for goods and services on the basis of the past behaviour of factors is -
(a) Demand Analysis
(b) Demand optimization
(c) Demand Forecasting
(d) None of the above

41. Relationship between Input and Output is explained by-
(a) Cost theory
(b) Production theory
(c) Demand theory
(d) All the above

42. Inventory includes
(a) Raw material
(b) Work in process
(c) Finished Goods
(d) All of the above

43. The degree of Market Power is determined by
(a) Demand Analysis
(b) Production Analysis
(c) Market Structure Analysis
(d) Cost Analysis

44. A study of how increases in the corporate income tax rate will affect the national unemployment rate an example of
(a) Macro-Economics
(b) Descriptive Economics
(c) Micro-economics
(d) Normative Economics

45. Which of the following statement does not apply to a market economy?
(a) Firms decide whom to hire and what to product
(b) Firms at maximizing profits
(c) Households decide which firms to work for and what to buy with their incomes
(d) Government policies are the primary forces that guide the decisions of firms and households.

46. Human wants are _____means to satisfy them. in companion to
(a) Finite
(b) partial
(c) Unlimited
(d) limited

47. The economy which makes use of both markets and government:
(a) Mixed Economy
(b) Socialist Economy
(c) Capitalistic Economy
(d) None of the above

48. The practical application of economic theory in business decisions is called
(a) Macro Economics
(b) Micro Economics
(c) Business Economics
(d) Normative Economics

49. Price mechanism is a feature of____
(a) Capitalism
(b) Socialism
(c) Mixed Economy
(d) All of the above

50. Micro economic theory deals with the issues____

(a) Product pricing
(b) Consumer behavior
(c) Factor pricing
(d) All of the above

51. Nature of business economics is:
(a) Theory of markets and private enterprises
(b) Normative in nature
(c) Incorporate elements of macro analysis
(d) All of the above

52. Business economics is also called
(a) Micro Economics
(b) Macro Economics
(c) Welfare Economics
(d) Managerial Economics

53. Issues requiring decision making in the context of business are:
(a) How much should be the optimum output at what price should the firm sell?
(b) How will the product be placed in the market?
(c) How to combat the risks and uncertainties involved?
(d) All of the above

54. Consider the following statement about capitalism:
(i) It works through price mechanism
(ii) It increase human welfare
(iii) It operates on profit motive
(a) (i) & (ii)
(b) (i) & (iii)
(c) (ii) & (iii)
(d) None of the above

55. Business economics uses elements of:
(a) Micro Economics
(b) Macro Economics
(c) Both micro & macro economics
(d) None of the above

II. CENTRAL ECONOMIC PROBLEMS

1. Which of the following is a cause of economic problem?
(a) Scarcity of Resources
(b) Unlimited Wants
(c) Alternative Uses
(d) All of the above

2. The central problem in economics is that of
(a) Comparing the success of command versus market economies
(b) Guaranteering that production occurs in the most efficient manner
(C) Guaranteering a minimum level of income for every citizen
(d) Allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied as well as possible

3. Which of the following is not a central problem of economy?
(a) How to Produce (b) When to Produce
(c) What to Produce (d) None of these

4. Which of the following is not one of the four central questions that the study of economics is supposed to answer?
(a) Who produces what
(b) When are goods produced
(c) Who consumes what
(d) How are goods produced

5. The Central Problems arise in case of-
(a) Capitalist Economies
(b) Socialist Economies
(c) Mixed Economies
(d) All of the above

6. The Central Problems arise in case of -
(a) Developed Economies
(b) Developing Economies
(c) Undeveloped Economies
(d) All of the above

7. The Central Problems of an economy are -
(a) What to produce?
(b) How to produce?
(c) For whom to produce?
(d) All of the above

8. If there are adequate resources in an economy, then there is no economic problem at all. This statement is:-
(a) True
(b) False
(c) Partially True
(d) Cannot be commented at all.

9. The problem of "What to produce" covers the issue relating to -
(a) what goods are to be produced
(b) what quantities of goods are to be produced
(c) Both (a) and (b)
(d) Neither (a) nor (b)

10. In deciding "What to produce", the economy should focus on the production of -
(a) Capital Goods only
(b) Consumer Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

11. An economy which uses all its resources on production of Goods only, cannot provide for future growth prospects. (a) Capital Goods only
(b) Consumer Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

12. An economy achieves "Productive Efficiency" only when-
(a) Resources are employed in their most highly valued uses
(b) Best resources are employed
(c) Total number of goods produced is greatest
(d) Goods and services are produced at least cost and not resources are wasted

13. In deciding "How to produce", the economy should decide on-
(a) types of goods to be produced
(b) quantity of goods to be produced
(c) consumer goods and capital goods
(d) methods of production

14. In deciding "How to produce", the economy should consider-
(a) Labour Intensive Techniques
(b) Capital Intensive Techniques
(c) Both (a) and (b)
(d) Neither (a) nor (b)

15. In deciding "How to produce", the choice of appropriate production method depends on -
(a) availability of different factors of production
(b) prices of different factors of production
(c) Both (a) and (b)
(d) Neither (a) nor (b)

16. Capital Intensive Technique would get chosen in
(a) Labour Surplus Economy
(b) Capital Surplus Economy
(c) Developed Economy
(d) Developing Economy

17. Labour Intensive Technique would get chosen in
(a) Labour Surplus Economy
(b) Capital Surplus Economy
(c) Developed Economy
(d) Developing Economy

18. Production of Capital Goods vs Consumer Goods relates to the problem of -
(a) What to Produce
(b) How to Produce
(c) For whom to Produce
(d) How to provide for growth

19. Use of Labour or Capital intensive techniques of production relates to the problem of -
(a) What to Produce
(b) How to Produce
(c) For whom to Produce
(d) How to provide for growth

20. Distribution and Sharing of National Product relates to the problem of-
(a) What to Produce
(b) How to Produce
(c) For whom to Produce
(d) How to provide for growth

21. The issue of "for whom to produce" deals with
(a) how to distribute and share the national product
(b) shares of different people in the total output of goods & services.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. Savings and Investment is compulsory for economic growth and development. This statement is-
(a) True
(b) False
(c) Partially True
(d) Cannot be commented at all.

23. An economy can spend all its present resources on current consumption only.
(a) True
(b) False
(c) Partially True
(d) Cannot be commented at all.

CAPITALIST, SOCIALIST, MIXED ECONOMY

24. For analyzing ownership and utilization of resources, Economies are classified into-
(a) Capitalist Economies
(b) Socialist Economies
(c) Mixed Economies
(d) All of the above

24. For analyzing ownership and utilization of resources, Economies are classified into -
(a) Capitalist Economies
(b) Socialist Economies
(c) Mixed Economies

(d) All of the above

25. Capitalist Economy is characterized by
(a) Private Ownership of Resources
(b) Freedom of Enterprise
(c) Consumer Sovereignty
(d) All of the above

26. Capitalist Economy is characterized by
(a) Profit Motive
(b) Competition among seller & Buyers
(c) Inequalities of Incomes
(d) All of the above

27. A system of economy in which all means of production are owned and controlled by private Individuals for the purpose of profit K called
(a) Socialistic economy
(b) Capitalistic economy
(c) Mixed economy
(d) All of the above

28. Which of the following applies to a Capitalist Economy?
(a) Profit Motive
(b) Government Regulation
(c) Equal distribution of Incomes
(d)Absence of Competition among various producing Firms

29. Which of the following is not feature of capitalistic economy?
(a) Right to private property
(b) Restriction on consumer's right to choose
(c) Profit motive
(d) Freedom of enterprise

30. A Capitalist Economy is also called as-
(a) Free Market Economy
(b) Command Market Economy
(c) Controlled Market Economy
(d) Regulated Market Economy

31. Capitalistic economy uses_____ as principal means of allocating resources
(a) Demand
(b) Supply
(c) Price
(d) All of the above

32. Free market economy driving force is____
(a) Profit motive
(b) Welfare of the people
(c) Rising Incomes and level of living
(d) None of the above

33. In which type of economic system has the Government no control over price fluctuations?
(a) Market Economy
(b) Command Economy
(c) Mixed Economy
(d) Regulated Economy

34. Which type of economy gives rise to the most efficient allocation of resources and capital in the standard Micro-Economics framework?
(a) Free Market Economy
(b) Command Market Economy
(c) Controlled Market Economy
(d) Regulated Market Economy

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

36. In Capitalist Economies, the answer the fundamental questions what, how, and for whom to produce, are obtained by-
(a) Market Forces of Demand and Supply
(b) Government Regulations
(c) Cost Benefit Analysis
(d) All of the above

37. In which type of economy can each producer allocate his resources based on the demand?
(a) Market Economy
(b) Command Economy
(c) Mixed Economy

(d) Regulated Economy

38. In a Free Market Economy the allocation of resources is determined by
(a) Votes taken by consumers
(b) A Central Planning Authority
(c) Consumer Preference
(d) All of the above

39. In a Free Market Economy, when consumers increase their purchase of a good and the level of ____exceeds____then the prices of those goods tend to rise
(a) Demand, Supply
(b) Supply, Demand
(c) Prices, Demand
(d) Profits, Supply

40. In an economy, people have the freedom to buy or not to buy the goods offered in the market place, and this freedom to choose what they buy dictates what producers will ultimately produce. This condition is called-
(a) Economic Power of Choice
(b) Consumer Sovereignty
(c) Positive Economy
(d) Producer Sovereignty

41. "Consumer Sovereignty" refers to -
(a) Consumer participation in Production
(b) Consumer is the Ruler of the State
(c) Producers produce any type of goods and dump them in the market.
(d) Producers produce only those goods which Consumers prefer to buy.

42. Freedom of choice is an advantage of:
(a) Capitalist Economy
(b) Mixed Economy
(c) Socialist Economy
(d) Communist Economy

43. A Capitalist Economy uses_____ means of allocating resources - as the principal
(a) Demand
(b) Supply
(c) Efficiency
(d) Prices

44. The concept of "Competition" in a Capitalist Economy refers to-
(a) Competition among Sellers to sell their goods
(b) Competition among Buyers to obtain goods to satisfy their wants.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

45. Advertisement, Price-Cutting, Discounts, etc. in a Capitalist Economy are -
(a) attributed to Government Regulations
(b) methods of handling competition
(c) effects of Producer Sovereignty
(d) all of the above

46. Which of the following statements regarding Market Economy is not true?
(a) Price plays a major role in Market Economy
(b) The Government controls production and distribution of goods
(c) Consumers choose the goods they want
(d) Efficiency is achieved through Profit Motive

47. "Inequalities of Income" refers to -
(a) Gap between Rich and Poor
(b) All Workers do not equal wages.
(c) All Companies do not earn same profit.
(d) All of the above

48. In which among the following systems the "Right to property" exists-
(a) Mixed
(b) Capitalist
(c) Socialist
(d) Traditional

49. Command Economy refers to -
(a) Capitalist Economy
(b) Socialist Economy
(c) Mixed Economy
(d) All of the above

50. Where does "Price mechanism" exists.
(a) Capitalist economy
(b) Socialist economy
(c) Both type of economies
(d) None of the above

51. Socialist Economy is characterized by -
(a) Collective ownership of means of production
(b) Socio-Economic Objectives
(c) Central Planning Authority
(d) All of the above

52. Socialist Economy is characterized by -
(a) Selective production of goods
(b) Relative Equality of Incomes
(c) Secondary Role of Price Mechanism
(d) All of the above

53. Which of the following applies to a Socialist Economy?
(a) Socio-Economic Objectives
(b) Market Mechanism
(c) Wide Inequalities of Incomes
(d) Competition among producing Firms

54. Which of the following applies to a Socialist Economy?
(a) Private Ownership of all resources and factors of production
(b) Total absence of Government Regulation
(c) Balancing between Social Objectives and Economic Objectives of the society
(d) Market Mechanism to solve all Central Problems of the Economy

55. In a Command Economy, all decisions from the allocation of resources to the distribution of end products, is taken care of by -
(a) Government
(b) Producers
(c) Cartels formed by the Producers
(d) Consumer Forums

56. Compared to other economic systems, National Income is more often evenly distributed in-
(a) Market Economy
(b) Command Economy
(c) Mixed Economy
(d) All of the above

57. In Socialist Economies, the answer the fundamental questions what, how, and for whom to produce, are obtained by-
(a) Market Forces of Demand and Supply
(b) Government Regulations
(c) Cost Benefit Analysis
(d) All of the above

58. In a Socialist Economy, the concept of Consumer Sovereignty is-
(a) Restricted
(b) Unrestricted
(c) Recognised
(d) none of the above

59. Socialist Economy is also called-
(a) Command Economy
(b) Centrally Planned Economy
(c) Controlled Economy
(d) All of the above

60. Socialist economy is also economy known as, _____
(a) Mixed
(b) Planned
(c) Capitalist
(d) None of the above

61. In the present day world, no economy is absolutely socialist in nature. This statement is
(a) True
(b) False
(c) Partially True
(d) Cannot be commented at all.

62. Identify the correct statement:
(a) In Capitalist Economy, people are not free to spend their income as they like
(b) In Socialist Economy, the right to work is guaranteed but the choice of occupation gets restricted

(c) In Socialist Economy, a relative inequality in income is an important feature.
(d) In today's world, USA is a purely Socialist Country.

63. In which type of economic system is cost-benefit analysis used to answer the fundamental questions- what, how, and for whom to produce?
(a) Market Economy
(b) Command Economy
(c) Mixed Economy
(d) Regulated Economy

64. In Mixed Economies, the answer the fundamental questions what, how, and for whom to produce, are obtained by-
(a) Market Forces of Demand and Supply
(b) Government Regulations
(c) Cost Benefit Analysis
(d) All of the above

65. Mixed Economy contains the positive aspects of
(a) Capitalist Economies
(b) Socialist Economies
(c) Both (a) and (b)
(d) Neither (a) nor (b)

66. The term mixed economy denotes
(a) Co-existence of consumer and producer's goods industries in the economy
(b) Co existence of private & public sectors in the economy
(c) Co existence of urban & rural sectors in the economy
(d) Co existence of large & small industries sectors in the economy

67. In a Mixed Economy, there are... Sectors of industries.
(a) One (b) Two
(c) Three (d) None

68. In a Mixed Economy, industries are found in-
(a) Private Sector (b) Private Sector
(c) Joint Sector (d) All of the above

69. In a Mixed Economy, Industries in Private Sector have ____ as their objective and driving force.
(a) profit motive only
(b) community welfare only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

70. In a Mixed Economy, Industries in Public Sector have _____as their objective and driving force.
(a) profit motive only
(b) community welfare only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

71. Mixed Economy is characterized by-
(a) Existence of Private, Public and Joint Sectors
(b) Planned Economy
(c) Balanced Regional Development
(d) All of the above

72. Mixed Economy is characterized by-
(a) Complete private ownership of all factors of production
(b) High levels of inequalities of incomes
(c) Irrelevance of Price Mechanism
(d) None of the above

73. Which of the following is applicable in case of a Mixed Economy?
(a) Free Hand of Price Mechanism for all decision-making aspects
(b) Dual System of Pricing
(c) No restrictions on Private Enterprise
(d) None of the above

74. Prices of essential goods are decided by the Government, and prices of normal goods are decided by the market forces of demand and supply. This concept is called-
(a) Pricing Mechanism
(b) Market Mechanism
(c) Dual System of Pricing
(d) Unregulated Pricing

75. A Mixed Economy focusses on ensuring -
(a) Productive Efficiency of Capitalism
(b) Distributive Justice of Socialism
(c) Both (a) and (b)
(d) Neither (a) nor (b)

76. In a Mixed Economy, the Government may provide subsidies and other incentives, to make the Private Sector establish and develop industries in backward regions. This is primarily done to ensure
(a) Productive Efficiency
(b) Balanced Regional Development
(c) Profit Motive
(d) All the above

77. In a Mixed Economy, the Private Sector
(a) are absolute free to make any type of decisions.
(b) works only for social objectives.
(c) are regulated directly and / or indirectly by Government
(d) does not exist at all.

78. Indian Economy is an example of-
(a) Capitalist Economy
(b) Socialist Economy
(c) Mixed Economy
(d) None of the above

79. In India, the Central Planning Authority is called -
(a) State Government
(b) President of India
(c) Ministry of Economy
(d) Planning Commission

80. In India, areas like Atomic Energy, Defence, etc. are in the hands of-
(a) Private Sector (b) Public Sector
(c) Joint Sector (d) All of the above

81. Capitalist Economy-
(a) Encourages Entrepreneurial class
(b) Facilitates economic growth
(c) Ignores human welfare
(d) All of the above

82. Demerits of Capitalistic Economy includes -
(a) Low cost of production
(b) Pre dominance of bureaucracy
(c) Economic inequality
(d) No incentive for hard work

83. Autonomy and Freedom is more in -
(a) Socialistic Economy
(b) Capitalistic Economy
(c) Mixed Economy
(d) All the above

84. Socialistic Economy
(i) Ensures minimum standard of living to all people
(ii) Restricts freedom of individuals
(iii) Does not give importance to personal efficiency and productivity
(iv) Emphasis on equal distribution of wealth
(a) and (ii)
(b) (i), (ii) and (iv)
(c) (i), (ii), (iii) and (iv)
(d) (ii) and (iv)

85. There is no freedom of choice in a -
(a) Capitalistic Economy
(b) Socialistic Economy
(c) Mixed Economy
(d) None of the above

86. The capitalist Economy uses_____ as principle means of allocation of resources-
(a) Price
(b) Demand
(c) Supply
(d) None of the above

87. Consumer sovereignty is found in which economy?
(a) Capitalist Economy (b) Socialist Economy
(c) Mixed Economy (d) Communist Economy

88. Which of the following is used for allocation of resources?
(a) Micro-Economics (b) Marco Economics
(c) Econometrics (d)Descriptive Economics

Utility Analysis and Consumer Behaviour

I. Utility Analysis

1. When Economists speak of the Utility of a certain product, they are referring to -
(a) Demand for the product
(b) Usefulness of the product in consumption
(c) Satisfaction gained from consuming the product
(d) Rate at which consumers are willing to exchange one good for another

2. Utility may be defined as-
(a) Power of Commodity to satisfy wants
(b) Usefulness of a Commodity
(c) Desire for a Commodity
(d) None of the above

3. Which of the following statements regarding Utility is not true?
(a) Utility is the psychological satisfaction that a Consumer derives by using a particular product
(b) Utility helps to understand how consumers make choices
(c) Utility is always measureable
(d) Utility is a purely subjective issue.

4. Utility is a-
(a) Subjective concept
(b) Objective concept
(c) Irrelevant concept
(d) Indeterminate concept

5. Utility-
(a) Differs from person to person
(b) Differs from time to time
(c) Differs from product to product
(d) All of the above are correct

6. Utility is applicable-
(a) Only for socially desirable goods (food, etc.)
(b) Only for harmful goods like Liquor, Ogarettes, etc.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

7. Utility is ethically neutral. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said about Utility

8. Which of the following is not a consumption:
(a) Burning of gas when cooking of food

(b) Burning of furniture in an fire accident of fire
(c) Eating of an Ice-Cream
(d) Burning of crackers on Diwali

9. All wants of an individuals are not of:
(a) Equal importance
(b) Immediate importance
(c) Fixed importance
(d) All of the above

CARDINAL APPROACH - BASICS

10. Utility can be measured and quantified under -
(a) Cardinal Approach only
(b) Ordinal Approach only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

11. Which of the following Utility approaches suggest that Utility can be measured and quantified?
(a) Cardinal
(b) Ordinal
(c) Both Cardinal and Ordinal
(d) Neither approach makes such suggestion

12. Under Marginal Utility analysis, Utility is assumed to be a-
(a) Cardinal Concept
(b) Ordinal Concept
(c) Indeterminate Concept
(d) Infinite Concept

13. Which of the following Utility measurement approaches is based on the Marshallian school of thought?

(a) Cardinal Utility Approach
(b) Ordinal Utility Approach
(c) Independent Variables Approach
(d) Both (a) and (b)

14. Marshallian utility analysis is known as _____ analysis.
(a) cardinal
(b) ordinal
(c) classical
(d) historical

15. Who is the main exponent of Marginal Utility Analysis?
(a) Paul Samuelson
(b) Hicks
(c) Keynes

(d) Marshall

16. Marginal Utility Approach to demand was given by
(a) J.R. Hicks
(b) Alfred Marshall
(c) Robbins
(d) AC Pigou

17. According to Marginal Utility analysis, Utility can be measured in-
(a) Ranks
(b) Cardinal Numbers
(c) Nominal Values
(d) All of the above

18. Marginal Utility Approach is also called -
(a) Ordinal Utility Analysis
(b) Hicks and Allen Approach
(c) Cardinal Utility Analysis
(d) All of the above

19. Cardinal Utility Approach is also known as -
(a) Indifference Curve Analysis
(b) Hicks and Allen Approach
(c) Marginal Utility Analysis
(d) All of the above

20. Cardinal Measure of Utility is required in-
(a) Marginal Utility Theory
(b) Indifference Curve Theory
(c) Revealed Preference Theory
(d) None of the above

21. If we make the assumption that Utility can be expressed in numbers, we are adopting -
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. Which of the approaches uses Money Measurement Concept for Utility?
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

23. Which of the theories is applicable under Cardinal Approach to Utility?
(a) Law of Diminishing Marginal Utility

(b) Law of Equi-Marginal Utility
(c) Both (a) and (b) and consumer surplus theory
(d) Neither (a) nor (b)

24. Which one of the following assumptions is not necessary for the Cardinal Utility Theory?
(a) Rationality of the Consumer
(b) Constant Marginal Utility of Money
(c) Perfectly Competitive Market
(d) Additivity of Utility

25. Cardinal Approach to Utility analyses-
(a) One Commodity at a time
(b) Two Commodities at a time
(c) Many Commodities at a time
(d) Does not analyse any Commodity at all

26. Under Cardinal Approach to Utility, _____is the measuring rod of Utility.
(a) Customer Satisfaction
(b) Relative Preference
(c) Money
(d) All of the above

27. Which of the following is an assumption under Cardinal Approach to Utility Analysis?
(a) Measurability of Utility in monetary terms
(b) Change in Marginal Utility of Money
(c) Utility arises even at zero consumption
(d) All of the above

28. Which of the following is not an assumption under Cardinal Approach to Utility Analysis?
(a) Utilities of goods are independent of one another.
(b) Marginal Utility of Money is constant
(c) Utility is comparable across goods
(d) Utility cannot be measured, but only ranked

29. The Cardinal Approach to Utility Analysis assumes that Utility is measurable and quantifiable. This means-
(a) Utility can be expressed in numbers
(b) Utility can only be ranked across products
(c) Utility Schedule is derived by the Consumer
(d) All of the above

30. The Cardinal Approach to Utility assumes Marginal Utility of Money is-
(a) Zero
(b) Constant
(c) Increasing Trend
(d) Decreasing Trend

TOTAL UTILITY AND MARGINAL UTILITY

31. _____is the sum total of the Utility derived from additional units of a commodity
(a) Average Utility
(b) Marginal Utility
(c) Total Utility
(d) Ordinal Utility

32._____of a commodity is the additional Utility derived by a consumer, by consuming one more unit of that Commodity.
(a) Total Utility
(b) Marginal Utility
(c) Average Utility
(d) Ordinal Utility

33. Marginal Utility can be stated by-
(a) TU_n-Tu_{n-1}
(b) Additional Utility derived from additional unit of commodity
(c) Change in Total Utility Change in Quantity
(d) All of the above

34. Marginal Utility = Additional Utility derived by consuming _____additional unit of a commodity.
(a) One (b) Unit
(c) Single (d) All of the above

35. Marginal Utility-
(a) Will always be positive
(b) Will always be negative
(c) Can be positive or negative but not zero
(d) Can be positive or negative or zero

36. Total Utility-
(a) Will generally be positive
(b) Will generally be negative
(c) Can be positive or negative but not zero
(d) Can be positive or negative or zero

37. Total Utility is maximum when-
(a) Marginal Utility is zero
(b) Marginal Utility is at its highest point
(c) Marginal Utility is equal to Average Utility
(d) Average Utility is maximum

38. When total utility is increases at a diminishing rate, then marginal utility is_____
(a) Diminishing (b) Zero
(c) Maximum (d) One

39. Marginal Utility will always show-
(a) Increasing trend

(b) Decreasing trend
(c) Both (a) and (b)
(d) Neither (a) nor (b)

40. The Marginal Utility Curve is-
(a) Horizontal to Y axis
(b) Demand Curve of that Commodity
(c) Vertical to X axis
(d) None of the above

41. The Total Utility derived by Ram by consuming 10 cups of Coffee is 99, whereas the total Utility on consumption of 11th Cup is 95. What is the Marginal Utility for 11th cup of Coffee?
(3) -4 (b) 4
(c) 9 (d) -3

42. The Total Utility that Shyam derives after having 4 Mangoes is 10, and the Total Utility on consuming 5 Mangoes is 9. What is the Marginal Utility for 5th mango?
(a) 1 (b) 0
(c)-1 (d) ±1

43. Total Utility derived by Ram by eating 10 Cakes is 250. Marginal Utility of the 11^{th} Cake is -60. What will be the Total Utility for 11 Cakes?
(a) -60 (b) 250
(c) 190 (d) 310

44. Total Utility derived by Ram be eating 6. Apples is 300. Marginal Utility of the 7th Apple is 30. What will be the Total Utility for 7 Apples?
(a) 330 (b) 270
(c) 300 (d) 30

Use the following Table to answer the next 3 Questions.

No. of Units	Total Utility	Marginal Utility
0	0	
1	3600	
2	6800	
3	9600	
4	12,000	
5	14,000	
6	15600	
7	16800	
8	17,600	
9	18,000	

45. What is the Marginal Utility when consumption increases from 4 units to 5 units?
(a) 3000 (b) 1200
(c) 2000 (d) 1500

46. What is the Marginal Utility when consumption increases from 6 units to 7 units?
(a) 3000 (b) 1200
(c) 2000 (d) 1500

47. What is the Marginal Utility when consumption increases from 8 units to 9 units?
(a) 3000 (b) 400
(c) 2000 (d) 1500

Use the following Table to answer the next 3 Questions.

No. of Units	Total Utility	Marginal Utility
0	0	?
1	1800	A
2	B	1600
3	4800	C
4	D	1200
5	7000	E
6	F	800
7	8400	G
8	8800	H
9	I	200
10	J	0
11	8800	K
12	L	-600

48. Find the value of "?" in the above Table.
(a) 0
(b) 1
(c) 1800
(d) Cannot be determined

49. Find the value of "A" in the above Table.
(a) 0
(b) 1

(c) 1800
(d) Cannot be determined

50. Find the value of "B" in the above Table.
(a) 2
(b) 3400
(c) 1600
(d) Cannot be determined

51. Find the value of "C" in the above Table.
(a) 3
(b) 4800
(c) 1400
(d) Cannot be determined

52. Find the value of "D" in the above Table.
(a) 6000
(b) 4
(c) 1200
(d) Cannot be determined

53. Find the value of "E" in the above Table.
(a) 7000
(b) 5
(c) 1000
(d) Cannot be determined

54. Find the value of "F" in the above Table.
(a) 6
(b) 7800
(c) 800
(d) Cannot be determined

55. Find the value of "G" in the above Table.
(a) 7
(b) 8400
(c) 600
(d) Cannot be determined

56. Find the value of "H" in the above Table.
(a) 8800
(b) 400
(c) 8
(d) Cannot be determined

57. Find the value of "I" in the above Table.
(a) 9000
(b) 200
(c) 9
(d) Cannot be determined

58. Find the value of "J" in the above Table.
(a) 9000
(b) 0
(c) 10
(d) Cannot be determined

59. Find the value of "K" in the above Table.
(a) 200
(b) -200
(c) 11
(d) Cannot be determined

60. Find the value of "L" in the above Table.
(a) 600
(b) -600
(c) 8200
(d) -8200

LAW OF DIMINISHING MARGINAL UTILITY

61. The Law of Diminishing Marginal Utility states that the more a consumer consumes a product, he derives..... from additional consumption.
(a) Equal Utility
(b) Higher Utility
(c) Lesser Utility
(d) Infinite Utility

62. Which of the following laws states that the more a consumer consumes a product, the lesser the Utility he derives from the additional consumption?
(a) Law of Equal - Marginal Utility
(b) Law of Ordinal Utility
(c) Law of Cardinal Utility
(d) Law of Diminishing Marginal Utility

63. The 2nd glass of Lemon Juice gives lesser satisfaction to a thirsty person. This is a case of
(a) Law of Demand

(b) Law of Diminishing Returns
(c) Law of Diminishing Utility
(d) Law of Supply

64. The Law of Diminishing Marginal Utility states that the more a consumer consumes a product, he derives lower utility from.....
(a) Additional consumption
(b) Lower consumption
(c) No extra consumption
(d) Infinite consumption

65. After reaching a saturation point, consumption of additional units of the commodity cause-
(a) Total Utility to fall and Marginal Utility to increase.
(b) Total Utility & Marginal Utility both to increase.
(c) Total Utility to fall and Marginal Utility to become negative.
(d) Total Utility to become negative and Marginal Utility to fall.

66. Marginal Utility of a commodity depends on its quantity and is -
(a) Inversely proportional to its quantity
(b) Not proportional to its quantity
(c) Independent of its quantity
(d) None of the above

67. Which of the following is not an assumption of Law of Diminishing Marginal Utility?
(a) Units consumed should be identical in all respects
(b) There is no time gap between consumption
(c) Units consumed should be of a standard
(d) None of the above

68. Which of the following is an assumption of Law of the Law of Diminishing Marginal Utility?
(a) Perfect Competition
(b) Continuous Consumption
(c) Constant Demand
(d) Ordinal Approach to Utility

69. Which of the following is an assumption of Law of the Law of Diminishing Marginal Utility?
(a) Perfect Competition
(b) Cardinal Approach to Utility
(c) Constant Demand
(d) Constant Marginal Utility of Money

70. Which of the following is an assumption of Law of the Law of Diminishing Marginal Utility?
(a) No effect of Consumer's Personal Tastes and Preferences
(b) Cardinal Approach to Utility

(c) Different Units consumed should be identical in all respects.
(d) All of the above

71. As per the Law of Diminishing Marginal Utility, Continuous Consumption means there should be _____between the consumption of one unit and another unit.
(a) Equal time gap or interval
(b) No time gap or interval
(c) Long time gap or interval
(d) Any of the above

72. The Law of Diminishing Marginal Utility does not apply to .....where personal preferences are dominant.
(a) Music
(b) Hobbies like Stamp and Coin Collection
(c) Both (a) and (b)
(d) Neither (a) nor (b)

73. The Law of Diminishing Marginal Utility will not hold good if the Income of the Consumer -
(a) Increases
(b) Decreases
(c) Remains constant
(d) Both (a) and (b)

74. The Law of Diminishing Marginal Utility is based on the assumption that the habits and tastes of the consumer-
(a) Must remain unchanged
(b) Changes in the short run

(c) Both (a) and (b)
(d) Nothing can be said

75. If customers' taste or liking for an item increases with additional consumption, then the Law of Diminishing Marginal Utility will still hold good. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

76. One of the assumptions is that the Law of Diminishing Marginal Utility is not applicable to -
(a) Money
(b) Gold

(c) Both (a) and (b)
(d) Neither (a) nor (b)

77. As per the assumptions to the Law of Diminishing Marginal Utility, in case of money, gold, etc. a greater quantity may –
(a) Increase the lust and utility thereof
(b) Decrease the lust and utility thereof
(c) Not affect utility at all
(d) Nothing can be said

78. Utility may be affected by the presence or absence of
(a) Substitute Goods
(b) Complementary Goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

79. Utility obtained from tea may be affected if no sugar is available. This statement is -
(a) True
(b) False
(c) Partially True
(d) Nothing can be said about Utility

80. Law of Diminishing Marginal Utility applies only if _____ to measurement of utility is assumed.
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

81. Which of the following laws say "If a person has a product which can be put to several uses lie will distribute it among these uses in such a way that it has the same Marginal Utility"?
(a) Law of Equi-Marginal Utility
(b) Law of Diminishing Marginal Utility
(c) Law of Utility
(d) Law of Diminishing Marginal Returns

82. The Consumer will attain maximum satisfaction, and will be in equilibrium when MU of money spent on various goods that he buys, are
(a) Zero
(b) Decreasing
(c) Increasing
(d) Equal

83. The Consumer will attain .....satisfaction, and will be in equilibrium when MU of money spent on various goods that he buys, are equal.
(a) Maximum
(b) Minimum
(c) No
(d) Infinite

84. The Consumer will attain maximum satisfaction, and will be _____when MU of money spent on various goods that he buys, are equal.
(a) Irrational
(b) In equilibrium
(c) Rational
(d) In happiness

85.The Consumer will attain maximum satisfaction, and will be in equilibrium when _____that he buys, are equal.
(a) MU of different goods
(b) MU of money as such
(c) MU of money spent on various goods
(d) All of the above

86. If MU of money spent on Commodity A is greater than the MU of money spent on

Commodity B, the Consumer will withdraw some money from the purchase of B, and will spend it on A, till the MU of money in the two cases becomes equal. Which theory says so?
(a) Theory of Total Utility
(b) Theory of Diminishing Marginal Utility
(c) Theory of Equi-Marginal Utility
(d) Theory of Diminishing Marginal Returns

87. The Law of Equi-Marginal Utility applies because -
(a) The Consumer will try to maximize his satisfaction
(b) There may be substitutes available in the market for every product
(c) Consumer will substitute one item for the other

such that his MU > Price.
(d) All of the above

ORDINAL APPROACH -BASICS

88. As per the Ordinal Approach
(a) Measurement of money Utility is not possible through
(b) Measurement of Utility is possible but it can not be ranked
(c) Measurement of Utility is not possible in Cardinal Numbers but it can be ranked
(d) Measurement and ranking of Utility is possible

89. If we make the assumption that Utility cannot be expressed in numbers, we are adopting -
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

90. In which approach is Utility ranked in order of preferences but not measured and quantified?
(a) Cardinal
(b) Ordinal
(c) Independent Variables Approach

(d) Both Cardinal and Ordinal

91. Which of the following statements regarding Ordinal Utility is true?
(a) Utility can be measured, but cannot be ranked in order of preferences
(b) Utility can neither be measured nor be ranked in order of preferences
(c) Utility can be measured and also be ranked in order of preferences
(d) Utility cannot be measured, but can be ranked in order of preferences

92. Ordinal Utility Approach is also called -
(a) Cardinal Utility Analysis
(b) Hicks and Allen Approach
(c) Marshallian Approach
(d) All of the above

93. Ordinal Utility Approach is also called -
(a) Indifference Curve Approach
(b) Hicks and Allen Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

94. Which of the following Economists is not concerned with Ordinal Utility Approach?
(a) Marshall
(b) Hicks
(c) Allen
(d) All the above

95.Which approach suggests that Human Satisfaction is a psychological phenomenon, and cannot be measured quantitatively in monetary terms?
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

96. Ordinal Approach to Utility analyses-
(a) One Commodity at a time
(b) Two Commodities at a time
(c) Many Commodities at a time
(d) Does not analyse any Commodity at all

97. Which of the approaches dispenses with the Money Measurement Concept for Utility?
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

98. Which of the approaches helps to explain the Law of Demand?
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

CONSUMER EQUILIBRIUM & SURPLUS

99. The economic analysis expects the Consumer to behave in a_____ manner.
(a) Rational (b) Irrational
(c) Emotional (d) Indifferent.

100. A Rational Person does not act unless-
(a) The action is ethical.
(b) The action leads to Marginal Costs that exceed Marginal Benefits.
(c) The action produces Marginal Benefits that exceed Marginal Costs.
(d) The action makes money for the person

101. Rational decision-making requires that -
(a) One's choices be arrived at logically and without errors.
(b) One's choices be consistent with one's goals
(c) One's choices never vary
(d) One's makes choices that do not involve trade-offs.

102. A Buyer's willingness to pay is that Buyer's-
(a) Minimum amount he is willing to pay for a product.
(b) Producer Surplus.
(c) Consumer Surplus.
(d) Maximum Amount he is willing to pay for a product.

103. The Consumer will be willing to purchase an item, so long as the Marginal Utility (additional satisfaction) derived is equal to the Price of the commodity. This principle is called -
(a) Consumer Equilibrium
(b) Consumer Surplus
(c) Consumer Advantage
(d) Consumer Exploitation

104. The Consumer is in equilibrium when Marginal Utility from a Commodity equals -
(a) Demand for that Commodity
(b) Supply of that Commodity
(d) All of the above
(c) Price of the Commodity

105. If the Price paid is more than the additional satisfaction derived from that item, the Consumer will-
(a) Continue buying the item
(b) Stop buying the item
(c) Will start selling the item
(d) Nothing can be said

106. Consumer is in equilibrium and he keeps purchasing till the point-
(a) Marginal Utility = Price
(b) Marginal Utility = Zero
(c) Marginal Utility = negative
(d) Marginal Utility = Quantity

107. Consumer Surplus means -
(a) The area inside the Budget Line.
(b) The area between the Average Revenue and Marginal Revenue curves.
(c) The difference between the maximum amount a person is willing to pay for a good and its market price.
(d) None of the above.

108. Consumer Surplus is the area -
(a) Below the Demand Curve and above the price
(b) Above the Supply Curve and below the price
(c) Above the Demand Curve and below the price
(d) Below the Supply Curve and above the price

109. In economics, what a Consumer is ready to pay minus what he actually pays, is termed as -
(a) Consumer's Equilibrium
(b) Consumer's Surplus
(c) Consumer's Expenditure
(d) Any of the above

110. Consumer Surplus can be best represented as
(a) What a Consumer is ready to pay Less What he actually not pays
(b) What a Producer actually produces Less What he actually pays
(c) What a Consumer is ready to pay Less What he actually pays
(d) What a Consumer is ready to pay willingly Less What he is forced to pay

111."The excess of Price which he would be willing to pay rather than go without the thing over that which he actually does pay in the economic measure of his surplus satisfaction" is given by
(a) Alfred Marshall (b) Lionel Robbins

(c) J.R. Hicks (d) Edge Worth.

112. _____is defined as the difference between what the consumer is willing to pay for a product and what he actually pays.
(a) Consumer Surplus
(b) Consumer Burden
(c) Optimum Price
(d) Price Gap

113. The difference between the price a consumer is willing to pay and the price he actually pays is called
(a) Excess Price
(b) Excess Demand
(c) Consumer Surplus
(d) Exploitation

114. The law of Consumer Surplus is based on -
(a) Law of Diminishing Marginal Utility
(b) Revealed Preference Theory
(c) Law of Substitution
(d) All of the above

115. From which of the following the concept of consumer's surplus has been derived-
(a) Law of diminishing marginal utility
(b) Law of demand
(c) Law of supply
(d) Indifference curve analysis

116. The concept of Consumer Surplus arises since for all earlier units purchased (i.e. prior to equilibrium point) -
(a) MU < Price
(b) MU = Price
(c) MU > Price
(d) MU = Zero

117. The concept of Consumer Surplus arises due to the reason that-
(a) MU is initially higher than Price
(b) MU is always equal to Price
(c) MU is initially lower than Price
(d) MU is always equal to Zero

118. The concept of Consumer Surplus arises due to the reason that-
(a) MU increases but Price remains constant
(b) MU increases but Price decreases
(c) MU declines but Price remains constant
(d) MU declines but Price increases

119. If MU, is the Marginal Utility of product X and Px is the price of Product X, a Rational Consumer will consume the Product X until -
(a) $MU_x > Px$
(b) $MU_x < Px$
(c) $MU_x > Px$
(d) $MU_x = Px$

120. At the point of Consumers' Equilibrium-
(a) Consumers' Surplus is positive
(b) Consumers' Surplus is zero
(c) Consumers' Surplus is negative
(d) Any of these

121. In the concept of Consumer's Equilibrium and Consumer's Surplus, for the quantity purchased at the equilibrium level -
(a) Consumers' Surplus is positive
(b) Consumers' Surplus is zero
(c) Consumers' Surplus is negative
(d) Any of these

122. In the concept of Consumer's Equilibrium and Consumer's Surplus, for the quantity purchased at the equilibrium level, Marginal Utility is-
(a) Positive
(b) Zero
(c) Negative
(d) Equal to Price

123. For the quantity purchased at the Consumer's Equilibrium level, is-
(a) Marginal Utility = Price
(b) Consumers' Surplus is Zero
(c) Both (a) and (b)
(d) Neither (a) nor (b)

124. Consumers' Surplus arises in respect of -
(a) All quantities purchased upto Consumers'

Equilibrium level
(b) All quantities purchased beyond Consumers' Equilibrium level
(c) Quantities purchased at equilibrium level only
(d) Nothing can be said.

125. A Consumer consumed three units of a product. Marginal Utilities derived from the three units are ₹ 400, ₹ 350 and ₹ 300, respectively. If the price of the product is ₹ 300 per unit, the Consumer Surplus is-
(a) 0 (b) 50
(c) 100 (d) 150

126. A Consumer consumed three units of a product. Marginal Utilities derived from the first two units are ₹ 500 and ₹ 400. If the price of the product is ₹ 300 per unit and the Consumer is in equilibrium at 3 units, the Marginal Utility of the 3rd unit should be -
(a) 0 (b) 300
(c) 400 (d) 500

127. A Consumer consumed 3 units of a product. Marginal Utilities derived from the first two units are ₹ 500 and 400. If the price of the product is 300 per unit and the Consumer is in equilibrium at 3 units, the Consumer Surplus will be -
(a) 300
(b) 400
(c) 500
(d) cannot be determined

128. Consumer Surplus is highest in the case of -
(a) Necessities (b) Luxuries
(c) Comforts (d) All of the above

129. Which of the following goods give the maximum amount of Consumer Surplus?
(a) Icecream
(b) Car
(c) Color Television
(d) Water

130. Which of the following statements regarding Consumer Surplus is not true?
(a) Consumer Surplus is useful for designing Government policies and implementing welfare programs.
(b) Consumer Surplus helps the monopolist in fixing the price of a commodity.
(c) On the basis of Consumer Surplus only domestic trade can be advocated and international trade should be avoided
(d) Consumer Surplus can also be used to measure the health of an economy.

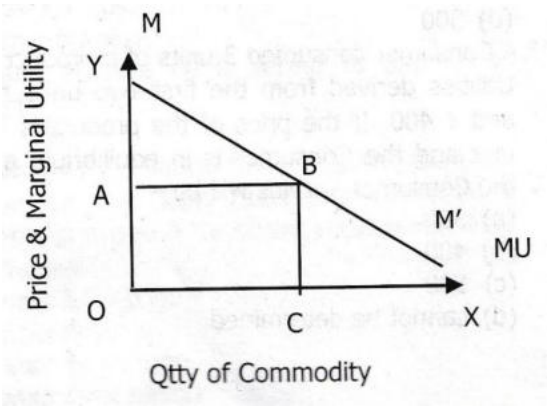
131. _____Consumer Surplus indicates higher level of efficiency in the economy.
(a) Higher (b) Lower
(c) Balanced (d) Negative

132. _____is helpful in designing Government policies and implementing welfare programs.

(a) Law of Diminishing Returns
(b) Law of Equi-Marginal Utility
(c) Consumer Surplus
(d) Income and Substitution Effects

133. While analyzing Marshall's measure of Consumer's Surplus, we assume-
(a) Imperfect Competition
(b) Perfect Competition
(c) Monopoly
(d) Monopsony

Use the following diagram to answer the next 5 questions. MM is the Marginal Utility Curve.



134. In the above diagram, Market Price at Consumer Equilibrium level is given by-
(a) OA (b) OC
(c) MM (d) None of the above

135. In the above diagram, the Consumer attains Equilibrium level by consuming _____units.
(a) OA
(b) OC
(c) MM
(d) None of the above

136. In the above diagram, the Consumer's Total Utility is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) Cannot be determined

137.In the above diagram, the total price paid by the Consumer is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) Cannot be determined

138. In the above diagram, the Consumer's Surplus is given by-
(a) Area under OMBC
(b) Area under OABC
(c) Area under AMB
(d) Cannot be determined

139. Suppose that the price of a new bicycle is 3,000. Nathan values a new bicycle at 5,000. What is the value of Total Consumer Surplus if he buys a new bi-cycle?
(a) ₹5,000 (b) ₹3,000
(c) 2,000 (d) Nil

140. If a buyer's willingness to pay for a new car is 12,00,000, and she is able to actually buy it for 9,00,000, her Consumer Surplus is -
(a) 12,00,000 (b) ₹3,00,000
(c) ₹ 9,00,000 (d) ₹0

141. Suppose there are three identical vases available to be purchased. Buyer 1 is willing to pay 30 for one, Buyer 2 is willing to pay 25 for one, and Buyer 3 is willing to pay 20 for one. If the price is ₹ 25, how many vases will be sold and what is the value of Consumer Surplus in this market?
(a) Three vases will be sold and Consumer Surplus is ₹ 80.
(b) One vase will be sold and Consumer Surplus is ₹ 5.
(c) One vase will be sold and Consumer Surplus is ₹ 30
(d) Two vases will be sold and Consumer Surplus is ₹ 5

142. Consumer stops purchasing the additional units of the commodity when
(a) Marginal Utility starts declining
(b) Marginal Utility become zero

(c) Marginal Utility is equal to Marginal Utility of Money
(d) Total Utility is increasing

143. Consumer's Surplus left with the consumer under Price Discrimination is-
(a) Maximum (b) Minimum
(c) Zero (d) Not predictable

144. Under which of the following market types will Consumer's Surplus be generally minimum -
(a) Perfect Competition
(b) Monopoly

(c) Monopolistic Competition
(d) All of the above

145. A Monopolist will try to Consumer's Surplus to his advantage by adopting -
(a) Price Rigidity
(b) Price Exploitation
(c) Price Discrimination
(d) Price Equilibrium

146. In case of two or more products, a consumer reaches equilibrium when –
(a) MUx/Px = MUy/Py
(b) MUx Px = MUy x Py
(c) MUx + PX = MUy + Py
(d) MUx/Py = MUy/Px

147. If the value of MU_x/P_x is more than MUy /Py, then the Consumer
(a) Will increase the Consumption of Product X reduce Product Y
(b) Will reduce the consumption of Product X and increase Product Y
(c) Will consume more of Product X and Y
(d) Will consume less of Product X and Y

148. If the prices of ice-cream and chocolate are ₹40 and ₹ 30 respectively, and the Marginal Utility of Chocolate is 150, what is the Marginal Utility of ice-cream assuming that consumer is at equilibrium?
(a) 112.5 (b) 125
(c) 200 (d) 225

149. Which among the following is the drawback of Consumer Surplus (as explained in Marginal Utility analysis)?
(a) It is highly hypothetical and imaginary
(b) It ignores interdependence between goods
(c) It can not be measured in terms of money because Marginal Utility of money changes
(d) All of the above

150. In case of necessaries, the Marginal Utilities of the first few units are -
(a) Infinite
(b) Zero
(c) There is no Marginal Utility at all
(d) Nothing can be said

151. The Consumer's Surplus derived from a product is _____by the availability of substitutes.
(a) Not affected
(b) Affected
(c) Nothing can be said
(d) Substitutes are not available at all

152. The concept of Consumer's Surplus fails in case of articles which are used for their prestige value, e.g. Diamonds, etc. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

153. The concept of Consumer's Surplus is based on the assumption that Marginal Utility of Money is
(a) Zero (b) Negative
(c) Constant (d) Any of the above

154. The concept of Consumer's Surplus adopts -
(a) Cardinal Approach only
(b) Ordinal Approach only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

155. If we make the assumption that Utility cannot be expressed in monetary terms, the concept of Consumer's Surplus -
(a) Will still apply
(b) Will not apply
(c) Only Producers' Surplus will arise
(d) Nothing can be said

156. Consumer surplus in case of necessary commodities:
(a) Zero (a) One
(a) Infinite (b) None of these

157. When price increases from ₹ 200 to ₹ 300 and supply increases from 2000 units to 5000 units then calculate elasticity of supply?
(a) 3 (a) 0.3
(b) 4 (c) 0.4

158. The consumer is in equilibrium when the following condition is satisfied:
(a) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
(b) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
(c) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
(d) None of these

159. In an indifference curve analysis, the consumer attains equilibrium at a point where the marginal rate of substitution is_____ the price ratio $\frac{P_x}{P_y}$.
(a) Greater than (b) Less than
(c) Equal to (d) Not related to

160. Which of the following statement is not true?
(a) MU is the slope of TU curve
(b) MU is the rate of change of TU
(c) MU cannot be negative
(d) MU can become zero

161. Which of the following statements about indifference curve is not true?
(a)Indifference curve shows price of 2 commodities
(b) Indifference curve is convex to origin
(c) Indifference curve can't touch either of the axis
(d) Two indifference curves can't touch each other

162. An indifference curve shows _____substitution between two commodities marginal rate of
(a) Increasing
(b) Decreasing
(c) Constant
(d) Zero

Date: _____

II. Ordinal Approach

1. Indifference Curve Approach to Utility Analysis was given by -
(a) Hicks and Allen
(b) Alfred Marshall
(c) Lionel Robbins
(d) Adam Smith

2. According to Indifference Curve analysis, Utility can be measured in-
(a) Ranks
(b) Cardinal Numbers
(c) Nominal Values
(d) All of the above

3. Indifference Curve Approach is also called -
(a) Ordinal Utility Analysis
(b) Marshallian Approach
(c) Cardinal Utility Analysis
(d) All of the above

4. Ordinal Utility Approach is also known as -
(a) Marginal Utility Analysis
(b) Indifference Curve Analysis
(c) Marshallian Approach
(d) All of the above

5. Ordinal Utility Approach is also known as -
(a) Indifference Curve Analysis
(b) Hicks and Allen Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

6. In Indifference Curve Analysis, the Customers' preferences are -
(a) Ranked / arranged in preference order
(b) Measured in terms of money
(c) Both (a) and (b)
(d) Neither (a) nor (b)

7. _____shows various combinations of two products that give same amount of satisfaction.
(a) Isocost Curve
(b) Indifference Curve
(c) Marginal Utility Curve
(d) Isoquant

8. An Indifference Curve represents all those combinations of goods which gives -
(a) No satisfaction to the Consumer
(b) Lower satisfaction to the Consumer
(c) Higher satisfaction to the Consumer
(d) Equal satisfaction to the Consumer

9. All points on the same Indifference Curve represents
(a) Equal satisfaction
(b) Same satisfaction
(c) Similar satisfaction
(d) All of the above

10. The Consumer is said to be_____ among different points on an IC-
(a) Indifferent
(b) Interesting
(c) Irrational
(d) Intelligent

11. Indifference Curve slopes
(a) Downward to the right
(b) Upward to the right
(c) Downward to the left
(d) Upward to the left

12. Indifference curve is convex slope, the reason is _____
(a) Increasing Marginal rate of substitution
(b) Constant Marginal rate of substitution
(c) Diminishing Marginal rate of substitution
(d) None of above

13. Indifference Curve is downward sloping -
(a) Always
(b) Sometimes
(c) Never
(d) None of these

14. Indifference Curve has-
(a) Positive slope
(b) Negative slope
(c) No slope at all
(d) Nothing can be said

15. The reasons for downward sloping curve-
(a) Diminishing MRS
(b) Increasing MRS
(c) Constant MRS
(d) None

16. _____have a negative slope and cannot intersect each other.
(a) Demand and Supply Curves
(b) Isoquants
(c) Indifference Curves
(d) Both (b) and (c)

17. An Indifference Curve slopes down towards right, since more of one commodity and less of another result in-
(a) Same satisfaction
(b) Greater satisfaction
(c) Maximum satisfaction
(d) Decreasing expenditure

18. An Indifference Curve is -
(a) Concave to the Origin
(b) Convex to the Origin
(c) Parallel to X Axis
(d) Parallel to Y Axis

19. Which of the following statements regarding Indifference Curve is not true?
(a) An Indifference Curve always has a positive slope
(b) Indifference Curve slopes downward to the right
(c) Two Indifference Curves intersect each other at equilibrium
(d) Higher level of Indifference Curve shows higher level of Utility

20. Which of the following is a feature of the Indifference Curve?
(a) It always slopes downward to the right
(b) Indifference Curves are always convex to the origin
(c) A higher Indifference Curve represents a higher level of satisfaction
(d) All of the above

21. Which of the following is a property of an Indifference Curve?
(a) It is convex to the origin
(b) The Marginal Rate of Substitution is constant as one moves along an Indifference Curve
(c) Marginal Utility is constant as one move along an indifference Curve
(d) Total Utility is greatest where the 45 degree line cuts the indifference Curve.

22. Which of the following is not a property of the Indifference Curve?
(a) Indifference Curves are convex to the origin
(b) Indifference Curves slope downwards from left to right
(c) No two Indifference Curves can cut each other
(d) None of the above

23. Which of the following statements is incorrect?
(a) An Indifference Curve must be downward-sloping to the right
(b) Convexity of a Curve implies that the slope of the curve diminishes as one moves from left to right
(c) The Elasticity of Substitution between two goods to a Consumer is zero
(d) The total effect of a change in the price of a good on its quantity demanded is called the Price Effect.

24. Which of the following is not an assumption of the Theory of Demand based on analysis of Indifference Curves?
(a) Given scale of preferences as between different combinations of two goods
(b) Diminishing Marginal Rate of Substitution
(c) Constant Marginal Utility of money
(d) Consumers would always prefer more of a particular good to less of it, other things

remaining the same

25. Indifference Curve approach assumes -
(a) Rationality (b) Consistency
(c) Transitivity (d) All of the above

26. Indifference Curve approach deals with-
(a) One Commodity only
(b) Two Commodities at a time
(c) Many Commodities at a time
(d) No Commodities at all

27. Indifference Curve Approach assumes –
(a) Consumer has full knowledge of all relevant
(b)All Commodities are homogenous and divisible
(c) Prices of Commodities remain the same Throughout the analysis
(d) All of the above.

28. The Indifference Curve Approach does not assume-
(a) Rationality on the parts of consumers
(b) Ordinal Measurement of satisfaction
(b) Consistent consumption pattern behaviour consumers
(d) Cardinal Measurement of Utility

29. If two goods were perfect substitutes of each other, it means that the Indifference Curve relating to the two goods
(a) Will be curvilinear.
(b) Will be linear.
(c) Will be divided into two the origin segments which meet at a right angle.
(d) Will be convex on which origin.

30. When two goods are perfect substitutes of each other, the Indifference Curve is a -
(a) Straight Line on which MRS is constant
(b) Straight Line on which MRS is increasing
(c) Concave on which MRS is diminishing
(d) Convex on which MRS is constant

31. In the case of two perfect substitutes, the indifference curve will be:
(a) Straight Line
(b) L-shaped
(c) U-shaped
(d) C-shaped

32. When an Indifference Curve is L shaped, then two goods will be-
(a) Perfect Substitute Goods
(b) Substitute Goods
(c) Perfect Complementary goods
(d) Complementary goods

33 _____depicts complete picture of consume tastes and preferences.
(a) Budget Line
(b) Average Cost Curve
(c) Indifference Map
(d) Marginal Revenue Curve

34. A set of _____is called Indifference Map.
(a) Demand Curves
(b) Marginal Utility Curves
(c) Cost Curves
(d) Indifference Curves

35. Under Indifference Map, even though higher levels of satisfaction are identified, it cannot be quantified as such. This statement is -
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

36. The farther the Indifference Curve is from the origin, then-
(a) The higher is the satisfaction level
(b) The lower is the satisfaction level
(c) The same satisfaction level will be obtained
(d) Nothing can be said about satisfaction

37. A higher Indifference Curve shows-
(a) A higher level of satisfaction
(b) A higher level of production
(c) A higher level of income
(d) None of the above

38. A higher Indifference Curve shows
(a) Higher Level of satisfaction
(b) Lower Level of satisfaction
(c) Equal Level of satisfaction as before
(d) Nothing can be said

39. A lower Indifference Curve shows -
(a) A lower level of satisfaction
(b) A lower level of production
(c) A lower level of income
(d) None of the above

40. A lower Indifference Curve shows -
(a) Higher Level of satisfaction
(b) Lower Level of satisfaction
(c) Equal Level of satisfaction as before
(d) Nothing can be said

41. Combinations lying on a higher Indifference Curve contain more of-
(a) One commodity only
(b) Both commodities
(c) Either (a) or (b)
(d) Neither (a) nor (b)

42. The general assumption in Consumer Behaviour under Indifference Curve Analysis is that more goods are preferred to less of them. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

43. In Indifference Map can also be drawn such that two Indifference Curves cut each other. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

44. No two ICs will cut or intersect each other. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

45. _____indicates how much of one commodity is substituted for how much of another commodity.
(a) Marginal Utility
(b) Marginal Returns
(c) Marginal Rate of Substitution
(d) Marginal Income

46. In the context of Indifference Curve Analysis, MRS stands for-
(a) Marginal Rate of Substitution
(b) Marginal Rate of Satisfaction
(c) Marginal Return of Substitution
(d) Marginal Return of Satisfaction

47. MRS is indicated by -
(a) Slope of an IC at a particular point
(b) Angle between IC and X Axis
(c) Angle between IC and Y Axis
(d) None of the above

48. MRS indicates movement-
(a) From lower IC to higher IC
(b) From higher IC to lower IC
(c) Along an IC
(d) Any of the above

49. Generally, MRS shows -
(a) Increasing trend
(b) Decreasing trend
(c) Constant trend
(d) No trend at all

50. Decreasing Trend of MRS makes the Indifference Curve
(a) Concave to the Origin
(b) Convex to the Origin
(c) Parallel to X Axis
(d) Parallel to Y Axis

51. If marginal rate of substitution is increasing then shape of indifference curve is

(a) Concave
(b) Convex
(c) L-shape
(d) None of these

52. Convexity of IC is due to -
(a) Increasing trend of MRS
(b) Decreasing trend of MRS
(c) Constant trend of MRS
(d) No trend of MRS at all

53. Why does the Indifference Curve Analysis approach operate?
(a) MRS decrease as we go down the Curve
(b) MRS remains constant
(c) MRS increases
(d) Consumer Surplus decreases

54. In order to get maximum satisfaction, the consumer has to work under some constraints. These constraints are explained by -
(a) Price Line
(b) Budget Line
(c) Both (a) and (b)
(d) Neither (a) nor (b)

55. A_____ shows all those combinations of two goods which the consumer can buy spending his given money income on the two goods at their given prices.
(a) Diminishing Utility Curve
(b) Budget Line
(c) Indifference Curve
(d) Demand Curve

56. Budget Line is also called -
(a) Price Line
(b) Price Opportunity Line
(c) Price-Income Line
(d) All of the above

57. Price Line is also called -
(a) Budget Line
(b) Budget Constraint Line
(c) Both (a) and (b)
(d) Neither (a) nor (b)

58. The price line/Budget lint of a consumer is-
(a) Parallel to X-axis
(b) Parallel to Y-axis
(c) Straight line joining two axis
(d) None of the above

59. If a combination is below the Price Line, it indicates that there is-
(a) Under Utilization of Resources
(b) Over Utilization of Resources
(c) Optimum utilization of Resources
(d) None of the above

60. A Point below the Price Line represents -
(a) Over-spending by the Consumer
(b) Under-spending by the Consumer
(c) Full spending by the Consumer
(d) Any of the above

61. Every Point below the Price Line represents -
(a) Over-spending by the Consumer
(b) Under-spending by the Consumer
(c) Full-spending by the Consumer
(d) Any of the above

62. A Point above the Price Line will be.....the reach of the Consumer, at his present levels of income and spending.
(a) Beyond
(b) Within
(c) Either (a) or (b)
(d) Neither (a) nor (b)

63. Budget Line shows all the combinations of products.
(a) Two
(b) Three
(c) Many
(d) None of the above

64. As Consumers' Income and Spending increases, the Price Line or Budget Line-
(a) Remains at the same level
(b) Shifts outward away from the origin

(c) Shifts inward nearer to the origin
(d) Any of the above

65. If Consumers' Income and Spending decreases, the Price Line or Budget Line –
(a) Remains at the same level
(b) Shifts outward away from the origin

(c) Shifts inward nearer to the origin
(d) Any of the above

66. As per Indifference Curve Analysis, to maximise his satisfaction, a Consumer will try to-
(a) Remain in the same IC
(b) Reduce to a lower IC
(c) Reach the highest possible IC.
(d) Reach the Origin Point

67. To Consumer's objective of maximising his satisfaction and reaching the highest possible Indifference Curve is restricted by -
(a) Total Utility Curve
(b) Marginal Utility Curve
(c) Marginal Rate of Substitution
(d) Price Line

68. The Consumer is in Equilibrium at a point where the Budget Line-
(a) Is above an Indifference Curve
(b) Is below an Indifference Curve
(c) Is tangent to an Indifference Curve
(d) Cuts an Indifference Curve

69. A Consumer is at equilibrium when-
(a) Slope of the Price Line is equal to Indifference Curve
(b) He saves 30% of his Income
(c) Borrows an amount equal to his income from the Bank
(d) None of the above

70. At the equilibrium point on Indifference Curve which of the following equation is satisfied?
(a) $MRS_{xy} = MU_x \div MU_y < P_x \div P_y$
(b) $MRS_{xy} < MU + MU_y = P_x \div P_y$
(c) $MRS_{xy} = MU_x \div MU_y = P_x + P_y$
(d) None of the above

71. At the equilibrium point on Indifference Curve which of the following equation is satisfied?
(a) $MRS_{xy} = \frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
(b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$
(c) Both (a) and (b)
(d) Neither (a) nor (b)

72. At the equilibrium point on Indifference Curve which of the following is satisfied?
(a) Slope of Price Line = Slope of IC
(b) Slope of Price Line > Slope of IC
(c) Slope of Price Line < Slope of IC
(d) Any of the above

73. MU_x, of X is 40 and MU_y, of Y is 30. It the price of Y is ₹ 9 what will be the price of X at equilibrium?
(a) ₹9
(b) ₹30
(c) ₹15
(d) ₹12

74. What will be the Marginal Utility of Product A, if the prices of A and B are ₹ 10 and ₹ 20 respectively, and the Marginal Utility of Product B is 50, assuming that the Consumer is at equilibrium?
(a) ₹100
(b) ₹ 25
(c) ₹ 250
(d) ₹4

75. The Marginal Utilities of Product A and Product B are 300 and 450 at equilibrium respectively. If the price of the product B is 60, what is the price of Product A at equilibrium level?
(a) ₹ 45
(b) ₹ 90
(c) ₹40
(d) ₹ 50

76. Under Income Effect, the Consumer -

(a) Moves along the original Indifference Curve
(b) Moves to higher or lower Indifference Curve
(c) Always purchases higher quantities of both the commodities
(d) None of the above.

77. Which of the following is not an assumption in Consumer Equilibrium analysis under Indifference Curve Approach?

(a) There is a given Indifference Map with different levels of satisfaction
(b) Income of the Consumer is fixed
(c) Prices of Commodities are constant
(d) Only one Commodity is considered for the purposes of analysis

78. In Consumer Equilibrium analysis under Indifference Curve Approach, the Consumer is assumed to spend his income _____on two goods.
(a) Partly
(b) Wholly
(c) Either (a) or (b)
(d) Nothing can be said

79. Indifference curve slopes downwards as one product increase and another decreases because they give.
(a) Equal satisfaction
(b) Greater Satisfaction
(c) Lesser Satisfaction
(d) None

80. Which of the following is a property of an indifference curve?
(a) It is convex to the origin.
(b) The marginal rate of substitution is constant as you move along an indifference curve.
(c) Marginal utility is constant as you move along an indifference curve.
(d) Total utility is greatest where the 45 degree line cuts the indifference curve.

Demand Analysis
I. DEMAND BASICS

DEMAND BASICS

1. _____is the want satisfying power of the product.
(a) Demand (b) Utility
(c) Supply (d) None of these

2. _____refers to the quantity of goods or services, those Consumers are willing and able to purchase / buy in a given market, at various prices, in a given period of time.
(a) Demand (b) Utility
(c) Supply (d) None of these

3. Demand refers to the quantity of goods or services, that_____ are willing and able to purchase / buy in a given market, at various prices, in a given period of time.
(a) Producers (b) Investors
(c) Consumers (d) Government

4. Demand for a commodity refers to -
(a) Desire for the commodity
(b) Need for the commodity
(c) Quantity demanded of that commodity
(d) Quantity of the commodity demanded at a certain price during any particular period of time

5. On which of the following the Effective Demand for a thing depends?
(a) Desire
(b) Means to purchase (Ability to Buy)
(c) Willingness to use those means
(d) All of these

6. For want to become an Effective Demand, it must be backed by the -
(a) Ability to buy the product
(b) Necessity to buy the product
(c) Desire to buy the product
(d) Utility of the product

7. Which of the following is an important aspect in
Demand?
(a) Ability to buy the product
(b) Willingness to spend
(c) Availability of the product in the market
(d) All of the above

8. In the context of Demand, the availability of money with the Consumer, in order to purchase the Commodity is called -
(a) Consumer Surplus
(b) Purchasing Power
(c) Cost of Living
(d) Standard of Living

9. Purchasing Power refers to -
(a) Availability of money with the Consumer to purchase the Commodity
(b) Availability of money with the Producer to produce the Commodity
(c) Availability of goods in the market
(d) Availability of substitute goods

10. Purchasing Power refers to -
(a) Desire to buy the product
(b) Necessity to buy the product
(c) Ability to buy the product
(d) Utility of the product

11. Purchasing power of money fall when
(a) Price level increases
(b) Price level decreases
(c) Income level increases
(d) Money supply falls

12. Unless Demand is backed by purchasing power or ability to pay, it does not constitute Demand. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

13. In the context of Effective Demand, Willingness to spend means
(a) Availability of Money with Consumers
(b) Readiness to use available money for p
(c) Both (a) and (b)
(d) Neither (a) nor (b)

14. For Demand to be effective, the Commodity should be available -
(a) At a certain price
(b) At a certain place
(c) At a certain time
(d) All of the above

15. Demand arises in respect of -
(a) Socially desirable goods, e.g. food, clothing
(b) Harmful goods, e.g. liquor, cigarettes, etc.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

16. Demand arises in respect of -
(a) Capital Goods only
(b) Consumer Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

17. Demand arises in respect of-
(a) Agricultural Commodities only
(b) Industrial Goods only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

18. Demand arises in respect of -
(a) Tangible Goods and Commodities only
(b) Intangibles and Services only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

19. Demand for Final Consumption arises in -
(a) Household Sector only
(b) Government Sector only
(c) Both Household and Government Sectors
(d) Neither Household nor Government Sector

20. Demand for Intermediate Consumption arises in -
(a) Household Consumers
(b) Government Enterprises only
(c) Corporate Enterprises only
(d) All producing Sectors of the Company

21.Demand for Resources and Factors of Production is -
(a) Direct Demand
(b) Derived Demand
(c) Irrelevant in Economics
(d) Not a Demand at all

22. The demand for factors of production is demand
(a) Fundamental
(b) Derived
(c) Market
(d) Joint

INDIVIDUAL AND MARKET DEMAND

23. Individual Demand is also called -
(a) Industrial Demand
(b) Market Demand
(c) Household Demand
(d) All of the above

24. Household Demand is also called -
(a) Producer Demand
(b) Individual Demand
(c) Industry Demand
(d) Market Demand

25. Individual Demand shows the quantities of demand for a commodity at various prices by-
(a) A particular consumer
(b) The entire market
(c) Both (a) and (b)
(d) Neither (a) nor (b)

26. Industry Demand is also called -
(a) Household Demand
(b) Market Demand
(c) Individual Demand
(d) All of the above

27. Market Demand is also called -
(a) Producer Demand
(b) Individual Demand
(c) Industry Demand
(d) Household Demand

28.Market Demand shows the quantities of demand for a commodity at various prices by -
(a) a particular consumer
(b) the entire market
(c) Both (a) and (b)
(d) Neither (a) nor (b)

29. 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 households and consumers
(d) All of the above

30. _____is the sum total demand of all individuals in the market.
(a) Individual Demand
(b) Market Demand
(c) Household Demand
(d) Firm Demand

31. If A = Household Demand and B = Market Demand, then-
(a) A > B
(b) A < B
(c) A = B = 0
(d) None of the above

32. If Household Demand and Market Demand are equal in a situation, it means that -
(a) There is only one Producer
(b) There is only one Consumer
(c) Both (a) and (b)
(d) Neither (a) nor (b)

33. The total demand for the product of an individual Firm at various prices is known as -
(a) Industrial Demand
(b) Market Demand
(c) Household Demand
(d) Firm Demand

34. If Market Demand and Firm's Demand are equal in al situation, it means that -
(a) There is only one Producer
(b) There is only one Consumer
(c) Both (a) and (b)
(d) Neither (a) nor (b)

35. If Individual Demand = Market Demand = Firm's Demand, it means that -
(a) There is only one Producer
(b) There is only one Consumer
(c) Both (a) and (b)
(d) Neither (a) nor (b)

36. A relative price is_____
(a) Price expressed in terms of money
(b) What you get paid for baby-sitting your cousin
(c) The ratio of one money price to another
(d) Equal to a money price

DETERMINANTS OF DEMAND

37. Which of the following influence most the price level in the very short-run period?
(a) Demand (b) Supply
(c) Cost (d) Production

38. Which of the following is not a determinant of Demand?
(a) Price of the Commodity
(b) Price of Related Commodities
(c) Level of Consumers' Income
(d) None of these

39. All of the following are determinants of demand except
(a) Tastes and Preferences
(b) Quantity supplied
(c) Income
(d) Price of related goods

40. Which of the following is a determinant of Individual Demand?
(a) Cost of Production

(b) Nature of Product, i.e. socially desirable vs other goods
(c) Tastes and Preferences of Consumers
(d) Economic Policies of the Government

41. When a Consumer prefers a commodity due to prestige attached to it, it is known as -
(a) Substitution Effect
(b) Demonstration Effect
(c) Income Effect
(d) All of the above

42. When a Consumer wants a product by seeing another person use that product, it is called -
(a) Disturbance Effect
(b) Comparison Effect
(c) Demonstration Effect
(d) Marshallian Effect

43. Demonstration Effect is generally found in respect of
(a) Necessary Goods
(b) Luxury and Quasi-Luxury Goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

44. Goods covered by Demonstration Effect can be best described as -
(a) Necessities of Life
(b) Conspicuous Necessities
(c) Absolute Luxuries
(d) All of the above

45. In which of the following will the Demonstration Effect be high?
(a) Water (b) Rice
(c) Cellphone (d) Plant and Machinery

46. _____are goods which are consumed together or simultaneously.
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

47. Complementary Goods are goods which are consumed -

(a) Only when the goods are distributed as free compliment to the Consumer
(b) Together or simultaneously
(c) In place of one another
(d) Only at high income levels of Consumer

48. The demand for two-wheelers is likely to decrease with an increase in petrol prices because two- wheelers and petrol are -
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

49. Which of these is not a Complementary Good for Pen?
(a) Refills (b) Paper
(c) Notebooks (d) Wheat

50. If an increase in the price of Blue Jeans leads to an increase in the demand for Tennis Shoes, then Blue Jeans and Tennis Shoes are -
(a) Complements (b) Inferior Goods
(c) Normal Goods (d) Substitutes

51. If two goods are Complements, it means that a rise in the price of one commodity will lead to -
(a) Upward Shift in demand for the other commodity
(b) Rise in the price of the other commodity
(c) Downward Shift in demand for the other commodity
(d) No shift in the demand for the other commodity

52. In case of Complementary Goods, increase in price of a product will -
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

53. In case of Complementary Goods, decrease in price of a product will -
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

54. If X and Y are Complementary Goods, the price of X and the Demand of Y are -
(a) directly related
(b) inversely related
(c) proportionally related
(d) any of the above

55. If X and Y are Complementary Goods, if there is an increase in Price of X, then -
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

56. If X and Y are Complementary Goods, if there is an decrease in Price of X, then -
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

57. _____are goods which are consumed in place of one another.
(a) Inferior Goods
(b) Normal Goods
(c) Complementary Goods
(d) Substitute Goods

58. Substitute Goods are goods which can be used
(a) Only when the goods are used for a variety of purposes
(b) Together or simultaneously
(c) In place of one another
(d) Only at high income levels of Consumer

59. Which of the following pairs of goods is an example of Substitutes?
(a) Tea and Sugar (b) Tea and Coffee
(c) Pen and Ink (d) Shirt and Trousers

60. Which of the following is an example of Substitutes?
(a) Coffee and Milk
(b) Diamond and Cow
(c) Pen and Ink
(d) Mustard Oil and Coconut Oil

61. Which of the following pairs of goods in an example of substitutes?
(a) Tea and Sugar (b) Tea and Coffee
(c) Tea and Ball Pen (d) Tea and Shirt

62. In case of Substitute Goods, increase in price of a product will –
(a) Decrease the demand for the other produce product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

63. In case of Complementary Goods, decrease in price of a product will -
(a) Decrease the demand for the other product
(b) Increase the price of the other product
(c) Increase the demand for the other product
(d) Not affect the demand for the other product

64. If X and Y are Substitute Goods, the price of X and the Demand of Y are -
(a) Directly related
(b) Inversely related
(c) Proportionally related
(d) Any of the above

65. When the Price of a Substitute of X Commodity fails, the Demand for X-
(a) Rises
(b) Falls
(c) Remains Unchanged
(d) Any of the above.

66. If the Price of Product A increases relative to the Price of Substitute B & C, the demand for -
(a) B will increase
(b) C will increase
(c) B and C will increase
(d) B and C will decrease

67. If the Price of Pepsi decreases relative to the Price of Coke and 7-Up, the demand for -
(a) Coke will decrease
(b) 7-Up will decrease
(c) Coke and 7-Up will increase
(d) Coke and 7-Up will decrease

68. If Tea and Coffee are Substitutes, a fall in the Prices of Tea leads to -
(i) Rise in the demand for Tea
(ii) Fall in the supply of Coffee
(iii) Fall in the demand for Coffee
(iv) Rise in the supply of Tea
(a) Both (ii) and (iv) above
(b) Both (i) and (iii) above
(c) Both (ii) and (iii) above
(d) Both (iii) and (iv)

69. If X and Y are Substitute Goods, if there is an increase in Price of X, then -
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

70. If X and Y are Substitute Goods, if there is an decrease in Price of X, then -
(a) Demand of X will decrease and Demand of Y will increase.
(b) Demand of X will increase and Demand of Y will decrease.
(c) Demand of X and Y will increase.
(d) Demand of X and Y will decrease.

71. In which phase of the business cycle to Producers try to sell out their inventories?
(a) Recession
(b) Prosperity
(c) Boom
(d) Recovery

72. Which of the following Statements is not true about Individual Demand?
(a) The decision to purchase is always influenced by the Income Constraint.
(b) Selection of products and services are based on the Opportunity Cost.
(c) Consumers measure their Opportunity Cost in terms of the price they pay for the products and services they forego.
(d) Decision to purchase is never influenced or concerned with the Income Constraint.

73. What effect does an increase in the price of a product have on the Purchasing Power of the Consumer?
(a) Increases
(b) Decreases
(c) No effect
(d) Decreases initially, but increases over a period of time

74. The Demand for a commodity also depends upon the money income of the household. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

75. The Demand for a commodity depends only upon the money income of the household. This statement is-
(a) True
(b) False
(c) Partially True
(d) Nothing can be said

76. If demand decreases with an increase in money income of Consumers, such goods are called -
(a) Normal Goods

(b) Inferior Goods
(c) Luxury Goods
(d) All of the above

77. Giffen Goods are -
(a) Normal Goods
(b) Inferior Goods
(c) Luxury Goods
(d) All of the above

78. Inferior Goods are also called -
(a) Giffen Goods
(b) Marshallian Goods
(c) Hicks and Allen Goods
(d) Normal Goods

79. The Giffen Effect in respect of Inferior Goods was observed in the case of -
(a) Rice and Wheat
(b) Wheat and Meat
(c) Bread and Meat
(d) Bread and Rice

80. As income levels increase, the demand for goods satisfying Necessities of life, will be.....to the increase in income.
(a) Less than proportionate
(b) More than proportionate
(c) Proportionate
(d) Nothing can be said

81. If Income Levels increase, and the demand for goods increase by less than proportionale extent, such goods will be -
(a) Inferior Goods
(b) Necessary Goods
(c) Luxury Goods
(d) Nothing can be said

82. If Income Levels increase, and the demand for goods increase by more than proportionate extent, such goods will be -
(a) Inferior Goods
(b) Necessary Goods
(c) Luxury Goods
(d) Nothing can be said

83. As Income Levels increase beyond a certain extent, the propensity to consume -

(a) Reduces
(b) Increases
(c) Remains constant
(d) Becomes zero

84. Generally, larger size of population of a country or a region implies____ for all commodities as such.
(a) Higher demand
(b) Lower demand
(c) No demand
(d) Ineffective demand

85. In case of unequal distribution of income in the country, the propensity to consume will be____ and demand for Consumer Goods will be ____
(a) Higher, lower
(b) Higher, higher
(c) Lower, higher
(d) Lower, lower

86. If the Consumers expect an increase in prices of the product in the future, its current demand will be
(a) Higher
(b) Lower
(c) Nil
(d) Nothing can be said

87. If the Consumers expect a decrease in prices of the product in the future, its current demand will be
(a) higher
(b) lower
(c) Nil
(d) Nothing can be said

88. Demand is affected by weather conditions and seasonal aspects also. This statement is -
(a) True

(b) False
(c) Partially True
(d) Nothing can be said

89. Demand for Air Conditioners, Water Coolers, Refrigerators show an increase during -
(a) Winter
(b) Summer

(c) Spring
(d) All Seasons

90. Large production of .....goods would lead to higher production in future.
(a) Consumer Goods
(b) Capital Goods
(c) Agricultural Goods
(d) Public Goods

91. Income elasticity of luxury goods
(a) Zero
(b) Positive and greater than one
(c) Positive and lesser than one
(d) Negative and greater than - 1

92. Elasticity of demand under perfect competitions
(a) One
(b) Two
(c) Zero
(d) Infinite

93. Forecasting of demand is the art and science predicting the date
(a) Actual demand for a product at some future
(b) Probable demand for a product at some fun date
(c) Total demand for a product at some future date
(d) None of these

94. Normally, when the price of a commodity increase its demand:
(a) Remains constant
(b) Increases
(c) Decreases
(d) Zero

95. Additional made to the total utility by the consumption of an additional unit of a commodity is called:
(a) Total utility
(b) Average utility
(c) Marginal utility
(d) All of the above

96. Which one of the following is not a method of demand forecasting?
(a) Mathematical method
(b) Statistical method
(c) Expert opinion method
(d) Barometric method

97. In case of inferior commodity the rise in income will result in demand curve:
(a) Upward
(b) Downward
(c) No change
(d) Initially downward but ultimately upward

II. THEORY OF DEMAND

1. Demand Schedule shows the relation between-
(a) Price and Quantity supplied
(b) Price and Quantity demanded
(c) Income and Quantity supplied
(d) Income and Quantity demanded

2 In a typical Demand Schedule, quantity demanded
(a) varies directly with price.
(b) varies proportionately with price.
(c) varies inversely with price.
(d) is independent of price.

3. _____indicates the changes in Consumers' purchasing habits, depending on the price variation of a particular product.
(a) Total Utility Curve
(b) Demand Schedule
(c) Production Possibility Curve
(d) Purchasing Power Parity

4. A Demand Curve shows -
(a) Quantity demanded of a product at various levels of income of the Consumer.
(b) Quantity demanded of a product, at various levels of price of the product
(c) Amount of money spent by a Consumer on a product at various levels of price
(d) Quantity supplied of a product at various levels of price of the product

5. A Demand Curve deals with -
(a) One product at a time
(b) Two products at a time
(c) Many products at a time
(d) None of the above

6. While drawing the Demand Curve, the change takes place in which of the following factors?
(a) Supply of the product
(b) Quality of the product
(c) Price of the product
(d) Technology used in offering the product

7. Generally, the Demand Curve slopes -
(a) Downward from left to right
(b) Upward from left to right
(c) Upward from right to left
(d) Downward from right to left

8. Demand Curve in most cases slopes-
(a) Upward towards left
(b) Vertical and parallel to Y-axis
(c) Downward towards right
(d) Horizontal and parallel to X-axis

9. Demand Curve in most cases has a -
(a) Positive Slope
(b) Negative Slope
(c) Zero Slope
(d) Infinity slope

10. Demand Curve-
(a) Will be a Straight Line
(b) Will be a Curve
(c) Either (a) or (b)
(d) Neither (a) nor (b)

11. All but one of the following are assumed to remain the same while drawing an individual's Demand Curve for a product. Which one is it?
(a) Preference of the individual
(b) His monetary income
(c) Price
(d) Price of related goods

12. If regardless of changes in its price, the quantity demanded of a product is unchanged, then, Demand Curve for that product will be-
(a) Horizontal
(b) Vertical
(c) Positively Sloped
(d) Negatively Sloped

13. If any quantity at the same price, then, the Demand Curve for that product will be -
(a) Horizontal

(b) Vertical
(c) Positively Sloped
(d) Negatively Sloped

14. What is the other name given to the Demand Curve?
(a) Profit Curve
(b) Average Revenue Curve
(c) Average Cost Curve
(d) Indifference Curve

15. What is the other name given to the Average Revenue Curve?
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve

16. Why is the Demand Curve otherwise known as the Average Revenue Curve?
(a) Price paid for each unit by the Consumer, is the Average Revenue per unit for the Seller
(b) Price paid for each unit by the Consumer, is the Total Revenue for the Seller
(c) Price paid by Consumer is equal to the Seller's willingness to sell the product.
(d) All of the above

17. The Total Area under the Demand Curve of a product measures -
(a) Marginal Utility
(b) Total Utility
(c) Consumer's Surplus
(d) Producers Surplus

18. If Marginal Utility of a product remains constant, the Demand Curve will be
(a) Convex
(b) Concave
(c) Straight line
(d) None of the above

19. In a Demand Curve, the Horizontal Axis will be
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) Any of the above

20. In a Demand Curve, the Vertical Axis will be
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) Any of the above

21. Which of these is not depicted in a typical Demand Curve?
(a) Quantity Demanded
(b) Price of the Product
(c) Income Levels of Consumer
(d) None of the above

LAW OF DEMAND

22. The Law of Demand is explained by
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

23. Which of the following can be regarded as law of Demand?
(a) Ceteris Paribus, if Price of a product rises, its quantity demanded will fall
(b) Higher the Income, greater is the expenditure
(c) Taxes have no relation with the benefits which a person derives from the State
(d) None of the above

24. The Law of Demand, assuming other things to remain constant, establishes the relationship between
(a) Income of the Consumer and the quantity of a good demanded by him
(b) Price of a good and the quantity demanded
(c) Price of a good and the demand for its Substitute
(d) Quantity demanded of a good and the relative prices of its complementary goods

25. The Law of Demand refers to
(a) Price-Supply relationship

(b) Price Cost relationship

(c) Price-Demand relationship
(d) Price-Income relationship.

26. The Law of Demand is -
(a) A quantitative statement
(b) A qualitative statement
(c) Both (a) and (b)
(d) Neither (a) nor (b)

27. The Law of Demand is a -
(a) Positive Statement
(b) Normative Statement
(c) Both (a) and (b)
(d) Neither (a) nor (b)

28. The Law of Demand is a principle relating to
(a) Micro-Economics
(b) Macro-Economics
(c) Both (a) and (b)
(d) Neither (a) nor (b)

29. The term "Ceteris Paribus" in the Law of Demand denotes -
(a) All factors remaining constant
(b) All factors except one remaining constant
(c) All factors being variable
(d) All of the above

30. Which of these is a variable factor in the Law of Demand?
(a) Consumers' Income Level
(b) Economic Conditions of Boom / Recession
(c) Quality of the Product
(d) Price of the Product

31. The condition "other things being equal" in the Law of Demand denotes-
(a) Price of related goods remaining constant
(b) Income Levels remaining constant
(c) Tastes and Preferences remaining constant
(d) All of the above

32. What type of relationship exists between Price and Quantity Demanded?
(a) Direct
(b) Inverse
(c) Positive
(d) Positional

33. As per the Law of Demand, if the Price of a commodity_____, its Demand_____
(a) Increases, Decreases
(b) Increases, Increases
(c) Decreases, Increases
(d) Both (a) & (c)

34. Why does the Law of Demand operate?
(a) Income Effect
(b) Substitution Effect
(c) Both (a) and (b)
(d) Neither (a) nor (b)

35. The total effect of a price change of a commodity is
(a) Substitution Effect + Price Effect
(b) Substitution Effect + Income Effect
(c) Substitution Effect + Demonstration Effect
(d) Substitution Effect minus Income Effect

36. When we say that the Demand for a commodity depends upon the money income of the Consumer, we are referring to
(a) Income Effect
(b) Substitution Effect
(c) Demonstration Effect
(d) Utility Effect

37. _____refers to the effect of a change in the price of a product on the Consumer's purchasing power.
(a) Law of Equi-Marginal Utility
(b) Income Effect
(c) Substitution Effect
(d) Consumer Surplus

38. As a result of a fall in prices of the commodity, the Consumer's increases.
(a) Real Income
(b) Purchasing Power

(c) Both (a) and (b)
(d) Neither (a) nor (b)

39. If there is a decrease in the prices of a product, the Consumer's Real Income -
(a) Increases
(b) Decreases
(c) Remains constant
(d) Nothing can be said

40. When increase in his Real Income induces a Consumer to buy more of a Commodity whose prices has fallen, it is called-
(a) Inducement Effect
(b) Substitution Effect
(c) Income Effect
(d) Veblen Effect

41. Which of the following statements best describes the Income Effect?
(a) It is the change in quantity demanded as a result of the changes in the income, keeping other things constant
(b) It is the change in quantity demanded of substitute goods, as a result of change in the price of a product, keeping the income constant
(c) It is the change in quantity demanded of a product, as a result of change in the real income because of change the price of the product
(d) It is the change in the price of a good because of a rise or fail in the real income of the consumer

42. When the price of a Commodity falls, the Consumer
(a) Can buy the same quantity of the commodity with lesser money
(b) Can buy more of the same commodity with the same money
(c) Both (a) and (b)
(d) Neither (a) nor (b)

43. When the price of a Reynolds pen falls, ceteris paribus, Buyers substitute Reynolds Pen for other pens that are now relatively more expensive. This is called-
(a) Price Effect
(b) Substitution Effect
(c) Income Effect
(d) Veblen Effect

44. The 'Substitution Effect' takes place due to change in
(a) Income of the Consumer
(b) Prices of the Commodity
(c) Relative Prices of the commodities
(d) All of the above

45. _____refers to the Consumer's Reaction to a change in the relative prices of two products, keeping the Total Utility constant.
(a) Consumer Surplus
(b) Income Effect
(c) Substitution Effect
(d) Law of Diminishing Marginal Utility

46. When the price of a product increases, Consumers tend to switch to purchasing the substitutes of the product. This describes why the Demand Curve for the good -
(a) Shift downward to the left
(b) Shift upward to the right
(c) Slopes downward to the right
(d) Slopes downward to the left

47. Which of the following statement best describes the Substitution Effect?
(a) When the price of a product rises, Consumers stop consuming the product.
(b) When the price of a product rises, Consumers tend to substitute it with a relatively expensive product
(c) When the price of a product rises, Consumers tend to substitute it with a relatively inexpensive product
(d) When the price of a product fails, consumers tend to substitute in with a more expensive product

48. In normal circumstances, if the Government increases the tax on any product, the demand for the product.....in the short run
(a) Increases
(b) Decreases

(c) Remain unchanged
(d) Tax has nothing to do with the demand for any product

49. The segregation between Income Effect and Substitution Effect is adequately explained by -
(a) Cardinal Approach
(b) Ordinal Approach
(c) Both (a) and (b)
(d) Neither (a) nor (b)

50. When the price of a product falls, its Demand increases because-
(a) New Consumers start buying the product
(b) Existing Consumers buy more quantities of the product
(c) Both (a) and (b)
(d) Neither (a) nor (b)

51. The Law of Demand is explained by -
(a) Law of Diminishing Marginal Utility
(b) Law of Indifference Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

52. Under the Law of Diminishing Marginal Utility, Consumers continue buying till Price equals Marginal Utility. Hence at lower prices -
(a) Higher quantities will be demanded
(b) Lower quantities will be demanded
(c) No quantities will be demanded
(d) All of the above

53. Since Consumers continue buying till Price equals Marginal Utility, if the price of a product is lower, the Consumer will attain equilibrium -
(a) At a lower quantity level
(b) At a higher quantity level.
(c) At zero quantity level
(d) All of the above

54. Under the Indifference Curve approach, if the price of a product is lower, the Consumer will attain equilibrium -

(a) At a higher Indifference Curve
(b) At a lower Indifference Curve
(c) At the origin point
(d) At infinity

EXCEPTIONS TO THE LAW

55. Conspicuous Goods are also called -
(a) Necessary Goods
(b) Prestige Goods
(c) Giffen Goods
(d) Basic Goods

56. Conspicuous goods are also called as:
(a) Veblen
(b) Snob
(c) Prestigious
(d) All of the above

57. Conspicuous Goods -
(a) Are an exception the Law of Demand
(b) Follow the Law of Demand
(c) Either (a) or (b)
(d) Neither (a) nor (b)

58. In case of Conspicuous Goods, as the Price increases, the quantity demanded thereof -
(a) Increases
(b) Decreases
(c) Remains constant
(d) Becomes zero

59. When Consumers feel that if the commodity is expensive, that it has got more utility, we are referring to
(a) Inferior Goods
(b) Normal Goods
(c) Conspicuous Goods
(d) Giffen Goods

60. Which of the following is an example of Conspicuous Goods
(a) Diamonds
(b) Cooking Gas
(c) Petrol
(d) Rice

61. Which of the following is not an exception to the Law of Demand?

(a) Conspicuous Goods
(b) Normal Goods
(c) Conspicuous Necessities
(d) Giffen Goods

62. If the demand for Petrol remains the same even after the increase in petrol prices, it means Petrol is
(a) Normal Good
(b) Necessity
(c) Luxury Good
(d) Inferior Good

63. In the case of a Giffen Good, the Demand Curve will be
(a) Horizontal
(b) Downward-sloping to the right
(c) Backward falling to the left
(d) Upward-sloping to the right

64. Giffen Goods are those goods
(a) For which Demand increases as Price increases
(b) Which have a high income elasticity of demand
(c) Which are in short supply
(d) None of these

65. In case of Giffen Goods, Demand Curve will slope -
(a) Upward
(b) Downward
(c) Horizontal
(d) Vertical

66. An Inferior Commodity is one which is consumed in smaller quantities when the income of consumer -
(a) Becomes nil
(b) Remains the same
(c) Falls
(d) Rises

67. Giffen Goods are goods which -
(a) Are considered inferior by Consumers
(b) Occupy a substantial place in the Consumer's budget
(c) Both (a) and (b)
(d) Neither (a) nor (b)

68. Giffen Goods are
(a) Conspicuous Goods
(b) Normal Goods
(c) Conspicuous Necessities
(d) Inferior Goods

69. When people buy more of a product when its price goes up, the product will be -
(a) Conspicuous Goods
(b) Normal Goods
(c) Inferior Goods
(d) Luxury Goods

70. When due to their constant usage, certain goods have become necessities of life, they are referred to as-
(a) Conspicuous Goods
(b) Normal Goods
(c) Conspicuous Necessities
(d) Giffen Goods

71. Under which of the following situations the Law of Demand will not operate?
(a) Conspicuous Goods
(b) Giffen Goods
(c) Absolute Necessities
(d) All of the above

72. Under which of the following situations the Law of Demand will not operate?
(a) Price Change expected by Consumer
(b) Consumer's lack of knowledge about prices
(c) Irrational purchasing pattern by Consumer
(d) All of the above

73. Under which of the following situations the Law of Demand will not operate?
(a) Increase in Consumers' Income Levels
(b) Change in Tastes and Preferences
(c) Both (a) and (b)
(d) Neither (a) nor (b)

EXPANSION / CONTRACTION OF DEMAND

74. Expansion and Contraction of demand for a good occurs as a result of -
(a) Change in Price of the Commodity
(b) Change in Quality of the Commodity
(c) Availability of Cheaper Substitutes
(d) Increase in Consumer Income

75. In case of Expansion and Contraction of Demand, the Demand Curve -
(a) Shifts to the right
(b) Shifts to the left
(c) Remains the same
(d) None of the above

76. Fall in quantity demanded of a product as a result of rise in price is know is -
(a) Change in Demand
(b) Contraction of Demand
(c) Expansion of Demand
(d) Alteration of Demand

77. Rise in quantity demanded of a product as a result of reduction in price is known as
(a) Change in Demand
(b) Contraction of Demand
(c) Expansion of Demand
(d) Alteration of Demand

78. Contraction of Demand is the result of -
(a) Decrease in number of Consumers
(b) Increase in Price of the product concerned
(c) Increase in Prices of other goods
(d) Decrease in Incomes of Purchasers

79 . Expansion of Demand is the result of -
(a) Increase in number of Consumers
(b) Decrease in Price of the product concerned
(c) Decrease in Prices of other goods
(d) Increase in Incomes of Purchasers

80. A movement along the Demand Curve for soft drinks is best described as
(a) Increase in Demand
(b) Decrease in Demand
(c) Change in quantity demanded
(d) Change in Demand

81. In case of Expansion of Demand, there is a -
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

82. In case of Contraction of Demand, there is a -
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

83. In case of Expansion of Demand, the quantity demanded -
(a) Increases (b) Decreases
(c) Becomes zero (d) Becomes constant

84. In case of Contraction of Demand, the quantity demanded -
(a) Increases (b) Decreases
(c) Becomes zero (d) Becomes constant

85. Expansion of Demand is associated with -
(a) Rise in Price, Rise in quantity demanded
(b) Fall in Price, Fall in quantity demanded
(c) Fall in Price, Rise in quantity demanded
(d) Rise in Price, Fall in quantity demanded

86. Contraction of Demand is associated with -
(a) Rise in Price, Rise in quantity demanded
(b) Fall in Price, Fall in quantity demanded
(c) Fall in Price, Rise in quantity demanded
(d) Rise in Price, Fall in quantity demanded

87. Expansion and Contraction of demand for a product occurs as a result of changes in-
(a) Price of the Commodity
(b) Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

88. Change in demand due to change in price is known as_____
(a) Change in demand
(b) Change in quantity demanded

(c) Income demand
(d) Cross demand

INCREASE OR DECREASE IN DEMAND

89. Change in Demand as a result of the factors other than Price is known as -
(a) Shift in Demand
(b) Increases and Decrease in demand
(c) Change in Demand
(d) All of these

90. Increase in Demand leads to -
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

91. Decrease in Demand leads to
(a) Inward shift of the Demand Curve
(b) Outward shift of the Demand Curve
(c) Upward movement on the same Curve
(d) Downward movement on the same Curve

92. Which of the following results in a shifting of the Demand Curve?
(a) Increase in the tax on cigarettes leading to their fall in demand
(b) Slashing of ad rates by a television channel resulting in a rise in the number of ads
(c) Rise in the electricity charges leading to lesser consumption
(d) All of these

93. In which of the following cases, does a shift in demand take place?
(a) Fall in demand for cigarettes, as a result of increased taxes
(b) Rise in the demand for two wheelers due to decrease in the sales tax
(c) Decline in electric power consumption due to rise in the power charges

(d) Decline in the sales of Diwali crackers due to sudden rains and floods

94.Change in demand, as a result of the factors. than price is known as -
(a) Demand Fluctuation
(b) Contraction / Expansion of Demand
(c) Demand Shrinking
(d) Shift in Demand

95. Shift in demand does not take place due to-
(a) Change in the price of the product
(b) Change in the tastes and preferences
(c) Change in consumer habits
(d) Change in population

96. An Increase in Demand can result from -
(a) Decline in Market Price
(b) Increase in Income
(c) Reduction in the Price of Substitutes
(d) Increase in the Price of Complements

97. A Decrease in Demand can result from
(a) Increase in Market Price
(b) Decrease in Income
(c) Increase in the Price of Substitutes
(d) Decrease in the Price of Complements

98. A drought in India leads to unusually low level of wheat production. This would lead to a rise in the price of wheat and fall in the quantity of wheat demanded due to-
(a) Excess Demand at the original price
(b) Excess Supply at the original price
(c) Supply Curve shifting to the right
(d) Demand Curve shifting to the left

99. Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples?
(a) There is an increase in quantity demanded of apples and in supply of apples.
(b) There is an increase in the demand and supply of apples.

(c) There is an increase in the demand for apples and a decrease in supply of apples.

(d) There is an increase in the demand for apples and an increase in the quantity supplied

100. In case of Shift in Demand, _____remains constant.
(a) Income of Consumers
(b) Tastes and Preferences of Consumers
(c) Price of the Product
(d) Quality of the Product

101. Rise in the price of Substitute Goods leads to
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

102. Fall in the price of Substitute Goods leads to -
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

103. Other things being equal, a fall in the price of complementary good will cause the of the other to rise.
(a) Price
(b) Supply
(c) Demand
(d) Utility

104.A Decrease/Fall in the price of Complementary Goods leads to
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

105. An Increase in the price of Complementary Goods leads to -
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

106. Increase in Income Levels of Buyers leads to
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

107. Decrease in Income Levels of Buyers leads to
(a) Increase in Demand
(b) Decrease in Demand
(c) Expansion of Demand
(d) Contraction of Demand

108. Which of the factors does not cause Increase in Demand?
(a) Rise in the price of Substitute Goods
(b) Fall in price of this product
(c) Increase in population
(d) Increase in Income Levels of Buyers

109. Increase in Demand is caused by -
(a) Change in Buyer Preferences and Tastes in favour of this commodity
(b) Re-distribution of income to Consumers who favour this commodity
(c) Increase in population
(d) All the above

110. Which of the factors does not cause Decrease in Demand?
(a) Fall in the price of Substitute Goods
(b) Rise in price of this product
(c) Decrease in population
(d) Decrease in Income Levels of Buyers

111. Decrease in Demand is caused by -
(a) Change in Buyer Preferences and Tastes against this commodity
(b)Re-distribution of income away from Consumers who favour this commodity
(c) Decrease in population
(d) All the above

III. ELASTICITY OF DEMAND

ELASTICITY BASICS

1. The concept of Elasticity of Demand was developed by-
(a) Alfred Marshall
(b) Edwin Cannon
(c) Paul Samuelson
(d) Fredric Bonham

2. Two important factors which make difference in the Elasticity of Demand for different commodities are
(a) Preferences and Income
(b) Income and Expenditure
(c) Quantity and Price of the Commodity
(d) Tax Rates and Level of Income

3. Elasticity of Demand refers to -
(a) The responsiveness of the quantity demanded of a commodity, to changes in one of the variables on which demand depends.
(b) The percentage change in quantity demanded, divided by the percentage change in one of the factors on which demand depends.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

4. Elasticity of Demand is attributed to -
(a) Changes in Prices
(b) Changes in Incomes
(c) Both (a) and (b)
(d) Neither (a) nor (b)

5. Elasticity of Demand is measured in case of -
(a) Changes in Price of the Commodity
(b) Changes in Incomes of the Consumers
(c) Changes in Prices of related commodities
(d) All of the above

6. Which of the following statements regarding Elasticity of Demand is true?
(a) Elasticity can be positive or negative
(b) Elasticity always has a negative value
(c) Elasticity always has a positive value
(d) Elasticity can never be zero

7. Which of the following statements is true with regard to the elasticity of demand?
(a) The elasticity of demand remains same, both in short run and in long run
(b) Demand is more elastic in the short run than in long run
(c) Demand is more inelastic in the long run than in short run
(d) Demand is more elastic in the long run than in short run

8. Price Elasticity of Demand is defined as
(a) Change in quantity demanded ÷ Change in price
(b) Proportionate Change in quantity demanded ÷ Change in price
(c) Change in quantity demanded ÷ Proportionate change in price
(d) Proportionate change in quantity demanded ÷ Proportionate change in price

9. Price Elasticity of Demand is defined as the responsiveness of-
(a) Price to a change in quantity demanded
(b) Quantity demanded to a Change in Price
(c) Price to a Change in Income
(d) Quantity demanded to a change in income

10.Price Elasticity of Demand for a product is -
(a) Change in the quantity demanded of the product when price increases by 30%
(b) Percentage increase in the quantity demanded of the product when the price falls by 1%
(c) Increase in the demand for the product when its price falls by 10%
(d) Decrease in the quantity demanded of the product when its price falls by 1%

11. Price Elasticity of Demand is given by -
(a) $\Delta p/\Delta q \times q/p$ (b) $\Delta p/\Delta q \times p/q$
(c) $\Delta q/\Delta p \times q/p$ (d) $\Delta q/\Delta p \times p/q$

12. Usually, the demand for Necessities is -
(a) Highly Elastic (b) Highly Inelastic
(c) Slightly Elastic (d) Slightly Inelastic

13. Demand for which of the following products is/are relatively inelastic?
(a) Water (b) Electricity
(c) Movie Tickets (d) Both (a) and (b)

14. Which of the following products has highly inelastic demand?
(a) Jewellery (b) Imported sofa set
(c) Salt (d) Sports

15. Amongst the following which item has highest Price Elasticity?
(a) Salt (b) Petrol
(c) Indian Oil's Petrol (d) Rice

16. In the context of Elasticity of Demand, the paradox of plenty relates more to items in the -
(a) Services Sector (b) Agricultural Sector
(c) Mining Sector (d) Industrial Sector

17. Goods which have more close or perfect substitutes are
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

18. Goods which have fewer substitutes are
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

19. Goods having higher proportion of the Consumers' spending are –
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

20. Goods having lower share in the Consumers' Budget are-
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

21. Luxury Goods are considered____ Goods than Necessity
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

22. Necessary Goods are considered _____than Luxury Goods.
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

23. Salt is _____to price changes than Motor Car.
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

24. Cellphone is _____ to price changes than Bread.
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

25. Goods which can be put to multiple uses are -
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

26. Goods which have a specified and particular use are
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

27. Demand for electricity is elastic because -
(a) It is very expensive.
(b) It has a number of close substitutes.
(c) It has alternative uses.
(d) None of the above.

28. Goods in respect of which the Consumers have more time to adjust or modify their consumption pattern are-
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

29. Goods in respect of which the Consumers do not have time to adjust their consumption pattern are -

(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

30. Goods in respect of which the use or consumption can be postponed are -
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

31. Goods which are required for immediate or urgent consumption are –
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

32. Medicines have less elastic demand since -
(a) They have alternative uses
(b) They have to be used immediately, and their purchase and use cannot be delayed
(c) There are fewer substitutes available
(d) All of the above

33. Goods which are subject to Consumer Habits, e.g. Cigarette, Liquor, etc. are -
(a) Less Elastic (b) Unit Elastic
(c) More Elastic (d) Zero Elastic

34. What would be the value of elasticity of demand, if the demand for the good is perfectly inelastic?
(a) 0 (b) 1
(c) Infinity (d) Less than 0

35. If the demand for the good is perfectly inelastic, the Demand Curve will be
(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Downward Sloping to the right

36. A demand curve parallel to y-axis implies
(a) $Ep = 0$ (b) $Ep = 1$
(c) $Ep < 1$ (d) $Ep > 1$

37. Vertical Demand Curve will show that the price elasticity of demand is -
(a) Perfectly inelastic (b) Perfectly elastic

(c) Inelastic (d) Unitary

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

39. For goods with perfectly inelastic demand -
(a) $\Delta p > \Delta q$ (b) $\Delta p = \Delta q$
(c) $\Delta p = 0$ (d) $\Delta q = 0$

40. If the demand for the good is perfectly inelastic, which of the following is correct?
(a) Quantity does not change at all
(b) Quantity decreases and price falls
(c) Quantity increases and price increases
(d) Quantity increases and price falls

41. If the demand for the good is perfectly inelastic, and E is the measure of Elasticity, which of the following is true?
(a) $E = 0$ (b) $0 < E < 1$
(c) $E = 1$ (d) $E > 1$

42. If a product has perfectly inelastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

LESS ELASTIC

43. Identify the factor which generally keeps the Price Elasticity of Demand for a product low.
(a) Variety of Uses for that product

(b) Its Low Price
(c)Dose Substitutes for that product
(d) High proportion of the Consumer's Income spent on it

44. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity demanded of a product is smaller than the percentage fall in its price.
(a) Equal to one
(b) Greater than one
(c) Smaller than one
(d) Zero

45. Price Elasticity of Demand for addictive products like cigarettes and alcohol would be
(a) Greater than 1
(b) Less than 1
(c) Infinity
(d) One

46. If Electricity Demand is inelastic, and electric rates increase, which of the following is likely to occur?
(a) Quantity demanded will fall by a relatively large amount
(b) Quantity demanded will fall by a relatively small amount
(c) Quantity demanded will rise in the short run, but fall in the long run
(d) Quantity demanded will fall in the short run, but rise in the long run

47. For goods with less elastic demand -
(a) $\Delta q > \Delta p$ (b) $\Delta q = \Delta p$
(c) $\Delta q < \Delta p$ (d) $\Delta q = 1$

48. If the demand for the good is less elastic, and E is the measure of Elasticity, which of the following is true?
(a) $E = 0$ (b) $0 < E < 1$
(c) $E = 1$ (d) $E > 1$

49. If the demand for the good 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

50. If a product has less elastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change Price
(d) Quantity demanded will not change at all

51. When the price of a commodity increases from ₹ 8 to ₹ 9 then the demand decreases by 10%. The price Elasticity of demand is_____
(a) 0.8 (b) 0.9
(c) 1 (d) 1.1

UNIT ELASTIC

52. If the demand for a good is unit elastic, the value of the elasticity of demand would be -
(a) 0 (b) 1
(c) Infinity (d) Less than 0

53. If the price of 'X' rises by 10% and the quantity demanded falls by 10%, 'X' has -
(a) Inelastic Demand
(b) Unit Elastic Demand
(c) Zero Elastic Demand
(d) Elastic Demand

54. For goods with unit elastic demand -
(a) $\Delta q > \Delta p$ (b) $\Delta q = \Delta p$
(c) $\Delta q < \Delta p$ (d) $\Delta q = 1$

55. If the demand for the good is unit elastic, and E is the measure of Elasticity, which of the following is true?
(a) $E = 0$ (b) $0 < E < 1$
(c) $E = 1$ (d) $E > 1$

56. If the demand for the good is unit elastic, the Demand Curve will be -

(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Nothing can be said

57. If the demand for the good is unit elastic, the Demand Curve will be -
(a) 45 degree Straight Line, sloping downward to the right
(b) Rectangular Hyperbola
(c) Either (a) or (b)
(d) Neither (a) nor (b)

58. Rectangular Hyperbola is also called -
(a) Equilateral Hyperbola
(b) Vertical Line
(c) Square
(d) Horizontal Line

59. If the demand for the good is unit elastic, the Demand Curve will be -
(a) 45 degree Straight Line, sloping downward to the right
(b) Rectangular Hyperbola
(c) Equilateral Hyperbola
(d) Any of the above

60. If a product has unit elastic demand, and there is a change in its price, which of the following is correct?
(a) Percent Change in Quantity demanded will be greater than Percent Change in Price
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

61. In case of Straight Line demand curve meeting two axes, the Price Elasticity of demand at a point where the curve meets x-axis would be
(a) 1 (b) ∞
(c) 0 (d) >1

MORE ELASTIC

62. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity demanded of a product is more than the percentage fall in its price.
(a) Equal to one
(b) Greater than one
(c) Smaller than one
(d) Zero

63. When quantity demanded changes by larger percentage than Price, Elasticity is termed as -
(a) Inelastic
(b) Perfectly elastic
(c) Elastic
(d) Perfectly inelastic

64. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively -
(a) Large fall in quantity demanded
(b) Large fall in demand
(c) Small fall in quantity demanded
(d) Small fall in demand

65. For goods with more elastic demand -
(a) $\Delta q > \Delta p$ (b) $\Delta q = \Delta p$
(c) $\Delta q < \Delta p$ (d) $\Delta q = 1$

66. If the demand for the good is more elastic, and E is the measure of Elasticity, which of the following is true?
(a) $E = 0$ (b) $0 < E < 1$
(c) $E = 1$ (d) $E > 1$

67. If the demand for the good is more 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

68. If a product has less elastic demand, and there is a change in its price, which of the following is correct?

(a) Percent Change in Quantity demanded will be greater than Percent Change in Price:
(b) Percent Change in Quantity demanded will be lesser than Percent Change in Price
(c) Percent Change in Quantity demanded will be equal to Percent Change in Price
(d) Quantity demanded will not change at all

PERFECTLY ELASTIC

69. What would be the value of Elasticity of Demand, if the demand for the good is perfectly elastic?
(a) 0 (b) 1
(c) Infinity (d) Less than 0

70. If the demand for the good is perfectly elastic, the Demand Curve will be -
(a) Horizontal Line
(b) Vertical Line
(c) Rectangular Hyperbola
(d) Downward Sloping to the right

71. Horizontal Demand Curve will show that the price elasticity of demand is -
(a) Perfectly inelastic (b) Perfectly elastic
(c) Inelastic (d) Unitary

72. For goods with perfectly elastic demand -
(a) $\Delta p > \Delta q$ (b) $\Delta p = \Delta q$
(c) $\Delta p = 0$ (d) $\Delta q = 0$

73. If the demand for the good is perfectly elastic, and E is the measure of Elasticity, which of the following is true?
(a) $E = 0$ (b) $0 < E < 1$
(c) $E > 1$ (d) E = Infinity

74. What is the mean by price elasticity of demand greater than 1-
(a) % change in quantity demanded is less than % change in price.
(b) % change in quantity demanded is more than % change in price.
(c) No change in quantity and price
(d) None of these

75. Horizontal Demand curve, Parallel to X-axis indicates that the elasticity of Demand is_____
(a) Zero
(b) Infinite
(c) >1
(d) <1

DETERMINANTS OF PRICE ELASTICITY

76. Price Elasticity of Demand would be higher for those products which have-
(a) A larger number of Substitutes
(b) Fewer Substitutes
(c) No Substitutes
(d) Fewer Complementary Goods

77. Demand for a good will tend to be more elastic if it exhibits which of the following features?
(a) It represents a small part of the consumer's income
(b) The good has many substitutes available
(c) It is a necessity (as opposed to a luxury)
(d) There is little time for the Consumer to adjust to the price change

78. If the Elasticity of Demand for a commodity is perfectly inelastic, then which of the following is incorrect?
(a) The Commodity must be essential to those who purchase it.
(b) The Commodity must have many substitutes.
(c) The Commodity will be purchased regardless of increase in its price.
(d) The Elasticity of Demand for this Commodity must be equal to zero.

79. Demand for a product will tend to be more inelastic if it exhibits which of the following characteristics?
(a) The product has many substitutes
(b) The product is a luxury (as opposed to a necessity)
(c) The product is a small part of the Consumer's income
(d) There is a great deal of time for the consumer to adjust to the change in prices

80. The Elasticity of Substitution between two Perfect Substitutes is-
(a) Zero
(b) Greater than zero
(c) Less than infinity
(d) Infinite

81.Which is correct about price elasticity of demand?
(a) It is several degrees and
(b) It is unaffected due to change in price of other goods
(c) It is immeasurable concept
(d) It is due to direction of change in price

PROPORTIONATE METHOD

82. If the demand for a product reduces by 5% as a result of an increase in the price by 25%. What is the Price Elasticity of Demand?
(a) -0.2 (b) -0.5
(c) -0.25 (d) 0.2

83. If Price of Coffee decreases from 5 to 4.50, and as a result the Consumer's Demand for Coffee increase from 60 grams to 75 grams, the absolute Price Elasticity of Demand of Coffee is -
(a) 1.5 (b) 3.0
(c) 2.0 (d) 2.5

84. If the demand for a product reduces by 2% as a result of an increase in the price by 10%, what is the Price Elasticity of Demand for the product?
(a) +0.20 (b) -0.40
(c) -0.20 (d) +0.40

85. If the Demand for Cricket Balls increases from 50 to 55 because of fall in price from 25 to 24, what is the Price Elasticity of Demand for Cricket Balls?

(a) (1.0) (b) (2.5)
(c) (2) (d) (5)

86. What is the Price Elasticity of Demand for a product, if an increase in the price of the good by 2% leads to fall in demand by 3%?
(a) +1.5 (b) -1.5
(c) 1 (d) 0

87. Price of Mangoes increases by 22% and the quantity of mangoes demanded falls by 25%. This indicates that demand for mangoes is -
(a) Elastic (b) Inelastic
(c) Unitarily elastic (d) Perfectly elastic

88. Suppose the price of movies seen at a Theatre rises from ₹ 120 to ₹ 200 per person. The Theatre Manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the Price Elasticity of Demand for Movies?
(a) 0.5 (b) 0.8
(c) 1.0 (d) 1.2

89. Suppose a Department Store has a sale on its silverware. If the Price of a plate-setting is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 plate settings to 5,000 plate- settings, what is the Price Elasticity of Demand for
that item?
(a) 0.8 (b) 2.0
(c) 1.25 (d) 1.5

90. A Store has a special offer on CDs. It reduces the price from ₹ 150 to ₹ 100. The Store Manager observes that the quantity demanded increases from 700 CDs to 1,400 CDs. What is the Price Elasticity of Demand for CDs?
(a) 0.8 (b) 3.0
(c) 1.25 (d) 1.50

91. If a shop raises the price of a product from ₹ 60 to ₹ 100 and quantity demanded falls from 400 units to 300 units, the Price Elasticity of Demand is
(a) 0.667 (b) 0.500
(c) 1.000 (d) 0.375

92. A book seller estimates that if the price of a book is increased from ₹ 60 to ₹ 67, the quantity of books demanded will decrease from 2,035 to 1,946. The Book's Price Elasticity of Demand is approximately -
(a) 0.4 (b) 0.8
(c) 1.0 (d) 2.5

93. What is the new quantity demanded when Price Elasticity is 1 and price changes from 15 to 10 and the original quantity demanded was 10 units?
(a) 15 units (b) 20 units
(c) 8 units (d) 12 units

94. What will be the price elasticity if original price is 15, original quantity is 8 units and changed price is 26 changed quantity is 4 units?
(a) 2.5 (b) 2.0
(c) 1.5 (d) 1.0

95. The original price of commodity is ₹ 500 and quantity demanded is 20 kgs. If price rises to ₹ 750 and quantity demanded reduce to 15 kgs, price elasticity of demand is _____
(a) 0.25 (b) 0.50
(c) 1.00 (d) 1.50

96. The price of a tiffin box is ₹ 100 per unit and the quantity demanded in a market is 1,25,000 units. Company increased the price to ₹ 125 per unit due to this increase in price quantity demanded decreases to 1,00,000 units. What will be price elasticity of demand
(a) 1.25 (b) 0.80
(c) 1.00 (d) None

97. The price of a commodity decreases form 10 to 8 and the quantity demanded of it increases from 25 to 30 units. Then the coefficient of price elasticity will be ____
(a) 1 (b) -1
(c) 1.5 (d) -1.5

POINT ELASTICITY

98. The Elasticity at a given point on a Demand Curve is known as -
(a) Point Elasticity
(b) Income Elasticity
(c) Arc Elasticity
(d) Cross Elasticity

99. Point Elasticity of Demand is calculated as -
(a) Upper Segment + Lower Segment
(b) Lower Segment Upper Segment
(c) Either (a) or (b)
(d) Neither (a) nor (b)

100. Point Elasticity is useful for which of the following situations -
(a) The bookstore is considering doubling the price of notebooks
(b) A restaurant is considering lowering the price of its most expensive dishes by 50%
(c) An automobile producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 50,000
(d) None of the above

101. Which of the following statements regarding Elasticity of Demand is true?
(a) Elasticity of demand decreases as one goes down a Straight Line Demand Curve
(b) Elasticity of Demand increases as one goes down a Straight Line Demand Curve
(c) Elasticity of Demand is constant throughout the Straight Line Demand Curve
(d) None of the above

102. If a point on a Demand Curve of any Product lies on 2.1 Axis, then Price Elasticity of Demand of than commodity at that point will be -
(a) Infinite (b) More than zero
(c) Less than zero (d) Zero

103.If a point on a Demand Curve of any Product lies on Y Axis, then Price Elasticity of Demand of that commodity at that point will be -
(a) Infinite (b) More than zero
(c) Less than zero (d) Zero

104. In the case of a Straight Line Demand Curve meeting the two axes, the Price-Elasticity of Demand at the mid-point of the line would be
(a) 0 (b) 1
(c) 1.5 (d) 2

105. If R point bisects the Demand Curve in two equal parts, then elasticity at R equals -
(a) Zero (b) Five
(c) Two (d) One

106. Point Elasticity at the mid-point on the Straight Line Demand Curve is -
(a) One (b) Zero
(c) Less than one (d) Less than zero

107. What is the elasticity between midpoint & upper extreme point of a straight line continuous demand curve?
(a) Infinite (b) Zero
(c) >1 (d) <1

ARC ELASTICITY

108. At a price of 300 per month, there are 30,000 subscribers to Cable TV in a Small Town. If the Cable Company raises its price to 400 per month, the number of subscribers will fall to 20,000. Using the mid-point method for calculating the elasticity, what is the Price Elasticity of Demand for Cable TV?
(a) 1.4 (b) 0.66
(c) 0.75 (d) 2.0

109. What is the Price Elasticity of Demand when, price changes from ₹ 10 to ₹ 12 and as a result, demand falls from 6 units to 4 units?
(a) 0.833 (b) 1.6
(c) 2.2 (d) 1.833

110. If the quantity to of blankets demanded increases from 4,600 5,700 in response to a decrease in their price from 220 to 190, the Price Elasticity of Demand for Blankets using Arc Method is -
(a) 0.69 (b) 1.0
(c) 1.46 (d) 2.66

111. What is the Original Price of a Product when Price Elasticity is 0.71 and Demand changes from 20 units to 15 units and the new price is 10? (Use Arc Method for computation)
(a) ₹ 15 (b) ₹18
(c) ₹ 20 (d) ₹ 8

TOTAL OUTLAY/REVENUE METHOD

112. Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product rises, we say that Price Elasticity of Demand is -
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

113. Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product move in opposite directions, then, Price Elasticity of Demand is -
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

114. If the demand for a product is elastic, an increase in its price will cause the Total Expenditure of the Consumers to -
(a) Remain the same (b) Increase
(c) Decrease (d) Any of these

115. If the demand for a product is elastic, an decrease in its price will cause the Total Expenditure of the Consumers to -
(a) Remain the same (b) Increase
(c) Decrease (d) Any of these

116. Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product decreases, we say that Price Elasticity of Demand is-
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

117. Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product

move in the same direction, then, Price Elasticity of Demand is
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

118. If the demand for a product is inelastic, an increase in its price will cause the Total Expenditure of the Consumers to-
(a) Remain the same (b) Increase
(c) Decrease (d) Any of these

119. If the demand for a product is inelastic, an decrease in its price will cause the Total Expenditure of the Consumers to-
(a) Remain the same (b) Increase
(c) Decrease (d) Any of these

120. Total Expenditure of a Consumer increases if
(i) Demand is elastic and price rises
(ii) Demand is elastic and price falls
(iii) Demand is inelastic and price rises
(iv) Demand is inelastic and price falls
(a) Only (ii)
(b) Only (iii)
(c) Both (i) and (iii)
(d) Both (ii) and (iii)

121. Given the following four possibilities, which one results in an increase in Total Consumer Expenditure?
(a) Demand is unitary elastic and price falls
(b) Demand is elastic and price rises
(c) Demand is inelastic and price falls
(d) Demand is inelastic and price rises

122. Due to change in price of the commodity, the Total Expenditure remains the same as before, then Elasticity under Total Outlay Method is -
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

123. When Increase in prices is exactly balanced by a proportionate reduction in the purchase quantity, than Elasticity under Total Outlay Method is-
(a) Equal to unity (b) Greater than unity
(c) Less than unity (d) Zero

124. An increase in price will result in an increase in Total Revenue if-
(a) Percentage Change in quantity demanded is less than the Percentage Change in Price
(b) Percentage Change in quantity demanded is more than Percentage Change in price
(c) Demand is elastic
(d) Consumer is operating along a Linear Demand Curve at a point at which the price is very high and the quantity demanded is very low

125. Which of the following statements regarding Elasticity of Demand is true?
(a) If the demand for the product is inelastic, an increase in price will have a positive effect on the total revenue of the Firm
(b) If the demand for the product is elastic, an increase in price will have a positive effect on the total revenue of the Firm
(c) If the demand for the product is inelastic, an increase in price will have a negative effect on the total revenue of the Firm
(d) If the demand for the product is inelastic, a decrease in price will have a positive effect on the total revenue of the Firm

126. A decrease in price will result in an increase in Total Revenue if-
(a) Percentage Change in Quantity Demanded in less than Percentage Change in Price
(b) Percentage Change in Quantity Demanded is greater than Percentage Change in Price
(c) Demand is inelastic
(d) Consumer is operating along a Linear Demand Curve at a point at which the Price is very low and quantity demanded is very high

127. If a good has price elasticity greater than one then-
(a) Demand is unit elastic and a change in price does not affect sellers' revenue.
(b) Demand is elastic and a change in price causes Sellers' Revenue to change in the opposite direction.

(c) Demand is inelastic and a change in price causes
Sellers' Revenue to change in the same direction.
(d) None of the above is correct.

128. Ceteris paribus, what would be the impact on foreign exchange earnings for a given falling export prices, if the demand for the country's exports is inelastic?
(a) Foreign Exchange Earnings decrease
(b) Foreign Exchange Earnings increase
(c) No effect on Foreign Exchange Earnings
(d) Foreign Exchange Earnings increase for a brief period and decrease drastically later on

129. If the Railways are making losses on passenger traffic, they should lower their fares. The suggested remedy would only work if the demand for Rail Travel had a price elasticity of -
(a) Zero
(b) Greater than zero but less than one.
(c) One
(d) Greater than one

130. If Cinema Halls are making losses they should lower the ticket fares. This suggestion would only work if the demand for watching movies in cinema halls had a Price Elasticity of -
(a) Zero
(b) Greater than zero but less than one.
(c) One
(d) Greater than one

131. Price Elasticity of demand for a product is zero. If the Firm increases the price of the product by 10%, Total Revenue of the Firm will -
(a) Not change
(b) Increase to infinity
(c) Fall to zero
(d) Decrease by 10%

132. Income Elasticity of Demand is defined as the responsiveness of -
(a) Price to a change in quantity demanded
(b) Quantity demanded to a Change in Price
(c) Price to a Change in Income
(d) Quantity demanded to a change in income

133. Income Elasticity of Demand is given by -
(a) $\Delta i/\Delta q \times q/i$ (b) $\Delta i/\Delta q \times i/q$
(c) $\Delta q/\Delta i \times q/i$ (d) $\Delta q/\Delta i \times i/q$

134. Positive Income Elasticity implies that as income rises, demand for the commodity -
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Becomes zero

135. If Income-Elasticity is greater than zero, then the product is -
(a) Superior (b) Normal
(c) Inferior (d) Both (a) & (b)

136. _____have a positive Income Elasticity of Demand.
(a) Complementary Goods
(b) Substitute Goods
(c) Normal Goods
(d) Inferior Goods

137. For what type of goods does demand fall with rise in income levels of households?
(a) Inferior Goods (b) Substitutes
(c) Luxuries (d) Necessities

138. Negative Income Elasticity implies that as income rises, demand for the commodity -
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Becomes zero

139.Generally when income of a consumer increases he goes for superior goods, leading to fall in demand for inferior goods. It means income elasticity of demand is____.
(a) Less than one (b) Negative
(c) Zero (d) Unitary

140. What type of goods does a consumer eventually stop buying, when his income rises?
(a) Goods with Positive Income Elasticity
(b) Goods with Negative Income Elasticity
(c) Goods with Zero Income Elasticity
(d) No relationship exists between the type of the goods bought and rise in income

141. Goods having negative Income Elasticity are known as -
(a) Normal (b) Inferior
(c) Superior (d) Necessities

142. In case of Inferior Goods, Income Elasticity is
(a) Zero (b) Positive
(c) Negative (d) None

143. In Demand-Supply Analysis, if the income of the Consumer increases, the Demand Curve for an inferior good -
(a) Shifts upward to the right
(b) Shifts downward to the left
(c) Shifts upward to the left
(d) Shifts downward to the right

144. _____have a negative Income Elasticity of Demand.
(a) Luxury Goods (b) Necessities
(c) Normal Goods (d) Inferior Goods

145. If quantity demanded does not change as Income changes, then Income Elasticity of Demand is -
(a) Below 1 (b) Above 1
(c) Zero (d) Between-1 and 0

146. Goods having Zero Income Elasticity are -
(a) Inferior Goods (b) Normal Goods
(c) Luxury Goods (d) None of the above

147. If an increase in Consumer Incomes leads to a increase in the demand for Product X, then Product X is-
(a) A Normal Good (b) A Substitute Good
(c) An Inferior Good (d) None of the above

148. For_____ goods increase in income leads to increase in demand.
(a) Abnormal (b) Normal
(c) Inferior (d) Superior

149. If Income Elasticity>1, it means that proportion of Income spent on goods_____, as income of the Consumers increases.
(a) Increases (b) Decreases
(c) Remains constant (d) Nothing can be said

150. For a product to be called income elastic, its Income Elasticity has to be -
(a) Below 1 (b) Above 1
(c) Zero (d) Between -1 and 0

151. Services like Air Travel and Movies have an income elasticity of -
(a) More than 1 (b) 0
(c) Less than 1 (d) Between 0 and 1

152. What would be the value of Income Elasticity of demand for the meals in a costly restaurant?
(a) Lesser than one (b) Between 0 and 1
(c) 1 (d) More than 1

153. If a good is a Luxury, its Income Elasticity of demand is
(a) Positive and less than 1
(b) Negative but greater than -1
(c) Positive and greater than 1
(d) Zero

154. Goods having Income Elasticity>1 are considered as-
(a) Luxury Goods (b) Necessities
(c) Normal Goods (d) Inferior Goods

155. The Income of a Household rises by 20%, the demand for Computer rises by 25%, this means Computer (in Economics) is a/an
(a) Inferior Good (b) Luxury Good
(c) Necessity (d) Nothing can be said

156. If Income Elasticity for the household for Product A is 2 then A is-

(a) Necessity Item (b) Inferior Goods
(c) Luxurious Item (d) Comfortable Item

157. If the Income Elasticity is greater than one, the commodity is -
(a) Necessity (b) Luxury
(c) Inferior goods (d) None of these

158. If Income Elasticity=1, it means that proportion of proportion of Income spent on goods....., as income of the Consumers increases.
(a) Increase (b) Decreases
(c) Remains constant (d) Nothing can be said

159. If Consumers always spend 15% of their income on food, then the Income Elasticity of Demand for Food is
(a) 1.50 (b) 1.15
(c) 1.00 (d) 0.15

160. If Income Elasticity<1, it means that proportion of Income spent on goods Consumers increases. as income of the
(a) Increases (b) Decreases
(c) Remains constant(d) Nothing can be said

161. Which of the following is not an income-elastic product/service?
(a) Air Travel
(b) Entertainment in an Amusement Park
(c) Life-saving Drugs
(d) Meals in a costly restaurant

162. A Necessity is defined as a good having-
(a) Positive Income Elasticity
(b) Negative Income Elasticity of Demand
(c) Income Elasticity of Demand less than 1.
(d) Price Elasticity of Demand less than 1.

163. Goods having Income Elasticity <1 are considered as
(a) Luxury Goods (b) Necessities
(c) Normal Goods (d) Inferior Goods

164. Which of the following is not a determinant of the Advertising Elasticity of Demand?
(a) Effect of Time
(b) Stages of Product
(c) Advertising by Competitors
(d) Income Level of the Consumers

165. If income increases by 10% and demand increases by 5%, then income elasticity of demand is:
(a) +0.5 (b) -0.5
(c) +0.05 (d) -0.05

166. Suppose a Consumer's income increases from 30,000 to 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the Income Elasticity of Demand for CDs here?
(a) 0.5 (b) 1.0
(c) 1.5 (d) 2.0

167. If the quantity of CD demanded increases from 260 to 290 in response to an increase in income from 9,000 to 9,800, the Income Elasticity of Demand is approximately -
(a) 3.4 (b) 0.01.
(c) 1.3 (d) 2.3.

168. Concerned about the poor state of the economy, a Car Dealer estimates that if income decreases by 4%, Car Sales will fall from 352 to 335. Consequently, the Income Elasticity of Demand for cars is approximately -
(a) -1.2 (b) 0.01
(c) 0.4 (d) 1.2

169. If an increase in Consumer Incomes leads to a decrease in the demand for Product X, then Product X is-
(a) A Normal Good (b) A Substitute Good
(c) An Inferior Good (d) None of the above

170. Income of a household increases by 10%, and the demand for Wheat rises by 5%. This means that Wheat is an example of-
(a) Normal Goods (b) Luxurious Goods

(c) Inferior Goods (d) Economic Goods

171. Income of a household increases by 10%, and the demand for TV rises by 20%. This means that TV is an example of -
(a) Normal Goods (b) Luxurious Goods
(c) Inferior Goods 0(d) Economic Goods

172. Income of a household increases by 5%, and the demand for Bajra falls by 2%. In this case, Bajra is an example of -
(a) Normal Goods (b) Luxurious Goods
(c) Inferior Goods (d) Economic Goods

CROSS ELASTICITY

173. In order to assess the effect of a change in price of one product on the demand for other products, which type of elasticity is often used?
(a) Cross Elasticity (b) Income Elasticity
(c) Price Elasticity (d) Supply Elasticity

174. Cross Elasticity measures the responsiveness of quantity demanded of a commodity to -
(a) Changes in Price of that Commodity
(b) Changes in Price of other Commodities
(c) Changes in Income Levels of Buyers
(d) All of the above

175. In measuring Cross Elasticity, _____is / are considered.
(a) Only one product (b) Two products
(c) Many products (d) No products

176. Which of the following statements regarding Cross Elasticity is true?
(a) It is always negative
(b) It is always positive
(c) It can be either positive or negative
(d) It always lies between 0 and 1

177. If Goods X and Y are complementary, their Cross Elasticity is -
(a) Infinity
(b) Greater than zero but less than infinity
(c) Zero
(d) Negative

178. Complementary Goods like tea and sugar have a _____Cross Elasticity.
(a) Negative (b) Positive
(c) Zero (d) Infinite

179. What will be the Slope of Demand Curve when it shows the Cross Complementary Goods? Elasticity between two
(a) Negative (b) Positive
(c) Horizontal (d) None of these

180. Cross Elasticity between Tea and Sugar is-
(a) Less than 0
(b) Greater than 1
(c) Zero
(d) Greater than 0, but less than 1

181. Goods having negative Cross Elasticity are -
(a) Mostly complementary goods
(b) Always complementary goods
(c) Mostly substitute goods
(d) Always substitute goods

182. Negative Cross Elasticity always implies that the goods are complementary in nature. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

183. Goods having zero Cross Elasticity are -
(a) Complementary goods
(b) Unrelated goods
(c) Substitute goods
(d) All of the above

184. Cross Elasticity of Demand between Tea and Coffee is-
(a) Positive (b) Negative
(c) Zero (d) Infinity

185. If the co-efficient of Cross Elasticity of Demand of X for Y is 3, it means that X and Y are
(a) Complementary Goods
(b) Substitute Goods
(c) Inferior Goods

(d) Normal Goods

186. When Cola Companies Coke and Pepsi, introduced Colas in mini bottles at a low price, the demand for Tea and Coffee is small tea stalls declined drastically. The Cross Elasticity between the Colas and Tea / Coffee is -
(a) Negative (b) Positive
(c) Zero (d) Infinite

187.If two products are good substitutes, the value of Cross Elasticity will be -
(a) Negative
(b) Positive
(c) Zero
(d) No Cross Elasticity exists between two substitute products

188. The cross elasticity of demand between two perfect substitutes will be
(a) Zero (b) Infinity
(c) Very high (d) Very low

189. Goods having positive Cross Elasticity are -
(a) Mostly complementary goods
(b) Always complementary goods
(c) Mostly substitute goods
(d) Always substitute goods

190. Positive Cross Elasticity always implies that the goods are substitute goods. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

191. If Cross Elasticity of Demand is Infinity, it means that the goods are -
(a) Perfect Complementary Goods
(b) Perfect Substitute Goods
(c) Inferior Goods
(d) Normal Goods

192. If Cross Elasticity of Demand Zero, it means that the goods are -

(a) Perfect Complementary Goods
(b) Perfect Substitute Goods
(c) Unrelated Goods
(d) Nothing can be said

193. If Cross Elasticity of Demand between A and B is Zero, it means that between A and B -
(a) There can be no substitution at all
(b) A can be perfectly substituted for B, and vice-versa.
(c) A and B are Inferior Goods
(d) Nothing can be said

194. If the quantity demanded of Tea increases by 5% when the price of Coffee increases by 20%, the Cross Elasticity of demand between Tea and Coffee is-
(a) -0.25 (b) 0.25
(c) -4 (d) 4

195. The Cross Elasticity of monthly demand for ink ben, when the price of gel pen increases by 25% and demand for ink pen increases by 50% is equal to-
(a) +2.00 (b) -2.00.
(c) 2.09. (d) +2.09.

196. Cross Elasticity of Demand for Gel Pen when the Price of Refills increases by 20% and demand for Gel Pens falls by 30% is equal to -
(a) 0.71 (b) +0.25.
(c) 0.19. (d) 1.5.

197. If the quantity demanded of Product X increases from 8 to 12 units in response to an increase in the price of Product Y from 23 to 27, the Cross Elasticity of Demand for X with respect to Price of y is approximately -
(a) 0.35 and X and Y are Complements.
(b) 0.35 and X and Y are Substitutes.
(c) 2.5 and X and Y are Complements.
(d) 2.5 and X and Y are Substitutes.

198. Which of the following is incorrect?
(a) Cross Elasticity of Demand for two substitutes is positive.
(b) Income Elasticity of Demand is the percentage

change in quantity demanded of a good due to a change in the price of a substitute.

(c)Cross Elasticity of Demand for two complements is negative.

(d) Price Elasticity of Demand is always negative, except for Giffen Goods.

ALL ELASTICITY COMPUTATION

Use the following data for the next 8 questions.

A Grocery Shop used to sell fresh milk at 20 per litre, at which price 400 litres of milk were sold per month. After some time, the price was raised to 30 per litre. Following are the consequences:

- Only 200 litres of milk was sold every month.
- The number of boxes of cereal customers bought went down from 200 to 140.
- The number of packets of powdered milk customers bought went up from 90 to 220 per month.

199. The Price Elasticity of Demand when fresh milk's price increases from 20 per litre to 30 per litre is equal to

(a) 2.5 (b) 1.0

(c) 1.66 (d) 2.66

200. What can be said about the Price Elasticity of Demand for Fresh Milk?

(a) It is perfectly elastic.

(b) It is elastic.

(c) It is perfectly inelastic.

(d) It is inelastic.

201. The Cross Elasticity of Demand for Cereals when the price of Fresh Milk increases from 20 to 30 is equal to

(a) -0.6 (b) +0.6

(c) -0.19. (d) +0.38.

202. What can be said about Fresh Milk & Cereals?

(a) They are Complementary Goods

(b) They are Substitute Goods

(c) They are Unrelated Goods

(d) Nothing can be said

203. The Cross Elasticity of Demand for Powdered Milk, when the price of Fresh Milk increases from 20 to 30 per litre is equal to -

(a) +1.05 (b) -1.05.

(c) -2.89. (d) +2.89

204. What can be said about Fresh Milk and Powdered Milk?

(a) They are Complementary Goods

(b) They are Substitute Goods

(c) They are Unrelated Goods

(d) Nothing can be said

205. If Income of the Consumers increases by 50% and the quantity of Fresh Milk demanded increases by 30%. What is Income Elasticity of Demand for Fresh Milk?

(a) 0.5 (b) 0.6

(c) 1.25 (d) 1.50

206. We can say that Fresh Milk in economics sense is an example of -

(a) Luxury Goods (b) Inferior Goods

(c) Normal Goods (d) Nothing can be said.

Use the following data for the next 8 questions.

A Shopkeeper sells Gel Pen at 10 per pen. At this price he can sell 120 units per month. After some time, he raises the price to ₹ 15 per pen. Following the price rise

- Only 50 pens were sold every month.
- The number of refills bought went down from 200 to 150
- The number of ink pen customers bought went up from 90 to 150 per month.

207. Price Elasticity of demand when Gel Pen's price increases from 10 to 15 per pen is-

(a) 2.5 (b) 1.0

(c) 1.16 (d) 2.16

208. What can be said about the Price Elasticity of Demand for Gel Pens?

(a) It is perfectly elastic.

(b) It is elastic.
(c) It is perfectly inelastic.
(d) It is inelastic.

209. The Cross Elasticity of Demand for Refills when the price of Gel Pen increases from 10 to 15 is-
(a) -0.50 (b) +0.25
(c) -0.19 (d) +0.38

210. What can be said about Gel Pen and Refills?
(a) They are Complementary Goods
(b) They are Substitute Goods
(c) They are Unrelated Goods
(d) Nothing can be said

211.Cross Elasticity of Demand for Ink Pen when the price of Gel Pen increases from 10 to 15 is equal to-
(a) +1.33 (b) -1.05
(c) -2.09 (d) +2.09

212. What can be said about Gel Pen and Ink Pens?
(a) They are Complementary Goods
(b) They are Substitute Goods
(c) They are Unrelated Goods
(d) Nothing can be said

213. If Income of the residents of locality increases by 50% and the quantity of Gel Pens demanded increases by 20%. What is income elasticity of demand for Gel Pen?
(a) 0.4 (b) 0.6
(c) 1.25 (d) 1.50

214.We can say that Gel Pen in economics sense is an example of -
(a) Luxury Goods (b) Inferior Goods
(c) Normal Goods (d) Nothing can be said.

Use the following data for the next 6 questions.
X, Y and Z are three commodities where X and Y are complementary whereas X and Z are substitutes.

A Shopkeeper sells Commodity X at 20 per piece. At this price, he is able to sell 100 pieces of X per month. After some time, he decreases the price of X to 10 per piece. Consequently -
(a) He is able to sell 150 pieces of X per month.
(b) Demand for Y increases from 25 to 50 units.
(c) Demand for 2 decreases from 75 to 50 units.

215. Price Elasticity of Demand (using Arc Method) when Price of X decreases from ₹ 20 per piece to ₹ 10 per piece will be -
(a) 0.6 (b) 1.6
(c) 0.5 (d) 1.5

216. What can be said about the Price Elasticity of Demand for Commodity X?
(a) Demand is unit elastic
(b) Demand is highly elastic
(c) Demand is inelastic
(d) Demand is perfectly elastic

217. Cross Elasticity of Demand for Commodity Y when the Price of X decreases from ₹ 20 per piece to ₹ 10 per piece will be -
(a) -1.5 (b) +1.5
(c) +1 (d) -1

218. Cross Elasticity of Demand for Commodity Z when the price of X decreases from ₹ 20 per piece to ₹ 10 per piece will be -
(a) +1.66 (b) +0.66
(c) -1.66 (d) -0.66

219. If Income of the Consumers increases by 50% and the demand for X increases by 20% what will be the Income Elasticity of Demand for X?
(a) 0.04 (b) 0.4
(c) 4.00 (d) -4.00

220. We can say that Commodity X in economic sense is an example of -
(a) Inferior foods (b) Giffin Goods
(c) Normal Goods (d) Luxury Goods.

221. Advertisement Elasticity is also known as -
(a) Marketing Elasticity

(b) Promotional Elasticity
(c) Commercial Elasticity
(d) All of the above

222. The responsiveness of a good's demand to changes in the Firm's spending on advertising is called -
(a) Demand elasticity
(b) Supply elasticity
(c) Advertisement elasticity
(d) None of the above

223. Advertisement Elasticity is the percentage change in
(a) Supply that occurs for every 1% change in Advertising Expenditure.
(b) Demand that occurs for every 1% change in Advertising Expenditure.
(c) Advertisement expense that occurs for every 1% change in Demand.
(d) None of the above

224. Advertising Elasticity is generally
(a) Positive (b) Negative
(c) Zero (d) None of the above

225. Which of the following statements is correct?
(a) Higher the value of Advertising Elasticity, greater will be the responsiveness of demand to change in advertisement.
(b) Lower the value of Advertising Elasticity, greater will be the responsiveness of demand to change in advertisement.
(c) Higher the value of Advertising Elasticity, lesser will be the responsiveness of demand to change in advertisement.
(d) None of the above

Supply Analysis and Equilibrium Price

I. SUPPLY BASICS & LAW OF SUPPLY

SUPPLY BASICS

1. Supply can be referred as -
(a) Those goods which Firms offers for sale
(b) Amount of goods, Firms sells in the market
(c) Amount of goods all people want
(d) None of the above

2. The Supply of a product refers to -
(a) Actual production of the product
(b) Total existing stock of the product
(c) Stock available for sale
(d) Amount of the product offered for sale at a particular price per unit of time

3. Supply of a Commodity is a -
(a) Stock Concept
(b) Flow Concept
(c) Both Stock and Flow Concept.
(d) None of these.

4. _____refers to the quantity of goods or services that Producers are willing and able to offer to the market at various prices during a period of time.
(a) Demand (b) Supply
(c) Stock (d) Sales

5. Supply refers to_____
(a) Stock of goods available for sale
(b) Stock of goods
(c) Quantity supplied at a various price during a period of time
(d) Actual production of the goods

6. Supply refers to the quantity of goods or services, that _____are willing and able to offer to the market at various prices during a period of time.
(a) Producers (b) Consumers
(c) Economists (d) Accountants

7. Supply Quantity is the same as Sales Quantity. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

8. Supply refers to what Firms offer for sale, and not necessarily to what they succeed in selling. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

9. To constitute Supply, the Producing Firms must have
(a) Ability, i.e. productive capacity
(b) Willingness, i.e. ready to supply
(c) Both (a) and (b)
(d) Neither (a) nor (b)

10. Supply refers to the _____ by Producing Firms.
(a) Quantities offered for sale
(b) Prices offered
(c) Sales achieved
(d) Profits earned

11. Period in which supply cannot be increased is called
(a) Market Period (b) Short Run
(c) Long Run (d) None of these

12. _____is the total volume of the commodity which can be brought into the market for sale at a short notice.
(a) Demand (b) Supply
(c) Stock (d) Sales

13. _____refers to the quantity which is actually brought in the market.
(a) Demand (b) Supply
(c) Stock (d) Sales

14. Supply is different from Stock. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

15. Stock is potential supply.
(a) True (b) False
(c) Partially True (d) None of the above

16. Stock refers to quantity _____into the market, whereas Supply refers to quantity _____ into the market.
(a) Actually brought, actually brought
(b) Can be brought, actually brought
(c) Can be brought, actually brought
(d) Can be brought, can be brought

17. The meaning of time element in economics is _____
(a) Calendar time
(b) Clock time
(c) Operational time which supply adjusts with the market demand
(d) None of these

DETERMINANTS OF SUPPLY

18. Which of the following factors is not a determinant of Supply?
(a) Price of the Commodity
(b) Prices of Related Commodities
(c) Prices of Water and Salt
(d) Prices of Factors of Production

19. Which of the following factors is not a determinant of Supply?
(a) Government's industrial and foreign policies
(b) Market Structure
(c) State of Technology
(d) Income Levels of Consumers

20. Generally, higher the prices of products, higher the _____
(a) Profits of Producing Firms
(b) Satisfaction Level of Consumers
(c) Tax Rates
(d) All of the above

21. Producing Firms are guided by -
(a) Service Motive
(b) Profit Motive
(c) Both (a) and (b)
(d) Neither (a) nor (b)

22. Other things being equal, if the price of the commodity is higher, ____ quantities thereof will be supplied to the market.
(a) Equal (b) Lower
(c) Greater (d) Zero

23. Prices of Related Commodities are not a determinant of supply of a particular commodity. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

24. Generally, Supply of a Product X will be prices of goods other than X increase. if the
(a) Equal (b) Lower
(c) Greater (d) Zero

25. Generally, Supply of a Product X will be prices of goods other than X decrease. if the
(a) Equal (c) Greater
(b) Lower (d) Zero

26. Supply of a Product decreases when the prices of other related goods increase. This is because
(a) Customers start demanding more of other good
(b) Those goods become relatively more profitable to the Firm to produce and sell
(c) Customers preferences and tastes will change
(d) Producing Firms' profit motive changes

27. If there is an increase in the Prices of Factors of Production, Cost of Production of that product will-
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

28. If there is an decrease in the Prices of Factors of Production, Cost of Production of that product will-

(a) Increase (b) Decrease

(c) Remain Constant (d) Become Zero

29. Other things being equal, if the Cost of Production of a commodity is higher, _____ quantities thereof will be supplied to the market
(a) Equal (b) Lower
(c) Greater (d) Zero

30. Other things being equal, if the Cost of Production of a commodity is lower, _____quantities thereof will be supplied to the market
(a) Equal (b) Lower
(c) Greater (d) Zero

31. Inventions and Innovations lead to -
(a) Lower Cost of Production in existing products
(b) Production of more or better goods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

32. Other things being equal, if the State of Technology in relation to a commodity increases, _____quantities thereof will be supplied to the market.
(a) Equal (b) Lower
(c) Greater (d) Zero

33. Inventions and Innovations lead to-
(a) Increase in supply quantity of new products
(b)Reduction in the supply quantity of products that are placed
(c) Both (a) and (b)
(d) Neither (a) nor (b)

34. Other things being equal, the supply quantity of
a product is_____ related to its price.
(a) Directly (b) Inversely
(c) Proportionally (d) Not at all

35. Other things being equal, the supply quantity of a product is _____related to price of related goods.
(a) Directly (b) Inversely
(c) Proportionally (d) Not at all

36. Other things being equal, the supply quantity of a product is that product is _____ related to the Cost of Production of that product
(a) Directly (b) Inversely
(c) Proportionally (d) Not at all

37. Generally, if there is an increase in Commodity Taxes (Excise Duty, Customs Duty, VAT, etc.) leading to increase in their cost of production, the supply quantity will -
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

38. Generally, if there are incentives like Subsidies which reduce the cost of production, the supply quantity will-
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

39. In case of failure of rains, floods, fires, etc. the supply of agricultural commodities will -
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

40. In case of better rainfall, improvement in irrigation, improved seeds, etc. the supply of agricultural commodities will -
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

LAW OF SUPPLY AND SUPPLY CURVE

41. Which of the following is the determinant in the Law of Supply?
(a) Technology
(b) Price of related goods
(c) Price of the product
(d) None of these

42. Which of the following is the only determinant that the Law of Supply takes into account?
(a) Technology
(b) Price of the Product
(c) Quality of the Product

(d) Purchasing Power of Sellers

43. As per Law of Supply, other things being equal, if the Price of a Commodity increases, its Supply Quantity will
(a) Increase
(b) Decrease
(c) Remain Constant
(d) Become Zero

44. As per Law of Supply, other things being equal, if the Price of a Commodity decreases, its Supply Quantity will
(a) Increase (b) Decrease
(c) Remain Constant (d) Become Zero

45. The assumption "Ceteris Paribus" in the Law of Supply stands for -
(a) Technology remaining constant
(b) Demand remaining constant
(c) Price remaining constant
(d) All factors other than Price remaining constant

46. As per Law of Supply, other things being equal, there is a _____between Price and Quantity Supplied.
(a) Direct relationship
(b) Inverse relationship
(c) Proportional relationship
(d) No relationship

47. _____shows the quantity of products a producer or seller wishes to sell at a given price level.
(a) Average Product Curve
(b) Supply Curve
(c) Marginal Product Curve
(d) Total Product Curve

48. Generally, the Supply Curve -
(a) Slopes downwards from left to right
(b) Slopes upwards from right to left
(c) Slopes upwards from left to right
(d) Nothing can be said

49. Generally, the Supply Curve -
(a) Positively sloped
(b) Negatively sloped
(c) Zero-sloped
(d) Nothing can be said

50. Typically, the Supply Curve -
(a) Slopes upward
(b) Slopes downward
(c) Is horizontally straight
(d) Is vertically straight

51. The Supply Curve -
(a) Is always a straight line
(b) Is always a curve
(c) Sometimes a straight line, sometimes a curve
(d) Nothing can be said

52. The Market Supply Curve is a lateral summation (totalling) of Individual Supply Curves of all Producing Firms. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

53. What would be the shape of the Supply Curve of the toys, if a Seller offers to sell any number of toys as ₹100?
(a) Vertical (b) Downward sloping
(c) Horizontal (d) Upward sloping

INCREASE / DECREASE IN QUANTITY SUPPLIED

54. Increase or Decrease in the quantity supplied occurs due to-
(a) Changes in Price
(b) Changes in Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

55. While recognizing Increase or Decrease in the quantity supplied, we assume _____remain constant.
(a) Price
(b) All Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

56. When there is a movement on the Supply Curve, we are referring to -
(a) Change in Supply
(b) Change in Quantity Supplied
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. Change in Quantity Supplied causes -
(a) a movement on the same Supply Curve
(b) shift of the Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

58. When there is a change in quantity supplied -
(a) Supply Curve shifts inward or outward
(b) There is a upward/downward movement on the same Supply
(c) Both (a) and (b)
(d) Neither (a) nor (b)

59. In case of Increase/Decrease in quantity supplied, the position of the Supply Curve remains the same. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

60. Increase in quantity supplied, due to changes in
price, may also be called –
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

61. Increase in quantity supplied, due to changes in price, may also be called-
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

62. When more units of the product are supplied at a higher price, it is called-
(a) Contraction of Supply
(b) Increase in Supply
(c) Change in Supply
(d) Expansion of Supply

63. Contraction of Supply is the result of -
(a) Decrease in the number of Producers
(b) Decrease in the price of the product concerned
(c) Increase in the prices of other goods
(d) Decrease in the Outlay of Sellers

INCREASE / DECREASE IN SUPPLY

64. Increase or Decrease in Supply occurs due to -
(a) Changes in Price
(b) Changes in Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

65. While recognizing Increase or Decrease in the Supply, we assume _____remain constant.
(a) Price
(b) All Factors other than Price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

66. When there is a movement of the Supply Curve, we are referring to -
(a) Change in Supply
(b) Change in Quantity Supplied
(c) Both (a) and (b)
(d) Neither (a) nor (b)

67. Change in Supply means
(a) A movement on the same Supply Curve
(b) Shift of the Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

68. When there is a change in supply-
(a) Supply Curve shifts inward or outward
(b) There is upward / downward movement on the same Supply Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

69. When higher quantities are supplied, due to changes in factors other than price, it is called
(a) Contraction of Supply
(b) Expansion of Supply

(c) Decrease in Supply
(d) Increase in Supply

70. When lower quantities are supplied, due to changes in factors other than price, it is called
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

71. Which of the following factors will not result in the shifting of Supply Curve for Software Packages?
(a) Increase in the wages of computer professionals
(b) Government tariffs on software exports and imports
(c) Fall in the prices of software packages
(d) All of the above result in the shifting of the curve

72. An Increase in the Supply of a product is caused by
(a) Improvements in Technology
(b) Fall in the Prices of other goods
(c) Fall in the Prices of Factors of Production
(d) All of these

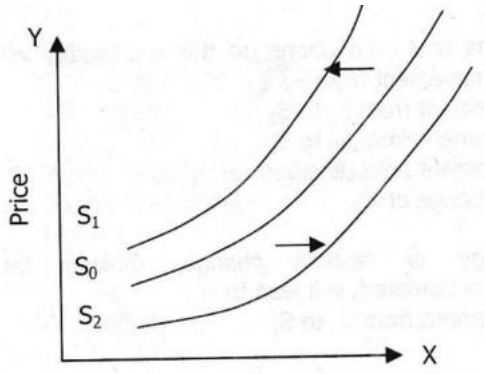
73. An Increase in the Supply of a product is caused by
(a) Reduction in the price of Related Commodities
(b)Reduction in Cost of Production of this Commodity
(c) Subsidies by Government for producing this commodity.
(d) All of these

74. An Increase in the Supply of a product is caused by
(a) Inventions and Innovations on this commodity
(b)Reduction in Cost of Production of this Commodity
(c) Reduction in the price of Related Commodities
(d) All of these

75. A Decrease in the Supply of a product is caused by -

(a) Technology or fashion change, making the commodity outdated
(b) Increase in the price of Related Commodities
(c) Increase in Cost of Production of this Commodity
(d) All of these

Use the following diagram to answer the next 11 questions.



76. Movement from S_0 to S_1 is called-
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

77. Movement from S_0 to S_1 to is caused by -
(a) Changes in Price of the product
(b) Changes in Factors other than price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Movement from S_0 to S_2 called -
(a) Contraction of Supply
(b) Expansion of Supply
(c) Decrease in Supply
(d) Increase in Supply

79. Movement from S_0 to S_1 caused by -
(a) Changes in Price of the product
(b) Changes in Factors other than price
(c) Both (a) and (b)
(d) Neither (a) nor (b)

80. Reduction in the price of Related Commodities will cause a movement from-
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

81. Increase in the price of Related Commodities will cause a movement from -
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

82. Reduction in Cost of Production of this Commodity will cause a movement from -
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

83. Increase in Cost of Production of this Commodity will cause a movement from
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

84. Inventions and Innovations on this commodity will cause a movement from -
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

85. Technology or fashion change, making the commodity outdated, will lead to
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

86. If any Subsidies are by Government for producing this commodity, there will be a movement
(a) Movement from S_0 to S_1
(b) Movement from S_0 to S_2
(c) Movement on S_0 itself
(d) No change at all

87. According to law of supply, the supply of commodity normally depends on:
(a) Price of relate commodity
(b) Price of commodity
(c) Price of factors of production
(d) Demand for the product

II. ELASTICITY AND EQUILIBRIUM PRICE

ELASTICITY OF SUPPLY

1. Elasticity of Supply refers to the degree of responsiveness of supply of a good to changes in its
(a) Demand
(b) Price
(c) Cost of Production
(d) State of Technology

2. Which of the following has the lowest Price Elasticity of Supply?
(a) Luxury Items
(b) Necessities
(c) Perishable Goods
(d) Items that have the least budgetary allocation

3. In which of the following type of product, is the Elasticity of Supply lowest?
(a) Necessities
(b) Luxury Goods
(c) Perishable Goods
(d) Perfect Substitutes

4. Given the Market Demand, the burden of specific tax that will be borne by the Consumer (Buyer) depends on the-
(a) Price Elasticity of Supply
(b) Price Elasticity of Demand
(c) Consumer's Ability
(d) Type of the Product

5. Elasticity of Supply is given by the formula -
(a) $\Delta p/\Delta q \times q/p$
(b) $\Delta p/\Delta q \times p/q$
(c) $\Delta q/\Delta p \times q/p$
(d) $\Delta q/\Delta p \times p/q$

6. Elasticity of Supply can be measured using -
(a) Percentage Change or Proportional Method
(b) Point Elasticity Method
(c) Arc Elasticity Method
(d) All the above

7. Which of the following method is not used for measuring elasticity of supply?
(a) Arc Method
(b) Percentage Method
(c) Total outlay Method
(d) Point Method

8. If Quantity Supplied increases by 60% for a 50% increase in Price, Elasticity of Supply is -
(a) -1.2 (b) +1.2
(c) -0.83 (d) +0.83

9. If Price is ₹ 15, quantity supplied is 150 units. If Price is ₹ 25, quantity supplied is 300 units. Compute Price Elasticity of Supply using Arc Method.
(a) -1.09 (b) +1.09
(c) -0.98 (d) +0.98

10. When Supply is perfectly inelastic, Elasticity of Supply is equal to-
(a) +1 (b) 0
(c) -1 (d) Infinity

11. If as a result of a change in price, the quantity supplied of a product remains unchanged, we conclude that-
(a) Elasticity of Supply is perfectly inelastic
(b) Elasticity of Supply is relatively greater elastic
(c) Elasticity of Supply is inelastic
(d) Elasticity of Supply is relatively less elastic

12. A Vertical Supply Curve parallel to Y axis implies that the Elasticity of Supply is -
(a) Zero
(b) Infinity
(c) Equal to One
(d) Greater than Zero but less than infinity

13. Elasticity of Supply is greater than one when
(a) Proportionate change in price is greater than proportionate change in supply
(b) Proportionate change in supply is greater than proportionate change in price
(c) Proportionate change in supply is equal to proportionate change in price.
(d) All of the above.

14. If the Elasticity of Supply is Zero, then Supply Curve will be
(a) Horizontal
(b) Downward Sloping
(c) Upward sloping to the right
(d) Vertical

15. When Supply is perfectly elastic, Elasticity of Supply is equal to -
(a) +1 (b) 0
(c) -1 (d) Infinity

16. A Horizontal Supply Curve parallel to the quantity axis implies that the Elasticity of Supply is (a) Zero
(b) Infinite
(c) Equal to one
(d) Greater than zero but less than one.

17. If the Elasticity of Supply is Infinity, then Supply Curve will be-
(a) Horizontal
(b) Downward Sloping
(d) Vertical
(c) Upward sloping to the right

18. When change in the quantity supplied is proportionate to the change in the price, the product is said to have -
(a) Unitary Elastic Supply
(b) Perfectly Elastic Supply
(c) Relatively Elastic Supply
(d) Perfectly Inelastic Supply

19. If the Elasticity of Supply is Infinity, then Supply

Curve will be-
(a) Horizontal
(b) Downward Sloping
(c) 45 degrees Straight Line
(d) Vertical

20. If Δq = Change in Quantity Supplied, Δp = Change in Price, when Supply is perfectly inelastic, it means
(a) Δq = Zero
(b) $\Delta q > \Delta p$
(c) $\Delta q < \Delta p$
(d) Δp = Zero

21. If Δq = Change in Quantity Supplied, Δp = Change in price, when Supply is perfectly elastic, it means -
(a) Δq = Zero
(b) $\Delta q > \Delta p$
(c) $\Delta q < \Delta p$
(d) Δp = Zero

22. If Δq = Change in Quantity Supplied, Δp = Change in price when Supply is relatively elastic, it means -
(a) Δq = Zero
(b) $\Delta q > \Delta p$
(c) $\Delta q < \Delta p$
(d) Δp = Zero

23. If Δq = Change in Quantity Supplied, Δp = Change in price, when Supply is relatively inelastic, it means
(a) Δq = Zero
(b) $\Delta q > \Delta p$
(c) $\Delta q < \Delta p$
(d) Δp = Zero

24. If Δq = Change in Quantity Supplied, Δp = Change in Price, when Supply is relatively elastic, it means -
(a) Δq = Zero
(b) $\Delta q = \Delta p$

(c) $\Delta q < \Delta p$
(d) Δp = Zero

25. Price is fallen by 20% brings above 10% fall in quantity supplied then elasticity of supply is _____
(a) 2.0
(b) 0.5
(c) 1.0

EQUILIBRIUM PRICE WITH DEMAND & SUPPLY

26. Market Forces refer to-
(a) Demand (b) Supply
(c) Both (a) and (b) (d) Neither (a) nor (b)

27. Which of these refer to "Market Forces"
(a) Price and Output
(b) Demand and Supply
(c) Cost and Revenue
(d) All of the above

28. Demand & Supply interact in determining-
(a) Price and Output
(b) Cost and Revenue
(c) Both (a) and (b)
(d) Neither (a) nor (b)

29. Equilibrium price is where_____
(a) Market supply and market demand are equal
(b) Firm supply ad market demand are equal
(c) Firm demand and market supply are equal
(d) None of these

30. Generally, the Demand Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

31. Generally, the Demand Curve
(a) Is positively sloped.
(b) Is negatively sloped.
(c) Has both positive and negative slopes
(d) Does not have a slope at all

32. Generally, the Supply Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

33. Generally, the Supply Curve -
(a) Is negatively sloped.
(b) Is positively sloped.
(c) Has both positive and negative slopes
(d) Does not have a slope at all

34. **In the table below, what will be Equilibrium Price?**

Price(in)	Demand Qty	Supply Qty
1	1000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

(a) ₹ 2 (b) ₹3
(c) ₹ 4 (d) ₹5

35. P Q.D. Q.S. 1 500 200 2 450 250 3 400 300 4 350 350 5 300 400 6 250 450 7 200 550 8 150 600 What is equilibrium price
(a) 1 (b) 2
(c) 3 (d) 4

36. Other things being equal, as Demand increases, Equilibrium Price -
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon.

37. Other things being equal, as Demand increases, Quantity at the Equilibrium Price level -
(a) increases
(b) decreases
(c) does not change at all
(d) cannot be commented upon.

38. Other things being equal, as Demand increases
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d)Equilibrium Price decreases and Quantity increases.

39. Other things being equal, as Demand decreases, Equilibrium Price -
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon

40. Other things being equal, as Demand decreases, Quantity at the Equilibrium Price level -
(a) increases
(b) decreases
(c) does not change at all
(d) cannot be commented upon.

41. Other things being equal, as Demand decreases
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

42. With a given Supply Curve, a decrease in Demand causes
(a) An overall decrease in price but an increase in equilibrium quantity
(b) An overall increase in price but a decrease in equilibrium quantity
(c) An overall decrease in price and equilibrium quantity decrease in
(d) No change in overall price but a reduction in equilibrium quantity

43. Other things being equal, as Supply increases, Equilibrium Price-
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

44. Other things being equal, as Supply increases, Quantity at the Equilibrium Price level-
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

45. Other things being equal, as Supply increases-
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

46. Other things being equal, as Supply decreases, Equilibrium Price -
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

47. Other things being equal, as Supply decreases, Quantity at the Equilibrium Price level -
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

48. Other things being equal, as Supply decreases Equilibrium Price and Quantity both increase.
(a) Equilibrium Price and Quantity both decrease.
(b) Equilibrium Price increases and Quantity decreases.
(c) Equilibrium Price decreases and Quantity increases.
(d) None of the above

49. If increase in demand is greater than the increase in supply, then the Equilibrium Price -
(a) Decreases
(b) Increases

(c) Does not change at all
(d) Cannot be commented upon.

50. If increase in demand is greater than the increase in supply, then Quantity at the Equilibrium Price level –
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

51. If increase in demand is greater than the increase in supply, then
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium
(d) Equilibrium Price decreases and Quantity Increases.

52. If decrease in demand is greater than the decrease in supply, then the Equilibrium Price-
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

53. If decrease in demand is greater than decrease in supply, then the Quantity at the Equilibrium Price level-
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

54. If decrease in demand is greater than the decrease in supply, then -
(a) Equilibrium Price arid Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

55. If increase in demand is equal to the increase in supply, then the Equilibrium Price -

(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

56. If increase in demand is equal to the increase in supply, then the Quantity at the Equilibrium Price level -
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

57. If increase in demand is equal to the increase in supply, then -
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price remains the same but Quantity increases.
(d) Equilibrium Price remains the same but Quantity increases.

58. It decease in demand is equal to the decrease in supply, then the Equilibrium Price-
(a) Decreases
(b) Increases
(b) Does not change at all
(d) Cannot be commented upon.

59. If decrease in demand is equal to the decrease in supply, then the Quantity at the Equilibrium Price level-
(a) increases
(b) decreases
(c) does not change at all
(d) cannot be commented upon,

60. It decrease in demand is equal to the decrease in supply, then-
(a) Equilibrium Price and Quantity both increase
(b) Equilibrium Price and Quantity both decrease

(c) Equilibrium Price remains the same but Quantity increases
(d) Equilibrium Price remains the same but Quantity increases

61. It increase in demand is less than the increase in supply, then the Equilibrium Price -
(a) Decreases
(b) Increases
(c) Does not change at all
(d) Cannot be commented upon.

62. If increase in demand is less than the increase in supply, then the Quantity at the Equilibrium Price level-
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon.

63. If increase in demand is less than the increase in supply, then-
(a) Equilibrium Price and Quantity both increase.
(b) Equilibrium Price and Quantity both decrease.
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity increases.

64. If decrease in demand is less than the decrease in supply, then the Equilibrium Price -
(a) decreases
(b) increases
(c) does not change at all
(d) cannot be commented upon.

65. If decrease in demand is less than the decrease in supply, then the Quantity at the Equilibrium Price level-
(a) Increases
(b) Decreases
(c) Does not change at all
(d) Cannot be commented upon

66. If decrease in demand is less than the decrease in supply, then -
(a) Equilibrium Price and Quantity both increase
(b) Equilibrium Price and Quantity both decrease
(c) Equilibrium Price increases and Quantity decreases.
(d) Equilibrium Price decreases and Quantity Increases

67. Which of the following situation does not lead to and increase in Equilibrium Price?
(a) An increase in demand, without a change in supply.
(b) A decrease in supply accompanied by an increase in demand.
(c) A decrease in supply without a change in demand.
(d) An increase in supply accompanied by a decrease in demand.

66. If the Supply of a commodity is perfectly elastic, an increase in Demand will result in
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

69. If the Supply of a commodity is perfectly elastic, a decrease in Demand will result in -
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Equilibrium Quantity remaining constant

70. If the Supply of a commodity is perfectly inelastic, an increase in Demand will result in -
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium

(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

71. If the Supply of a commodity is perfectly inelastic, a decrease in Demand will result in -
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price Equilibrium Quantity remaining constant

72. If the Demand of a commodity is perfectly elastic, an Increase in Supply will result in-
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

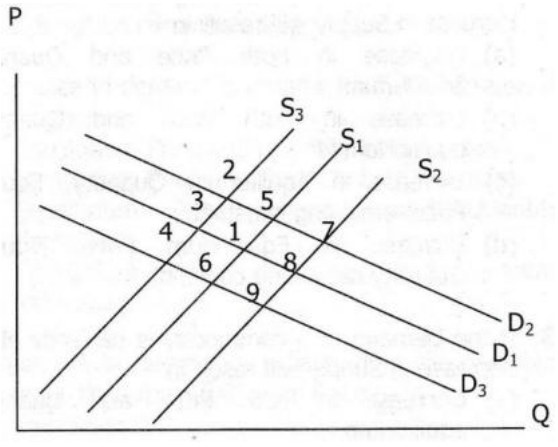
73. If the Demand of a commodity is perfectly elastic, a decrease in Supply will result in
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

74. If the Demand of a commodity is perfectly inelastic, an increase in Supply will result in
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

75. If the Demand of a commodity is perfectly inelastic, a decrease in Supply will result in -
(a) Decrease in both Price and Quantity at equilibrium
(b) Increase in both Price and Quantity at equilibrium
(c) Decrease in Equilibrium Quantity, Equilibrium Price remaining constant
(d) Decrease in Equilibrium Price, Equilibrium Quantity remaining constant

76. If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered once the fish are caught. The Fisherman's Price Elasticity of Supply for fresh fish is -
(a) Zero (b) Infinity
(c) One (d) Cannot be determined

The Below 7 Questions are based on the demand and supply diagrams below. S_1 and D_1 are the original demand and supply curves. D_2, D_3, S_2, and S_3 are possible new demand and supply curves. Starting from initial equilibrium point (1) what point on the graph is most likely to result from each change?



77. Assume X is a normal good. Holding everything else constant, assume that income rises and the price of a factor of production also increases. What point in Figure 1 is most likely to be the new equilibrium price and quantity?
(a) Point 9

(b) Point 5
(c) Point 3
(d) Point 2.

78. We are analyzing the market for good Z. The price of a complement good, good Y, declines. At the same time, there is a technological advance in the production of good Z. What point Figure 1 is most likely to be the new equilibrium price and quantity?
(a) Point 4 (b) Point 5
(c) Point 8 (d) Point 7

79. Heavy rains in Maharashatra during 2005 and 2006 caused havoc with the rice crop. What point in Figure 1 is most likely to be the new equilibrium
price and quantity?
(a) Point 6 (b) Point 3
(c) Point 7 (d) Point 8

80. Assume that consumers expect the prices on new cars to significantly increase next year. What point in Figure 1 is most likely to be the new equilibrium price and quantity?
(a) Point 6 (b) Point 5
(c) Point 3 (d) Point 8

81. What combinations of changes would most likely decrease the equilibrium quantity?
(a) When supply increases and demand decreases.
(b) When demand increases and supply decreases
(c) When supply increases and demand increases.
(d) When demand decreases and supply decreases.

82. When a market is in equilibrium:
(a) No shortages exist.
(b) Quantity demanded equals quantity supplied.
(c) A price is established that clears the market.
(d) All of the above are correct.

83. The market of computers is not in equilibrium, then which of the following statements is definitely true?
(a) The prices of computer will rise
(b) The prices of computer will fall
(c) The prices of computers will change, but not enough information is given to determine the direction of the change.
(d) None of the above.

Production Concepts
I. Production and Factors of Production

PRODUCTION BASICS

1. In Economics_____ refers to any economic activity, which is directed towards satisfaction of human wants
(a) Production (b) Distribution
(c) Consumption (d) Economics

2. In Economics, Production refers to any economic activity-
(a)Which results in a tangible product of commodity
(b) Which is directed at the satisfaction of human wants.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

3. Which of the following statement is True? Production can be defined as
(a) Creation or addition of utility
(b) Conversion of raw material into finished goods
(c) An activity of making something immaterial
(d) All of these

4. In Economics, Production refers -
(a) Creation of utility
(b) Satisfaction of utility
(c) Both (a) and (b)
(d) Neither (a) nor (b)

5. Production may be defined as an act of-
(a) Creating utility.
(b) Earning profit.
(c) Destroying utility.
(d) Providing services.

6. Production is a / an_____ activity.
(a) Charitable (b) Beneficial
(c) Economic (d) Successful

7. Production does not consist of which of the following activities?
(a) Changing the from of natural resources
(b) Changing the place of the resources
(c) Both of the above
(d) None of the above

8. Production = Creation of Utility. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

9. Production = Satisfaction of Utility. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

10. Production refers to -
(a) Creation of value (b) Addition of value
(c) Both (a) and (b) (d) Neither (a) nor (b)

11. Production refers to
(a) Tangible goods and products
(b) Intangible services
(c) Both (a) and (b)
(d) Neither (a) nor (b)

12. Production is defined as
(a) Creation of matter
(b) Creation of utility in matter
(c) Creation of infrastructural facilities
(d) None of these

13. Which of the following statements regarding Service Industry is true?
(a) Service Industry uses less Capital Equipment
(b) Service Industry uses more Capital
(c) Service Industry uses no Capital Equipment
(d) Service Industry uses less Variable Factors

14. Production refers to -
(a) Capital Goods only
(b) Consumer Goods only
(c) Both (a) and (b)

(d) Neither (a) nor (b)

15. Production includes -
(a) Mining
(b) Manufacturing
(c) Service providing
(d) All of above

16. Which of the following is considered Production in Economics?
(a) Tilling of soil
(b) Singing a song before friends
(c) Preventing a child from falling into manhole on the road
(d) Painting a picture for pleasure

17. Which of the following statements is true?
(a) Services of a Doctor are considered Production
(b) Man can create matter
(c) Services of a Housewife are considered Production
(d) When a man creates a table, he creates matter

18. Production of Cellphones by a Manufacturing Company is an example of Production Activity. This Statement is-
(a) True (b) False
(c) Partially True (d) None of the above

19. Hawking of Fruits and Vegetables by a Street Vendor is an example of Production Activity. This statement
(a) True (b) False
(c) Partially True (d) None of the above

20. Work of a Professional (like Chartered Accountant) does not result in any tangible output. Hence, it is not a Production Activity in Economics is statement is-
(a) True (b) False
(c) Partially True (d) None of the above

21. Which of these is a Production Activity?
(a) Sale of Apples and Mangoes
(b) Sale of Crackers during Festival Season
(c) Distributing Water Packets in a temple festival
(d) All of the above

22. In Economics, Production Activity should involve -
(a) Creation of new matter
(b) Addition of value to existing matter
(c) Both (a) and (b)
(d) Neither (a) nor (b)

23. Production Activity involves creation of Utility. Such Utility can be created as
(a) Form Utility (b) Place Utility
(c) Time Utility (d) All of the above

24. Production Activity involves creation of Utility. Such Utility can be created as -
(a) Personal Utility (b) Form Utility
(c) Time Utility (d) All of the above

25. In Production Activity, one of the ways of creating Utility is -
(a) Form Utility (b) Marginal Utility
(c) Total Utility (d) All of the above

26. Which of these is not a method of creating Utility in Production?
(a) Form Utility (b) Marginal Utility
(c) Place Utility (d) Personal Utility

27. _____Utility refers to physically changing the form of natural resources
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

28. _____Utility refers to changing the place of the resources, from place of lesser use to place of greater use.
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

29. _____Utility is created by making goods and services available at times when they are not normally available.
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

30. _____Utility involves making use of personal skills in the form of services.
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

31. Making Furniture from raw Wood is an example of creation of-
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

32. When Bangles and Ear-Rings are made from Gold, we refer to creation of -
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

33. Raw Material converted into Finished Product in the manufacturing process, refers to creation of
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

34. If Apples from Kashmir are available for Sale in Chennai, it refers to creation of -
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

35. If Oranges from Nagpur are made available for Sale in a Department Store in Kolkata, it refers to creation of-
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

36. If Garments from Tirupur are available for Sale in a Store in USA, it refers to creation of-
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

37. Moving or distributing goods from places of production (Origin Centres) to Markets (destination centres) refers to creation of -
(a) Form Utility (b) Place Utility

(c) Time Utility (d) Personal Utility

38. Extraction from coal, minerals, gold, etc. from Earth, refers to creation of -
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

39. Place Utility involves Changing the place of the resources, from the place where they are of____ use, to another place where they are of.....use.
(a) Lesser, greater
(b) Greater, lesser
(c) Specific, general
(d) General, specific

40. Storing harvested foodgrains for use till next harvest is an example of creation of -
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

41. Work of Professionals like Doctors, Chartered Accountants, etc. can be considered under
(a) Form Utility (b) Place Utility
(c) Time Utility (d) Personal Utility

42. To complete production, all four types of utilities, i.e. Form, Place, Time and Personal Utility, should be created. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

43. Productive Resources required to produce goods and /or services are called-
(a) Resources of Production
(b) Concepts of Production
(c) Factors of Production
(d) Ideas of Production

44. Factors of Production are-
(a) Natural Resources (b) Man Made Resources
(c) Both (a) and (b) (d) Neither (a) nor (b)

45. Land is a_____ Factor of production.
(a) Natural (b) Man Made
(c) Both (a) and (b) (d) Neither (a) nor (b)

46. Which of these is not a basic Factor of Production in Economics?
(a) Land (b) Enterprise
(c) Capital (d) Money

47. Which of the following is a factor(s) of production?
(a) Labour (b) Capital
(c) Entrepreneurship (d) All of these

48. The demand for a Factor of Production is said to be a Derived Demand because-
(a) It is a function of the profitability of an enterprise
(b) It depends on the supply of complementary factors
(c) Its stems from the demand for the final product
(d) It arises out of means being scarce in relation to wants.

49. The Incentive / Reward in respect of Land is called -
(a) Rent (b) Wages
(c) Interest (d) Profit

50. The Incentive / Reward in respect of Labour is called
(a) Rent (b) Wages
(c) Interest (d) Profit

51. The Incentive / Reward in respect of Capital is called
(a) Rent (b) Wages
(c) Interest (d) Profit

52. The Incentive/Reward in respect of Entrepreneurial Ability is called-
(a) Rent (b) Wages
(c) Interest (d) Profit

LAND

53. Land refers to-
(a) All free gifts of nature.
(b) All man-made resources
(c) Both (a) and (b)
(d) Neither (a) nor (b)

54. Land refers to
(a) Soil and earth's surface
(b) Fertility of soil
(c) Natural resources
(d) All of the above

55. Gold Mines is an example of _____,as a Factor of Production.
(a) Land (b) Labour
(c) Capital (d) Entrepreneurial Skills

56. Reserves of Crude Oil is an example of _____, as a Factor of Production
(a) Land (b) Labour
(c) Capital (d) Entrepreneurial Skills

57. Which of these is an example of Land as a Factor of Production?
(a) Agricultural Lands
(b) Forests
(c) Diamond Mines
(d) All of the above

58. Which of these is included in "Land" as a Factor of Production?
(a) Fertility of Soil (b) Water
(c) Air (d) All of the above

59. Anything available above the earth's surface is called "Land". This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

60. As a Factor of Production, Land is -
(a) A free gift of nature.
(b) Fixed in quantity
(c) Variable in terms of fertility and uses
(d) All of above are correct.

61. As a Factor of Production, Land is-
(a) Permanent
(b) Original and indestructible
(c) Free gift of nature
(d) All of above are correct.

62. As a Factor of Production, Land is-
(a) Foxed in quantity
(b) Variable in quantity
(c) Not quantifiable at all
(d) Not useful for production.

63. As a Factor of Production, "Land" is a _____means of Production.
(a) Original (b) Produced
(c) Derived (d) Monetary

64. As a Factor of Production, the Supply of Land is _____from the viewpoint of the entire economy.
(a) Perfectly elastic (b) More elastic
(c) Less elastic (d) Perfectly inelastic

65. As a Factor of Production, the Supply of Land is perfectly inelastic from the viewpoint of -
(a) The entire economy
(b) An Individual Firm
(c) Both (a) and (b)
(d) Neither (a) nor (b)

66. As a Factor of Production, the Elasticity of Supply of Land from the viewpoint of the entire economy is -
(a) Infinite (b) Zero
(c) Positive (d) Negative

67. As a Factor of Production, the Supply of Land is _____from the viewpoint of the entire economy.
(a) Perfectly elastic
(b) Relatively elastic
(c) Relatively inelastic
(d) Perfectly inelastic

68. As a Factor of Production, the Supply of Land is relatively elastic from the viewpoint of -
(a) The entire economy
(b) An Individual Firm
(c) Both (a) and (b)
(d) Neither (a) nor (b)

69. As a Factor of Production, Land is permanent. This means that Land -
(a) Remains before and after cultivation
(b) Cannot be destroyed or lost
(c) Cannot be used for production at all
(d) None of the above

70. As a Factor of Production, Land has certain inherent properties, e.g. Fertility. These properties are-
(a) Indestructible (b) Original
(c) Bath (a) and (b) (d) Neither (a) nor (b)

71. If Land is used for productive purposes, its fertility is reduced. Such fertility-
(a) Can be restored
(b) Cannot be restored at all
(c) Is lost forever
(d) Both (b) and (c)

72. As a Factor of Production, Land lacks mobility, Lack of mobility means-
(a) Land cannot be used for anything other production of Rice.
(b) Land cannot be shifted from one place to another place
(c) Both (a) and (b)
(d) Neither (a) nor (b)

73. As a Factor of Production, Land lacks mobility in the sense
(a) Geographical
(b) Utility
(c) Both (a) and (b)
(d) Neither (a) nor (b)

74. As a Factor of Production, Land is mobile across
(a) Places
(b) Uses
(c) Both (a) and (b)
(d) Neither (a) nor (b)

75. No two pieces of land are exactly alike in all respects. This statement is -
(a) True
(b) False
(c) Partially True
(d) None of the above

76. Land is a specific factor of production. Why?
(a) It cannot be used at all
(b) It does not yield any result unless human efforts
are employed.
(c) It is fixed and permanent
(d) It is a free gift of nature.

77. Which of the following is not a characteristic of Land?
(a) Its supply for the economy is limited
(b) It is immobile
(c) Its usefulness depends on human efforts
(d) It is produced by our forefathers

78. Which one of the following is not a characteristic of land?
(a) A Free gift of nature
(b) Its supply is fixed
(c) An active factor of production
(d) It has Different Uses

79. _____ refers to mental or physical exertion directed to produce goods or services, and with a view to gain an economic reward.
(a) Land (b) Enterprise
(c) Capital (d) Labour

80. Activities done out of pleasure, love and affection, pastime, hobbies, etc. and useful in Increasing human well-being, and hence constitute Labour. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

81. To have an economic significance, Labour must be done with-
(a) The motive of some economic reward
(b) The motive of pleasure and satisfaction
(c) Both (a) and (b)
(d) Neither (a) nor (b)

82. Which of these constitute "Labour"?
(a) Singing in the company of friends for the sake of pleasure.
(b) Singing against payment of a fee.
(c) Singing while walking on the road
(d) None of the above

83. Which of these constitute "Labour"?
(a) Singing in the company of friends for the sake of pleasure.
(b) Singing against payment of a fee.
(c) Singing while walking on the road
(d) None of the above

84. Services of a Maid Servant constitutes Labour, while Services of a Housewife does not. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

85. As a Factor of Production, "Labour" is a _____means of Production.
(a) Original (b) Produced
(c) Derived (d) Monetary

86. Which of these constitute a feature of "Labour", as a Factor of Production?
(a) Human Efforts
(b) Perishable Nature
(c) Weak bargaining power
(d) All of the above

87. “Labour”, as a Factor of Production involves-
(a) Economic Considerations only
(b) Human and Psychological Considerations
(c) and (b) Both (a)
(d) Nether (a) nor (b)

88. "Labour as a Factor of Production involves
(a) Free Gift of Nature
(b) Human Efforts
(c) Both (a) and (b)
(d) Neither (a) nor (b)

89. "Labour as a Factor of Production involves human forts, with a view to gain
(a) Pleasure only
(b) Mental satisfaction
(c) An economic reward
(d) Use of time

90. As a Factor of Production. "Labour" is-
(a) Perishable
(b) Permanent
(c) Both (a) and (b)
(d) Neither (a) nor (b)

91. Which is not a characteristic of labour?
(a) Labour is not separable from labourer
(b) Labour is perishable
(c) Labour is not a mobile factor
(d) Labour is an active factor

92. As a Farts that Production, "Labour" is perishable. This means
(a) A day's subsequent cannot be completely recovered
(b) Every human being is mortal and will have to leave this world some day or the other.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

93. As a Factor of Production, a day's "Labour" lost cannot be -
(a) Measured at all
(b) Recovered at all
(c) Completely recovered
(d) None of the above

94. A Labourer cannot store his Labour, for use at a later time. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

95. As a Factor of Production, "Labour" is perishable. The consequence of this is -
(a) There is no Reserve Price for Labour.
(b) The Labourer has to accept the wage offered to him.
(c) The Labour has weak bargaining power.
(d) All of the above

96 Since there is no Reserve Price, Labour has-
(a) Weak bargaining power
(b) Strong bargaining power
(c) No bargaining power
(d) Infinite bargaining power

97. The purpose of Labour Laws is primarily to-
(a) Increase bargaining power of Labour
(b) Maintain Labour Welfare
(c) Guarantee work for each individual
(d) All of the above

98. Labour is inseparable from the Labourer himself. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

99. If a Worker terminates his employment with Company X, he-
(a) Can get employed in another Company
(b) Cannot get employed in any Company at all
(c) Becomes the Owner of Company X
(d) Will not get any Wages at all

100. Labour may be classified as
(a) Skilled (b) Semi-Skilled
(c) Unskilled (d) All of the above

101. Labour Power depends upon -
(a) Physical strength
(b) Education and skills
(c) Motivation to work
(d) All of the above

102. All Labour is not productive in the sense that all efforts are not sure to produce want-satisfying goods and services. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

103. Generally, Supply of Labour and Wage Rates are _____related.
(a) Directly (b) Inversely
(c) Equally (d) Not related at all.

104. Direct relationship between Wage Rates and Supply of Labour means that -
(a) Increase in Wage Rates will decrease the Supply of Labour

(b) Decrease in Wage Rates will increase the Supply of Labour
(c) Increase in Wage Rates will increase the Supply of Labour
(d) Increase in Wage Rates will not affect the Supply of Labour at all

105. Generally, Supply of Labour and Wage Rates are directly related. However, at very high wage rates, there is a paradox of reduction in labour. This paradox is attributed to
(a) Preference to earn more money
(b) Preference to have more of rest and leisure
(c) Preference to restrict Supply
(d) None of the above

106. Generally, Supply of Labour and Wage Rates are directly related. However, at very low wage rates, there is a paradox of excess supply of Labour. This paradox is attributed to –
(a) Some more members of the family, who were not working before, may start working.
(b) Workers may prefer to work overtime to increase their earnings.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

107. Supply of Labour and Wage Rates are directly related. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

108. Supply of Labour and Wage Rates are always directly related. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

109. Supply of Labour and Wage Rates may become inversely related at -
(a) Very high wage rates
(b) Very low wage rates
(c) Both (a) and (b)
(d) Neither (a) nor (b)

110. Which of the following statements is not true about Labour Economies?
(a) Larger Scale of Production enables the division of labour
(b) Division of Labour is not profitable at small scale of production
(c) Division of Labour results in improving worker's skills
(d) Division of Labour is impossible in Firms with large scale production

CAPITAL

111. _____is that part of wealth of an individual or community, which is used for further production of wealth, or which yields an income.
(a) Land (b) Enterprise
(c) Capital (d) Labour

112. As a Factor of Production, “Capital” can be used for
(a) Further production wealth
(b) Yielding further income
(c) Both (a) and (b)
(d) Neither (a) nor (b)

113. All Capital, is Wealth, but all Wealth is not Capital. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

114. All Wealth is Capital, but all Capital is not Wealth. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

115. If a Resource is lying idle, it will constitute -
(a) Wealth (b) Capital
(c) Both (a) and (b) (d) Neither (a) nor (b)

116. If a Resource is being used for generating further revenue, it will constitute -
(a) Wealth (b) Capital
(c) Both (a) and (b) (d) Neither (a) nor (b)

117. Which of these constitutes "Capital"?
(a) Land (b) Water
(c) Air (d) Plant and Machinery

118. Which of these constitutes does not constitute "Capital"?
(a) Factory Building
(b) Plant and Machinery
(c) Forests
(d) Dams and Canals

119. As a Factor of Production, "Tools and Accessories" constitute-
(a) Land (b) Labour
(c) Capital (d) Enterprise

120. As a Factor of Production, "Capital" is a _____ concept.
(a) Stock (b) Flow
(c) Both (a) and (b) (d) Neither (a) nor (b)

121. Income arising out of "Capital" is a _____concept.
(a) Stock (b) Flow
(c) Both (a) and (b) (d) Neither (a) nor (b)

122. All a Factor of Production, Capital is a _____means of Production
(a) Original (b) Primary
(c) Produced (d) Monetary

123"Capital is considered at "produced means of production". This statement is
(a) True (b) False
(c) Partially True (d) None of the above

124. Capital # Wealth. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

125. As a Factor of Production, "Capital" is-
(a) A free gift of nature
(b) Produced by man alone
(c) Produced by man working with nature
(d) Not relevant at all.

126. As a Factor of Production, "Capital" is-
(a) Mobile
(b) Produced means of production
(c) Produced by man working with nature
(d) All of the above

127. As a Factor of Production, Capital has relative mobility in the _____sense.
(a) Geographical (b) Utility
(c) Both (a) and (b) (d) Neither (a) nor (b)

128. As a Factor of Production, Capital is mobile across -
(a) Places/Countries (b) Uses/Purposes
(c) Both (a) and (b) (d) Neither (a) nor (b)

129. As a Factor of Production, "Capital" is-
(a) Perishable (b) Permanent
(c) Both (a) and (b) (d) Neither (a) nor (b)

CAPITAL FORMATION

130. The process of increase in the stock of real capital in a country is called -
(a) Stock Increase (b) Capital Formation
(c) Increase in GDP (d) Resource Allocation

131. Capital Formation means
(a) A sustained increase in the stock of real capital in a country.
(b) Production of more capital goods, which are used for further production of goods.
(c) Investment
(d) All of the above

132. Capital Formation is required for-
(a) Replacement and renovation of existing machinery and equipment's
(b) Creating additional productive capacity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

133. Capital Formation is required for-
(a) Increasing the efficiency of production efforts
(b) Expansion of output of consumer goods in the future.
(c) Ensuring growth of the economy
(d) All the above

134. For the purpose of Capital Formation-

(a) Current consumption is to be sacrificed to a certain extent
(b) Current income should be saved
(c) Both (a) and (b)
(d) Neither (a) nor (b)

135. If the whole of the current capacity is used to produce only Consumer Goods -
(a) Production of Consumer Goods in the future will be affected
(b) Economy cannot grow in future
(c) Production Possibility Curve (PPC) cannot shift outside
(d) All of the above

136. Larger production of _____goods would lead to higher production in future.
(a) Consumer Goods.
(b) Capital Goods.
(c) Agricultural Goods.
(d) Public Goods.

137. Lesser production of would lead to lesser production in future
(a) Public Goods (b) Consumer Goods
(c) Capital Goods (d) Agriculture Goods

138. A 100% Consumption Economy -
(a) Cannot have any Capital Formation
(b) Will become static and cannot grow
(c) Both (a) and (b)
(d) Neither (a) nor (b)

139. Capital Formation is possible by -
(a) Using whole of the current capacity to produce only Consumer Goods
(b) Reducing present consumption to a certain extent
(c) Both (a) and (b)
(d) Neither (a) nor (b)

140. If current consumption is reduced for the purpose of Capital Formation, that represents a
(a) Uneconomic activity
(b) Current sacrifice for future growth
(c) Decrease in demand
(d) Decrease in resources

141. Capital Formation involves
(a) Creation of Savings
(b) Mobilisation of Savings
(c) Investment of Savings into Real Capital
(d) All of the above

142. For the purpose of Capital Formation, which of the following create "Savings" in an economy?
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) All of the above

143. For the purpose of Capital Formation, which of the following create maximum "Savings" in an economy?
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) None of the above

144. Level of Savings depends upon
(a) Ability to Save
(b) Willingness to Save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

145. Ability to Save depends upon -
(a) Average level of income
(b) Distribution of national income.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

146. If there is an increase in income levels, the propensity to consume
(a) Reduces (b) Increases
(c) Remains constant (d) Becomes zero

147. If there is an increase in income levels, the reduces.
(a) Propensity to consume
(b) Propensity to save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

148. If there is an increase in income levels, the _____propensity to save –
(a) Reduces (b) Increases
(c) Remains constant (d) Becomes zero

149. If there is an increase in income levels, the _____increases.
(a) Propensity to consume
(b) Propensity to save
(c) Both (a) and (b)
(d) Neither (a) nor (b)

150. Higher the level of income, Higher is the level of Savings. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

151. Higher the level of income, Higher is the level of Savings. This statement is true in respect of
(a) Individual Households only
(b) Overall Economy
(c) Both (a) and (b)
(d) Neither (a) nor (b)

152. A _____country has greater ability to save than a _____country.
(a) Rich, Poor (b) Poor, Rich
(c) Good, Bad (d) Nothing can be said

153. Willingness to Save depends upon -
(a) An individual's concern about his future
(b) Social setup in which the individual lives.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

154. If Willingness to Save is higher, the level of _____will be higher.
(a) Voluntary Savings
(b) Compulsory Savings
(c) Forced Savings
(d) None of the above

155. If Willingness to save is less, the level of _____will be higher.
(a) Government regulated Savings
(b) Compulsory Savings
(c) Forced Savings
(d) All of the above

156. _____save by reducing their present consumption.
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d) All of the above

157._____save by way of Retained Earnings, i.e. Undistributed Profits.
(a) Individuals or Households
(b) Business Enterprises
(c) Government
(d). All of the above

158. Which of these is source of savings for Government?
(a) Tax and Fees Collections
(b) Profits of PSUs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

159. Which of tome play a role in mobilisation of savings in an economy?
(a) Banks
(b) Financial Institutions
(c) Capital Market
(d) All of the above

160. Real Capital Formation requires-
(a) An entrepreneurial class which is prepared to bear the risk of business
(b) Economic and industrial policies in which Investment is given initiative
(c) An inducement to invest, e.g. prospective rate of profit
(d) All of the above

161. Inducement to Invest is influenced by -
(a) Prospective Rate of Profit
(b) Rate of Interest
(c) Both (a) and (b)
(d) Neither (a) nor (b)

162. Prospective Rate of Profit is also called -
(a) Rate of Interest on Bank Deposits
(b) Marginal Efficiency of Capital
(c) Marginal Utility of Capital Employed
(d) Marginal Revenue

163. Scheme of Subsidies for setting up industries in backward regions leads to -
(a) Balanced Regional Development
(b) Socially-Beneficial Capital Formation
(c) Both (a) and (b)
(d) Neither (a) nor (b)

ENTREPRENEUR

164. _____ is the person who combines the various factors of production in the right proportions, initiates the process of production and bears the risk involved in it
(a) Capitalist (b) Socialist
(c) Government (d) Entrepreneur

165. The most important function of an entrepreneur is to_____
(a) Innovate
(b) Bear the sense of responsibility
(c) Finance
(d) Earn Profit.

166. Entrepreneur is also called as -
(a) Organiser (b) Manager
(c) Risk-Taker (d) All of the above

167. Entrepreneurship is a wider term than organization and management of a business. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

168. Entrepreneur-
(a) Is the catalyst in the process of using the factors of production.
(b) Gives direction to the usage of other factors of production
(c) Both (a) and (b)
(d) Neither (a) nor (b)

169. Entrepreneurship gets its reward (i.e. Profit), only after all other factors of production have been rewarded. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

170. The reward/ incentive / remuneration for Entrepreneurship is a _____amount.
(a) Fixed (b) Variable
(c) Semi-Variable (d) Irrelevant

171. Enterpreneur holds the final responsibility of the business. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

172. The functions of an Entrepreneur include -
(a) Initiating a business enterprise and resource co- ordination
(b) Risk-bearing or uncertainty-bearing
(c) Introducing Innovations on a continuous basis
(d) All of the above

173.Innovation theory of entrepreneur is propounded by-
(a) Prof knight (b) Schumpeter
(c) Max weber (d) Peter Ducker

174. Which of the following constitute Innovation?
(a) Introduction of a new or improved product
(b) Utilisation of new or improved source of Raw Material
(c) Introduction of new or improved production methods / machinery
(d) All of the above

175. Which of the following constitute Innovation?
(a) Opening-up new or improved markets
(b) Utilisation of new or improved source of Raw Material
(c) Introduction of a new or improved product
(d) All of the above

176. Organic Objectives of Enterprises -
(a) Survival
(b) Growth and Expansion
(c) Both (a) and (b)
(d) Either (a) or (b)

177. Profit Making is a -
(a) Organic Objective
(b) Social Objective
(c) Economic Objective
(d) None of the above

178. Accounting Profits is also called -
(a) Book Profit (b) Pure Profit
(c) Super Profit (d) Super Normal Profit

179. Economic Profit is also called
(a) Pure Profits (b) Super Normal Profits
(c) Abnormal Profits (d) All of the above

180. The difference between Economist's Profit and Accountant's Profit is
(a) Consideration of Direct Cost
(b) Consideration of depreciation
(c) Consideration of Opportunity Cost
(d) There is no difference

181. To enable Employees enjoy a good standard of living and maintain work-life balance, is a
(a) Social Objective
(b) Human Objective
(c) National Objective
(d) Economic Objective

182. Which of the following is a National Objective of an enterprise
(a) To remove inequality of opportunities and provide fair opportunity to all to work and to progress
(b) To make the job contents interesting and challenging
(c) To avoid profiteering and anti-social practices
(d) To maximize profits

183. To ensure that the Enterprise's output does not cause any type of pollution - air, water or noise, is a
(a) Social Objective
(b) Human Objective
(c) National Objective
(d) Economic Objective

II. Production Function

Production Function

1. _____is the functional relationship between physical inputs (i.e. factors of production), and physical outputs (i.e. quantity of goods / services produced).
(a) Input-Output Function
(b) Demand-Supply Function
(c) Production Function
(d) Cost Function

2. Production Function deals with-
(a) Quantitative Values of Input and Output
(b) Monetary Values of Products
(c) Both (a) and (b)
(d) Neither (a) nor (b)

3. _____shows the output produced with a given amount of inputs.
(a) Cost Function (b) Production Function
(c) Demand Function (d) Isoquants

4. _____shows the overall output generated at a given level of input.
(a) Cost Function
(b) Production Function
(c) Marginal Rate of Substitution
(d) Isocost and Isoquants

5. Production Function explains the relationship between
(a) Maximum Output which can be produced from given units of different inputs
(b) Price and Cost
(c) Maximum Output which can be produced at various points of time
(d) Various Stages of Production

6. Production function is _____
(a) purely technical relationship between input & output
(b) Purely economic relationship between input & output
(c) Both (a) & (b)
(d) None of the these

7. In a Production Function, Input means
(a) Goods and Services produced
(b) Factors of Production required
(c) Both (a) and (b)
(d) Neither (a) nor (b)

8. In a Production Function, Output means -
(a) Goods and Services produced
(b) Factors of Production required
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Production Function states the relationship between inputs and output, keeping technology
(a) Zero (b) Increasing trend
(c) Decreasing trend (d) Constant

10. Production Function specifies the _____output that can be produced with given quantities of inputs, in the existing state of technology.
(a) Minimum (b) Maximum
(c) Average (d) Zero

11. Production Function specifies the _____quantities of various inputs that are required to yield a given quantity of output.
(a) Minimum (b) Maximum
(c) Average (d) Zero

12. In a Cobb-Douglas production function, two inputs are
(a) Land and Labour
(b) Capital and Labour
(c) Capital and Entrepreneur
(d) Entrepreneur and land

13. Under Cobb- Douglas production function contribution of capital and labour respectively-
(a) 3/4th, $1/4^{th}$ (b) 1/4th, $3/4^{th}$

(c) 1/2th, 1/2th (d) none of the above

14. Production Function specifies -
(a)Maximum amount of output that can be produced with given quantities of inputs
(b) Minimum quantities of various inputs that are required to yield a given quantity of output.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

15. Which of the following is the best definition of the "Production Function"?
(a) The relationship between market price and quantity supplied
(b) The relationship between the firm's total revenue and the cost of production
(c) The relationship between the quantities of inputs needed to produce a given level of output
(d) The relationship between the quantity of inputs and the firm's marginal cost of production

16. The Production Function is a relationship between a given combination of inputs and-
(a) Another combination that yields the same output
(b) The highest resulting output
(c) The increase in output generated by one-unit increase in one output
(d) All levels of output that can be generated by those inputs

17. In general, most of the Production Functions measure-
(a) Productivity of factors of production.
(b) Relation between the factors of production.
(c) Economies of Scale.
(d) Relations between change in physical inputs and physical output.

18. A Firm's Production Function-
(a) Shows how much output and the level of input required for the firm to maximize profits.
(b) Establishes the minimum level of output that can be produced using the available resources.
(c)Shows the maximum output that can be produced with a given amount of inputs with available technology.
(d) Shows labour force which is employed

19. Which of the following is/are an outcome of a technological change?
(a) A downward shift in the production function
(b) Same output with fewer inputs or more output with same inputs
(c) Invention of a product or production process
(d) Both (b) and (c) above

20. Which of the following statements regarding Production Function is false?
(a) It just shows the relationship between output and input
(b) It does not provide any information on the least-cost Capital Labour combination
(c) In reveals the output that yields the maximum profit
(d) Both (a) and (c)

SHORT RUN vs LONG RUN

21. The time period(s) covered in Economics Study is/are-
(a) short-run (b) long-run
(c) Both (a) and (b) (d) Neither (a) nor (b)

22. _____is the period of time in which all but one factor of production are variable.
(a) Short-run (b) Long-run
(c) Medium-run (d) None of the above

23. In the short-run,_____ factor(s) of production is /are variable
(a) All (b) None
(c) One (d) All of the above

24. Variable Factors means those Factors of production -
(a) Which can be only changed in the long run
(b) Which can be changed in the short run
(c) Which can never be changed
(d) All of the above

25. There is only one Fixed Factor of Production on in short-run planning horizon. This statement is the
(a) True (b) False
(c) Partially True (d) None of the above

26. The difference between Fixed and Variable Factors of Production is relevant in-
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

27. In the short-run, _____factors of production changes.
(a) Proportion between
(b) Quantity of
(c) Both (a) and (b)
(d) Neither (a) nor (b)

28. In the short-run, the proportion between factors of production -
(a) Remains constant (b) Changes
(c) Is zero (d) Is infinity

29. In the short-run, the proportion between factors of production changes because -
(a) One of the Factor is kept constant
(b) Every Factors is kept constant
(c) It is not the long-run
(d) There is no explanation for such behaviour

30. Law of _____is applicable in the short- run.
(a) Variable Proportions
(b) Returns to Scale
(c) Both (a) and (b)
(d) Neither (a) nor (b)

31. Law of Variable Proportions is applicable to -
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

32. Which of the following activities cannot take place in the short-run?
(a) Changing the quantity of labour employed
(b) Changing the input combination
(c) Regular maintenance of the Plant to ensure efficient production
(d) Installation of an Additional Plant to meet future requirements.

33. In describing a given production technology, the short run is best described as lasting
(a) Up to six months from now.
(b) Up to five years from now
(c) As long as all inputs are fixed
(d) As long as at least one input is fixed

34. The short run, as economists use the phrase is characterized by -
(a) At least one fixed factor of production and firms
neither leaving nor entering the industry
(b) A period where the law of diminishing returns does not hold
(c) No variable inputs - that is all of the factors of production are
(d) All inputs being variable

35. _____is the period of time in which all the factors of production are variable.
(a) Short-run (b) Long-run
(c) Medium-run (d) None of the above

36. In the long-run, _____factor(s) of production is/ are variable
(a) All (b) Many
(c) One (d) None

37. All Factors of Production become variable in -
(a) Medium-run (b) Short-run
(c) Long-run (d) None of the above

38. There is no Fixed Factor of Production in the long- run planning horizon. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

39. The difference between Fixed and Variable Factors of Production arises only in -
(a) Medium-run (b) Short-run
(c) Long-run (d) None of the above

40. In the long-run, _____factors of production changes.
(a) Proportion between
(b) Quantity of
(c) Need for
(d) None of the above

41. In the long-run, the quantity of factors of production
(a) Remains constant (b) Changes
(c) Is zero (d) Is infinity

42. In the long run, the quantity of factors of production changes because
(a) One of the Factor is kept constant
(b) Every Factor is kept constant
(c) Every Factor is considered variable
(d) There is no explanation for such behaviour

43. Law of _____is applicable in the long-run. (a) Variable Proportions
(b) Returns to Scale
(c) Both (a) and (b)
(d) Neither (a) nor (b)

44. Law of Returns to Scale is applicable to-
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

45. Which of the following statements regarding short run and long run is true?
(a) Firms plan for the long run but operate in the short run
(b) Firms plan in the short run but operate in the long run
(c) Firms operate and plan as well in the long run
(d) Firms operate and plan as well in the short run

46. To economists, the main difference between the short run and the long run is that-
(a) In the short run all inputs are fixed, while in the long run all inputs are variable
(b) In the short run the Firm varies all of its inputs to find the least-cost combination of inputs
(c) In the short run, at least one of the Firm's input levels is fixed
(d) In the long run, the Firm is making a constrained decision about how to use existing Plant and equipment efficiently

47. _____is the improvement in the production techniques for existing production.
(a) Process Innovation
(b) Production Innovation
(c) Plant Innovation
(d) Production Function

48. The introduction of new product with added features in the market is known as-
(a) Process Innovation
(b) Product Innovation
(c) Plant Innovation
(d) Production Function

49. Which of the following statements regarding Product and Process Innovation is true?
(a) It is difficult to quantify product innovation, as compared to process innovation
(b) It is difficult to quantify process innovation, as compared to product innovation
(c) Neither of the innovation types can quantified
(d) Quantifying both the innovation types is equally easy / difficult

50. _____Innovation is of more importance as it helps in increasing the standard of living long run
(a) Process
(b) Product
(c) Plant
(d) there is no relationship between innovation processes and standard of living

TOTAL, AVERAGE AND MARGINAL PRODUCT

51._____ is the total output resulting from the efforts of all the factors of production, combined together at any time.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

52. _____ is the Total Product per unit of the Variable Factor

(a) Total Product (b) Average Product
(d) All of the above (c) Marginal Product

53. _____= Total Product ÷ Quantity of the Variable Factor.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

54. _____is the change in Total Product, for one unit change in the quantity of Variable Factor.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

55. _____is the addition made to Total Product, by an additional unit of input of the Variable Factor.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

56. Marginal Product is -
(a) The change in Total Product, for one unit change in the quantity of Variable Factor.
(b) The addition made to Total Product, by an additional unit of input of the Variable Factor
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. The Marginal Product of an input is.....
(a) Extra product produced by one extra unit of input while other inputs are held constant
(b) Extra product produced by reducing one unit of input while other inputs are held constant
(c) Reduction in total product due to one extra unit of input while other inputs are held constant
(d) Reduction in total product by reducing one unit of input while other inputs are changing.

58. The Marginal Product of a variable input is be described as-
(a) Total product divided by the number of variable
input units of
(b) The additional output resulting from a one unit increase in the variable input
(c) The additional output resulting from a one unit increase in both the variable and fixed inputs
(d) The ratio of the one unit the variable that is being used to the amount of the fixed input that is being used

59. If the inputs of all but one factor are held constant, then _____of will vary with the quantity used of the Variable Factor.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

60. If the inputs of all but one factor are held constant, then Total Factor will-
(a) Remain constant
(b) Become zero
(c) Vary with the quantity used of the Variable Factor.
(d) Become infinity

61. When 50 hours of Labour are spent, total output quantity is 2,000 units. When 55 hours of Labour are Spent, total output quantity is 2,250 units. Here, Marginal Product will be -
(a) 2,250 (b) 2,000
(c) 250 (d) 50

62. Suppose the first four units of a variable input generate corresponding total outputs of 150, 200, 350 and 550. The marginal product of the third unit of input is:
(a) 50 (b) 100
(c) 150 (d) 200

Use the following information to answer next 3 questions

Hours of Labour	Total Output	Marginal Product
0	-	-
1	100	100
2	-	80
3	240	-

63. What is the Total Output when 2 hours of Labour are employed?

(a) 80 (b) 100
(c) 180 (d) 200

64. What is the Marginal Product of the third hour of Labour?
(a) 60 (b) 80
(c) 100 (d) 240

65. What is the Average Product of the first three hours of Labour?
(a) 60 (b) 80
(c) 100 (d) 240

Let TP = Total Product. AP = Average Product and MP = Marginal Product. Use the following table and answer the next 10 Questions.

Quantity of Variable Factor	TP (in units)	AP (in units)	MP (in units)
1	1,000	A	B
2	C	D	600
3	E	700	F
4	2,100	G	H
5	I	400	J

66. Find the value of "A" in the above Table.
(a) 1,000 (b) 2,000
(c) 3,000 (d) 0

67. Find the value of "B" in the above Table.
(a) 1,000 (b) 2,000
(c) 3,000 (d) 0

68. Find the value of "C" in the above Table.
(a) 1,000 (b) 1,300
(c) 1,600 (d) 1,900

69. Find the value of "D" in the above Table.
(a) 1,000 (b) 800
(c) 600 (d) 400

70. Find the value of "E" in the above Table.
(a) 1,100 (b) 1,600
(c) 1,700 (d) 2,100

71. Find the value of "F" in the above Table.
(a) 500 (b) 600
(c) 700 (d) 800

72. Find the value of "G" in the above Table
(a) 500 (b) 525
(c) 550 (d) 575

73. Find the value of "H" in the above Table.
(a) Nil (b) 1,000
(c) 2,000 (d) Cannot be calculated

74. Find the value of "I" in the above Table.
(a) Nil (b) 1,000
(c) 2,000 (d) Cannot be calculated

75. Find the value of "J" in the above Table.
(a) Nil (b) - 100
(c) +100 (d) Cannot be calculated

76. If Total Product = 1,00,000 units when 20,000 hours of Labour are used, then Total Product =
(a) 1,00,000 (b) 20,000
(c) 5 (d) 1,20,000

77. If Total Product = 1,00,000 units when 20,000 hours of Labour are used, then Average Product=
(a) 1,00,000 (b) 20,000
(c) 5 (d) 1,20,000

Read the Table below & answer the following 8 questions

Labour Input	Marginal Product	Total Product	Average Product
0	0	0	0
1			25
2		90	
3		120	
4		140	
5			28
6			20

78. If Labour Input = 1, Total Output is-
(a) 25 (b) 30
(c) 50 (d) 75

79. If Labour Input = 2, Marginal Product is-
(a) 25 (b) 90
(c) 65 (d) 115

80. If Labour input = 4, output per worker is:
(a) 20 (b) 35
(c) 45 (d) 90

81. If Labour Input 6, the marginal product of labour
(a) 120 (b)-20
(c) 15 (d) 10

82. Output per worker is maximized at a Labour Input of
(a) 2 (b) 4
(c) 6 (d) 8

83. The firm's output is at a short run maximum at a Labour Input of:
(a) 2 (b) 3
(c) 4 (d) 6

84. When Labour Input = 5, Marginal Product is-
(a) 20 (b) 120
(c) 0 (d) -120

85. At what level of Labour Input are MP and AP equal?
(a) 1 (b) 2
(c) 3 (d) 4

86. As quantity of the Variable Factor increases, Total Product (TP) Curve –
(a) Always increases
(b) Always decreases
(c) First increases, reaches a maximum, and then decreases.
(d) First decreases, reaches a minimum, and then increases.

87. If Total Product (TP) increases, Marginal Product (MP) will be-
(a) Positive (b) Negative
(c) Zero (d) Infinity

88. If Total Product (TP) increases at an increasing rate, Marginal Product (MP) will be -
(a) Increasing (b) Decreasing
(c) Zero (d) Infinity

89. If Total Product (TP) increases at a decreasing rate, Marginal Product (MP) will be
(a) Increasing (b) Decreasing
(c) Zero (d) Infinity

90. If Total Product (TP) is maximum, Marginal Product (MP) will be-
(a) Positive (b) Negative
(c) Zero (d) Infinity

91. What is the maximum point of TP?
(a) When AP becomes zero
(b) When MP becomes zero
(c) At the intersecting point of AP & MP
(d) None of these

92. If TP decreases, MP will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

93. Marginal Product (MP) Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) First decreases, reaches a minimum, and then increases
(d) First increases, reaches a maximum, and then decreases

94. Average Product (AP) Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) First decreases, reaches a minimum, and then increases
(d) First increases, reaches a maximum, and then decreases

95. Marginal Product (MP) -
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero or even negative.
(d) Can be positive or zero, but not negative.

96. If Marginal Product (MP) Curve is depicted on a graph with Quantity on X axis -
(a) MP will not go below the X axis.
(b) MP may go below the X axis.
(c) MP cannot be depicted on the graph at all.
(d) None of the above

97. Average Product (AP) -
(a) Will have positive values only

(b) Will have negative values only
(c) Can be positive or zero or even negative.
(d) Can be positive or zero, but not negative.

98. What is AP the relationship between AP and MP?
(a) AP and MP both rise first and thereafter fall
(b) MP Curves always lies half-way between AR Curve and Origin
(c) AP and MP both can be zero or negative
(d) All of these

99. If Average Product (AP) Curve is depicted on graph with Quantity on X axis
(a) AP will not go below the X axis
(b) AP may go below the X axis
(c) AP cannot be depicted on the graph al all
(d) None of the above

100. Which of the following is correct?
(a) If Marginal Product is positive and falling, Total Product will rise at a decreasing rate.
(b) Total Product divided by Quantity of Variable Factor equals Average Product.
(c) Marginal Product and Average Product can be calculated from Total Product.
(d) All of the above.

101. The point where MP is maximum is called-
(a) Point of Increase
(b) Point of Indifference
(c) Point of Inflexion
(d) Point of Shut-down

102. At what point is the Marginal Product maximum?
(a) Turning Point (b) Equilibrium Point
(c) Focal Point (d) Inflexion Point

103. At the Point of Inflexion, the Marginal Product is -
(a) Increasing (b) Decreasing
(c) Maximum (d) Negative

104. At the Point of Inflexion -
(a) Total Product is maximum
(b) Average Product is maximum
(c) Marginal Product is maximum
(d) All of the above

105. At the Point of Inflexion, TP will generally -
(a) Show increasing trend
(b) Show decreasing trend
(c) Equal to zero
(d) Be negative

106. When AP rises as a result of an increase in the quantity of variable input -
(a) MP is more than AP.
(b) MP is less than AP
(c) MP = AP
(d) There is no relationship between MP and AP

107. When Average Product (AP) rises as a result of an increase in the quantity of variable input
(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

108. When Average Product (AP) decreases as a result of increase in the quantity of variable input-
(a) MP is more than AP.
(b) MP is less than AP.
(c) MP = AP
(d) There is no relationship between MP and AP

109. When Average Product (AP) decreases as a result of an increase the quantity of variable input-
(a) MP < AP
(b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

110. When Average Product (AP) decreases as a result of an increase in the quantity of variable input-
(a) MP < AP (b) MP = AP
(c) MP > AP
(d) There is no relationship between MP and AP

111. If the Marginal Product of Labour is below the Average Product of Labour, it must be true that
(a) The Marginal Product of Labour is negative
(b) The Marginal Product of Labour is zero
(c) The Average Product of Labour is falling
(d) The Average Product of Labour is negative

112. When Average Product (AP) is at its maximum
(a) MP < AP (b) MP = AP
(c) MP > AP (d) MP = 0

113. The Average Product of Labour is maximized when Marginal Product of Labour -
(a) Equals the Average Product of Labour
(b) Equals zero
(c) Is maximized
(d) None of the above

114. Marginal Product (MP) Curve cuts Average Product (AP), when -
(a) MP < AP (b) MP = AP
(c) MP > AP (d) MP = 0

115. When Marginal Product (MP) = Average Product (AP), it means that AP is -
(a) At its maximum (b) At its minimum
(c) Zero (d) Infinity

116. Marginal Product (MP) Curve cuts Average Product (AP) Curve-
(a) MP AP (b) AP is maximum
(c) MP is falling (d) All of the above

117. When is Average Product at its maximum?
(a) When AP intersects MP
(b) When AP intersects TP
(c) At the Point of Inflexion
(d) All of the above

118. Marginal Product (MP) Curve cuts Average Product (AP) Curve -
(a) From above
(b) From below
(c) MP does not cut AP at all
(d) Nothing can be said

119. Marginal Product (MP) rises steeply, and also declines slightly earlier than Average Product (AP) Curve. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

120. The Marginal, Average, and Total Product Curves encountered by the Firm producing in the short run exhibit all of the following relationships except -
(a) When Total Product is rising, Average and Marginal Product may be either rising or falling
(b) When Marginal Product is negative, Total Product and Average Product are falling
(c) When Average Product is at a maximum, Marginal Product equals Average Product, and Total Product is rising
(d) When Marginal Product is at a maximum, Average Product equals Marginal Product, and Total Product is falling

121. Marginal product is the slope of:
(a) Total Product (b) Average Product
(c) Marginal Product (d) Implicit Product

122. Large scale production is associated with
(a) Technical Economies
(b) un-managerial economies
(c) Commercial Economies
(d) Financial Economies

123.

Output	TP	MP
0	-	-
1	10	10
2	-	8
3	24	-

What is the MP of 3rd unit of output?
(a) 6 (b) 8
(c) 10 (d) 11

124. What is the total product of producing 2nd unit of output?
(a) 8 (b) 10
(c) 18 (d) 24

125. What is the AP of 1st three units of output?
(a) 8 (b) 10
(c) 18 (d) 72

III. Law of Variable Proportions

1. The law of _____ analyses the production function with one factor as variable, keeping quantities of other factors fixed.
(a) Returns to Scale
(b) Multiple Proportions
(c) Variable Proportions
(d) Fixed Proportions

2. The Law of Variable Proportions analyses the _____with one factor as variable, keeping quantities of other factors fixed.
(a) Revenue Function
(b) Production Function
(c) Cost Function
(d) Demand and Supply Function

3. The Law of _____deals with input-output relationship, when the output is increased by varying the quantity of one input.
(a) Variable Proportions
(b) Supply
(c) Demand
(d) Returns to Scale

4. Which Law examines the production function keeping one factor variable?
(a) Law of Returns to Scale
(b) Law of Increasing Returns to Scale
(c) Law of Variable Proportion
(d) Law of Diminishing Marginal Utility

5. The Law of Variable Proportions operates in -
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

6. In the_____ all factors of production cannot be increased or decreased simultaneously.
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

7. The Law of Variable Proportions is also called -
(a) Law of Proportionality
(b) Law of Diminishing Returns
(c) Law of Diminishing Marginal Physical Productivity
(d) All of the above

8. The Law of Variable Proportions deals with-
(a) Output Quantities (b) Monetary Values
(c) Both (a) and (b) (d) Neither (a) nor (b)

9. Which of the following is an assumption in the Law of Variable Proportions?
(a) The state of technology is constant and unchanged
(b) Only physical quantities of inputs and outputs are considered
(c) Only one factor input is considered variable, while all other factors are fixed
(d) All of the above

10. Which of the following is an assumption in the Law of Variable Proportions?
(a) The Fixed Factor of production is scarce
(b) There are no perfect substitutes for the Fixed Factor
(c) Factors of Production can be used in any proportion
(d) All of the above

11. Assumption which are applicable under Law of Variable Proportion are-
(a) State of technology is constant
(b) Quantities of some inputs is kept foxed
(c) Economic profitability in monetary terms is not considered
(d) All of these

12. Which of the following is not an assumption in the Law of Variable Proportions?
(a) There are no perfect substitutes for the Fixed Factor
(b) Factors of Production can be used in any proportion
(c) Only physical quantities of inputs and outputs are considered

(d) None of the above

13. Which of the following is not an assumption in the Law of Variable Proportions?
(a) There are no perfect substitutes for the Fixed Factor
(b) Only one factor input is considered variable, while all other factors are fixed.
(c) State of Technology is improved as more output is produced
(d) Only physical quantities of inputs and outputs are considered

14. Law of Variable Proportions is valid when -
(a) Only one input is varied and all other inputs are kept constant
(b) All Factors are kept constant
(c) All inputs are varied in the same proportion
(d) Any of the above

15. The Law of Variable Proportions analyses the economic profitability of the Firm in monetary terms also. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

16. The Law of Variable Proportions assumes that factors of production-
(a) Can be used only yin a specified proportion
(b) Can be used in any proportion
(c) Cannot be used at all
(d) Do not affect production

17. In agriculture, the land arse is taken as constant, while number of workers can be increased. If we apply the Law of Variable Proportions in this situation, it means that the Fixed Factor of Production is-
(a) Number of workers
(b) Land
(c) Units of Output produced
(d) All the above

18. In agriculture, the land area is taken as constant, while number of workers can be increased. If we apply the Law of Variable Proportions in this situation, it means that the variable Factor of production is -
(a) Number of workers
(b) Land
(c) Both (a) and (b)
(d) Neither (a) nor (b)

19. In the production of wheat, all of the following are variable factors that are used by the farmer except -
(a) The seed and fertilizer used when the crop is planted
(b) The field that has been cleared of trees and in which the crop is planted
(c) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley
(d) The number of hours that the farmer spends in cultivating the wheat fields

20. If all factors are required to be used in fixed proportions, then the Law of Variable Proportions
(a) Will apply
(b) Will not apply at all
(c) Both (a) and (b) are true to some extent
(d) Neither (a) nor (b) is true

21. As per Law of Variable Proportions, as the quantity of one input which is combined with other fixed Inputs is increased, the _____of the Variable Input must eventually decline.
(a) Total Productivity
(b) Average Productivity
(c) Marginal Productivity
(d) All the above

22. The Law of Variable Proportions is drawn under all of the assumptions mentioned below except the assumption that -
(a) The Technology is changing
(b) There must be some inputs whose quantity is kept fixed
(c)We consider only physical inputs and not economically profitability in monetary terms
(d) The technology is given and stable

23. The Law of Variable Proportions come into being when-
(a) There are only two variable factors.
(b) There is a fixed factor and a variable factor
(c) All factors are variable.
(d) Variable factors yield less.

24. _____states that when Labour increases with capital being the Marginal Productivity of Labour will increase at first but start decreasing later.
(a) Law of Equi-Marginal Returns
(b) Law of Diminishing Marginal Utility
(c) Law of Variable Proportions
(d) Law of Constant Returns

25. When a Factory is working at 70% capacity, increasing of variable inputs, leads to
(a) Increasing of output
(b) Decreasing of output according to the Law of Diminishing Returns
(c) Increasing of output up to full capacity and later decreasing of the Marginal Product according to the Law of Diminishing Returns
(d) Decreasing of output up to full capacity and later increasing of the output

26. The order of stages in the Law of Variable Proportions are-
(a) Increasing Returns, Negative Marginal Returns, Diminishing Returns
(b) Increasing Returns, Diminishing Returns, Negative Marginal Returns
(c) Negative Marginal Returns, Increasing Returns, Diminishing Returns
(d) Diminishing Returns, Negative Marginal Returns, Increasing Returns

27. Which of the following is not a stage in Law of Variable Proportions?
(a) Increasing Returns
(b) Constant Returns
(c) Diminishing Returns
(d) Negative Returns

28. The stage of Increasing Returns applies from _____to_____
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum
(c) Point when TP declines and MP becomes negative.
(d) All the above

29. In the stage of Increasing Returns, Total Product (TP)-
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

30. In the state of Increasing Returns, Average Product (AP)-
(a) Remains constant
(b) Increases
(c) Decreases
(d) Becomes negative

31. In the stage of Increasing Returns, Marginal Product
(a) Remains constant
(b) Increases
(c) Decreases
(d) First increases, reaches a maximum and then decreases

32. What result we get in the first stage of Law of Variable Proportions?
(a) Total Product is increasing at an increasing rate
(b) Average Product increases only till Inflexion Point
(c) (a) but not (b)
(d) Both (a) & (b)

33. Which of the following is true?
(a) MP does not decrease during the First Stage
(b) TP remains positive during the First Stage
(c) AP starts declining after the Point of Inflexion
(d) All of these

34. A Firm is operating at an output level, where its Total Product is increasing at an increasing rate. This implies that the Firm's
(a) Marginal Cost must be falling at an increasing rate
(b) Marginal Product is increasing at a increasing rate
(c) Average Product is increasing
(d) Both (a) and (c)

35. Why does the Law of Increasing Returns operate?
(a) Full Use of Fixed Indivisible Factors
(b) Efficiency of Variable Factors
(c) Need to reach the right combination
(d) All of the above

36. Which of these is a reason for the operation of Law of Increasing Returns?
(a) Specialisation of functions
(b) Division of Labour
(c) Effective use of Fixed Factor of Production
(d) All of the above

37. Which of the following is the reason of the working of law of increasing returns?
(a) Fuller utilization of fixed factor
(b) Indivisibility of factor
(c) Greater specialization of factor
(d) All of the above

38. The stage of Diminishing Returns applies from _____to_____
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum
(c) Point when TP declines and MP becomes negative.
(d) All the above

39. The Law of Diminishing Returns
(a) States that beyond some level of a variable input, the Average Product of that variable input begins to increase steadily.
(b) Assumes that there is technological improvement over time.
(c) States that beyond some level of a variable input, the Marginal Product of that Variable input begins to decrease steadily.
(d) Informs a Firm whether or not to use a factor input.

40. In case of law of variable proportions, diminishing returns occur.
(a) When units of a variable input are added to a fixed input and total product falls
(b) When units of a variable input are added to a fixed input and marginal product falls
(c) When the size of the plant is increased in the long run.
(d) When the quantity of the fixed input is increased and returns to the variable input falls.

41. In the stage of Diminishing Returns, Total Product (TP) -
(a) Remains constant (b) Increases
(c) Decreases (d) Becomes negative

42. In the stage of Diminishing Returns, Average Product (AP)-
(a) Remains constant (b) Increases
(c) Decreases (d) Becomes negative

43. In the stage of Diminishing Returns, Marginal Product (MP) -
(a) First increases, reaches a maximum and then decreases
(b) Decreases
(c) Increases
(d) Remains constant

44. In the stage of Diminishing Returns -
(a) MP increases but AP decreases
(b) MP decreases but AP increases
(c) MP and AP show increasing trend
(d) MP and AP show decreasing trend

45. In the stage of Diminishing Returns -
(a) MP and AP remain positive

(b) MP and AP become negative
(c) MP is positive but AP becomes negative
(d) MP becomes negative but AP remains positive

46. Which of the following statements show the Stage of Diminishing Returns under the Law of Variable Proportions?
(a) Marginal Product is negative
(b) Marginal Product is falling and it is negative
(c) Marginal Product is falling but it is positive
(d) None of the above

47. Which of the following is a reason for the operation of the Law of Diminishing Returns?
(a) Inefficiency of Fixed Indivisible Factors
(b) Inadequacy of Fixed Indivisible Factors
(c) Indifference of Fixed Indivisible Factors
(d) Immobility of Fixed Indivisible Factors

48. As per the Law of Diminishing Returns, Fixed Factor becomes inadequate because -
(a) It is scarce
(b) It has no perfect substitutes
(c) Both (a) and (b)
(d) Neither (a) nor (b)

49. The "Law of Diminishing Returns" applies to-
(a) The short run, but not the long run
(b) The long run, but not the short run
(c) Both the short run and the long run
(d) Neither the short run nor the long run

50. Diminishing Returns occur-
(a) When units of a variable input are added to a fixed input and Total Product falls.
(b) When units of a variable input are added to a fixed input and Marginal Product falls
(c) When the size of the Plant is increased in the long run
(d) When the quantity of the fixed input is increased and returns to the Variable Input falls

51. Law of Diminishing Returns is not relevant when-
(a) All labourers are equally efficient
(b) The Time Period is short
(c) All factory inputs are increased by the same proportion
(d) Technology remains constant

52. In which stage of production are the Average Product and Marginal Product decreasing with the Marginal Product above zero (positive)?
(a) In the stage of Constant Returns
(b) In the stage of Decreasing Returns
(c) In the stage of Increasing Returns
(d) Both (a) and (c)

53. During the stage of Decreasing Returns -
(a) AP is negative
(b) MP is decreasing
(c) MP is negative
(d) Both (a) and (b)

54. When the Law of Diminishing Returns operates
(a) Marginal Cost falls at a decreasing rate
(b) Marginal Cost increases
(c) Marginal Cost falls at a constant rate
(d) Marginal Cost falls at an increasing rate

55. When the Law of Diminishing Returns sets in, then
(a) Marginal Cost falls at a decreasing rate
(b) Marginal Cost falls at an increasing rate
(c) Marginal Cost falls at a constant rate
(d) Marginal Cost increases

56. Diminishing Marginal Returns implies-
(a) Decreasing Average Variable Costs
(b) Decreasing Marginal Costs
(c) Increasing Marginal Costs
(d) Decreasing Average Fixed Costs

57. The Third Stage of Law of Variable Proportion is
(a) Law of Negative Returns
(b) Law of Decreasing Returns
(c) Law of Diminishing Returns
(d) All of these

58. The stage of Negative Marginal Returns applies from _____to _____
(a) Origin to Point where AP is maximum
(b) Point where AP is maximum to Point when TP is maximum
(c) Point when TP declines and MP becomes negative.
(d) All the above

59. In the stage of Negative Marginal Returns, Total Product (TP) -
(a) Remains constant (b) Increases
(c) Decreases (d) Remains at zero.

60. In the stage of Negative Marginal Returns, Average Product (AP) -
(a) Remains constant
(b) Decreases
(c) Becomes negative
(d) Increases

61. In the stage of Negative Marginal Returns, Marginal Product (MP) -
(a) Increases
(b) Remains constant
(c) Decreases but does not become negative
(d) Becomes negative

62. Which of the following stages of production is known as stage of Negative Returns?
(a) When AP is Negative
(b) When MP is decreasing
(c) When MP is Negative
(d) Both (a) and (b)

63. The Law of Negative Marginal Returns operates because the Variable Factor is _____in relation to the Fixed Factor of Production in
(a) Optimal (b) Adequate
(c) Excessive (d) Irrelevant

64. In which of the following situations, the law of variable Proportions will not apply?
(a) Improvement in technology
(b) When all factors are proportionately varied
(c) Where the factors must be used in fixed proportions to yield the product
(d) All of the above

65. In which of the following situations, the Law of
Variable Proportions will not apply?
(a) Long-Run
(b) Same level of technology
(c) Change in proportions in which Factors are used
(d) Short-Run

66. In which of the following situations, the Law of Variable Proportions will not apply?
(a) Scarcity of Fixed Factor of Production
(b) Availability of Perfect Substitutes for the Fixed Factor
(c) Change in proportions in which Factors are used
(d) Same level of technology

67. In case of _____falling MP and AP may rise instead of
(a) Constant State of Technology
(b) Improvement in Technology
(c) Erosion/Reduction in Technology
(d) All of the above

If Stage 1 Increasing Returns, Stage II = Diminishing Returns, and Stage III = Negative Marginal Returns, answer the next 6 questions.

68. A Rational Producer will operate in-
(a) Stage I (b) Stage II
(c) Stage III (d) All of the above

69. A Rational Producer will not operate in-
(a) Stages I and II (b) Stages II and III
(c) Stages III and I (d) All of the above

70. Stages I and III are called -
(a) Economic Absurdity
(b) Economic Stability
(c) Economic Equilibrium
(d) All of the above

71. Stages I and III are called -
(a) Economic Achievement
(b) Economic Nonsense
(c) Economic Optimality
(d) Economic Rationality

72. A Rational Producer will not operate in Stage I due to the reason that -
(a) There is more scope for making the best use of the Fixed Factor
(b) Total Output still shows an increasing trend
(c) Optimal Combination of Fixed and Variable Factors is not yet achieved
(d) All of the above

73. A Rational Producer will not operate in Stage III due to the reason that -
(a) The Fixed Factor has become over-used and inefficient
(b) There is a reduction in Total Output
(c) The MP of the Variable Factor is negative
(d) All of the above

74. A Rational Producer intends to work in-
(a) Stage of Constant Returns
(b) Stage of Increasing Returns
(c) Stage of Diminishing Returns
(d) Stage of Negative Returns

75. In which stage of production would a rational entrepreneur like to operate?
(a) Stage 1 where MP is maximum
(b) Stage 2 where both MP and AP are decreasing, but both are positive
(c) Stage 3 where MP is negative
(d) Either Stage 2 or 3

76. On the basis of law of variable proportions, average product is at its maximum, when average product is _____Marginal product.
(a) Greater than
(b) Less than
(c) Equal to
(d) None of these

IV. Law of Returns to Scale

LAW OF RETURNS TO SCALE

1. The Law of Returns to Scale operates in-
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

2. The concept 'Returns to scale is related with_____
(a) Very short period (b) Short period
(c) Long period (d) None of the above

3. In the _____quantities of all factors of production can be increased or decreased simultaneously.
(a) Medium-run (b) Short-run
(c) Long-run (d) All of the above

4. Long-period production function is related to_____
(a) Law of variable proportions
(b) Law of returns to scale
(c) Law of diminishing marginal utility
(d) None of these

5. The Law of Returns to Scale deals with -
(a) Output Quantities
(b) Monetary Values
(c) Both (a) and (b)
(d) Neither (a) nor (b)

6. Under the Law of Returns to Scale, _____is constant.
(a) Output Quantities
(b) Quantities of Variable Factors of Production
(c) Quantities of Variable and Fixed Factors of Production
(d) Proportion between different Factors of Production

7. Law of Returns to Scale indicates the responsiveness of total product when all inputs
(a) Remain same
(b) Are changed drastically
(c) Are changed marginally
(d) Are changed proportionately

8. Returns to Scale will be said to be in operation when quantity of -
(a) All inputs are changed
(b) All inputs are changed in already established proportion
(c) All inputs are not changed
(d) One input is changed while quantity of all other inputs remains the same

9. Change in Scale means that all Factors of Production are increased or decreased
(a) In different proportions
(b) In the same proportion
(c) To infinity
(d) None of the above

10. When there is an increase in all factors of Production together in the same ratio, _____
(a) increases at first, (b) becomes constants thereafter, and (c) starts decreasing beyond a certain level.
(a) Total Product (b) Average Product
(c) Marginal Product (d) All of the above

11. In the initial stages, when there is an increase in scale, there is _____ increase in output
(a) Zero
(b) Proportionate
(c) Less than proportionate
(d) More than proportionate

12. In the initial stages, there will be increasing returns to scale, due to -
(a) Indivisibility of Factors
(b) Specialisation in Factors
(c) Both (a) and (b)
(d) Neither (a) nor (b)

13. In the initial stages, there will be increasing returns to scale, due to -

(a) Economies in operations
(b) Diseconomies in operations
(c) Both (a) and (b)
(d) Neither (a) nor (b)

14. In the very beginning of production, generally the Increasing Returns to scale is found because-
(a) Input is increased
(b) Plant and Machinery will be new
(c) Production Problems are less
(d) Economies of Scale

15. In a small scale rubber plant, factors of production like labour, material and capital are increased by 10% and output increases. It implies that the Firm is experiencing_____
(a) Constant Returns to Scale
(b) Decreasing Returns to Scale
(c) Increasing Returns to Scale
(d) Increasing as well as decreasing

16. Manufacturers can lower their costs by producing a variety of different products on the same equipment. The added volume helps in lowering average total costs: it may also allow the Firm to employ different types of equipment that have lower variable cost. These factors lead to-
(a) Production Economies of Scale
(b) Economies of Scale
(c) Pecuniary Economies of Scale
(d) Technical Economies of Scale

You are given the following data:

Factor	Output
0	0
1	15
2	35
3	60
4	92
5	140

17. The above data is an example of:
(a) Decreasing returns to scale.
(b) Constant returns to scale.
(c) Increasing returns to scale.
(d) Positive fixed costs.

18. If as a result of 50% increase in all inputs, the output rises by 75%, this is a case of:
(a) Increasing Returns to a Factor
(b) Increasing Returns to Scale
(c) Constant Returns to a Factor
(d) Constant Returns to Scale

19. After the initial stages of increasing returns to scale, the Firm will experience
(a) Still Increasing Returns to Scale
(b) Constant Returns to Scale
(c) Diminishing Returns to Scale
(d) None of the above

20. In which of the following cases does output double with the doubling of all inputs?
(a) Constant Returns to Scale
(b) Decreasing Returns to Scale
(c) Increasing Returns to Scale
(d) Increasing as well as decreasing returns to Scale

21. If a change in scale inputs leads to a proportional change in the output, it is a case of-
(a) Increasing Returns to Scale
(b) Constant Returns to Scale
(c) Diminishing Returns to Scale
(d) Variable Returns to Scale

You are given the following data:

Factor	Output
0	0
1	15
2	35
3	45
4	60
5	75

22. The above data is an example of
(a) Constant Returns to Scale.
(b) Decreasing Returns to Scale.
(c) Increasing Returns to Scale.
(d) Globalization.

23. If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5

units of labour and five units of capital give 1000 units of output then this is a case of:
(a) Constant Returns to Scale.
(b) Increasing Returns to Scale.
(c) Decreasing Returns to Scale.
(d) All of these.

24. After the stages of constant returns to scale, the Firm will start experiencing-
(a) Still Increasing Returns to Scale
(b) Constant Returns to Scale
(c) Diminishing Returns to Scale
(d) None of the above

25. If Decreasing Returns to Scale are present, then if all inputs are increased by 10% then
(a) Output will also decrease by 10%
(b) Output will increase by 10%
(c) Output will increase by less than 10%
(d) Output will increase by more than 10%

26. With a view to increase his production Hari Haran a manufacturer of shoes, increases all the factors of production in his unit by 100%. But at the end of year he finds that instead of an increase of 100%, his production has increased by only 80%. Which law of returns to scale is operating in this case
(a) Increasing returns to scale
(b) Decreasing returns to scale
(c) Constant returns to scale
(d) None of the above

27. If all inputs are trebled and the resultant output is doubled, this is a case of:
(a) Constant returns to scale
(b) Increasing returns to scale
(c) Diminishing returns to scale
(d) Negative returns to scale

28. In electricity generation plants, when the plant grows too large risks of plant failure with regard to output increase disproportionately. Hence we are talking about which concept of returns to scale?
(a) Constant Returns to Scale
(b) Increasing Returns to Scale
(c) Decreasing Returns to Scale
(d) Balanced Returns to Scale

29. Linear Homogeneous Production function is based on _____
(a) Increasing Returns to Scale
(b) Decreasing Returns to Scale
(c) Constant Returns to Scale
(d) None

30. Beyond a certain extent, the Firm will start experiencing decreasing returns to scale, due to
(a) Economies in operations
(b) Diseconomies in operations
(c) Both (a) and (b)
(d) Neither (a) nor (b)

31. Problems like managerial difficulties, low employee morale, higher input prices, etc. arising out of large scale operations lead to-
(a) Large Economies of Scale
(b) Pecuniary Economies of Scale
(c) Real Economies of Scale
(d) Diseconomies of Scale

32. Diseconomies of Scale refer to-
(a) Forces which reduce the Average Cost of producing a product as the Firm expands the Size of its Plant
(b) Forces which reduce the Marginal Cost of producing a product as the Firm expands the Size of its Plant
(c) Forces which increase the Average Cost of producing a product as the Firm expands the Size of its Plant
(d) Forces which increase the Marginal Cost of producing a product as the Firm the Size of its Plant

33. Economies and Diseconomies in operations can be
(a) Internal
(b) External
(c) Both (a) and (b)
(d) Neither (a) nor (b)

34. Internal Economies and Diseconomies are dependent on-
(a) Output level of individual Firms
(b) Output level of the entire industry
(c) Both (a) and (b)
(d) Neither (a) nor (b)

35. Internal Economies and Diseconomies arise due to-
(a) Overall industry-level changes
(b) Changes at the Firm level
(c) Both (a) and (b)
(d) Neither (a) nor (b)

36. External Economies and Diseconomies are dependent on
(a) Output level of individual Firms
(b) Output level of the entire industry
(c) Both (a) and (b)
(d) Neither (a) nor (b)

37. External Economics and diseconomies arise due to –
(a) Overall industry-level changes
(b) Changes at the Firm level
(c) Both (a) and (b)
(d) Neither (a) nor (b)

38. External economies can be achieved through-
(a) Foreign trade only
(b) Extension of transport & transport credit facility
(c) Superior managerial skills
(d) External assistance

39. External Diseconomies may lead to_____
(a) Decrease in cost of technology
(b) External Assistance
(c) Increase in the price of factors of production
(d) None of the above

40. Inventory Economies are a part of which of the following type of economies of scale?
(a) Production (b) Selling
(c) Labour (d) Storage and Transport

41. _____economies result from the use of specialized equipment and modern techniques of production.
(a) Marketing (b) Selling
(c) Managerial (d) Production

42. Which of the following is an important ingredient of Selling Economies?
(a) Advertising Economies
(b) Inventory Economies
(c) Transportation Economies
(d) Storage Economies

43._____economies are associated with the distribution of the product of a Firm.
(a) Manufacturing (b) Inventory
(c) Production (d) Selling

44. Which of the following is not a type of pecuniary Economies of Scale?
(a) Reduction in prices of raw materials, as a result of discounts due to large volumes from the Suppliers
(b) Lower costs of external finance as banks often offer loans to large Firms at a lower rate of interest
(c) Lower advertising rates for large Firms if they advertise at large scales
(d) Economies achieved by increasing the scale of output mainly due to division of labour

45. Difficulties of management, co-ordination and control due to bigger Plant Size is an example of -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

46. Availability of cheaper Raw Materials and Capital Equipment in the long-run constitutes-
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale expansion in industry creates

47. Increase in Prices of Factors of Production due to expansion in industry creates -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

48. Discovery of new technical knowledge and improvements in technology leads to -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

49. Management Efficiency and Productivity due to creation of different specialised functional departments is an example of -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

50. Growth of Ancillary Industries supplying related goods and services is an example of -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

51. Delays in internal communication due to complex management structure is an example of -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

52. A large Firm can offer better security to Bankers and obtain credit easily. This creates_____ for such Firm.
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

53. When a large Firm makes bulk purchase and obtains its Raw Materials at lower prices than a small size Firm, the large Firm is said to have achieved -
(a) Internal Economies of Scale
(b) Internal Diseconomies of Scale
(c) External Economies of Scale
(d) External Diseconomies of Scale

54. Internal Economies of Scale can arise in_____ aspects.
(a) Technological
(b) Managerial
(c) Financial
(d) All of the above

55. Internal and External Economies and Diseconomies of Scale has its impact on -
(a) Long Run Average Cost (LAC) Curve
(b) Short Run Average Cost (SAC) Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

56. Due to External Economies of Scale, the Long Run Average Cost (LAC) Curve -
(a) Shifts inward
(b) Remains constant
(c) Shifts outward Shifts outward
(d) Is not affected at all

57. Due to External Diseconomies of Scale, the Long Run Average Cost (LAC) Curve -
(a) Shifts inward
(b) Remains constant
(c) Shifts outward
(d) Is not affected at all

58. If the LAC curve falls as output expands, this is due to-
(a) Law of Diminishing Returns
(b) Economies of Scale
(c) Law of Variable Proportions
(d) Diseconomies of Scale

59. Identify the correct statement
(a) Average Product is at its maximum when Marginal Product is equal to Average Product

(b) Law of Increasing Returns to Scale relates to the effect of changes in factor proportions

(c) Economies of Scale arise only because of invisibilities of factor proportions

(d) Internal Economies of scale can accrue only to the exporting sector

60. The Economy achieves 'Productive Efficiency' when:

(a) The best quality goods are produced.

(b) The highly skillful resources in the country are fully employed.

(c) All resources are utilized and goods & services are produced at least cost.

(d) None.

From the following information:

Hours of labour	Total Output	Marginal Product
0	-	-
1	200	200
2	-	180
3	480	-

61. What is the marginal product of third hour labour?

(a) 120 (b) 180

(c) 480 (d) 100

62. What is the total output when the 2 units of labour is employed?

(a) 180 (b) 380

(c) 200 (d) 480

Cost and Revenue Concepts
I. TYPES OF COSTS

COST ANALYSIS AND COST FUNCTION

1. Cost Analysis is the study of behaviour of _____ in relation to one or more production criteria.
(a) Prices and Revenue (b) Profits
(c) Costs (d) Output Quantity

2. Cost Analysis is the study of behaviour of Cost, in relation to-
(a) Selling Prices
(b) Profits
(c) Total Revenue
(d) One or more Production Criteria

3. For Cost Analysis purposes, the Production Criteria may be –
(a) Quantity of output
(b) Scale of operations
(c) Prices of factors of production
(d) All of the above

4. For Cost Analysis purposes, the Production Criteria may be
(a) Prices of factors of production
(b) Quantity of output
(c) Either (a) or (b)
(d) Neither (a) nor (b)

5. Cost Analysis is concerned with _____of production.
(a) Financial aspects (b) Physical aspects
(c) Either (a) or (b) (d) Both (a) and (b)

6. Production Analysis is concerned with _____of production.
(a) Financial aspects (b) Physical aspects
(c) Either (a) or (b) (d) Both (a) and (b)

7. Cost Function refers to the mathematical relationship between cost of a product and the various determinants of Cost. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

8. A Cost Function deals with -
(a) Total Cost
(b) Cost per unit
(c) Either (a) or (b)
(d) Neither (a) nor (b)

9. In a Cost Function, the Total Cost or Cost per units a/an
(a) Dependent Variable
(b) Independent Variable
(c) Either (a) or (b)
(d) Neither (a) nor (b)

10. In a Cost Function, the Output Quantity is a/an
(a) Dependent Variable
(b) Independent Variable
(c) Either (a) or (b)
(d) Neither (a) nor (b)

11. In a Cost Function, the Scale of Operations is a/an
(a) Dependent Variable
(b) Independent Variable
(c) Either (a) or (b)
(d) Neither (a) nor (b)

12. In a Cost Function, the Price of Factors of Production is a/an-
(a) Dependent Variable
(b) Independent Variable
(c) Either (a) or (b)
(d) Neither (a) nor (b)

13. Identify the Dependent Variable in a Cost Function from the following.
(a) Quantity of Output

(b) Scale of Operations
(c) Total Cost

(d) Price of Factors of Production

14. Identify the Dependent Variable in a Cost Function from the following.
(a) Efficiency
(b) Level of Capacity utilisation
(c) Technology
(d) Cost per unit

15. Identify the Independent Variable in a Cost Function from the following.
(a) Time Period under study
(b) Cost per unit
(c) Total Cost
(d) None of the above

16. Cost Functions are Derived Functions. They are derived from -
(a) Demand Function (b) Supply Function
(c) Isoquant Function (d) Production Function

17. A Cost Function determines the behaviour of Costs with change in -
(a) Output (b) Input
(c) Technology (d) Wages

18. The Cost Function indicates the functional is relationship between Total Cost and -
(a) Total Input (b) Fixed Cost
(c) Total Output (d) Variable Cost

19. Which of the following is not a determinant of the Firm's Cost Function?
(a) Production Function
(b) Price of Labour
(c) Rent paid for use of Building
(d) Price of the Firm's Output

20. The Functional Relationship between Output and the Long Run Cost of Production is known as
(a) Cost Function
(b) Long Run Cost Function
(c) Short Run Cost Function
(d) Output Function

21. The Functional Relationship between Output and the Short Run Cost of Production is known as
(a) Cost Function
(b) Long Run Cost Function
(c) Short Run Cost Function
(d) Output Function

22. Which of the following statements regarding the Long Run Cost Function is not true?
(a) The Firm adjusts Factors of Production to meet the market demand
(b) Firms identify a combination that gives maximum output at the lowest Cost
(c) Inputs are chosen for producing a desired level of output
(d) All the inputs in the long-run are fixed

23. Expansion of Scale of operation forms a part of _____Cost Function.
(a) Long run (b) Short run
(c) Fixed (d) Both (b) and (c)

24. Which of the following statements regarding Short and Long Run Cost Functions is not true?
(a) A Variable Input varies according to the quantity of output to be produced
(b) In the Short Run, one or more of the inputs of the production process is fixed
(c) In the Long Run, all the inputs are fixed
(d) In the Long Run there are no restrictions on the resource allocation in the production process.

25. Which theory proposes that a country could be better off by producing the product in which it has relatively lower Labour Cost and relatively higher Labour productivity?
(a) Absolute Advantage Theory
(b) Relative Advantage Theory
(c) Comparative Advantage Theory
(d) Imitation Theory

26. A Product can be produced using two input combinations A and B. Combination A takes 2 units of Labour and 8 units of Capital. Combination B takes 3 units of Labour and 5 units of Capital, what is the Marginal Rate of Technical Substitution of Labour for Capital?
(a) 0 (b) 2

(c) 3 (d) 5

EXPLICIT AND IMPLICIT COSTS

27. Costs which involve payment made by the Entrepreneur to providers of other factors of production are called -
(a) Explicit Cost (b) Implicit Cost
(c) Variable Cost (d) Fixed Cost

28. The Cost that a Firm incurs in hiring or purchasing any Factor of Production is referred to as
(a) Explicit Cost (b) Implicit Cost
(c) Variable Cost (d) Fixed Cost

29. _____can be defined as the Cost that involve actual payment to other parties.
(a) Implicit Costs (b) Explicit Costs
(c) Hidden Costs (d) Opportunity Costs

30. Which of the following is an example of an "Explicit Cost"?
(a) Wages a Proprietor could have made by working as an employee of a large Firm
(b) Income that could have been earned in alternative uses by the resources owned by the Firm
(c) Payment of Wages by the Firm
(d) Normal Profit earned by a Firm

31. Explicit Costs are also known as-
(a) Out-of-Pocket Costs
(b) Outlay Costs
(c) Accounting Costs
(d) All of the above

32. Which of the following does not relate to Explicit Costs?
(a) Out-of-Pocket Costs
(b) Outlay Costs
(c) Opportunity Costs
(d) Accounting Costs

33. _____are actually incurred and hence can be easily and objectively measured.
(a) Implicit Costs (b) Explicit Costs
(c) Hidden Costs (d) Opportunity Costs

34. Which of the following Costs is included and recorded in the books of accounts?
(a) Imputed Costs (b) Opportunity Costs
(c) Notional Costs (d) Explicit Costs

35. Explicit Costs are used for_____ purposes.
(a) Accounting and Reporting
(b) Cost Control
(c) Decision Making
(d) All of the above

36. Costs which do not involve any cash payment to outsiders are called -
(a) Explicit Cost (b) Implicit Cost
(c) Variable Cost (d) Fixed Cost

37._____ are the value of foregone opportunities that do not involve any physical cash payment.
(a) Implicit Costs (b) Explicit Costs
(c) Hidden Costs (d) Actual Costs

38. An Implicit Cost can be defined as the-
(a) Payment to the non-owners of the Firm for the resources they supply
(b) Money payment which the self-employed resources could have earned in their best alternative employment
(c) Costs which the Firm incurs but does not disclose
(d) Costs which do not change over a period of time

39. Which of the following is an example of an "Implicit Cost"?
(a) Interest that could have been earned on retained earnings used by the Firm to finance expansion
(b) Payment of Rent by the Firm for the building in which it is housed
(c) Interest Payment made by the Firm for funds borrowed from a Bank
(d) Payment of Wages by the Firm

40 Implicit Costs are also known as-
(a) Notional Costs
(b) Opportunity Costs
(c) Imputed Costs
(d) All of the above

41. Which of the following does not relate to Implicit Costs?
(a) Notional Costs
(b) Out-of-Pocket Costs
(c) Imputed Costs
(d) Opportunity Costs

42. _____involve subjective estimation.
(a) Implicit Costs
(b) Outlay Costs
(c) Out-of-Pocket Costs
(d) Accounting Costs

43. An entrepreneur who manages his Firm has to forego his salary, which he could have earned if he had worked elsewhere. The foregone Cost is known as -
(a) Implicit Costs (b) Explicit Costs
(c) Hidden Costs (d) Actual Costs

44. Implicit Costs includes -
(a) Interest on own Capital invested by Entrepreneur
(b) Rent of Entrepreneur's own premises used in business
(c) Salary to Entrepreneur he would have earned in an alternative employment
(d) All of the above

45. Which of the following is an Implicit Cost?
(a) Wages paid to Workers / Labourers
(b) Rent for Land and Building used in business
(c) Normal Rate of Profit in the business
(d) All of the above

46. Which of the following is an Implicit Cost?
(a) Land owned by Entrepreneur and used for business purposes, on which no Rent is paid.
(b) Wages or Salary not paid to the Entrepreneur, but could have been earned if his services had been sold somewhere else, i.e. if he were employed in another Firm.
(c) Normal Return on Money Capital invested by Entrepreneur himself in his own business.
(d) All of the above

47. Which of the following Costs is not included in the books of accounts?
(a) Explicit Costs (b) Manufacturing Costs
(c) Taxes (d) Implicit Costs

48. Which of the following Costs does not include the contractual cash payments which the Firm makes to other Factor Owners for purchasing or hiring various factors?
(a) Private Costs (b) Variable Costs
(c) Accounting Costs (d) Implicit Costs

49. Implicit Costs are used for _____ purposes.
(a) Accounting and Reporting
(b) Cost Control
(c) Decision Making
(d) All of the above

50. If Rent is paid to the Landlord separately, it is an -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

51. If Land is owned by the Entrepreneur, Rent is an -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

52. Salary/Wages paid to Employees / Workers is an -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

53. If own people (e.g. family members) are employed in the Firm, without paying them any reward for their work, Labour Cost is an -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

54. If Capital is borrowed and used in the business, Interest on Capital is -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

55. If Entrepreneur employs his own funds as Capital, then Interest is -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

56. When Entrepreneur himself manages the business, the reward for Entrepreneurial Ability (i.e. Profit) is an-
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

57. Reward for Entrepreneurial Ability (i.e. Normal Profit in the business) is included in -
(a) Implicit Cost (b) Explicit Cost
(c) Hidden Cost (d) Undisclosed Cost

58. Direct costs are_____
(a) Traceable costs (b) Indirect costs
(c) Implicit costs (d) Explicit costs

59. Suppose the total cost of production of a commodity X is ₹ 1,25,000 out of which implicit cost 35,000 and normal profit is 25,000. What would be the explicit cost of commodity?
(a) 90,000 (b) 65,000
(c) 1,00,000 (d) 60,000

ACCOUNTING COSTS AND ECONOMIC COSTS

60. Accounting Cost equals -
(a) Explicit Cost (b) Implicit Cost
(c) Both (a) and (b) (d) Neither (a) nor (b)

61. Cost incurred in purchasing the Factor of Production is known as -
(a) Accounting Cost (b) Economic Cost
(c) Marginal Cost (d) Implicit Cost

62. Which of the following is an example of an Accounting Cost?
(a) Interest paid to Bank on short-term loan taken
(b) Cost incurred on the purchase of raw materials
(c) Wages paid to Labourers
(d) All the above

63. Expenditure incurred on Wages, Rent, Interest, etc. are included in-
(a) Accounting Cost (b) Opportunity Cost
(c) Fixed Cost (d) Direct Cost

64. Economic Cost equals -
(a) Explicit Cost (b) Implicit Cost
(c) Both (a) and (b) (d) Neither (a) nor (b)

65. Economic Cost includes-
(a) Accounting Cost + Non-Accounting Cost
(b) Fixed Cost + Variable Cost
(c) Explicit Cost + Implicit Cost
(d) Short Run Cost + Long Run Cost

66. Economic Cost includes
(a) Accounting Cost + Explicit Cost
(b) Accounting Cost + Implicit Cost
(c) Fixed Cost + Variable Cost
(d) Accounting Cost + Non-Accounting Cost

67. Economic Cost includes –
(a) Wages paid to Workers/Labourers
(b) Rent for Land and Building used in business
(c) Normal Rate of Profit in the business
(d) All of the above

68. Which of the following are considered as Economic Cost?
(a) Normal Return on money Capital invested
(b) Wages or Salary of the Entrepreneur
(c) Interest on the Capital invested
(d) All of the above

69. _____includes all payments paid to Factors of Production and Opportunity Cost.
(a) Implicit Costs (b) Explicit Costs
(c) Economic Costs (d) Accounting Costs

70. Reward for Entrepreneurial Ability (i.e. Normal Profit in the business) is included in -
(a) Economic Cost (b) Accounting Cost
(c) Explicit Cost (d) Undisclosed Cost

71. Which of the following is true regarding Economic Cost and Accounting Cost?
(a) Economic Cost = Accounting Cost
(b) Economic Cost > Accounting Cost
(c) Economic Cost < Accounting Cost
(d) None of the above

72. The difference between Economic Cost and Accounting Cost is equal to -
(a) Explicit Cost (b) Implicit Cost
(c) Both (a) and (b) (d) Neither (a) nor (b)

73. Which of the following is true regarding Economic Cost and Accounting Cost?
(a) Economic Cost less Accounting Cost = Explicit Cost
(b) Economic Cost less Accounting Cost = Implicit Cost
(c) Accounting Cost less Economic Cost = Explicit Cost
(d) Accounting Cost less Economic Cost = Implicit Cost

74. When Total Revenue equals Accounting Costs, it means that the Firm -
(a) Has No-Profit-No-Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super Normal Profits)
(d) Incurs Losses in the accounting sense

75. When Total Revenue is less than Accounting costs, means that the Firm-
(a) Has No-Profit-No-Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super-Normal Profits)
(d) Incurs Losses

76. When Total Revenue is less than Accounting Costs, in means that the Firm incurs Losses
(a) In the accounting sense
(b) In the economic sense
(c) Both (a) and (b)
(d) Neither (a) nor (b)

77. When Total Revenue equals Economic Costs, it means that the Firm-
(a) Has No-Profit-No-Loss
(b) Normal Profits
(b) Earns more than Normal Profits (i.e. Super-Normal Profits)
(d) Incurs Losses in the accounting sense

78. When Total Revenue exceeds Economic Costs, it means that the Firm -
(a) Has No-Profit-No-Loss
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super-Normal Profits)
(d) Incurs Losses

79. When Total Revenue is less than Economic Costs, it means that the Firm -
(a) Incurs Losses in the economic sense
(b) Earns Normal Profits
(c) Earns more than Normal Profits (i.e. Super-Normal Profits)
(d) Incurs Losses in the accounting sense

80. Economic Profits are
(a) Difference between Total Revenue, and Total Implicit and Explicit Costs
(b) Difference between Total Revenue and Total Economic Costs
(c) Zero in a perfectly competitive industry in the long-run
(d) All the above

81. If there are Implicit Costs of Production -
(a) Economic Profit will be equal to Accounting Profit.
(b) Economic Profit will be less than Accounting Profit.
(c) Economic Profits will be zero.
(d) Economic Profit will be more than Accounting Profit.

82. Which of the following statements is false?
(a) Economic Costs include the Opportunity Costs of the resources owned by the Firm
(b) Accounting Costs include only Explicit Costs

(c) Economic Profit will always be less than Accounting Profit resources owned and used by the Firm have any Opportunity Costs
(d) Accounting Profit is equal to Total Revenue less Implicit Costs

OPPORTUNITY COSTS

83. Opportunity Cost refers to_____ in accepting an alternative course of action.
(a) Value of sacrifice made
(b) Benefit of opportunity foregone
(c) Both (a) and (b)
(d) Neither (a) nor (b)

84. Opportunity Cost refers to -
(a) Cost of opportunity foregone
(b) Comparison between the policy that was chosen and the policy that was rejected
(c) Costs relating to sacrificed alternatives
(d) All of the above

85. The Cost of one thing in terms of the alternative given up is known as
(a) Production Cost (b) Physical Cost
(c) Real Cost (d) Opportunity Cost

86. Opportunity Costs are a result of -
(a) Technology obsolescence
(b) Overproduction
(c) Scarcity
(d) Abundance of resources

87. Opportunity Costs arise only when resources are -
(a) Scarce
(b) Restricted in availability
(c) Available only to a limited extent
(d) All of the above

88. Opportunity Cost arises only when alternatives are available. This statement is-
(a) True
(c) Partially True
(b) False
(d) None of the above

89. If a resource can be put only to a particular use, then, Opportunity Costs-
(a) Are applicable and quantifiable
(b) Are applicable but not quantifiable
(c) Are not applicable at all
(d) None of the above

90. Opportunity Costs-
(a) Involve cash payment
(b) Do not involve any cash payment
(c) Both (a) and (b)
(d) Neither (a) nor (b)

91. Outlay Cost-
(a) Involve cash payment
(b) Do not involve any cash payment
(c) Both (a) and (b)
(d) Neither (a) nor (b)

92. Opportunity Cost is-
(a) Recorded in books of accounts
(b) Not recorded in books of accounts
(c) Sometimes (a) sometimes (b)
(d) Neither (a) nor (b)

93. Opportunity Costs are used for _____purposes
(a) Accounting and Reporting
(b) Cost Control
(c) Decision Making
(d) All of the above

94. Which of the following is not true with reference to Opportunity Cost?
(a) It is the value of the next best use for an economic good
(b) It is the value of a sacrificed alternative
(c) It is useful in decision-making
(d) It does not take into consideration, the cost of time

95. Which of the following is/are true?
(a) Total Cost includes only Variable Costs
(b) Opportunity Cost is the value of the good of service forgone
(c) Economic Costs include only Out-of-Pocket Costs

(d) Both (a) and (c) above

96. A Manager needs a Stenographer and a Clerk for the Accounts Department. But, due to financial constraints, he can able to recruit only one i.e. either Stenographer or Clerk. Finally he decides to recruit the Stenographer and had to give up the idea of having an Additional Clerk in the Accounts Department. Here, the Cost of not hiring an accounts clerk is known as –
(a) Accounting Cost
(b) Cost Possibility Curve
(c) Opportunity Cost
(d) Substitution Effect

97. _____Cost is the Total Additional Cost that a Firm has to incur, as a result of implementing a major managerial decision.
(a) Sunk
(b) Incremental
(c) Opportunity
(d) Marginal

98. Incremental Cost equals -
(a) Additional Variable Costs only
(b) Additional Fixed Costs only
(c) Both (a) and (b)
(d) Neither (a) nor (b)

99. Which of the following statement is true?
(a) Marginal Cost is a sub-set of Incremental Cost
(b) Incremental Cost is sub-set of Marginal Cost
(c) Marginal Cost is a sub-set of Sunk Cost
(d) Sunk Cost is a sub-set of Incremental Cost

100. _____Cost is not relevant for Decision-Making
(a) Economic (b) Opportunity
(c) Sunk (d) Incremental Cost

101. Which of the following statement best describes Sunk Costs?
(a) Costs which are incurred in the past
(b) Cost incurred by the Firm as result of bankruptcy of one of its Creditors
(c) Cost incurred by the Firm as a result of the fire that broke into one of the Firm's Godown.
(d) Setting off the losses that the Firm incurred in the previous years

102. Which of the following is correct?
(a) Firms that earn Accounting Profits are economically profitable.
(b) Opportunity Cost plus Accounting Cost equals Economic Cost.
(c) When a Firm's Demand Curve slopes down, Marginal Revenue will rise as output rises.
(d) Firms increase profits by selling more output than their rivals.

103. Suppose you find ₹ 100. If you choose to use ₹ 100 to go to a football match, your opportunity cost of going to the game is _____
(a) Nothing, because you found the money.
(b) Only the value of your time spent at the game + The Expected Normal Interest / Return on ₹ 100.
(c) ₹ 100 (because you could have used the ₹ 100 to buy other things) plus the value of your time spent at the game, plus the cost of the dinner you purchased at the game.
(d) ₹ 100 (because you could have used the ₹ 100 to buy other things).

104. _____are readily identified and are traceable to a particular product, service, operation or plant.
(a) Direct Costs
(b) Indirect Costs
(c) Both (a) and (b)
(d) Neither (a) nor (b)

105._____are not readily identified nor visibly traceable to specific goods, services, operations, etc.
(a) Direct Costs (b) Indirect Costs
(c) Both (a) and (b) (d) Neither (a) nor (b)

106. Accounting Process recognizes
(a) Direct Costs (b) Indirect Costs
(c) Both (a) and (b) (d) Neither (a) nor (b)

Read the following paragraph and answer the following four questions.

Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for ₹100 each. It costs Nicole ₹ 20,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested ₹ 1,00,000 in her factory and equipment: ₹ 50,000 from her savings and ₹ 50,000 borrowed at 10 per cent. (Assume that she could have loaned her money out at 10 percent, too.) Nicole can work at a competing pottery factory for
₹ 40,000 per year.

107. The accounting cost at Nicole's pottery factory is:
(a) ₹ 25000 (b) ₹ 50000
(c) ₹ 80000 (d) ₹ 75000

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

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

110. The economic profit at Nicole's factory is:
(a) 75000 (b) 35000
(c) ₹ 80000 (d) ₹ 30000

FIXED AND VARIABLE COSTS

111. _____are costs that do not vary with output, upto a certain level of activity.
(a) Variable (b) Fixed
(c) Both (a) and (b) (d) Neither (a) nor (b)

112. Fixed Cost can be defined as
(a) Which does not change with output
(b) Which changes with Sales
(c) Which changes proportionately with output
(d) All of the above

113. Fixed Costs are -
(a) Period-related (b) Product-related
(c) Both (a) and (b) (d) Neither (a) nor (b)

114. Fixed Costs are a function of-
(a) Output (b) Time
(c) Both (a) and (b) (d) Neither (a) nor (b)

115._____Cost must be paid even if the Firm's level of output is zero.
(a) Variable (b) Direct
(c) Incremental (d) Fixed

116. If a Firm produces zero output in the short period
(a) Its Total Cost will be zero
(b) Its Variable Cost will be positive
(c) Its Fixed Cost will be positive
(d) Its Average Cost will be zero

117. _____Cost will be incurred even when the Firm's produces Nil output.
(a) Variable (b) Fixed
(c) Both (a) and (b) (d) Neither (a) nor (b)

118. As output increases, Total Fixed Cost-
(a) Decreases (b) Increases
(c) Remains constant (d) Becomes zero

119. Some portion of Fixed Costs need not be incurred when operations are suspended. These are called -
(a) Avoidable Fixed Costs
(0) Committed Fixed Costs
(c) Variable Costs
(d) Semi-Variable Costs

120. Some portion of Fixed Costs cannot be avoided even when operations are suspended. These are called -
(a) Discretionary Fixed Costs
(b) Committed Fixed Costs
(c) Variable Costs
(d) Semi-Variable Costs

121. Which of the following is not a Fixed Cost?

(a) Payment of Interest on Borrowed Capital
(b) Charges for Fuel and Electricity
(c) Depreciation Charges on Equipment and Buildings
(d) Contractual Rent for Equipment of Building

122. Of the following which one corresponds to Fixed Cost?
(a) Payments for Raw Material
(b) Labour Costs
(c) Transportation Charges
(d) Insurance Premium on Property

123. The following are some Costs incurred by a Clothing Manufacturer. State which among them will be considered as Fixed Cost.
(a) Cost of Cloth
(b) Piece Wages paid to Workers
(c) Depreciation on Machines owing to time
(d) Cost of Electricity for running machines

124. _____are costs that change, based on the level of output.
(a) Variable (b) Fixed
(c) Both (a) and (b) (d) Neither (a) nor (b)

125. Variable Costs are -
(a) Period-related (b) Product-related
(c) Both (a) and (b) (d) Neither (a) nor (b)

126. Variable Costs are a function of-
(a) Output (b) Time
(c) Both (a) and (b) (d) Neither (a) nor (b)

127._____Cost must be incurred only when the Firm's produces output.
(a) Variable (b) Fixed
(c) Both (a) and (b) (d) Neither (a) nor (b)

128. Variable Costs are incurred only when production takes place. So, they are in the nature of -
(a) Discretionary Costs
(b) Committed Costs
(c) Fixed Costs
(d) Semi-Variable Costs

129. All Variable Costs are avoidable or discretionary in nature. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

130. As output increases, Total Variable Cost-
(a) Decreases (b) Increases
(c) Remains constant (d) Becomes zero

131. Which Cost increases continuously with the increase in production?
(a) Average Cost (b) Marginal Cost
(c) Fixed Cost (d) Variable Cost

132. Total Variable Costs always vary proportionately with output. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

133. Over certain ranges of production Variable Costs vary less or more than proportionately depending on the utilisation of fixed facilities and resources during the production process. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

134. Variable Cost includes the Cost of -
(a) Buying Land and Building
(b) Hire Charges paid for the Machinery
(c) Salary to Manager
(d) Material Bought

135. Which of the following is an example of Variable Cost in the short run?
(a) Cost of Equipment
(b) Interest Payment on past borrowings
(c) Payment of Rent on Building
(d) Cost of Raw Materials

MARGINAL COSTS

136. Marginal Cost changes due to change in _____Cost
(a) Variable (b) Fixed
(c) Total (d) Average

137. _____is the addition made to the total cost by production of an additional unit of output.
(a) Fixed Cost (b) Variable Costs
(c) Total Costs (d) Marginal Costs

138. Marginal Cost can be defined as -
(a) Change in Average Variable Cost divided by Change in Total Output
(b) Change in Average Fixed Cost divided by Change in Total Output
(c) Change in Total Fixed Cost divided by Change in Total Output
(d) Change in Total Cost due to Change in Total Output by one additional unit.

139._____Costs are important in short term decision making of the Firm, to determine the output at which profits can be maximized.
(a) Fixed (b) Sunk
(c) Opportunity (d) Marginal

140. With which of the following is the concept of Marginal Cost closely related?
(a) Variable Cost (b) Fixed Cost
(c) Opportunity Cost (d) Economic Cost

141. Marginal Cost is independent of Fixed Cost. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

142. Marginal Cost is independent of Variable Cost. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

143. Which of the following will affect Marginal Costs?
(a) Variable Costs (b) Output Quantity
(c) Both (a) and (b) (d) Neither (a) nor (b)

144. Which of the following will not affect Marginal Costs?
(a) Variable Costs (b) Output Quantity
(c) Fixed Costs (d) All of the above

145. TC_n-TC_{n-1} which cost function?
(a) Marginal Cost (b) Average Cost
(c) Total Cost (d) None of the above

146. Marginal Costs per unit =
(a) Change in Total Costs ÷ Quantity Change in output
(b) Change in Variable Costs ÷ Quantity Change in Output
(c) Either (a) or (b)
(d) Neither (a) nor (b)

147. Which of the following describes the behaviour of Marginal Cost Curve?
(a) Declines first, reaches its minimum and then rises
(b) Rises first, reaches a maximum and then declines
(c) Remains constant throughout all output levels
(d) Nothing can be said

148. Marginal Cost Curve of a Firm will be -
(a) L Shaped (b) J Shaped
(c) U Shaped (d) Inverted U Shaped

149. Marginal Cost Curve of a Firm will show _____behaviour when compared to Marginal Product (MP) Curve.
(a) Same (b) Reverse
(c) Either (a) or (b) (d) Nothing can be said

150. Marginal Costs are applicable in-
(a) Short-Run (b) Long-Run
(c) Both (a) and (b) (d) Neither (a) nor (b)

151. Use the following data to answer following question

Output (0)	0	1	2	3	4	5	6
Total Cost (TC)	240	330	410	480	540	610	690

The marginal cost of the sixth unit of output is
(a) 80 (b) 75
(c) 133 (d) 450

152.

Units	TFC	TVC	MC
0	500	-	-
1	500	400	400
5	500	1600	-

What is MC of 5 units:
(a) 300 (b) 400
(c) 500 (d) 700

153. Diminishing Marginal Returns implies:
(a) Constant MC
(b) Increasing Marginal Cost
(c) Decreasing MC
(d) All of the above

154. What is the MC of 6th unit of output?

Q	0	1	2	3	4	5	6	7
TC	48	73	94	114	130	148	168	189

(a) 24 (b) 16
(c) 20 (d) 21

155. Additional cost incurred by a Firm as a result of a business decision-
(a) Sunk Cost (b) Replacement Cost
(c) Incremental Cost (d) Extra Cost

156. Costs which are already incurred once and for all, and cannot be recovered.
(a) Historical cost (b) Sunk Cost
(c) Private Cost (d) None of the above

157. Which of the following statement is correct?
(a) An increase in price will make Replacement Costs higher than Historical Cost.
(b) A decrease in price will make Replacement Costs higher than Historical Cost.
(c) An increase in price will make Replacement Costs lower than Historical Cost.
(d) None of the above

158. The cost incurred during the acquisition of an asset
(a) Sunk Cost (b) Replacement cost
(c) Historical cost (d) None of the above

159. Cost of Production incurred by an Individual firm is -
(a) Private Cost (b) Social Cost
(c) Production Cost (d) None of the above

160. Social Cost =
(a) Explicit Cost + Implicit Cost
(b) Private Cost + External Cost
(c) Private Cost + Internal Cost
(d) None of the above

161. Assume that when price is ₹ 40, the quantity demanded is 15 units and when price is ₹ 38, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from a increase in output from 15 units to 16 units-
(a) 36 (b) 32
(c) 24 (d) 08

II. SHORT-RUN & LONG-RUN COST BEHAVIOUR

TOTAL COST RELATIONSHIPS

1. Which of the following statements regarding Output false?
(a) Output is under the control of the Firm
(b) Magnitude of the Output determines the Total Cost of Production
(c) Change in output level determines the rate of change in the Total Cost of Production
(d) Output has no role to play in determining the Cost Function

2. If Output increases in the short-run, Total Cost will-
(a) Increase due to an increase in Fixed Costs only
(b) Increase due to an increase in Variable Costs Only
(c) Increase due to an increase in both Fixed and Variable Costs
(d) Decrease if the Firm is in the region of Diminishing Returns

3. If the Firm's output level is below its short run capacity, it is _____its Plant and Machinery.
(a) Under utilizing (b) Fully utilizing
(c) Over utilizing (d) Exploiting

4. Which of the following statements is correct concerning the relationships among the Firm's Costs?
(a) TC = TFC – TVC (b) TVC=TFC-TC
(c) TFC-TC-TVC (d) TC = TVC - TFC

5. Which of the following statements is correct concerning the relationships among the Firm's Costs?
(a) TC = TVC × TFC
(b) TC = TFC - TVC
(c) TC = TVC - TFC
(d) TC = TFC + TVC

6. TFC Curve will be a-
(a) Curve
(b) Straight Line
(c) Rectangular Hyperbola
(d) None of these

7. TFC Curve will be a straight line -
(a) Parallel to X-Axis
(b) Parallel to Y-Axis
(c) Increasing from left to right
(d) Decreasing from left to right

8. TFC Curve will commence from -
(a) A certain point on the Quantity Axis (X Axis)
(b) A certain point on the Cost Axis (Y Axis)
(c) Origin
(d) Any of the above

9. TVC Curve will be a -
(a) Curve with a positive slope
(b) Curve with a negative slope
(c) Either (a) or (b)
(d) Neither (a) nor (b)

10. TVC Curve will -
(a) Increase, i.e. slope upward from left to right
(b) Decrease, i.e. slope downward from left to right
(c) Either (a) or (b)
(d) Neither (a) nor (b)

11. TVC Curve will commence from
(a) A certain point on the Quantity Axis (X Axis)
(b) A certain point on the Cost Axis (Y Axis)
(c) Origin
(d) Any of the above

12. TVC Curve will be -
(a) Higher than the TC Curve
(b) Lower than the TC Curve
(c) Parallel to X Axis
(d) Parallel to Y Axis

13. If Variable Cost per unit (i.e. AVC) is constant at all levels of output, TVC Curve will be -
(a) Curve with positive slope
(b) Straight Line with positive slope
(c) Rectangular Hyperbola
(d) None of these

14. TC Curve will be a -
(a) Curve with a positive slope
(b) Curve with a negative slope
(c) Either (a) or (b)
(d) Neither (a) nor (b)

15. TC Curve will -
(a) Increase, i.e. slope upward from left to right
(b) Decrease, i.e. slope downward from left to right
(c) Either (a) or (b)
(d) Neither (a) nor (b)

16. TC Curve will commence from -
(a) A certain point on the Quantity Axis (X Axis)
(b) A certain point on the Cost Axis (Y Axis)
(c) Origin
(d) Any of the above

17. TVC Curve will be -
(a) Higher than the TVC Curve
(b) Lower than the TVC Curve
(c) Parallel to X Axis
(d) Parallel to Y Axis

18. The Vertical difference between TVC and TC is equal to-
(a) MC (b) AVC
(c) TFC (d) None of these

19. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short run is:
(a) rational, if the firm is covering its variable cost.
(b) rational, if the firm is covering its fixed costs.
(c) irrational, since plant closing is necessary to eliminate losses.

(d) irrational, since fixed costs are eliminated if a firm shuts down

AVERAGE COST

20. Average Cost is the same as-
(a) Average Fixed Cost
(b) Average Total Cost
(c) Average Variable Cost
(d) All of the above

21. Which of the following is the Average Cost?
(a) Average Fixed Cost + Average Variable Cost
(b) Average Total Cost
(c) Total Cost divided by the number of units
(d) All of the above

22. Which of the following statements is true of the relationship among the Average Cost Function?
(a) ATC = AFC-AVC
(b) AVC = AFC + ATC
(c) AFC = ATC + AVC
(d) AFC = ATC - AVC

23. If TVC = 1,000, TFC = 400, then calculate ATC at 5 units.
(a) 280 (b) 250
(c) 150 (d) 300

AVERAGE FIXED COST

24. Average Fixed Cost (AFC) equals -
(a) ATC-AVC
(b) TFC divided by Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

25. Which of the following describes the behaviour of Average Fixed Cost?
(a) Remains constant throughout all output levels
(b) Declines throughout as output increases
(c) Declines first, reaches its minimum and then rises

(d) Rises first, reaches a maximum and then declines

26. In the short run, when the output of a Firm Increases, its Average Fixed Cost-
(a) Increases
(b) Decreases
(c) Remains constant
(d) First declines and then rises

27. The Average Fixed Cost
(a) Remains the same whatever the level of output
(b) Increase as output increases
(c) Diminishes as output increases
(d) All of the above

28. In the short run, when the output of a Firm decreases, its Average Fixed Cost -
(a) Increases
(b) Decreases
(c) Remains constant
(d) First declines and then rises

29. Average Fixed Cost (AFC) of a Firm is _____related to its output.
(a) Directly (b) Inversely
(c) Proportionately (d) Not

30. Which of the following describes the behaviour of Average Fixed Cost Curve?
(a) Declines first, reaches its minimum and then rises
(b) Rises first, reaches a maximum and then declines
(c) Remains constant throughout all output levels
(d) Declines throughout as output increases

31. Which of the following is true with respect to Average Fixed Cost?
(a) It is a bell shaped Curve
(b) As the quantity increases it approaches zero
(c) If quantity produced tends to zero, Average Fixed Cost approaches infinity
(d) Both (b) and (c) above

32. The Average Fixed Cost Curve of a Firm -
(a) Is parallel to the Horizontal Axis
(b) Is parallel to the Vertical Axis
(c) Is a 'U' Shaped Curve
(d) Is a Downward Sloping Curve from left to right

33. AFC Curve will be a -
(a) Curve with a positive slope
(b) Curve with a negative slope
(c) Straight Line
(d) None of the above

34. Which curve is downward sloping and does not touch the X-axis?
(a) AVC (b) MC
(c) ATC (d) AFC

35. Which of the following Cost Curves is never shaped?
(a) Average Cost Curve
(b) Marginal Cost Curve
(c) Average Variable Cost Curve
(d) Average Fixed Cost Curve

36. All of the following are U-Shaped Curves except the-
(a) AVC Curve (b) AFC Curve
(C) AC Curve (d) MC Curve

37. AFC Curve-
(a) Will touch the Quantity Axis (X Axis)
(b) Will touch the Cost Axis (Y Axis)
(c) Will touch both Axes
(d) Will not touch any Axis.

38. The AFC Curve passes through the Origin. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

39. Which statement among below is correct in reference to AFC?
(a) Never becomes zero
(b) Curve never touch X-axis
(c) Curve never touch Y-axis

(d) All of the these

40. AFC curve is always_____
(a) U-shaped if there is decreasing returns to scale
(b) U-shaped if there is increasing returns to scale.
(c) Declining when output increases.
(d) Intersected by M.C at its minimum point refer back

41. Average Cost of Producing 50 units of a Commodity ₹ 250 and fixed cost is ₹ 1000. What will be the average fixed cost of producing 100 units of the Commodity?
(a) 10 (b) 30
(c) 20 (d) 5

42. A Firm's average fixed Cost id ₹ 20 at 6 units of output. What will it be at 4 units of output?
(a) ₹60 (b) ₹ 30
(c) ₹40 (d) ₹ 20

AVERAGE VARIABLE COST

43. Average Variable Cost (AVC) equals -
(a) ATC-AFC
(b) TVC divided by Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

44. AVC decreases as output increases
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

45. Upto Normal Capacity of output, as output increases, AVC will -
(a) Remain constant (b) Decrease
(c) Increase (d) Nothing can be said

46. AVC decreases as output increases, upto normal capacity output, due to -
(a) Law of constant returns
(b) Law of diminishing returns
(c) Law of increasing returns
(d) Law of negative returns

47. AVC increases as output increases -
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

48. Beyond Normal Capacity of output, as output increases, AVC will-
(a) Remain constant (b) Decrease
(c) Increase (d) Nothing can be said

49. AVC increases as output increases, beyond normal capacity output, due to-
(a) Law of Constant Returns
(b) Law of Diminishing Returns
(c) Law of Increasing Returns
(d) Law of Equi-Marginal Utility

50. Average Variable Cost Curve -
(a) Slopes downwards at first and then upwards
(b) Slopes upwards, remains constant and then falls
(c) Slopes downwards always
(d) Remains a straight line parallel to X Axis

51. Average Variable Cost Curve slopes downwards -
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

52. Average Variable Cost Curve has a negative slope -
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

53. Average Variable Cost Curve slopes upwards -
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

54. Average Variable Cost Curve has a positive slope
(a) Upto normal capacity output
(b) Beyond normal capacity output
(c) At all levels of output
(d) Nothing can be said

55. Average Variable Cost Curve is -
(a) Exactly a U Shaped Curve
(b) Not exactly a U Shaped Curve
(c) Straight line
(d) Not depicted in the Graph at all

56. The AVC Curve passes through the Origin. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

57. A firm produces 10 units of commodity at an average total cost of ₹ 200 and with a fixed cost of ₹ 500. Find out component of average variable cost in total cost.
(a) ₹300 (b) ₹200
(c) 150 (d) 100

AVERAGE COST OR AVERAGE TOTAL COST

58. Average Cost (AC) equals -
(a) ATC + AFC
(b) Total Cost divided by Output Quantity
(c) Both (a) and (b)
(d) Neither (a) nor (b)

59. Initially Average Cost declines sharply due to the reason that -
(a) AFC declines significantly as output increases
(b) AVC declines significantly as output increases
(c) AFC increases as output increases
(d) AVC increases as output increases

60. Initially, even when there is an increase in Average Variable Cost (AVC), Average Cost (AC) may still decline due to the reason that
(a) Fall in AFC is less than the rise in AVC
(b) Fall in AFC is greater than the rise in AVC
(c) Fall in AFC is equal to the rise in AVC
(d) None of the above

61. Beyond certain output level, when there is an increase in Average Variable Cost (AVC), Average Cost (AC) also increases due to the reason that -
(a) Fall in AFC is less than the sharp rise in AVC
(b) Fall in AFC is greater than the sharp rise in AVC
(c) Fall in AFC is equal to the rise in AVC
(d) None of the above

62. Average Cost Curve -
(a) Slopes downwards at first and then upwards
(b) Slopes upwards, remains constant and then falls
(c) Slopes downwards always
(d) Remains a straight line parallel to X Axis

63. The AC Curve and AVC Curve start increasing at the same output level only. This statement is
(a) True (b) False
(c) Partially True (d) Nothing can be said

64. The AC Curve passes through the Origin. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

65. Average Cost Curve is a -
(a) U Shaped Curve (b) J Shaped Curve
(c) L Shaped Curve (d) Straight Line

66. Average total cost to firm is ₹ 600 when it produces 10 units of output and ₹ 640 when the output is 11 units. The MC of the 11^{th} unit is
(a) 40 (b) 540
(c) 840 (d) 1040

MARGINAL COST AND AVERAGE COST RELATIONSHIPS

67. Marginal Cost Curve cuts the Average Cost Curve -
(a) At the left to its lowest point
(b) At its lowest point
(c) At the right to its lowest point
(d) Any of the above

68. When _____, we know that the Firms must be producing at the minimum point of the Average Cost Curve and so there will be productive efficiency.
(a) AC = AR (b) MC = AC
(c) MC= MR (d) AR = MR

69. The relationship between the AC and MC is that
(a) MC will always be less than the AC
(b) MC will be more than AC when MC is falling
(c) AC may be more than MC when MC is rising
(d) None of the above

70. Which of the following statements is correct?
(a) When Average Cost is rising, Marginal Cost must also be rising
(b) When Average Cost is rising, Marginal Cost must be falling
(c) When Average Cost is rising, Marginal Cost is above the Average Cost
(d) When Average Cost is falling, Marginal Cost must be rising

71. If a Firm's Average Variable Cost Curve is rising, its Marginal Cost Curve must be -
(a) Constant
(b) Above the Total Cost Curve
(c) Above the Average Variable Cost Curve.
(d) All of the above.

72. Which of the following is true of the relationship between Marginal Cost and Average Cost Functions?
(a) If MC is greater than AC, then AC is falling
(b) AC Curve intersects the MC Curve at minimum
MC
(c) MC Curve intersects the AC Curve at Minimum
AC
(d) If MC is less than AC, then AC is increasing

73. Marginal Cost is-
(a) Always less than the Average Cost
(b) Always more than the Average Cost
(c) Equal to the Average Cost at its minimum point (d) Never equal to Average Cost

74. When shape of Average Cost Curve is upward, Marginal Cost-
(a) Must be decreasing
(b) Must be constant
(c) Must be rising
(d) Any of the above

75. The MC Curve cuts the AVC and ATC Curves
(a) At the falling part of each.
(b) At different points.
(c) At their respective minimas.
(d) At the rising part of each.

76. MC Curve cuts the AVC and ATC Curves -
(a) From above (b) From below
(c) Either (a) or (b) (d) Neither (a) nor (b)

77. When AC falls as a result of an increase in output -
(a) MC = AC
(b) MC < AC
(c) MC > AC
(d) Nothing can be said

78. MC Curve is lower than AC, when -
(a) AC decreases
(b) AC increases
(c) AC is at its minimum
(d) Nothing can be said

79. When AC increases as a result of an increase in output
(a) MC = AC (b) MC < AC
(c) MC > AC (d) Nothing can be said

80. When MC Curve intersects AC Curve, it means that
(a) MC is minimum
(b) AC is minimum
(c) Both MC and AC are minimum
(d) Nothing can be said

81. When MC Curve intersects AC Curve, it means that -
(a) AC is minimum
(b) AC = MC
(c) Both (a) and (b)
(d) Neither (a) nor (b)

COST COMPUTATIONS

82. A Firm's Average Total Cost is ₹ 300 at 5 units of output and ₹ 320 at 6 units of output. The Marginal Cost of producing the 6th unit is-
(a) ₹ 20 (b) ₹120
(c) ₹ 320 (d) ₹ 420

83. A Firm has a Variable Cost of ₹ 1000 at 5 units of output. If Fixed Costs are ₹ 400, what will be the Average Total Cost at 5 units of output?
(a) ₹ 280 (b) ₹ 60
(c) ₹ 120 (d) ₹ 1,400

84. What is the Average Total Cost in producing ₹ 20 units, if Fixed Cost is 5,000 and Variable Cost is 200?
(a) ₹ 250 (b) ₹ 260
(c) ₹ 258 (d) ₹ 252

85. A Firm producing 7 units of output has an Average Total Cost of ₹ 150 and has to pay ₹ 350 to its Fixed Factors of Production whether it produces or not. How much of the Average Total Cost is made up of Variable Costs?
(a) ₹ 200 (b) ₹ 50
(c) ₹ 300 (d) ₹ 100

86. A Firm's Average Fixed Cost is ₹ 20 at 6 units of output. What will it be at 4 units of output?
(a) ₹60 (b) ₹30
(c) ₹40 (d) ₹ 20

87. For producing 100 units, Total Variable Cost is ₹ 500 and Total Fixed Cost is ₹ 1,000.Compute Average Cost.
(a) 10 (b) 15
(c) 5 (d) 20

88. The Average Total Cost of producing 50 units is 250 and Total Fixed Cost is ₹ 1,000. What is the Average Fixed Cost of producing 100 units?
(a) ₹10 (b) ₹ 30
(c) ₹ 20 (d) ₹ 5

Use the following data to answer the following 11 questions

Output (in units)	Total Cost (TC) (in ₹)
0	240
1	330
2	410
3	480
4	540
5	610
6	690
7	840

89. TFC at all levels of Output is -
(a) Nil (b) 240
(c) 330 (d) 690

90. AFC for 3 units of Output is-
(a) 240 (b) 120
(c) 80 (d) 60

91. MC for 2nd unit of Output is -
(a) Nil (b) 90
(c) 80 (d) 70

92. MC for 3rd unit of Output is -
(a) Nil (b) 90
(c) 80 (d) 70

93. MC for 5th unit of Output is -
(a) 90 (b) 80
(c) 70 (d) 60

94. MC is minimum at _____units of Output.
(a) 3 (b) 4
(c) 5 (d) 6

95. AC for 3 units of Output is -
(a) 205 (b) 160
(c) 135 (d) 122

96. AC for 4 units of Output is-
(a 205 (b) 160
(c) 135 (d) 122

97. AC for 5 units of Output is -
(a) 205 (b) 160
(c) 135 (d) 122

98. AC is minimum at _____units of Output.
(a) 4 (b) 5
(c) 6 (d) 7

99. MC Curve will cut AC Curve at _____units of Output
(a) 4 (b) 5
(c) 6 (d) 7

100. A company produces 10 units of output and incurs ₹ 30 per unit of variable cost and ₹ 5 per unit of fixed cost. In this case total cost is:
(a) ₹300 (b) ₹35
(c) ₹ 305 (d) ₹350

LONG RUN COST BEHAVIOUR

101. The period of time in which the Plant Capacity can be varied is known as -
(a) Short Period (b) Market Period
(c) Long Period (d) All of the above.

102. Which is the other name given to the Long Run Average Cost Curve?
(a) Profit Curve (b) Planning Curve
(c) Demand Curve (d) Indifference Curve

103. Which one of the following is also known as Planning Curve?
(a) Long-Run Average Cost Curve
(b) Short-Run Average Cost Curve
(c) Average Variable Cost Curve
(d) Average Total Cost Curve

104. Which one of the following is also known as Plant Curve?
(a) Long-Run Average Cost Curve
(b) Short-Run Average Cost Curve
(c) Average Variable Cost Curve
(d) Average Total Cost Curve

105. LAC = Least Cost combination for an appropriate output level. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

106. In the long run, the Firm will operate at the _____for any output level, by choosing the appropriate Plant Size.
(a) Optimum cost (b) Minimum cost
(c) Maximum cost (d) Nothing can be said

107. In the long-run, the Firm will decide on which SAC Curve it should operate to produce a given output, so that its-
(a) AC is minimum (b) AC is maximum
(c) MC is minimum (d) MC is maximum

108. In the long-run, the Firm will try to select-
(a) Lowest point of every SAC
(b) SAC with the lowest cost for a particular level of output
(c) Both (a) and (b)
(d) Neither (a) nor (b)

109. In the long-run, when there are infinite SAC Curves, the LAC Curve will be -
(a) Perpendicular to each SAC Curve
(b) Connecting the lowest points of each SAC Curve
(c) Smooth Curve, so as to be tangent to each of the SAC Curves
(d) All of the above

110. LAC Curve is tangent to each of the infinite SAC Curves. This statement is-
(a) True (b) False
(c) Partially True (d) Nothing can be said

111. LAC Curve is the connection of all minimum points of SAC Curves. This statement is -
(a) True (b) False
(c) Partially True (d) Nothing can be said

112. When LAC Curve is declining, it will be tangent to the
(a) Falling portions of the SAC Curves
(b) Rising portions of the SAC Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

113. When LAC Curve is _____, it will be tangent to the falling portions of the SAC Curves.
(a) Decreasing (b) Increasing
(c) Both (a) and (b) (d) Neither (a) nor (b)

114. When LAC Curve is rising, it will be tangent to the-
(a) Falling portions of the SAC Curves
(b) Rising portions of the SAC Curves
(c) Both (a) and (b)
(d) Neither (a) nor (b)

115. When LAC Curve is_____ it will be tangent to the rising portions of the SAC Curves.
(a) Decreasing (b) Increasing
(c) Both (a) and (b) (d) Neither (a) nor (b)

116. Which of the following statements concerning the Long-Run Average Cost Curve is false?
(a) It represents the least-cost input combination for producing each level of output
(b) It is derived from a series of Short-Run Average Cost Curves
(c) The Short-Run Cost Curve at the minimum point of the LAC Curve represents the least-cost Plant Size for all levels of output
(d) As output increases, the amount of capital employed by the Firm increases along the Curve

117. If the LAC Curve falls as output expands, this falls is due to-
(a) Economies of Scale
(b) Law of Diminishing Returns
(c) Diseconomies of Scale
(d) Any of the above

118. If the LAC Curve rises as output expands, this falls is due to-
(a) Economies of Scale
(b) Law of Diminishing Returns
(c) Diseconomies of Scale
(d) Any of the above

119. Long Run Average Cost Curves are broadly-
(a) U-shaped (b) Inverted U-shaped
(c) V-shaped (d) L-shaped

120. The LAC Curve -
(a) Falls when the LMC Curve falls
(b) Rises when the LMC Curve rises
(c) Goes through the lowest point of the LMC Curve
(d) Falls when LMC < LAC and rises when LMC >LAC

121. Positively sloped (i.e. rising) part of long run Average Cost Curve is due to which of the following_____
(a) Constant Returns to Scale
(b) Increasing Returns to Scale
(c) Diseconomies of Scale
(d) Economics of Scale

122. Planning curve is related to which of the following
(a) Short-run average cost curve
(b) Long-run average cost curve
(c) Fixed cost curve
(d) Average variable cost curve

123. Which of the following is correct:
(a) TFC = TVC – TC
(b) TC = TVC – TFC
(c) TFC = TC – TVC
(d) TC = TFC – TVC

124. Total Cost = Explicit Cost + Implicit Cost + _____
(a) Super Normal Profit
(b) Normal Profit
(c) Super Normal Losses
(d) Average Fixed Cost

III. REVENUE CONCEPTS

REVENUE CONCEPTS

1. Total Revenue =
(a) Money which a Firm realises by selling certain units of a commodity,
(b) Revenue earned per unit of output
(c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity
(d) None of the above

2. Average Revenue =
(a) Money which a Firm realises by selling certain units of a commodity.
(b) Revenue earned per unit of output
(c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity.
(d) None of the above

3. Marginal Revenue =
(a) Money which a Firm realises by selling certain units of a commodity.
(b) Revenue earned per unit of output
(c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity.
(d) None of the above

4. Marginal Revenue is equal to -
(a) The change in price divided by the change in output
(b) The change in quantity divided by the change in price
(c) The change in P × Q due to a one unit change in output
(d) Price, but only if the Firm is a price searcher

5. The firm will attain equilibrium at a point where MC curve cuts _____curve from below
(a) AR (b) MR
(c) AC (d) AVC

6. Price =_____
(a) Total Revenue (b) Average Revenue
(c) Marginal Revenue (d) Zero Revenue

7. Price × Quantity = _____
(a) Total Revenue (b) Average Revenue
(c) Marginal Revenue (d) Zero Revenue

8. If P = Price, and Q = Quantity sold, which of the following statements are correct?
(a) Total Revenue = P × Q
(b) Average Revenue = P × Q
(c) Marginal Revenue= P × Q
(d) Zero Revenue = P × Q

9. If = TR Total Revenue, and Q = Quantity sold, then TR ÷ Q refers to
(a) Total Revenue (b) Average Revenue
(c) Marginal Revenue (d) Zero Revenue

10. If TR = Total Revenue, Q = Quantity sold, and A is the rate of change, then $\frac{\Delta TR}{\Delta Q}$ refers to-
(a) Total Revenue (b) Average Revenue
(c) Marginal Revenue (d) Zero Revenue

11. If Price = ₹ 50 and Quantity is 1,200 units, then Total Revenue
(a) ₹ 1,250 (b) ₹ 1,150
(c) ₹ 60,000 (d) ₹ 50,000.

12. If Total Revenue ₹ 1,00,000 when 20,000 units are sold, then Average Revenue=
(a) ₹ 1,00,000 (b) ₹ 20,000
(c) ₹ 5 (d) ₹ 1,20,000

13. If Total Revenue = ₹ 2,00,000 when 20,000 units are sold, then Average Revenue =
(a) ₹ 1,00,000 (b) ₹ 20,000
(c) ₹ 10 (d) 1,20,000

14. If a seller obtains ₹ 3,000 after selling 50 units and ₹ 3,100 after selling 52 units then MR will be-
(a) 59.62 (b) 50.00
(c) 60.00 (d) 59.80

15. When Price is ₹ 10, 5 units can be sold. When price is reduced to ₹ 9, 6 units can be sold. Here, Marginal Revenue will be-
(a) ₹10 (b) ₹ 9
(c) ₹ 1 (d) ₹ 4

16. When Price is reduced to 20, 5 units can be sold. When price ₹ 19, 6 units can be sold. Here, Marginal Revenue will be –
(a) ₹14 (b) ₹ 27
(c) ₹ 20 (d) ₹ 19

17. When Price is price is reduced to ₹ 50, 12 units can be sold. When ₹ 48, 15 units can be sold. Here, Marginal Revenue will be -
(a) ₹ 120 (b) ₹ 40
(c) ₹ 60 (d) ₹ 2

18. When Price is ₹ 5, 40 units can be sold. When price is reduced to₹ 4, 60 units can be sold. Here, Marginal Revenue will be -
(a) ₹ 120 (b) ₹ 40
(c) ₹ 60 (d) ₹ 2

19. If a Seller gets ₹ 10,000 by selling 100 units and 14,000 by selling 120 units, his Marginal Revenue is
(a) ₹ 4,000 (b) ₹ 450
(c) ₹ 200 (d) ₹ 100

20. When Price = ₹ 20, quantity demanded is 9 units and when Price = ₹ 19, quantity demanded is 10 units. What is the Marginal Revenue resulting from an increase in output from 9 units to 10 units?
(a) ₹ 20 (b) ₹ 19
(c) ₹10 (d) ₹1

21. When Price = ₹ 20, quantity demanded is 15 units, and when Price = ₹ 18, quantity demanded is 16 units. What is the Marginal Revenue resulting from an increase in output from 15 units to 16 units?
(a) ₹ 18 negative (b) ₹ 18 positive
(c) ₹ 12 negative (d) ₹ 12 positive

22. As quantity increases, Total Revenue (TR) Curve
(a) Always increases
(b) Always decreases
(c) First increases, reaches a maximum, and then decreases.
(d) First decreases, reaches a minimum, and then increases.

23. If Total Revenue (TR) increases, Marginal Revenue (MR) will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

24. If Total Revenue (TR) decreases, Marginal Revenue (MR) will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

25. If Total Revenue (TR) is maximum, Marginal Revenue (MR) will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

26. Generally, Marginal Revenue (MR) Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

27. Generally, Average Revenue (AR) Curve -
(a) Is parallel to X Axis
(b) Is parallel to Y Axis
(c) Slopes upward from left to right
(d) Slopes downward from left to right

28. Generally, as quantity sold increases, Marginal Revenue (MR) and Average Revenue (AR) Curve-
(a) MR and AR increase
(b) MR and AR decrease
(c) MR increases but AR decreases
(d) MR decreases but MR increases

29. Generally, as quantity sold increases, Marginal Revenue (MR) Curve -
(a) Increases (b) Decreases
(c) Remains constant (d) Cannot be ascertained

30. Generally, as quantity sold increases, Average Revenue (AR) Curve -
(a) Increases (b) Decreases
(c) Remains constant (d) Cannot be ascertained

31. Let, Marginal Revenue = MR and Average Revenue AR. Generally, as quantity sold increases
(a) MR falls quickly than AR
(b) MR falls slowly than AR
(c) MR and AR fall at the same rate
(d) MR and AR do not change

32. Let, Marginal Revenue = MR and Average Revenue = AR. Generally, as quantity sold increases -
(a) AR falls quickly than MR
(b) AR falls slowly than MR
(c) AR and MR fall at the same rate
(d) AR and MR do not change

33. Marginal Revenue (MR) -
(a) Will have positive values only
(b) Will have negative values only
(c) Can be positive or zero, but not negative.
(d) Can be positive or zero or even negative.

34. If Marginal Revenue (MR) Curve is depicted on a graph with Quantity on X axis
(a) MR will not go below the X axis.
(b) MR may go below the X axis.
(c) MR cannot be depicted on the graph at all.
(d) None of the above

35. Average Revenue (AR)
(a) Will have positive values only.
(b) Will have negative values only.
(c) Can be positive or zero, but not negative.
(d) Can be positive or zero or even negative.

36. What is the relationship between AR and MR?
(a) AR and MR both are negatively sloped
(b) MR Curves always lies half-way between AR Curve and Origin
(c) AR and MR both can be zero or negative
(d) All of these

37. Average Revenue (AR) Curve denotes-
(a) Demand (b) Supply
(c) Both (a) and (b) (d) Neither (a) nor (b)

38. If Average Revenue (AR) Curve is depicted on a graph with Quantity on X axis -
(a) AR will not go below the X axis.
(b) AR may go below the X axis.
(c) AR cannot be depicted on the graph at all.
(d) None of the above

39. Which of the following is correct?
(a) If Marginal Revenue is positive and falling, Total Revenue will rise at a decreasing rate.
(b) Total Revenue is equal to price times the quantity sold.
(c) Marginal Revenue and Average Revenue can be calculated from Total Revenue.
(d) All of the above.

40. If Marginal Revenue = MR, Average Revenue = AR, and Price Elasticity of Demand = 'e' which of the following is correct?
(a) MR = AR $\times \frac{e-1}{e}$
(b) AR = MR $\times \frac{e-1}{e}$
(C) MR = AR $\times \frac{e}{e-1}$
(d) AR = MR $\times \frac{e}{e-1}$

41. If Marginal Revenue = MR, Price Elasticity of Demand = 'e', and e < 1, then MR will be –
(a) Positive (b) Negative
(c) Zero (d) Infinity

42. Marginal Revenue will be negative if Elasticity of Demand is-
(a) Less than one (b) More than one.
(c) Equal to one (d) Equal to zero.

43. If Marginal Revenue = MR, Price Elasticity of Demand = 'e' and e > 1 then MR will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

44. If Marginal Revenue = MR, Price Elasticity of Demand 'e', and e = 1 then MR will be -
(a) Positive (b) Negative
(c) Zero (d) Infinity

45. If Marginal Revenue = MR, Price Elasticity of Demand = 'e', and MR is positive (i.e. MR > 0), e will be
(a) e > 1 (b) e < 1
(c) e = 1 (d) e = zero

46. If Marginal Revenue = MR, Price Elasticity of Demand 'e', and MR is negative (i.e. MR < 0), e will be
(a) e > 1 (b) e < 1
(c) e = 1 (d) e zero

47. If Marginal Revenue = MR, Price Elasticity of Demand = 'e' and MR = 0, e will be
(a) e > 1 (b) e < 1
(c) e = 1 (d) e = zero

48. If Average Revenue (AR) = ₹ 30, Price Elasticity of Demand (e) = 1.5 then will be
(a) ₹10 (b) ₹ 20
(c) ₹ 30 (d) Nil

49. If Average Revenue (AR) = ₹ 30, Price Elasticity of Demand (e) = 1 then MR will be-
(a) Positive (b) Negative
(c) Zero (d) Infinity

50. If Average Revenue (AR) = ₹ 30, Price Elasticity of Demand (e) = 0.5 then MR will be -
(a) ₹ 30 positive (b) ₹ 30 negative
(c) Nil (d) Infinity

51. If Average Revenue (AR) = ₹ 300, Price Elasticity of Demand (e) = 2.5 then MR will be
(a) ₹ 180 (b) ₹ 120
(c) ₹ 300 (d) Nil

52. If Average Revenue (AR) = ₹ 300, Price Elasticity of Demand (e) = 4 then MR will be-
(a) ₹105 (b) ₹ 225
(c) ₹300 (d) Nil

53. Given AR = 5 Elasticity of demand =2 find MR-
(a) 2.5 (b) -2.5
(c) 1.5 (d) 2.0

PROFIT MAXIMISATION

54. Which is the first order condition for the profit of a Firm to be maximum?
(a) AC = MR (b) MC = MR
(c) MR = AR (d) AC = AR

55. In the short run, as the prices are fixed, Firms can maximize their profit when they operate at
(a) MC = MR (b) MC > MR
(c) MC < MR (d) MC = AC

56. If Marginal Cost = MC, and Marginal Revenue = MR , then, for achieving equilibrium output, the conditions are-
(a) MC = MR
(b) MC Curve should cut MR Curve from below.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

57. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output -
(a) MC > MR (b) MC < MR
(c) MC = MR (d) None of the above.

58. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output-
(a) MC Curve should cut MR Curve from above
(b) MC Curve should cut MR Curve from below
(c) MC Curve should not cut MR Curve at all.
(d) MC Curve should be tangent to MR Curve

59. If Marginal Cost MC, and Marginal Revenue = MR, and MC < MR the Firm should -
(a) Increase its output.

(b) Reduce its output
(c) Operate at the present level itself.
(d) Should shut down.

60. Suppose a firm is producing a level of output such that MR>MC. What should be Firm do to maximize its profits?
(a) The Firm should do nothing
(b) The Firm should hire less labour
(c) The Firm should increase price
(d) The Firm should increase output

61. What should Firm do when Marginal Revenue is greater than Marginal Cost?
(a) Firm should expand output
(b) Efforts should be made to make then equal
(c) Prices of the products should be lowered down
(d) All of the above

62. If Marginal Cost = MC, and Marginal Revenue = MR, and MC > MR the should -
(a) Increase its output
(b) Reduce its output
(c) Operate at the present level itself
(d) Should shut down

63. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output -
(a) MC Curve should have positive slope
(b) MC Curve should have negative slope
(c) MC Curve should be parallel to X Axis
(d) MC Curve should be parallel to Y Axis

64. Let Marginal Cost = MC, and Marginal Revenue = MR. If MC Curve cuts MR from below, it means -
(a) MC Curve has a negative slope
(b) MC Curve has a positive slope
(c) MC Curve is parallel to X Axis
(d) MC Curve is parallel to Y Axis

65. Let Marginal Cost = MC, and Marginal Revenue = MR. If MC Curve cuts MR from above, it means -
(a) MC Curve is parallel to X Axis
(b) MC Curve is parallel to Y Axis
(c) MC Curve has a negative slope
(d) MC Curve has a positive slope

66. Let Marginal Cost = MC, and Marginal Revenue = MR. IF MC Curve cuts MR from above, it means -
(a) Firm is at equilibrium output level.
(b) Firm is below equilibrium output level.
(c) Firm is above equilibrium output level.
(d) Firm does not operate at all.

67. Let Marginal Cost = MC, and Marginal Revenue = MR. If MC Curve cuts MR from below, it means-
(a) Firm is at equilibrium output level
(b) Firm is below equilibrium output level.
(c) Firm is above equilibrium output level.
(d) Firm does not operate at all.

68. If any unit of production adds more to revenue than cost it will result into-
(a) Increase in Profit (b) Decrease in Profit
(c) No change (d) Loss

69. If any unit of production adds more to cost than to revenue it will result into-
(a) Increase in Profit (b) Decrease in Profit
(c) No change (d) Loss

70. When the Firm is said to be in equilibrium?
(a) When it maximizes its Profit
(b) When it maximizes its Losses
(c) When Revenue is equal to Cost
(d) None of these

71. When a Market is in equilibrium -
(a) No shortages exist.
(b) Quantity demanded equals quantity supplied.
(c) A price is established that clears the market.
(d) All of the above are correct.

72. Profits of the Firm will be more at -
(a) MR = MC (b) AR > AC
(c) Both of the above (d) None of these

73. Let Average Cost = AC, and Average Revenue = AR. IF AR > AC, it means that the Firm -
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut-down

74. Let Average Cost = AC, and Average Revenue = AR. If AR = AC, it means that the Firm-
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut-down

75. Let Average Cost = AC, and Average Revenue = AR. If AR < AC, it means that the Firm -
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses in the economic sense
(d) Has to shut-down.

76. Let Average Cost = AC, and Average Revenue = AR. If AC < AR, it means that the Firm –
(a) Is earning Super - Normal Profits.
(b) Is earning Normal Profits.
(c) Is making Losses.
(d) Has to shut-down.

77. Let Average Cost = AC, and Average Revenue = AR. If AC = AR, it means that the Firm -
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses
(d) Has to shut-down

78. Let Average Cost = AC, and Average Revenue = AR. If AC > AR it means that the Firm-
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses in the economic sense
(d) Has to shut-down

79. When _____, the Firm will be earning just Normal Profits.
(a) AC = AR (b) MC = MR
(c) MC = AC (d) AR = MR

80. When does a Firm earn Normal Profits?
(a) When MR = MC
(b) When AR = AC
(c) When MR = AR = AC = AC
(d) None of these

81. What are conditions when the Firm earns Super- Normal Profit?
(a) Average Revenue is more than Average Cost
(b) Average Cost is more than Average Revenue
(c) MC Curve has negative slope
(d) MR Curve has positive slope

82. For earning super-normal profits, the condition is _____at the point when MC = MR (MC cutting from below)
(a) AR > AC (b) AR = AC
(c) AR < AC (d) None of the above.

83. For earning normal profits, the condition is _____at the point when MC = MR (MC cutting from below)
(a) AR > AC (b) AR = AC
(c) AR < AC (d) None of the above.

84. For having economic losses, the condition is _____at the point when MC = MR (MC cutting from below) at
(a) AR > AC (b) AR = AC
(c) AR < AC (d) None of the above.

85. When _____, we know that the Firms are earning just Normal Profits.
(a) AC = AR (b) MC = MR
(c) MC = AC (d) AR = MR

86. The Profit is the difference between-
(a) AC and TC (b) AC and VC
(c) AC and AR (d) AC and TR

87. When AR = ₹ 10 and AC = ₹ 8, the Firm makes-
(a) Normal Profit (b) Net Profit
(c) Gross Profit (d) Super-Normal Profit

88. Which of the following statements is incorrect?
(a) If Marginal Revenue exceeds Marginal Cost, the Firm should increase output.
(b) If Marginal Cost exceeds Marginal Revenue the Firm should decrease output.
(c) Economic Profits are maximized when Total Costs are equal to Total Revenue.
(d) Profits are maximized when Marginal Revenue equals Marginal Cost.

89. Suppose that a Sole Proprietorship Firm is earning Total Revenues of ₹ 1,20,000 and is incurring Explicit Costs of ₹ 90,000. If the Owner could work for another Company for ₹ 50,000 a year, we would conclude that
(a) The Firm is incurring an Economic Loss
(b) Implicit Costs are ₹ 90,000
(c) The total Economic Costs are ₹ 100,000
(d) The Individual is earning an Economic Profit of ₹ 25,000

90. Suppose that a Sole Proprietorship is earning Total Revenue of ₹ 1,50,000 and is incurring Explicit Costs of ₹ 75,000. If the Owner could work for another Company for ₹ 30,000 a year, it can be concluded that -
(a) The Firm is incurring an Economic Loss
(b) Implicit Costs are ₹ 25,000
(c) Total Economic Costs are₹ 1,00,000
(d) The individual is earning an economic profit of ₹ 45,000

91. Suppose the Total Cost of Production of Commodity X is ₹ 1,25,000. Out of this Cost, Implicit Cost is ₹ 35,000 and Normal Profit is ₹ 25,000. What will be the Explicit Cost of Commodity X?
(a) 90,000 (b) ₹ 65,000
(c) ₹ 60,000 (d) ₹ 1,00,000

92. If the Total Product Cost for manufacturing of a commodity is ₹ 1,50,000. Out of this, Implicit Cost is ₹ 55,000 and Normal Profit is ₹ 25,000, what will be Explicit Cost?
(a) ₹ 95,000 (b) ₹ 1,25,000
(c) ₹ 80,000 (d) ₹ 70,000

SHUT DOWN POINT

93. Let Average Variable Cost = AVC, and Average Revenue = AR. If AR < AVC it means that the Firm
(a) Is earning Super-Normal Profits
(b) Is earning Normal Profits
(c) Is making Losses but need not shut-down
(d) Has to shut-down

94. Which of these is a condition for shut-down of a Firm?
(a) AR > AVC (b) AR > AC
(c) AR < AC (d) AR < AVC

95. A firm will close down in the short period, if AR is less than
(a) AVC (b) AC
(c) MC (d) None

96. If AR < AVC then the Firm -
(a) Will continue and make profits
(b) Will shut-down
(c) Will have losses but will not shut down
(d) Will increase the output

97. IF AR < AVC and the Firm continues production, then
(a) Losses will be reduced
(b) Profits will be reduced
(c) Losses will increase
(d) Profits will increase

98. IF AR< AVC and the Firm stops production, then
(a) There is no profit no loss
(b) There is a Loss equivalent to Fixed Costs
(c) There is a Profit
(d) None of the above

99. What should Firm do if Total Revenue from its product does not equal or exceeds its Total Variable Cost?
(a) Firm should carry production

(b) Firm should stop the production
(c) Firm should carry production and at least try to get revenues equal to fixed cost
(d) None of these

100. In the short run, if the Firm cannot cover its Total Variable Cost -
(a) It continues its operations
(b) It shuts down its operations temporarily
(c) It shuts down its operations forever
(d)It makes more investments to make the operations viable

101. A Firm encounters its "Shut Down Point when-
(a) Average Total Cost equals price at the profit-maximizing level of output.
(b) Average Variable Cost equals Price at the profit- maximizing level of output.
(c) Average Fixed Cost equals price at the profit-maximizing level of output.
(d) Marginal Cost equals Price at the profit-maximizing level of output.

102. At which of the following points, does the Marginal Cost Curve meet the Average Variable Cost Curve?
(a) Shut Down Point
(b) Break Even Point
(c) Equilibrium Point
(d) Profit Maximization Point

103. "I am making a loss, but with the rent I have to pay, can't afford to shut down at this point of time." If this Entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short-run is
(a) Rational, if the Firm is covering its Variable Cost.
(b) Rational, if the Firm is covering its Fixed Costs.
(c) Irrational, since Plant Closure is necessary to eliminate losses.
(d) Irrational, since Fixed Costs are eliminated if a Firm shuts down.

104. At Shut-Down Point-
(a) Price is equal to AVC
(b) Total Revenue is equal to TVC
(c) Total Loss of the Firm is equal to TFC
(d) All of the above

105. Long-Run Normal Prices is that which is likely to prevail -
(a) All the times (b) In market period
(c) In short-run period (d) In long-run period

106. In the long-run, if the Firm is unable to cover the Average Total Cost then it -
(a) Decreases the Selling Price
(b) Increases the Labour to increase production
(c) Decreases the Labour to decrease production
(d) Moves out of the business

107. In the long-run, any Firm will eventually leave the industry if-
(a) Price does not at least cover Average Total Cost
(b) Price does not equal Marginal Cost
(c) Economies of Scale are being reaped
(d) Price is greater than Long Run Average Cost

108. In the long-run, Firms will exit the market if the price of the good offered for sale is less than -
(a) Marginal Revenue
(b) Marginal Cost
(c) Average Total Cost
(d) Average Revenue

109. In the long run, there is enough time for the Firm to cover its Losses and earn Normal Profits. This is because in the long run, all inputs are-
(a) Identical (b) Homogenous
(c) Variable (d) Fixed

COMPREHENSIVE PROBLEMS

A Competitive Firm sells as much as of its product as it chooses at a Market Price of ₹ 100 per unit. Its Fixed Costs are ₹ 300 and its Variable Costs for different levels of production are shown in the following table. Use the following table and answer the next 14 questions.

Quantity	TVC	TFC	TC	AVC	AFC	AC	MC
0	0						
5	250						
10	470						
15	700						
20	980						
25	1350						
30	1850						
35	2520						
40	3400						
45	4530						
50	5950						

110. When Production is 10 units, AVC will be -
(a) ₹50.00 (b) ₹ 47.00
(c) ₹ 46.67 (d) ₹ 49.00

111. When Production is 10 units, AC will be -
(a) ₹ 50.00 (b) ₹ 97.00
(c) ₹ 77.00 (d) ₹ 110.00

112. When Production is 20 units, AVC will be -
(a) ₹ 50.00 (b) ₹ 47.00
(c) ₹ 46.67 (d) ₹ 49.00

113. When Production is 20 units, AC will be -
(a) ₹ 50.00 (b) ₹ 64.00
(c) ₹ 77.00 (d) ₹ 88.00

114. When Production is 30 units, AVC will be -
(a) ₹ 56.67 (b) ₹ 61.67
(c) ₹ 46.67 (d) ₹ 66.67

115. When Production is 30 units, AC will be-
(a) ₹ 66.67 (b) ₹ 71.67
(c) ₹ 56.67 (d) ₹ 76.67

116. When Production is 40 units, AVC will be -
(a) ₹ 85.00 (b) ₹ 82.50
(c) ₹ 92.50 (d) ₹ 95.00

117. When Production is 40 units, AC will be -
(a) ₹ 85.00 (b) ₹ 82.50
(c) ₹ 92.50 (d) ₹ 95.00

118. When Production is 50 units, AVC will be
(a) ₹100.00 (b) ₹110.00
(c) 119.00 (d) ₹ 125.00

119. When Production is 50 units, AC will be-
(a) ₹100.00 (b) 110.00
(c) 119.00 (d) ₹ 125.00

120. AC is minimum when output is-
(a) 10 units (b) 20 units
(c) 30 units (d) 40 units

121. MC Curve will cut AC Curve when output is -
(a) 10 units (b) 20 units
(c) 30 units (d) 40 units

122. To maximize Profit, the Firm should produce
(a) 15 units (b) 30 units
(c) 35 units (d) 50 units

123. If the Market Price drops from ₹ 100 to ₹ 56, the Firm's short run response should be -
(a) Shut down
(b) Produce 5 units
(c) Produce 20 units
(d) Continue to produce the same number of units as before the drop in price.

Use Table to answer the following 4 questions.
Bozzo's burgers is a small restaurant and a price taker. The table below provides the data of Bozzo's output and costs in Rupees.

Quantity	TC	FC	AVC	AC	MC
0	100	-	-	-	-
10	210				
20	300				
30	400				
40	540				
50	790				
60	1060				

124. If burgers sell for ₹ 14 each, what is Bozzo's profit maximizing level of output:
(a) 10 burgers (b) 40 burgers
(c) 50 burgers (d) 60 burgers

125. What is the total variable cost when 50 burgers are produced?

(a) ₹ 690 (b) ₹ 960
(c) ₹ 110 (d) ₹ 440

126. What is average fixed cost when 20 burgers are produced?
(a) ₹5 (b) ₹ 3.33
(c) ₹10 (d) ₹ 2.5

127. Between 10 to 20 burgers, what is the marginal cost (per burger)?
(a) ₹11 (b) ₹13
(c) ₹14 (d) ₹ 9

Use Table to answer the following 5 questions.
The following table provides cost and price information for an individual firm. The first two columns represent the demand curve that the firm faces. The firm has a fixed amount of capital equipment, but can change the level of other inputs such as labour and materials. Calculate the missing values in the table, and use the table to answer the below questions. (Make sure you answer each question using the production level specified.)

Q	P	TC	TVC	MC	TR	MR
0	130	45				
1	124	88				
2	118	125				
3	112	159				
4	106	193				
5	100	230				
6	94	273				
7	88	325				
8	82	389				
9	76	465				

128. When production equals 4 units, the firm's:
(a) Fixed cost is 100 and its variable cost is 93.
(b) Fixed cost is 193 and its variable cost is 0.
(c) Fixed cost: is 0 and its variable cost is 193.
(d) Fixed cost is 45 and its variable cost is 148.

129. When production equals 5 units, the firm's Total Revenue is:
(a) ₹ 100 (b) ₹ 270
(c) ₹ 324 (d) ₹ 500

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

131. When production equals 7 units, the firm's profit is:
(a) +60 (b) ₹ 41.57
(c) ₹ 291 (d) ₹ 336

132. To maximize its profit, the firm should produce:
(a) 0 units (b) 3 units
(c) 5 units (d) 7 units

133. As a price of 20 the quantity demanded is 10 units. With 5% decrease in price the demand increases by 10%. The marginal revenue for the 11^{th} unit will be
(a) 20 (b) 9
(c) 9 (d) 11

IV. PRODUCTION OPTIMISATION

1. The term "Iso" means-
(a) Single (b) Unequal
(c) Equal (d) Similar

2. Isoquant represents
(a) Constant quantity of input
(b) Variable quantity of input
(c) Variable quantity of output
(d) Constant quantity of output

3. _____represents all those combinations of inputs which are capable of producing the same level of output.
(a) Isoquant (b) Isocost
(c) Isoprice (d) None of the above

4. Isoquants are also called -
(a) Equal-Product Curves
(b) Production Indifference Curves
(c) Isoproduct Curves
(d) All the above

5. Isoquants
(a) Are concave to the origin
(b) Touched both the axis
(c) Are non-intersecting
(d) Are positively sloped

6. Isocost Lines are also called -
(a) Equal cost Lines (b) Budget Line
(c) Budget constraint Line (d) All the above

7. _____shows the various alternative combinations of two Factor Inputs, which a Firm can buy with given amount of money.
(a) Isocost Lines (b) Isoproduct Lines
(c) Isoprice Lines (d) Isoquant lines

8. Which of the following statements is true?
(a) All points on a Budget Line would cost the Firm the same amount.
(b) Whatever the combination of Factor Inputs the Firm chooses, the Total Cost to the Firm remains the same.
(c) A change in the relative Input Price will cause a change in the slope of the Isocost Line.
(d) All the above

9. The point of **tangency** between any Isoquant an Isocost Line gives the
(a) highest-cost combination of inputs maximum level of output that can be produces
(b) lowest cost combination of inputs and minimum level of output that can be produced
(c) lowest-cost combination of inputs and maximus level of output that can be produced
(d) highest-cost combination of inputs and minimum level of output that can be produced

10. A line joining **tangency points** of Isoquants and Isocosts is called
(a) Expansion Path (b) Contraction Path
(c) Constant Path (d) None of the above

11. If variable cost of 5 units of output is 100 and fed cost is 40. Find average cost at 5 units of output
(a) 8 (b) 100
(c) 108 (d) 540

12. Diminishing marginal returns implies:
(a) Decreasing average variable costs
(b) Decreasing marginal costs
(c) Increasing marginal costs
(d) Decreasing average fixed costs

13. Average fixed cost for producing 8 units of output was 60, what is the average Fixed cost at 6 units of output
(a) 40 (b) 60
(c) 80 (d) 50

14. For 15 units of output, average cost was ₹ 250 end fixed cost per unit of output was 125, then the average variable cost per at 15 units?
(a) 25 (b) 50
(c) 125 (d) 250

15. Diminishing returns occur -
(a) When units of a variable input are added to a fixed input and total product falls
(b) When units of a variable input are added to a fixed input and marginal product falls
(c) When the size of the plant is increased in the long run.
(d) When the quantity of the fixed input is increased and returns to the variable input falls.

16. Which of the following curve is never U shape
(a) Average cost
(b) Average Variable Cost
(c) Average Fixed cost
(d) Marginal Cost

17. The "law of diminishing returns" applies to:
(a) The short run, but not the long run.
(b) The long run, but not the short run.
(c) Both the short run and the long run.
(d) Neither the short run nor the long run.

18. A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs?
(a) ₹ 200 (b) ₹ 60
(c) ₹ 100 (d) ₹ 1,400

19. Marginal Cost changes due to changes in _____
(a) Total cost (b) Average cost
(c) Variable cost (d) Quantity of output

20. The shape of AFC curve is:
(a) Concave (b) Convex
(c) U shaped (d) Upward sloping

21. Which of the following statement about factors of production is not true?
(a) Land is a passive factor
(b) Land is a free gift of nature
(c) Land is immobile
(d) Land is perishable

22. Accounting cost will be _____economic cost.
(a) Greater than (b) Less than
(c) Equal to (d) None of these

Public finance

1. What is market failure?
(a) When the government intervenes in the market to control prices
(b) When the market achieves perfect competition
(c) When the market fails to allocate resources efficiently
(d) When there is excessive government regulation in the market

2. 'Market failure' is a situation which occurs when
(a) private goods are not sufficiently provided by the market
(b) public goods are not sufficiently provided by public sector
(c) The market fail to form or they allocate resources efficiently
(d) (b) and (c) above

3. Which of the following is an example of market failure?
(a) Prices of goods tend to rise because of shortages
(b) Merit goods are not sufficiently produced and supplied
(c) Prices fall leading to fall in profits and closure of firms
(d) None of the above

4. Which of the following is an outcome of market power?
(a) makes price equal to marginal cost and produce a positive external benefit on others
(b) can cause markets to be efficient due to reduction in costs
(c) makes the firms price makers and restrict output so as to make allocation inefficient
(d) (b) and(c) above

5. Markets do not exist
(a) for goods which have positive externalities
(b) for pure public goods
(c) for goods which have negative externalities
(d) none of the above

6. Which of the following is the right argument for provision of public good by government?
(a) Governments have huge resources at their disposal
(b) Public goods will never cause any type of externality
(c) Markets are unlikely to produce sufficient quantity of public goods
(d) Provision of public goods are very profitable for any government

7. Adequate amount of a pure public good will not be provided by the private market because of
(a) the possibility of free riding
(b) the existence of very low prices and low profits
(c) governments would any way produce them, so there will be overproduction
(d) there are restrictions as well as taxes on production of public goods

8. The free rider problem arises because of
(a) ability of participants to produce goods at zero marginal cost
(b) marginal benefit cannot be calculated due to externalities present
(c) the good or service is non excludable
(d) general poverty and unemployment of people

9. A chemical factory has full information regarding the risks of a product, but continues to sell it. This is possible because of
(a) asymmetric information
(b) moral hazard
(c) free riding
(d) (a) and (c) above

10. If an individual tends to drive his car in a dangerously high speed because he has a comprehensive insurance cover, it is a case of
(a) free riding
(b) moral hazard
(c) poor upbringing
(d) Inefficiency

11. Smoking in public is a case of
(a) Negative consumption externality
(b) Negative production externality
(c) Internalising externality
(d) None of the above

12. Read the following statements
I. The market-based approaches to control externalities operate through price mechanism

II. When externalities are present, the welfare loss would be eliminated

III. The key is to internalizing an externality is to ensure that those who create the externalities include them while making decisions Of the above statements

(a) II and III are correct
(b) I only is correct
(c) II only is correct
(d) I and III are correct

13. Which of the following statements is false?
(a) Tradable permits provide incentive to innovate and reduce negative externalities
(b) A subsidy on a good which has substantial positive externalities would reduce its cost and consequently its price would be lower
(c) Substantial negative externalities are involved in the consumption of merit goods.
(d) Merit goods are likely to be under-produced and under consumed through the market mechanism

14. Which one of the following would you suggest for reducing negative externality?
(a) Production subsidies
(b) Excise duty
(c) Pigouvian taxes
(d) All of the above

15. A Pigouvian subsidy
(a) cannot be present when externalities are present
(b) is a good solution for negative externality as prices will increase
(c) is not measurable in terms of money and therefore not practical
(d) may help production to be socially optimal when positive externalities are present

16. If governments make it compulsory to avail insurance protection, it is because
(a) Insurance companies need to be running profitably
(b) Insurance will generate moral hazard and adverse selection
(c) Insurance is a merit good and government wants people to consume it
(d) None of the above

17. The Competition Act, 2002 aims to -
(a) protect monopoly positions of firms that have developed unique innovations
(b) to promote and sustain competition in markets
(c) to determine pricing under natural monopoly.
(d) None of the above

18. Rules regarding product labeling
(a) Seeks to correct market failure due to externalities
(b) Is a method of solving the problem of public good
(c) May help solve market failure due to information failure
(d) Reduce the problem of monopolies in the product market

19. Identify the incorrect statement
(a) A minimum support price for agricultural goods is a market intervention method to guarantee steady and assured incomes to farmers.
(b) An externality is internalised if the ones that generated the externality incorporate them into their private cost- benefit analysis
(c) The production and consumption of demerit goods are likely to be less than optimal under free markets
(d) Compared to pollution taxes, the cap and trade method is administratively cheap and simple to implement and ensures that pollution is minimised in the most cost-effective way.

20. The incentive to let other people pay for a good or service, the benefits of which are enjoyed by an individual
(a) Is a case of negative externality
(b) Is a case of market efficiency
(c) Is a case of free riding
(d) Is inappropriate and warrant action

21. A government subsidy
(a) is a market-based policy
(b) involves the government paying part of the cost to the firms in order to promote the production of goods having positive externalities
(c) is generally provided for merit goods
(d) all the above

22. The production and consumption of demerit goods are
(a) likely to be more than optimal under free markets.
(b) likely to be less than optimal under free markets
(c) likely to be subjected to price intervention by government
(d) (a) and c) above

23. The argument for education subsidy is based on
(a) Education is costly
(b) the ground that education is merit good
(c) education creates positive externalities

(d) (b) and c) above

24. Read the following statements

I. Social costs are the total costs incurred by the society when a good is consumed or produced.
II. The external costs are not included in firms' income statements or consumers' decisions
III. Each firm's cost which is considered for determining output would be only private cost or direct cost of production which does not include external costs
IV. Production and consumption decisions are efficient only when private costs are considered Of the above

(a) Statements I and III are correct
(b) Statements I,II and III are correct
(c) Statement I only is correct
(d) All the above are correct

25. Government failure occurs when
(a) Government fails to implement its election promises on policies
(b) A government is unable to get reelected
(c) Government intervention is ineffective and produces fresh and more serious problems
(d) None of the above

26. Externalities occur when:
(a) Consumers spend too much on certain goods and services
(b) Producers earn excessive profits in the market
(c) The market price exceeds the equilibrium price
(d) The actions of one party affect the well-being of others who are not involved in the transaction

27. Negative externalities lead to:
(a) Overproduction of goods and services
(b) Overconsumption of goods and services
(c) Market failure due to external benefits
(d) Social costs exceeding private costs

28. A common example of a negative externality is:
(a) Education and knowledge-sharing
(b) Vaccination and public health initiatives
(c) Air pollution from industrial activities
(d) Recycling and waste reduction efforts

29. Positive externalities lead to:
(a) Underproduction of goods and services
(b) Underconsumption of goods and services
(c) Market failure due to external costs
(d) Social benefits exceeding private benefits

30. An example of a positive externality is:
(a) Secondhand smoke exposure
(b) Higher education and its impact on society
(c) Noise pollution from construction activities
(d) Congestion in traffic

31. When externalities are present in a market, the equilibrium quantity and price determined by the market do not represent the:
(a) Marginal cost and marginal utility
(b) Social cost and social benefit
(c) Producer surplus and consumer surplus
(d) Market demand and market supply

32. Which policy tool is often used to address negative externalities?
(a) Subsidies
(b) Price ceilings
(c) Taxes and regulations
(d) Trade restrictions

33. Government intervention to address externalities is most justified when:
(a) The market is perfectly competitive
(b) External costs and benefits are negligible
(c) The costs of intervention exceed the benefits
(d) The private sector fails to find efficient solutions to the externalities

34. When the production of a good generates positive externalities, the social benefit:
(a) Exceeds the private benefit
(b) Equals the private benefit
(c) Is less than the private benefit
(d) Does not impact the private benefit

35. Which of the following is an example of a positive externality in production?
(a) A factory emitting harmful pollutants
(b) A company providing employee training that improves workforce skills
(c) A firm engaging in aggressive marketing tactics
(d) A company dumping waste into nearby rivers

36. Market failure occurs when:
(a) There is a shortage of goods and services in the market

(b) The government sets price ceilings on essential commodities
(c) The market fails to allocate resources efficiently due to externalities
(d) The supply and demand curves intersect at equilibrium

37. Which policy tool can be used to address positive externalities and encourage their production of consumption?
(a) Taxes
(b) Subsidies
(c) Price controls
(d) Tariffs

38. A negative production externality results in:
(a) Social benefits exceeding private benefits
(b) Social costs exceeding private costs
(c) An increase in market efficiency
(d) An increase in consumer surplus

39. The tragedy of the commons refers to a situation where:
(a) The government controls the production and distribution of goods
(b) Private property rights lead to the optimal allocation of resources
(c) Public goods are underproduced in the market
(d) Shared resources are overexploited due to lack of ownership or control

40. Pigouvian taxes are designed to:
(a) Encourage the consumption of goods with positive externalities
(b) Discourage the production or consumption of goods with negative externalities
(c) Support public goods provision through taxation
(d) Promote free trade in international markets

41. Which of the following is an example of a positive externality in consumption?
(a) A person smoking in a public area
(b) A neighbor playing loud music late at night
(c) A person getting vaccinated and reducing the spread of a contagious disease
(d) A person buying luxury goods to display their social status

42. Market-based solutions to address externalities include:
(a) Government subsidies and grants
(b) Imposing strict price controls on certain goods.
(c) Cap-and-trade systems and pollution permits
(d) Raising taxes on all goods and services

43. When negative externalities exist, the market equilibrium quantity will be:
(a) Higher than the socially optimal quantity
(b) Lower than the socially optimal quantity
(c) Equal to the socially optimal quantity
(d) Irrelevant to the socially optimal quantity

45. Which of the following is an example of a public good?
(a) A privately owned shopping mall
(b) A subscription-based streaming service
(c) National defense and military services
(d) A luxury sports car

46. The concept of "information asymmetry" occurs when:
(a) Consumers have perfect knowledge about all products in the market
(b) Producers have more information about their products than consumers
(c) Government regulations require companies to disclose all information to consumers
(d) The supply and demand curves intersect at equilibrium

47. Which market structure is most likely to lead to an inefficient allocation of resources in the presence of externalities?
(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) Monopolistic competition

48. What is market power?
(a) The ability of the government to control market prices
(b) The ability of a single firm or a group of firms to influence market prices and output
(c) The ability of consumers to set prices in the market
(d) The ability of a market to achieve perfect competition

49. Why does the government intervene to reduce market power?
(a) To increase government revenue through taxation
(b) To promote competition and protect consumer interests
(c) To control the production of goods and services
(d) To encourage the formation of monopolies in key industries

50. What is the primary objective of competition-based regulations?
(a) To promote the growth of monopolies in the market
(b) To increase government control over industries
(c) To encourage fair competition and protect consumer welfare
(d) To limit the entry of new firms into the market

51. Which of the following is an example of a competition-based regulation?
(a) Imposing price ceilings on essential goods
(b) Granting exclusive patents to firms for their innovations
(c) Implementing antitrust laws to prevent monopolistic practices
(d) Subsidizing firms to promote industry growth

52. What is the role of competition authorities in enforcing competition-based regulations?
(a) To protect the interests of monopolistic firms
(b) To regulate government spending on public goods
(c) To promote competition anticompetitive practices and prevent
(d) To restrict consumer choice in the market

53. The goal of competition-based regulations is to:
(a) Increase government intervention in the market
(b) Encourage firms to collude and set prices jointly
(c) Limit consumer choices and options
(d) Enhance market efficiency and consumer welfare

54. Which competition-based regulation focuses on ensuring that firms do not engage in unfair practices that restrict competition?
(a) Merger control
(b) Price controls
(c) Market entry barriers
(d) Antitrust laws

55. Which of the following is a common government intervention to reduce market power?
(a) Imposing price floors to guarantee minimum profits for producers
(b) Subsidizing monopolistic firms to encourage their growth
(c) Granting exclusive patents to firms to protect their innovations
(d) Implementing antitrust laws to prevent monopolistic practices

56. Antitrust laws are designed to:
(a) Promote the growth of monopolies in the market
(b) Restrict the entry of new firms into the market
(c) Regulate government spending on public goods
(d) Promote fair competition and prevent anticompetitive behaviors

57. Which government agency is responsible for enforcing antitrust laws in the United States?
(a) Federal Reserve
(b) Securities and Exchange Commission (SEC)
(c) Federal Trade Commission (FTC)
(d) Department of Labor

58. Redistribution policies are likely to have efficiency costs because
(a) They will reduce the efficiency of governments
(b) They may create disincentives to work and save
(c) Governments have to forego taxes
(d) They are likely to make the poor people dependent on the rich

59. Macroeconomic stabilization may be achieved through
(a) Free market economy
(b) Fiscal policy
(c) Monetary policy
(d) (b) and (c) above

60. Which of the following policies of the government fulfils the redistribution function
(a) Parking the army on the northern borders of the country
(b) Supply of food grains at subsidized prices to the poor people
(c) Controlling the supply of money through monetary policy
(d) All of the above

61. Choose the correct statement
(a) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of price and profit controls.
(b) Fiscal policy involves the use of price and profit controls; while monetary policy involves the use of taxation and government spending.
(c) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of changes in the supply of money and interest rates.
(d) Fiscal policy involves the use of changes in the supply of money and interest rates; while monetary policy involves the use of changes in taxation and government spending

62. The justification for government intervention is best described by
(a) The need to prevent recession and inflation in the economy
(b) The need to modify the outcomes of private market actions
(c) The need to bring in justice in distribution of

income and wealth
(d) All the above

63. Read the following statements:
1. The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy
2. Market failures can at all times be corrected through government intervention
3. Public goods will not be produced in sufficient quantities in a market economy Of the three statements above:
(a) 1,2 and 3 are correct
(b) 1 and 3 are correct
(c) 2 and 3 are correct
(d) 3 alone is correct

64. When a government offers unemployment benefits and also resorts to progressive taxation which function does it seem to fulfill?
(a) It is trying to establish stability in an economy
(b) It is trying to redistribute income and wealth
(c) It is trying to allocate resources to their most efficient use
(d) It is creating a source of market failure

65. Government of Emeline Land decides to provide most modern road infrastructure throughout the nation. This can be classified as
(a) Distribution function
(b) Allocation function
(c) Stabilization function
(d) None of the above

66. Which function does the government perform when it provides transfer payments to offer support to the underprivileged
(a) Allocation
(b) Efficiency
(c) Distribution
(d) None of the above

67. Which of the following is true in respect of centre and state government finances?
(a) The centre can tax agricultural income and mineral rights
(b) Finance commission recommends distribution of taxes between the centre and states
(c) GST subsumes majority of direct taxes and a few indirect taxes
(d) IGST is collected by the state governments

68. GST compensation is given to
(a) to the industries which have made losses due to the introduction of GST
(b) to compensate for the lower rates of GST on essential items
(c) to the states to compensate for the loss of revenue due to the introduction of GST
(d) to compensate for the loss of input tax credit in manufacturing

69. Which of the following is true in respect of the role of Finance Commissions in India?
I. The distribution between the union and the states of the net proceeds of taxes
II. Allocation between the states of the respective shares of such proceeds.
III. Make Recommendations on integrated GST on inter-state movement of goods and services
IV. To recommend expenditure decentralization among different states
(a) I and II are correct
(b) II and III are correct
(c) I, II and III are correct
(d) All the above are correct

70. In a federal set up, the stabilization function can be effectively performed by
(a) Respective state governments
(b) Ministry of taxes
(c) The government at the centre
(d) None of the above

71. Which of the following is concerned with division of economic responsibilities between the central and state Government of India?
(a) NITI Aayog
(b) Central bank
(c) Finance Commission
(d) Parliament

72. Fiscal Federalism refers to_____
(a) Organizing and implementing development plans
(b) Sharing of political power between centers and states
(c) The management of fiscal policy by a nation
(d) Division of economic functions and resources among different layers of the government

73. Which one of the following taxes is levied by the state government only?
(a) Corporation tax
(b) Wealth tax
(c) Income tax
(d) None of the above

74. The percentage of share of states in central taxes for the period 2021-26 recommended by the

Fifteenth Finance Commission is
(a) 38 percent
(b) 41 percent
(c) 42 percent
(d) The commission has not submitted its report

75. Which of the following is not a criterion for determining distribution of central taxes among states for 2021-26 period
(a) Demographic performance
(b) Forest and ecology
(c) Infrastructure performance
(d) Tax and fiscal efforts

76. As per the supreme court verdict in May 2022
(a) The union has greater powers than the states for enacting GST laws
(b) The union and state legislatures have "equal, simultaneous powers "to make laws on Goods and Services Tax
(c) The union legislature's enactments will prevail in case of a conflict between those of union and states
(d) The state legislatures can make rules only with the permission of central government

77. Providing social sector services such as health and education is
(a) the responsibility of the central government
(b) the responsibility of the respective state governments
(c) the responsibility of local administrative bodies
(d) none of the above

78. The difference between the budget deficit of a government and its debt service payments is
(a) Fiscal deficit
(b) Budget deficit
(c) Primary deficit
(d) None of the above

The following hypothetical figures relate to country A Crores

Revenue receipts	20,000
Recovery of loans	1,500
Borrowing	15,000
Other Receipts	5,000
Expenditure on revenue account	24,500
Expenditure on capital account	26,000
Interest payments	2,000

79. The revenue deficit for country A is
(a) 5,000
(b) 24,000
(c) 4,500
(d) None of the above

80. Fiscal deficit of country A is
(a) 14,000
(b) 24,000
(c) 23,500
(d) None of the above

81. Primary deficit of Country A is
(a) 26,000
(b) 26,500
(c) 22,000
(d) 24,500

82. In NITI Aayog, NITI stands for
(a) National Initiative for Transforming India
(b) National Institution for Transforming India
(c) National Institute for Technology and Innovation
(d) None of the above

83. Public debt management aims at
(a) An efficient budgetary policy to avail of domestic debt facilities
(b) Raising loans from international agencies at lower rates of interest
(c) Raising the required amount of funding at the desired risk and cost levels
(d) Management of public expenditure to reduce public debt

84. The railway budget is
(a) Part of the general budget, but is presented by the railway minister
(b) Part of the general budget from the budget for financial year 2017-18.
(c) Part of the general budget from the budget for financial year 2021-22
(d) Part of the general budget but presented on the next day of the general budget

85. Outcome budgeting
(a) shares information about the money allocated for various purposes in a budget
(b) establishes a direct link between budgetary allocations and performance targets measured through output and outcome indicators
(c) establishes a direct link between budgetary performance targets and public account disbursals
(d) shares information about public policies and programmes under the budget

86. Corporate tax
(a) is collected by the union government and can

be a capital receipt or revenue receipt
(b) may be collected by the respective states and fall under revenue receipts
(c) may be collected either by the centre or states and fall under revenue receipts
(d) is collected by the union government and is a revenue receipt

87. Government borrowings from foreign governments and institutions
(a) Capital receipt
(b) Revenue receipt
(c) Accounts for fiscal deficit
(d) Any of the above depending on the purpose of borrowing

The following table relates to the revenue and expenditure figures of a hypothetical economy
In lakh

		Crores
a.	Recovery of loans	5.1
b.	Salaries of govt. servants	41.1
c.	Capital Expenditure	45.0
d.	Interest payments	1.3
e.	Payments towards subsidies	3.2
f.	Other receipts (mainly from disinvestment)	11.6
g.	Tax revenue (net of states' share)	26.3
h.	Non-tax revenue	12.3
i.	Borrowings and other liabilities	6.8
j.	States' share in tax revenue	11.9

88. The capital receipts are
(a) 23.5
(b) 19.7
(c) 11.3
(d) None of the above

89. Revenue deficit is
(a) 23.6
(b) 13.0
(c) 7.0
(d) 2.6

90. The non-debt capital receipts of this country is
(a) 45.1
(b) 16.7
(c) 15.8
(d) None of the above

91. A budget is said to be unbalanced when
(a) when government's revenue exceeds government's expenditure

(b) when government's expenditure exceeds government's revenue
(c) either budget surplus of budget deficit occurs
(d) All the above

92. Fiscal deficit refers to
(a) the excess of government's revenue expenditure over revenue receipts
(b) The excess of total expenditure over total receipts excluding borrowings
(c) Primary deficit - interest payments
(d) None of these

93. Budget of the government generally impacts
(a) the resource allocation in the economy
(b) redistribution of income and enhance equity
(c) stability in the economy by measures to control price fluctuations
(d) all the above

94. Which of the following is a statement submitted along with the budget as a requirement of FRBM Act
(a) Annual Financial Statement
(b) Macro-Economic Framework Statement
(c) Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement
(d) (b) and (c) above

95. Government borrowing is treated as capital receipt because
(a) It is mainly used for creating assets by government
(b) It creates a liability for the government
(c) Both a) and b) above are correct
(d) None of the above is correct

96. 'Retail Direct 'scheme is
(a) Initiated by the Reserve Bank of India
(b) facilitate investment in government securities by individual investors.
(c) Direct sale of goods and services by government departments
(d) Both (a) and (b) are correct

97. Non-debt capital receipts
(a) do not add to the assets of the government and therefore not treated as capital receipts
(b) are those that do not create any future repayment burden for the government
(c) are those that create future liabilities for the government
(d) facilitate capital investments at low cost

98. Which of the following is a capital receipt?
(a) Licence fee received
(b) Sale proceeds from disinvestment
(c) Assistance from Japan for covid vaccine
(d) Dividend from a public sector enterprise

99. Grants given by the central government to state governments is
(a) A revenue expenditure as it is meant to meet the current expenditure of the states
(b) A revenue expenditure as it does neither creates any asset, nor reduces any liability of the government
(c) A capital expenditure because it increase the capital base of the states
(d) It is a grant and so does not come under revenue expenditure or capital expenditure.

100.Short-term credit from the Reserve Bank to state governments to bridge temporary mismatches in cash flows is known as
(a) RBI credit to states
(b) Commercial credit of RBI
(c) Ways and Means Advances (WMA)
(d) Short term facility

101. What is fiscal policy?
(a) Government policies that control the money supply and interest rates
(b) Government policies that regulate international trade
(c) Government policies that control taxes and public spending
(d) Government policies that promote competition in the market

102. Expansionary fiscal policy is used to:
(a) Reduce government spending and increase taxes
(b) Reduce the money supply and raise interest rates
(c) Increase government spending and decrease taxes
(d) Increase the money supply and lower interest rates

103.Contractionary fiscal policy is implemented to:
(a) Stimulate economic growth and reduce unemployment
(b) Reduce government spending and increase taxes to control inflation
(c) Increase the money supply and lower interest rates
(d) Encourage international trade and exports

104. The main tools of fiscal policy include:
(a) Open market operations and discount rate adjustments
(b) Changes in the money supply and reserve requirements
(c) Changes in government spending and taxation
(d) Changes in the interest rate and exchange rate

105. During an economic recession, the government is likely to implement:
(a) Expansionary fiscal policy to increase aggregate demand
(b) Contractionary fiscal policy to control inflationary pressures
(c) An increase in the reserve ratio to control money supply
(d) An increase in interest rates to attract foreign investment

106. Fiscal policy refers to the
(a) use of government spending, taxation and borrowing to influence the level of economic activity
(b) government activities related to use of government spending for supply of essential goods
(c) use of government spending, taxation and borrowing for reducing the fiscal deficits
(d) and (b) above

107. If real GDP is continuously declining and the rate of unemployment in the economy is increasing, the appropriate policy should be to
(a) Increase taxes and decrease government spending
(b) Decrease both taxes and government spending
(c) Decrease taxes and increase government spending
(d) Either (a) or (c)

108. Which of the following are likely to occur when an economy is in an expansionary phase of a business cycle?
(A) Rising unemployment rate
(B) Falling unemployment rate
(C) Rising inflation rate
(D) Deflation
(E) Falling or stagnant wage for workers
(F) Increasing tax revenue
(G) Falling tax revenue
(a) A, B and Fare most likely to occur
(b) B, C and Fare most likely to occur
(c) D, E and Fare most likely to occur
(d) A, E and G are most likely to occur

109. During recession the fiscal policy of the government should be directed towards
(a) Increasing the taxes and reducing the aggregate demand
(b) Decreasing taxes to ensure higher disposable income
(c) Increasing government expenditure and increasing taxes
(d) None of the above

110. According to Keynesian economics, when we have inflation an effective fiscal policy should not include
(a) increase corporate taxes.
(b) decrease aggregate demand.
(c) Increase government purchases.
(d) None of the above is correct

111. Keynesian economists believe that
(a) fiscal policy can have very powerful effects in altering aggregate demand, employment and output in an economy
(b) when the economy is operating at less than full employment levels and when there is a need to offer stimulus to demand fiscal policy is of great use
(c) Wages are flexible and therefore business fluctuations would be automatically adjusted
(d) (a) and (b) above

112. Which of the following may ensure a decrease in aggregate demand during inflation?
(a) decrease in all types of government spending and/or an increase in taxes
(b) increase in government spending and/ or a decrease in taxes
(c) decrease in government spending and/ or a decrease in taxes
(d) All the above

113.A recession is characterized by
(a) Declining prices and rising employment
(b) Declining unemployment and rising prices
(c) Declining real income and rising unemployment.
(d) Rising real income and rising prices

114. Which one of the following is an example of fiscal policy?
(a) A tax cut aimed at increasing the disposable income and spending
(b) A reduction in government expenditure to contain inflation
(c) An increase in taxes and decrease in government expenditure to control inflation
(d) All the above

115. Which of the following would illustrate a recognition lag?
(a) The time required to identify the appropriate policy
(b) The time required to identify to pass a legislation
(c) The time required to identify the need for a policy change
(d) The time required to establish the outcomes of fiscal policy

116. An expansionary fiscal policy, taking everything else constant, would in the short-run have the effect of
(a) a relative large increase in GDP and a smaller increase in price
(b) a relative large increase in price, a relatively smaller increase in GDP
(c) both GDP and price will be increasing in the same proportion
(d) both GDP and price will be increasing in a smaller proportion

117. Which statement (s) is (are) correct about crowding out?
I. A decline in private spending may be partially or completely offset by the expansion of demand resulting from an Increase in government expenditure.
II. Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector.
III. When spending by government in an economy Increases government spending would be crowded out.
IV. Private investments, especially the ones which are interest -sensitive, will be reduced if interest rates rise due to increased spending by government

(a) I and III only
(b) I, II, and III
(c) I, II, and IV
(d) III only

118. Which of the following policies is likely to shift an economy's aggregate demand curve to the right?
(a) Increase in government spending
(b) Decrease in taxes
(c) A tax cut along with increase in public expenditure
(d) All the above

119. Identify the incorrect statement
(a) A progressive direct tax system ensures economic growth with stability because it distributes the burden of taxes unequally
(b) A carefully planned policy of public expenditure helps in redistributing income from the rich to the poorer sections of the society.
(c) There are possible conflicts between different objectives of fiscal policy such that a policy designed to achieve one goal may adversely affect another
(d) An increase in the size of government spending during recessions may possibly 'crowd-out' private spending in an economy

120. Read the following statements
I. Fiscal policy is said to be contractionary when revenue is higher than spending i.e., the government budget is in surplus
II. Other things constant, a fiscal expansion will raise interest rates and "crowd out" some private investment
III. During inflation new taxes can be levied and the rates of existing taxes are raised to reduce disposable incomes
IV. Classical economists advocated contractionary fiscal policy to solve the problem of inflation Of the above statements
(a) I and II are correct
(b) I, II and III are correct
(c) Only III is correct
(d) All are correct

121. While resorting to expansionary fiscal policy
(a) the government may possibly have a budget surplus as increased expenditure will bring more output and more tax revenue
(b) the government may run into budget deficits because tax cuts reduce government income and the government expenditures exceed tax revenues in a given year
(c) it is important to have a balanced budget to avoid inflation and bring in stability
(d) None of the above will happen

122. Contractionary fiscal policy
(a) is resorted to when government expenditure is greater than tax revenues of any particular year
(b) increase the aggregate demand to sustain the economy
(c) to increase the disposable income of people through tax cuts and to enable greater demand
(d) is designed to restrain the levels of economic activity of the economy during an inflationary phase

123. When government spending is deliberately reduced to bring in stability
(a) the government is resorting to contractionary fiscal policy
(b) the government is resorting to expansionary fiscal policy
(c) trying to limit aggregate demand to sustainable levels
(d) (a) and c) above

124. An increase in personal income taxes
(a) reduces disposable incomes leading to fall in consumption spending and aggregate demand
(b) is desirable during inflation or when there is excessive levels of aggregate demand
(c) is to compensate the deficiency in effective demand by boosting aggregate spending
(d) both a) and b) are correct

125. While the government resorts to deliberate fiscal policy it may not attempt to manipulate
(a) Government expenditures on public works
(b) The rates of personal income taxes and corporate taxes
(c) Government expenditures on goods and services purchased by government
(d) The rate of interest prevailing in the economy

126. Which of the following fiscal remedy would you advice when an economy is facing recession
(a) the government may cut interest rates to encourage consumption and investment
(b) the government may cut taxes to increase aggregate demand
(c) the government may follow a policy of balanced the budget.
(d) None of the above will work

127. While if governments compete with the private sector to borrow money for securing resources for expansionary fiscal policy
(a) it is likely that interest rates will go up and firms may not be willing to invest
(b) it is likely that interest rates will go up and the individuals too may be reluctant to borrow and spend
(c) it is likely that interest rates will go up and the desired increase in aggregate demand may not be realized
(d) All the above are possible

Market Forms, Market Price & Output Determination

MARKET BASICS

MARKET BASIS

1. In Economics, a place where Buyers and Sellers meet and bargain over a commodity for a price is called-
(a) Den (b) Shop
(c) Market (d) Exchange

2. Which of the following statements best describe a "Market?
(a) Place where Shares and Securities are bought and sold.
(b) Place where Fruits and Vegetables are bought and sold.
(c) Place where Buyers and Sellers meet and bargain over a commodity for a price.
(d) Place where transactions takes place

3. Which of these is not a feature of Market?
(a) Buyers and Sellers.
(b) Commodity, Product or Service.
(c) Bargaining for a Price
(d) Government Regulation and Control

4. Which of these is a feature of Market?
(a) Perishable Nature of the commodity
(b) Government Regulation and Control
(c) One Price for a Product or Service at a given time
(d) Scarcity of Resources

5. Which of the following is an element of Market Structure?
(a) Buyers & Sellers
(b) A product or service
(c) Bargaining for a Price
(d) All of the above

6. The Market for ultimate consumers is known as _____
(a) Whole Sale Market
(b) Retail Market
(c) Unregulated Market
(d) Regulated Market

7. Which of these is not a Market Structure in Economics?
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Intense Competition

8. Which of these is a Market Structure in Economics?
(a) Stock Exchange
(b) Reserve Bank of India
(c) Oligopoly
(d) Government of India

9. Which of the following types of competition is just a theoretical economic concept, not a realistic case where actual competition and trade take place?
(a) Monopoly
(b) Oligopoly
(c) Perfect Competition
(d) Monopolistic Competition

10. Free Entry/Exit is a characteristic feature of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) (a) and (c)

11. Free Entry/Exit is a not a characteristic feature of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) All the above.

12. Free Entry/Exit is possible in-
(a) short-run
(b) long-run

(c) Both (a) and (b)
(d) Neither (a) nor (b)

13. Short run price is also known as:
(a) Market price
(b) Showroom price
(c) Maximum retail price
(d) None of these

14. The market for Foodgrains, Cereals, Vegetables, etc. closely resembles -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

15. Railways is an example of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

16. Air Travel Service Industry is an example of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

17. Electricity Supply Service is an example of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

18. Bottled Cool Drinks Industry is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

19.Agricultural Goods markets depict characteristics close to -
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) Monopolistic Competition

20. Which of the following is an Oligopoly?
(a) Mobile Industry
(b) Cold Drink
(c) Automobile
(d) All of these

21. Toothpaste Manufacturing Industry is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

22. Automobile (Cars) Manufacturing Industry is an example of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

23. Toilet Soaps Industry is an example of -
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

24. Mobile Phone Service Providers is an example of
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

25. The structure of the Cold Drink Industry in India is best described as
(a) Perfectly Competitive
(b) Monopolistic
(c) Monopolistically Competitive
(d) Oligopolistic

26. The conditions of Firm Equilibrium, i.e. MC = MR, and MC cuts MR from below, is applicable for (a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition

(d) All of the above.

27. In which of the following market conditions, does a Firm maximizes its profit when its Marginal Revenue is equal to Marginal Cost?
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) All of the above.

28. What is the other name given for Average Revenue Curve?
(a) Profit Curve
(b) Demand Curve
(c) Average Cost Curve
(d) Indifference Curve

29. Which of the following is not a characteristic feature common to both Monopolistic Competition in Perfect Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

30. As in perfect Competition, the Firms operating in a monopolistically competitive industry can realize only Normal Profits in the long run because
(a) The Firms tend to have diseconomies of scale in the long run
(b) There are virtually no entry or exit barriers
(c) Consumers are more price sensitive in the long ruin that in the short run
(d) Cartels agreements tend to be more unstable with the increase of time as member Firms try to increase their profits by cheating on the agreement

31. The relationship Firm = Industry is applicable for-
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly

32. In which of the following market structures is the demand curve of the market is represented by the demand curve of the Firm?
(a) Monopolistic competition
(b) Perfect Competition
(c) Monopoly
(d) Oligopoly

33. The AR Curve and Industry Demand Curve are same in the case of -
(a) Monopoly
(b) Oligopoly
(c) Perfect Competition
(d) None of the above

34. Why is the Demand Curve of the Market in Monopoly is represented by the Demand Curve of the Firm?
(a) Because there are many Firm in the market
(b) Because there is only one Firm in the market
(c) Because there is only one buyer in the market
(d) Because there are many buyers in the market

35. The relationship Industry = Large Number of Firms, is applicable for-
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Both (a) and (b)

36. The relationship Industry = a Few Firms, is applicable for-
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

37. Which among the following market structures has the highest product differentiation?
(a) Pure or Perfect Competition
(b) Monopolistic Competition
(c) Oligopoly
(d) Monopoly

38. Which among the following market structures has the highest price elasticity?
(a) Pure or Perfect Competition
(b) Monopolistic Competition
(c) Oligopoly
(d) Monopoly

39. Which of the following market forms will never suffer losses in the short run?
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) None of these

40. Under which of the following market structures is the price lower and output larger?
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Oligopoly

41. In which form of the market structure is the degree of control over the price of its product by a Firm very large
(a) Monopoly
(b) Imperfect Competition
(c) Oligopoly
(d) Perfect Competition

42. Under which of the following forms of market structure does a Firm has no control over the price of its product
(a) Monopoly
(b) Monopolistic competition
(c) Oligopoly
(d) Perfect Competition

43. A market structure in which many Firms sell products that are similar but not identical is known as -
(a) Monopolistic Competition
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

44. Which of the following types of market structure is the exact opposite of Perfect Competition?
(a) Monopolistic competition
(b) Monopoly
(c) Oligopoly
(d) Duopoly

45. Which of the following statements about Price and Marginal Cost (MC) in competitive and monopolized markets is true?
(a) In Competitive Markets, Price = MC; in Monopolized Markets, Price > MC
(b) In Competitive Markets, Price = MC; in Monopolized Markets, Price = MC
(c) In Competitive Markets, Price > MC; in Monopolized markets, Price > MC
(d) In Competitive Markets, Price > MC; in Monopolized markets, Price = MC

46. In which of the following types of market structures can a Firm earn abnormal profits in the long run?
(a) Perfect Competition
(b) Monopolistic competition
(c) Monopoly
(d) None of the above

47. In which of the following types of market structure, do Firms produce homogeneous products?
(a) Monopoly
(b) Differentiated Oligopoly
(c) Perfect Competition
(d) Monopolistic Competition

48. Which of the following statements is incorrect?
(a) Even Monopolist can earn losses
(b) Firms in a perfectly competitive market are Price Takers.
(c) It is always beneficial for a Firm in a Perfectly Competitive Market to discriminate prices.
(d) Kinked demand curve is related to an Oligopolistic Market.

49. Which of the following statements is not true with respect to the long run?
(a) A Firm in a monopolistically competitive industry earns only normal profits in the long run
(b) A Monopolist does not make losses
(c) A Perfectly Competitive Firm earns only normal profits in the long run
(d) Monopolistically Competitive Firms will be producing at minimum average cost

50. P= MR = MC = AC = is the condition of -
(a) Long run equilibrium for a Firm under Perfect Competition
(b) Long run disequilibrium for a Firm
(c) Long run equilibrium for a Firm under Monopoly
(d) Long run equilibrium for a Firm under Monopolistic competition

51. Which of the following features is not seen in Imperfect Competition?
(a) Few Sellers
(b) Product Differentiation
(c) Price wars
(d) All goods are Homogenous

52. Market situation in which there are only two Firms in the market
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

53. A market characterized by a Single Buyer of a product or service.
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopoly

54. A market characterized by a small number of large buyers.
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopsony

55. A market structure in which there is only a Single Buyer and a Single Seller
(a) Monoposony
(b) Bilateral Monopoly
(c) Duopoly
(d) Oligopsony

56. Duopoly is a market situation in which -
(a) there are only two Firms in the market
(b) there is a Single Buyer of a product or service
(c) there is only a Single Buyer and a Single Seller
(d) none of the above

57. A person who charges different prices in different sub-markets is-
(a) Discriminating Monopolists
(b) Simple Monopolists
(c) Selective Monopolists
(d) None of the above

58. "Let and live philosophy" concern from which market
(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) Monopolistic Competition

59. What is true about the perfect competition market
(a) AR = MR = PRICE
(b) AR = AC = P
(c) AR > AC
(d) None

60. If a perfect competition firm is making losses then which condition is suitable. To carry on business it covering variable cost long as
(a) Shutdown
(b) Expand it's plant
(c) Do nothing
(d) Reduce productions

61. If in a short run perfect competition earn Super normal profit then which condition satisfy
(a) ATC> MC
(b) ATC< MC

(c) MR < AR
(d) MR > AR

62. Group behaviour from which market belongs
(a) Perfect Competition
(b) Monopolistic Competition
(c) Monopoly
(d) Oligopoly

63. In the long run Monopolistic comp. and perfect comp. are same because of
(a) Normal Profit
(b) Abnormal Production
(c) Losses
(d) None

64. Suppose that the demand curve for the XYZ Co slopes downward and to the right. We can conclude
(a) The firm operates in perfectly competitive market
(b) The firm can sell all that it was to at the established market price.
(c) The XYZ Co. is not a price taker in the market because it must lower price to sell additional units of output.
(d) The XYZ Co. will not be maximize profits because price and revenue are subject to change.

65. Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence:
(a) 50, 50, 50, 50
(b) 50, 110, 180, 260
(c) 50, 100, 150, 200
(d) 50, 90, 120, 140

66. Extreme Product differentiation is found in which market?
(a) Monopolistic Competition
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

67. Monopoly firm faces which demand curve?
(a) Downward Sloping
(b) Horizontal
(c) Rising
(d) All of these

II. PERFECT COMPETITION

1. In India which of the following best describes a perfectly competitive market?
(a) Sugarcane Cultivation
(b) Indian Railways
(c) Toilet Soap Industry
(d) Electricity Distribution

2. Which industry best fits the description of a Perfectly Competitive market?
(a) Automobile
(b) PC
(c) Soft-drinks
(d) Agriculture

3. Under Perfect Competition, there are _____Sellers.
(a) Many (b) Only one
(c) A Few (d) No

4. Under Pure Competition, there are _____Sellers.
(a) Many (b) Only one
(c) A Few (d) No

5. Which of the following is not an essential condition of Pure Competition?
(a) Large number of Buyers and Sellers
(b) Homogeneous Product
(c) Freedom of entry
(d) Absence of Transport Cost

6. Which of the following is not true about perfect competition?
(a) Purchase and sale of homogeneous goods
(b) Mobility of factors of production
(c) Free entry and exit
(d) Presence of advertisement

7. Under Perfect Competition, the product is -
(a) Differentiated
(b) Homogeneous
(c) Influenced by Brand Name
(d) Always Intangible

8. Under Perfect Competition, each Firm is a_____
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

9. Price under perfect competition is determined by
(a) Firm (b) Industry
(c) Government (d) Society

10. In a perfect competition, who set the prices:
(a) Buyers
(b) Sellers
(c) Both buyers and sellers
(d) Government

11. The assumptions of large number of Sellers and product homogeneity in Perfect Competition, implies that all individual Firms in Perfect Competition are -
(a) Price Takers (b) Price Movers
(c) Price Givers (d) Price Offerers

12. In which competition, firm has no control over price?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic Competition
(d) Oligopoly

13. In a Perfect Competitive Market -
(a) Firm is the Price-Giver and Industry is the Price Taker
(b) Firm is the Price Taker and industry is the Price- Giver
(c) Both are Price Takers
(d) none of the above

14. The distinction between a single firm & an Industry vanishes in which of the following market condition
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Imperfect competition

15. How are prices determined under Perfect Competition?
(a) At the equilibrium price of Firm
(b) At the equilibrium prices of Industry
(c) At the point where MR = MC
(d) All of these

16. Under Perfect Competition, each Firm's control over price is-
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

17. Under Perfect Competition, Price Elasticity of Demand is
(a) Nil (b) Less Elastic
(c) More Elastic (d) Infinity

18. In a Perfectly Competitive Market, the Demand Curve is
(a) Relatively inelastic (b) Unitary elastic
(c) Relatively elastic (d) Infinitely elastic

19. Under Perfect Competition, the Firm's Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked

20. What is the shape of the Demand Curve faced by a Firm under Perfect Competition?
(a) Horizontal (b) Vertical
(c) Positively sloped (d) Negatively sloped

21. In India, the Milk Market resembles a perfectly competitive industry. If the industry is an increasing cost industry, the long run supply curve of the industry
(a) Slopes upward to the right
(b) Slopes downward to the right
(c) Would be a vertical straight line
(d) Would be horizontal straight line

22. Under Perfect Competition, a Firm can earn _____ in the long-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

23. Under Perfect Competition, in the long run, a Firm
(a) will not have excess capacity
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

24. Under Perfect Competition, in the long-run, a Firm-
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm
(d) will leave the industry.

25. Which of these is not a feature of Perfect Competition?
(a) Large Number of Buyers & Sellers
(b) Homogeneous Products
(c) Free Entry/Exit
(d) Preference of Consumers towards one Supplier

26. Which of the following is a feature of Perfect Competition?
(a) Firms are free to produce any number of units of different commodities
(b) Firms are free to enter and exit from the industry
(c) Firms are free to produce any type of a commodity
(d) None of the above

27. One of the essential conditions of Perfect Competition is-
(a) Product Differentiation
(b) Multiplicity of prices for identical product at any one time.
(c) Many Sellers and few Buyers
(d) Only one price for identical goods at any one time

28. Which of the following is true about Perfect Competition?
(a) Firms can enter freely in the market but it is difficult to exit from the market
(b) Firms face difficulty in entering the market, but Firms can freely exit from the market
(c) Entry and exit in the market is highly restricted
(d) Firms are free to enter and exit the market

29. Which of the following statements regarding Perfect Competition is false?
(a) Supply and Demand forces determine the price of a commodity
(b) All Buyers in the Market are always in position to influence the market
(c) In the short run, the Firm takes Market Price as given
(d) Considering the Market Price, Firm adjusts the level of output to maximize profits

30. Which of these is not a feature of Perfect Competition?
(a) Restriction in Entry of new Firms
(b) Perfect Knowledge
(c) Efficient Transportation Facilities
(d) Uniform Market Price

31. Which of the following is not a condition of Perfect Competition?
(a) Large Number of Firms
(b) Perfect Mobility of Factors
(c) Informative advertising to consumers have good information ensure that
(d) Freedom of entry and exit into and out of the market

32. Which of the following is not a characteristic of a Perfectly Competitive Market?
(a) Large number of Firms in the industry
(b) Outputs of the Firms are perfect substitutes for one another
(c) Firms face downward-sloping Demand Curves
(d) Resources are very mobile

33. Which of the following is not a characteristic of a Perfectly Competitive Market?
(a) Large number of Buyers and Sellers
(b) Homogeneous Product
(c) Free entry and exit of Firms
(d) Presence of high transportation costs

34. Which of these is not a feature of Perfect Competition?
(a) Free Entry/Exit
(b) Lack of Perfect Knowledge
(c) Inefficient Transportation Facilities
(d) Mobility of Factors of Production

35. Which of the following is not a characteristic feature of Perfect Competition?
(a) All the sellers sell at the same price
(b) All the products are homogenous
(c) Customers have no bargaining power
(d) Customers have no purchasing power

35. Which of the following statements regarding Perfect Competition is false?
(a) The Marginal Revenue Curve is a straight line
(b) In the short run, Fixed Costs remain constant and cannot be changed
(c) The Firm becomes a Price-Taker and tries to achieve equilibrium
(d) Marginal Revenue is more than the price

37. Under Perfect Competition, all output can be sold -
(a) at different prices
(b) at the same price only
(c) at zero price
(d) only when Buyers are willing to buy.

38. Which of the following statements is false in a Perfectly Competitive Market with constant returns to scale?

(a) The long run average cost curve will be horizontal at each Firm's minimum average cost
(b) The long run average cost curve will be horizontal at each Firm's zero-profit price
(c) The long run equilibrium in a competitive industry will be one with no economic profit
(d) With a constant increase in one input, keeping other inputs constant, the output could be increase

39. Under Perfect Competition, Demand (D) =
(a) Average Revenue (AR)
(b) Marginal Revenue (MR)
(c) Price (P)
(d) All of the above

40. Which of the following curves resembles the Demand Curve in a Perfect Competition?
(a) Average Cost Curve
(b) Marginal Utility Curve
(c) Average Utility Curve
(d) Average Variable Cost Curve

41. Which of the following statement is not true about Perfect Competition?
(a) The Demand Curve is also the Firm's Average revenue Curve
(b) The Demand Curve is a horizontal line.
(c) Demand increases as price increases
(d) Supply increases as price decreases

42. Under Perfect Competition price of the Product
(a) can be controlled by individual Firm
(b) cannot be controlled by individual Firm
(c) can be controlled within certain limit by individual Firm
(d) none of the above

43. In Perfect Competition, since the Firm is a price- taker, the _____Curve is a Straight Line.
(a) Marginal Cost
(b) Total Cost
(c) Total Revenue
(d) Marginal Revenue

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

45. Which of the following is not a characteristic of a "Price Taker"?
(a) TR = P × Q
(b) AR = Price
(c) Negatively - sloped Demand Curve
(d) Marginal Revenue = Price

46. Price-Taking Firms, i.e., Firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness?
(a) The individual Firm must have fewer than 10 employees
(b) The individual Firm faces a downward-sloping demand curve
(c) The individual Firm has assets of less than ₹ 20 lakh
(d) The individual Firm is unable to affect market price through its output decisions

47. For the price-taking Firm
(a) Marginal Revenue is less than Price
(b) Marginal Revenue is equal to Price
(c) Marginal Revenue is greater than Price
(d) The relationship between Marginal Revenue and Price is indeterminate

48. The Firm in a Perfectly Competitive Market is a Price Taker. This designation as a Price Taker is based on the assumption that-
(a) The Firm has some, but not complete, control over its product price

(b) There are so many buyers and sellers in the market that any individual Firm cannot affect the market
(c) Each Firm produces a homogeneous product
(d) There is easy entry into or exit from the market place

49. A Perfectly Competitive Firm Producer has control over -
(a) Price
(b) Production as well as price
(c) Control over production, price and consumers
(d) None of the above

50. Under Perfect Competition, Demand (D) AR = MR = Price. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

51. Under Perfect Competition, Total Revenue is equal to Marginal Revenue times the quantity sold. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

52. If a Competitive Firm doubles its output, its Total Revenue
(a) doubles
(b) more than doubles
(c) less than doubles
(d) cannot be determined because the price of the good may rise or fall

53. In Perfect Competition, a Firm can maximize its profits in short-run only when-
(a) Average Revenue is more than Marginal Revenue
(b) Marginal Revenue is equal to Total Cost
(c) Average Revenue is equal to Marginal Cost
(d) Marginal Cost is equal to Marginal Revenue

54. A Competitive Firm maximizes profit at the output level where-
(a) Price equals Marginal Cost
(b) Slope of the Firm's profit function is equal to zero.
(c) Marginal Revenue equals Marginal Cost.
(d) All of the above.

55. In Perfect Competition, when Marginal Cost Marginal Revenue, Profit is_____
(a) Maximum (b) Average
(c) Zero (d) Not Possible

56. In Perfect Competition, a Firm maximizing its profits will set its output at that level where -
(a) Average Variable Cost = Price
(b) Marginal Cost = Price
(c) Fixed Cost = Price
(d) Average Fixed Cost = Price

57. Which of the following market situations explains Marginal Cost equal to Price for attaining equilibrium?
(a) Perfect Competition.
(b) Monopoly
(c) Oligopoly
(d) Monopolistic Competition.

58. In a Perfectly Competitive Market, if MC = Marginal Cost, MR = Marginal Revenue, AR = Average Cost and P = Price, the first order condition for profit maximization will be -
(a) MC < MR < AR < P
(b) MC = MR = AR = P
(c) MC > MR > AR > P
(d) MC = MR > AR = P

59. Which is the first order condition for the profit of a firm to be maximum?
(a) AC = MR (b) MC = MR
(c) MR = AR (d) AC = AR

60. Under the Perfect Competition a Firm will be in Equilibrium when -
(a) MC = MR
(b) MC cuts MR from below
(c) MC is rising when it cuts MR
(d) All of the above

61. Under Perfect Competition, a Firm can earn _____ the short-run in

(a) Normal Profits only
(b) Super Normal Profits

(c) Losses
(d) All of the above

62. Under Perfect Competition, in the short-run, the condition AR = MR = MC = AC, means that the Firm earning-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

63. Under Perfect Competition short-run, if AR > AC at the point when MC = MR, it means that the Firm-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

64. Under Perfect Competition, in the short-run, if AR < AC at the point when MC = MR it means that Firm-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

65. In the short run, if a Perfectly Competitive Firm finds itself operating at a loss, it will -
(a) reduce the size of its plant to lower fixed costs.
(b) raise the price of its product.
(c) shut down.
(d) continue to operate as long as it covers its variable cost.

66. Under Perfect Competition, in the short-run, the condition for shut-down is-
(a) AR < AC (b) AR > AC
(c) AR > AVC (d) AR < AVG

67. Which of the following is true with reference to shut down point in a Perfect Competition?
(a) The profits of the Firm equals its total costs
(b) At that output level the price covers the average fixed costs of the Firm

(c) At that output level the price covers the average variable costs of the Firm
(d) At that output level the price covers the average total costs of the Firm

68. If the price falls below the Minimum Average Variable Cost, a Firm operating under Perfect Competition should, in the short run,
(a) Produce an output where MR = MC
(b) Reduce its output so as to increase the price and profits
(c) Stop production (output) until price increases
(d) Continue to produce in the short run, but not in long run

69. In Perfect Competition, a Firm increases profit when _____exceeds_____
(a) Total Cost, Total Revenue
(b) Marginal Cost, Marginal Revenue
(c) Total Revenue, Total Fixed Cast
(d) Average Revenue, Average Cost

70. In a perfectly competitive markets, if MR is greater than MC then a firm should-
(a) Increase its production
(b) Decrease its production
(c) Increase in sales
(d) Decrease in sales

71. In Perfect Competition, a Firm's Profit diminishes when _____exceeds_____
(a) Marginal Revenue, Marginal Cost
(b) Marginal Cost, Marginal Revenue
(c) Marginal Revenue, Average Cost
(d) Average Revenue, Average Cost

72. In a perfectly competitive market, in the long run, competitive prices equal the minimum possible
_____cost.
(a) Marginal (b) Variable
(c) Total (d) Average

73. Under Perfect Competition, the burden of a specific tax would be borne by -
(a) Seller
(b) Buyer
(c) Seller and buyer equally
(d) Cannot say

74. Under Perfect Competition, the condition for equilibrium is AR=MR=MC=AC. This is for
(a) short-run
(b) long-run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

75. Under Perfect Competition, in the long-run, the LAC Curve will be _____ to the AR Curve.
(a) tangent (b) perpendicular
(c) parallel (d) coinciding

76. Under Perfect Competition, in the long-run, the _____will be tangent to the AR Curve.
(a) LAC Curve (b) LMC Curve
(c) Demand (d) Supply

77. Under Perfect Competition, in the long-run, the industry is said to be in equilibrium, if-
(a) All the Firms are earning normal profits only.
(b) There is no further entry or exit of Firms to / from the market.
(c) Both (a) and (b)
(d) Neither (a) nor (b)

78. Under Perfect Competition, in the long-run, if SMC = SAC = LAC = LMC = LMR = LAR = Price, then the industry is said to be
(a) Growing (b) in troubled times
(c) in Equilibrium (d) inefficient

79. In the long-run, Industry Equilibrium is achieved if SMC = SAC = LAC = LMC = LMR = LAR = Price. This condition is applicable for –
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly.

80. Under Perfect Competition, the condition for Industry Equilibrium, i.e. SMC = SAC = LAC LMC = LMR = LAR Price, is applicable for -
(a) short-run
(b) long-run
(c) Both (a) and (b)
(d) Neither (a) nor (b)

81. When the Perfectly Competitive Firm and industry are in long run equilibrium then -
(a) P = MR = SAC = LAC.
(b) D = MR = SMC = LMC.
(c) P = MR = Lowest point on the LAC curve.
(d) All of the above.

82. In the long run, the Pure Competition Firm can have
(a) Super Normal Profit
(b) Normal Profits
(c) Losses
(d) All of these

83. In Long run which of the following is true for a perfect competition
(a) Industry is operating at minimum point of AC curve
(b) MC is greater than MR
(c) AFC is less than AVC
(d) Price is less than AC

84. In Perfect Competition, in the long run
(a) There are large Profits for the Firm
(b) There are large Losses for the Firm
(c) There is no super-normal profit and no loss for the Firm
(d) There are negligible profits for the Firm

85. What are the conditions for long-run equilibrium of the Competitive Firm?
(a) LMC = LAC = P
(b) SMC = SAC = LMC
(c) P = MR
(d) All of these

86. Under Perfect Competition, in the long run, Output is produced at-
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

87. Under Perfect Competition, in the long-run, LAC refers to-
(a) minimum feasible cost
(b) maximum cost
(c) optimal cost
(d) zero cost

88. Under Perfect Competition, in the long-run resources will be -
(a) fully used (b) partially used
(c) not used at all (d) wasted

89. Excess Capacity is not found under-
(a) Monopoly
(b) Monopolistic Competition
(c) Perfect Competition.
(d) Oligopoly

90. Under Perfect Competition, the Firm's AR and MR Curve will be the same as-
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

91. Under Perfect Competition, the Firm's Demand Curve will be the same as-
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Both (a) and (b)
(d) Neither (a) nor (b)

92. Under Perfect Competition, the Firm's MC Curve will be the same as-
(a) Supply Curve
(b) Demand Curve
(c) Production Possibility Curve
(d) Indifference Curve

93. Under Perfect Competition, the Firm's Supply Curve will be the same as -
(a) Marginal Revenue (MR) Curve
(b) Average Revenue (AR) Curve
(c) Marginal Cost (MC) Curve
(d) Average Cost (AC) Curve

94. Under Perfect Competition, the Firm's Supply Curve will be the same as Marginal Cost (MC) Curve for-
(a) the portion above AVC
(b) the portion below AVC
(c) Both (a) and (b)
(d) Neither (a) nor (b)

95. Normally, in the short run, the supply curve of a perfectly competitive Firm slopes_____
(a) Downward from left to right
(b) Upward from right to left
(c) Upward from left to right
(d) Downward from right to left

96. The short-run supply curve of the Perfectly Competitive Firm is given by -
(a) Rising Portion of its MC Curve over and above the Shut-Down Point
(b) Rising Portion of its MC Curve over and above the Break-Even Point
(c) Rising Portion of its MC Curve over and above the AC Curve
(d) Rising Portion of its MC Curve

97. A Purely Competitive Firm's Supply Schedule in the short run is determined by -
(a) Its Average Revenue
(b) Its Marginal Revenue
(c) Its Marginal Utility for money curve
(d) Its Marginal Cost curve

98. In Perfect Competition, in the long run, if a new Firm enters the industry, the Supply Curve shifts to the right resulting in -
(a) Fall in Price
(b) Rise in Price
(c) Reduction in Supply

(d) No change in Price

A Competitive Firm sells its product at Market Price of ₹ 51 per unit. The Fixed Cost is ₹ 300 and Variable Cost for different level of production are shown in the following table. Answer the following questions -

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0					
10	470					
20	980					
30	1850					
40	3400					
50	5950					

99. When production is 30 units, the Average Variable Cost is-

(a) 70.6 (b) 60.6
(c) 61.6 (d) 71.6

100. When Production is 50 units, Marginal Cost is-

(a) 265 (b) 255
(c) 245 (d) 275

101. To maximize profit, the Firm should produce-

(a) 30 units (b) 10 units
(c) 20 units (d) 40 units

102. If the Market Price drops from ₹ 51 to ₹ 47, the Firm should-

(a) Close down (b) Produce 10 units
(c) Produce 30 units (d) Produce 20 units

III. MONOPOLY

1. Under Monopoly, there is/are Seller(s).
(a) Many (b) Only one
(c) A Few (d) No

2. Under Monopoly, the product is -
(a) Differentiated (b) Homogeneous
(c) Necessity Goods (d) Always Intangible

3. In Monopoly, entry of new Firms-
(a) is restricted at all times
(b) is possible only in short-run
(c) is possible only in long-run
(d) both (b) and (c)

4. Under Monopoly, each Firm is a_____
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

5. Monopolist can control only_____
(a) Price (b) Demand
(c) Utility (d) Both (a) & (b)

6. Which of the following is false regarding Monopoly?
(a) Firm is a price taker
(b) Unique product
(c) Single Seller
(d) None of the above

7. Under which of the followings forms of market structure does a firm has very considerable control over the price of its product?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

8. A Monopoly will not be a Perfect Monopoly, if cross elasticity of demand of the related goods is
(a) High (b) Low
(c) One (d) Zero

9. Which of the following best describes Monopoly?
(a) An indisputable market leader in an industry
(b) Only a single buyer in the market
(c) A single seller with large control over the price in the industry
(d) Only a single seller with complete control over the industry

10. In India, Monopoly exists in the following industry-
(a) Courier Services
(b) Internet Services providing industry
(c) Rail Transportation
(d) Toilet Soaps Industry

11. A Market in which a Single Seller is required for efficient production is called -
(a) Regulated Industry
(b) Natural Monopoly
(c) Legal Monopoly
(d) Contestable Market

12. If the Electricity Marketing is a Natural Monopoly, it is preferred to have a single producer rather then several small producers because-
(a) Marginal Cost is maximized
(b) Marginal Revenue is maximized
(c) Average Total Cost is minimized
(d) Profits are maximized

13. By Imperfect Monopoly, we mean -
(a) It is possible to substitute the Monopolized product with another monopolized product
(b) Entry of new Firms is possible to produce the same product
(c) The amount of output produced is very small
(d) None of the above

14. Under Monopoly, each Firm's control over price is-
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies

(d) None of the above.

15. In case of a profit maximizing Monopolist, what point determines the Selling Price?
(a) Point where marginal cost equals average revenue
(b) Point where average cost equals marginal revenue
(c) Point where average cost equals average revenue
(d) Point where marginal cost equals marginal venue

16. Under Monopoly, Price Elasticity of Demand is
(a) Nil (b) Less Elastic
(c) More Elastic (d) Infinity

17. Under Monopoly, the Firm's Demand Curve is-
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

18. The Demand Curve facing an industrial Firm under Monopoly is a/an-
(a) Horizontal Straight Line
(b) Indeterminate
(c) Downward Sloping
(d) Upward Sloping

19. A Monopolist who faces a negatively sloped demand curve operates in the region where the elasticity of demand is-
(a) Less than one (b) Equal to one
(c) Greater than one (d) Between zero and one

20. In Monopoly, the relationship between Average and Marginal Revenue Curves is as follows:
(a) AR Curve lies above the MR Curve.
(b) AR Curve coincides with the MR Curve.
(c) AR Curve lies below the MR Curve.
(d) AR Curve is parallel to the MR Curve.

21. Under Monopoly, a Firm can earn____ in the long-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Either (a) or (b)
(d) Losses

22. In long-run a monopolist always earn profits
(a) Normal (b) Abnormal
(c) Zero profit (d) Loss

23. In the short run, the Monopolist-
(a) Earns Normal Profits
(b) Earns Super Normal Profits
(c) Incurs losses
(d) Any of these

24. A Monopoly Producer usually earns____ even in the long run.
(a) Super Normal Profits
(b) Only Normal Profits
(c) Losses
(d) None of the above

25. Abnormal profits exists in the long run only under _____
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

26. Under Monopoly, in the long-run, a Firm -
(a) will not have excess capacity.
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

27. Under Monopoly, in the long-run, a Firm -
(a) will always be a Optimal Firm
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm
(d) will leave the industry.

28. Monopolies are allocatively inefficient because

(a) they restrict the output to keep the price higher than under Perfect Competition.
(b) they charge a price higher than the Marginal Cost
(c) both (a) and (b) are correct.
(d) both (a) and (b) are incorrect.

29. The degree of Monopoly Power is measured in terms of difference between-
(a) Marginal Cost and Price
(b) Average Cost and Average Revenue
(c) Marginal Cost and Average Cost
(d) Marginal Revenue and Average Cost

30. Which of these is not a feature of Monopoly?
(a) Many Sellers (b) Many Buyers
(c) No substitutes (d) Firm Industry

31. Which of these is not a feature of Monopoly?
(a) Single Seller (b) Firm = Industry
(c) No substitutes (d) Elasticity of Demand = 0

32. Which of these does not apply to Monopoly?
(a) Single Seller
(b) Firm = Industry
(c) Free Entry and Exit of Firms
(d) No substitutes

33. Which of the following is not the characteristic of Monopoly?
(a) Many Buyers
(b) Heterogeneous Products
(c) Free Entry of new Firms
(d) Both b & c

34. Which of the following features is not associated with a Monopoly market structure?
(a) There is only one seller in the market
(b) There are no close substitutes for the product
(c) There are barriers to entry
(d) There are no close complements for the product

35. All of the following are characteristics of a Monopoly except-
(a) There is a single Firm
(b) The Firm is a Price Taker
(c) The existence of some advertising
(d) The Firm produces a unique product

36. In Monopoly Market, there is a-
(a) Single Seller
(b) Single Buyer
(c) Both (a) and (b)
(d) Neither(a) and (b)

37. Economics of Scale allows the Monopolist to set a _____ price than any new entrant.
(a) Higher
(b) Lower
(c) Economics of scale does not influence the price
(d) At the existing market rate

38. In Monopoly Market, the product has -
(a) Perfect Substitutes
(b) No Close Substitutes
(c) the same feature as Giffen Goods
(d) None of the above

39. Price Elasticity of Demand for Monopolist's Product is
(a) Infinity (b) More than one
(c) Less than one (d) Zero

40. Under Monopoly, in the short-run, the Firm can never make Losses. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

41. In the case of Monopoly-
(a) MR Curve cannot be defined
(b) AR Curve cannot be defined
(c) Short Run Supply Curve cannot be defined
(d) None of the above

42. Under monopoly which of the following are correct-
(a) AR & MR both are downward sloping
(b) MR lies half way between AR & Y axis
(c) MR can be zero or negative

(d) all of the above

43. Equilibrium Price of a Monopolist is -
(a) Less than Marginal Cost
(b) Equal to Marginal Cost
(c) Equal to Marginal Revenue
(d) More than Marginal Cost

44. Under Monopoly, the Firm can earn _____ in the short-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

45. A Monopolist is able to maximize his profits when-
(a) His output is maximum
(b) He charges a high price
(c) His average cost is minimum
(d) His Marginal Cost is equal to Marginal Revenue

46. If Marginal Revenue exceeds Marginal Cost, a Monopolist should-
(a) increase output.
(b) decrease output
(c) keep output the Marginal cause profits are maximized when Marginal Revenue exceeds Cost
(d) raise the price.

47. Under Monopoly in the short-run, the condition AR = MR = MC = AC, means that the Firm is earning-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

48. Under Monopoly the short-run, if AR > AC at the point when MC = MR it means that the Firm-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

49. Under Monopoly, in the short-run, if AR < AC at the point when MC = MR, it means that the Firm
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

50. Under Monopoly, in the short-run, the Firm will never shut-down. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

51. Under Monopoly, in the short-run, the condition for shut-down is-
(a) AR < AC (b) AR > AC
(c) AR > AVC (d) AR <AVC

52. If a Monopolist is operating at a production level where Marginal Cost is ₹ 10 and Marginal Revenue is ₹ 25, what action you would suggest to him?
(a) To reduce the price to ₹ 20
(b) To increase the costs by ₹ 4
(c) To increase output till Marginal Revenue would equal Marginal Cost
(d) To stop production

53. When different prices are charged by the Producer, from different customers, it is called
(a) Demand Supply Equilibrium
(b) Price Discrimination
(c) Optimum Price Search
(d) Profiteering

54. A Monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he-
(a) Sells below Costs of Production in both markets (b) Practices Price Discrimination.
(c) Equates the volume of sales in both markets.
(d) Equates Marginal Costs with Marginal Revenue in one market only.

55. Price Discrimination in a Monopoly is described as -
(a) Same product selling at different prices since the costs of production are different
(b) Same product selling at different prices though the costs of production are same
(c) Different products having same price though costs of production are same

(d) Different products having different prices since costs of production are different

56. Objectives of price discrimination in international market is-
(a) To capture foreign markets
(b) To dispose of surplus stock
(c) To earn maximum profit
(d) All of the these

57. Price discrimination will not be profitable if elasticity of demand is _____in different markets.
(a) Uniform (b) Different
(c) Less (d) Zero

58. Discriminating Monopoly implies that the Monopolist charges different prices for his commodity -
(a) From different groups of consumers
(b) For different uses
(c) At different places
(d) Any of the above

59. Which of these is not a pre-requisite for Price Discrimination?
(a) Seller's Control over the supply of his product
(b) Market Segmentation
(c) Differing Elasticity in various market segments
(d) Different versions of the same product

60. The price discrimination under monopoly will be possible under which of the following conditions?
(a) The seller has no control over the supply of his product
(b) The market has the same conditions all over
(c) The price elasticity of demand is different in different markets
(d) The price elasticity of demand is uniform

61. Which of these is a pre-requisite for Price Discrimination?
(a) Divisibility of Market into segments
(b) No scope of re-sale between segments
(c) Differing Elasticity in various market segments

(d) All of the above

62. Which of the following is a condition which makes Price Discrimination possible?
(a) The market must be divided into sub markets with different price elasticities
(b) There has to be an effective separation of the submarkets
(c) Size of the submarkets should be very large
(d) Both a and b above

63. Barriers to entry like _____allows the Monopolist to charge a price much below then the price of new entrant, thereby driving the new entrant out of business.
(a) Economics of Scale
(b) Product Differentiation
(c) Price Discrimination
(d) High Quality Product

64. Why is first degree price discrimination termed as the extreme form of price discrimination-
(a) All the Firms in the industry undertake price discrimination
(b) Firms in the industry discriminate in price for almost all the products they are producing
(c) Firms earn the least profit in this type of discrimination; they are just able to cover the cost
(d) In this type of discrimination Firms charge the consumers the maximum price

65. Which of the following statements in not true about a discriminating Monopolist?
(a) He operates in more than one market
(b) He makes more profit because he discriminates

(c) He maximizes his profits in each market
(d) He charges different prices in each market

66. Under Price Discrimination, the Producer Firm can charge higher prices from a market, if Price Elasticity (e)-
(a) e = 1 (b) e < 1
(c) e > 1 (d) e = 0

67. Under Price Discrimination, the Producer Firm may charge lower prices from a market, if Price Elasticity (e)
(a) e = 1 (b) e < 1
(c) e > 1 (d) e = 0

68. For price discrimination to be successful, the elasticity of demand for the commodity in the two markets, should be:
(a) Same (b) different
(c) Constant (d) Zero

69. Price Discrimination is not possible if the market is an Indivisible whole of Buyers. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

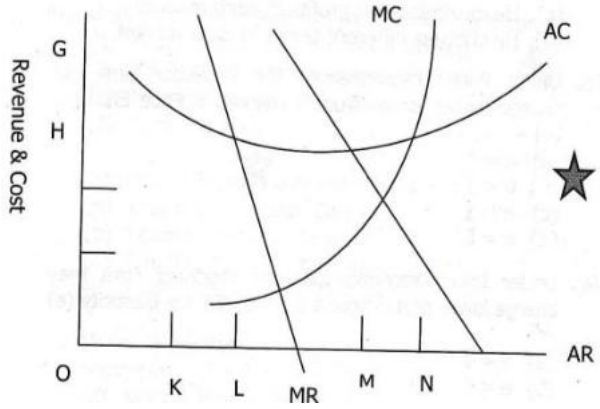
70. For practicing Price Discrimination, the Seller should be able to divide his market into two or more sub- markets. The statement is -
(a) True (b) False
(c) Partially True (d) None of the above

71. Price Discrimination is possible -
(a) Only under Monopoly situation
(b) Under any market form
(c) Only under Oligopoly
(d) Only under Perfect Competition

72. Discriminating Monopoly is possible if two markets have
(a) Rising Cost Curves
(b) Rising and declining Cost Curves
(c) Different Elasticities of Demand
(d) Equal Elasticities of Demand

73. Discriminating Monopolist divides the total production in two markets in a way that -
(a) MR earned in market with higher elasticity of demand is greater than the other with lower elasticity of demand
(b) MR earned in market with lower elasticity of demand is greater than the other
(c) MR earned in each market is the same
(d) MR earned in each market is maximum

Questions 74 to 76 are based on the Figure



74. Figure represents a:
(a) Perfectly competitive firm.
(b) Perfectly competitive industry.
(c) Monopolist
(d) None of the above.

75. In figure, the firm's marginal revenue curve is curve:
(a) E (b) A
(c) F (d) B

76. In figure, curve E is firm's
(a) Marginal cost curve
(b) Average cost curve
(c) Demand curve
(d) Marginal revenue curve

77. Which of the following is false with reference to first-degree price discrimination?
(a) The Monopolist will be able to extract entire Consumer's Surplus
(b) The price of each unit will be different
(c) By following first degree price discrimination, the Monopolist will earn higher profits than he would have earned by adopting a single price.
(d) The price of the first will be less than that of the subsequent units.

IV. MONOPOLISTIC

1. Under Monopolistic Competition, there are _____Sellers.
(a) Many (b) Only one
(c) A Few (d) No

2. Under Monopolistic Competition, the product is
(a) Differentiated
(b) Homogeneous
(c) Necessity Goods
(d) Always Intangible

3. A market structure in which many firms sell product that are similar, but not identical.
(a) Monopolistic Competition
(b) Monopoly
(c) Perfect Competition
(d) Oligopoly

4. Selling outlay is an essential part of which of the
following market situation
(a) Monopolistic Competition
(b) Perfect Competition
(c) Monopoly
(d) Pure Competition

5. Under Monopolistic Competition, each Firm is a
(a) Price Maker
(b) Price Taker
(c) Price Maker for its own product.
(d) All of the above.

6. Under Monopolistic Competition, each Firm's control over price is -
(a) Nil
(b) Full and Absolute
(c) Reasonable
(d) None of the above.

7. Under Monopolistic Competition, Price Elasticity of Demand is -
(a) Nil (b) Less Elastic
(c) More Elastic (d) Infinity

8. Under Monopolistic Competition, the Firm's Demand Curve is-
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

9. Product Differentiation in a Monopolistic Competition could lead to -
(a) Horizontal Demand Curve
(b) Downward Sloping Demand Curve
(c) Vertical Demand Curve
(d) Downward Sloping Supply Curve

10. Under Monopolistic Competition, a Firm can _____in the long-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

11. Under Monopolistic Competition, in the long-run, a Firm-
(a) will not have excess capacity
(b) may have excess capacity
(c) has no capacity at all
(d) will leave the industry.

12. Which of the following markets has the concept of group equilibrium in long-run?
(a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

13. Excess Capacity is the essential characteristic of the Firm in the market form of -
(a) Monopoly
(b) Perfect Competition
(c) Monopolistic Competition
(d) Oligopoly

14. Under Monopolistic Competition, in the long-run, a Firm -
(a) will always be a Optimal Firm.
(b) will never be an Optimal Firm.
(c) may or may not be an Optimal Firm.
(d) will leave the industry.

15. Non-price competition in popular sense called -
(a) Monopoly market
(b) Oligopoly market
(c) Monopolistic competition
(d) Perfect competition

16. Which of these does not apply to Monopolistic Competition?
(a) Large Number of Buyers
(b) Large Number of Sellers
(c) Product Differentiation
(d) Price Competition

17. Which of these does not apply to Monopolistic Competition?
(a) Product Differentiation
(b) Free entry/exit
(c) Large Number of Buyers
(d) Single Seller

18. Which of the following is not a feature of Monopolistic Competition?
(a) Large Number of Sellers
(b) Product differentiation
(C) Non-Price competition
(d) None of these

19. If which of the following is not a characteristic feature of Monopolistic Competition?
(a) Many Buyers and Sellers
(b) Identical Products
(c) Easy entry and exit of Firms
(d) Firms take other Firms' prices as given

20. Which of the following is not a characteristic of Monopolistic Competition?
(a) Ease of entry into the industry
(b) Product Differentiation
(c) Relatively large number of sellers
(d) Homogenous products

21. Which of these applies to Monopolistic Competition?
(a) Price Competition
(b) Restrictions in entry /exit
(c) Large Number of Sellers
(d) Homogeneous Product

22. Under Monopolistic Competition, each Seller tries to develop Brand Loyalty for his product. This statement is –
(a) True (b) False
(c) Partially True (d) None of the above

23. The sale of branded articles is common in a situation of
(a) Excess Capacity.
(b) Monopolistic Competition.
(c) Monopoly.
(d) Pure Competition.

24. A Firm under Monopolistic Competition advertises-
(a) to compete successfully with the rival Firms
(b) to lower cost of production
(c) to increase sales and profit
(d) because it cannot raise price

25. Through more advertising, a monopolistically competitive Firm has successfully created more demand for its product. It would have resulted in shifting of –
(a) AC Curve upward
(b) MR Curve to the left
(c) AC Curve upward and MR curve to the right
(d) AC Curve upward and MR curve to the right

26. Under Monopolistic Competition, Price Discrimination is not possible at all. This statement is-

(a) True (b) False
(c) Partially True (d) None of the above

27. Which of these does not apply to Monopolistic Competition?
(a) Aggressive Advertising and Publicity
(b) Product improvement and Development
(c) Price Competition
(d) Efficient after-sales service

28. Under Monopolistic Competition, in the short-run, the Firm can never make Losses. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

29. Under Monopolistic Competition, the Firm can earn _____in the short-run.
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

30. In short run, a Firm in Monopolistic Competition-
(a) always earns profits
(b) incurs losses
(c) earns normal profit only
(d) may earn normal profit, super normal profit or Incur losses

31. In long-run, all Firms in Monopolistic Competition-
(a) earn super normal profits
(b) earn normal profits
(c) incur losses
(d) may earn super normal profit, normal profit or in incur losses

32. In the short run equilibrium of a Firm in Monopolistic Competition, which Curve is U shaped?
(a) AR (b) AC
(c) MR (d) MC

33. Under Monopolistic Competition, in the short-run, the condition AR=MR=MC=AC, means that the Firm is earning -

(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

34. Under Monopolistic Competition, in the short-run, if AR > AC at the point when MC = MR, it means that the Firm -
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

35. Under Monopolistic Competition, in the short-run, if AR < AC the point when MC=MR, it means that the Firm-
(a) Normal Profits only
(b) Super Normal Profits
(c) Losses
(d) All of the above.

36. Under Monopolistic Competition, in the short-run, the Firm will never shut-down. This statement is -
(a) True (b) False
(c) Partially True (d) None of the above

37. Under Monopolistic Competition, in the short-run, the condition for shut-down is-
(a) AR < AC (b) AR > AC
(c) AR > AVC (d) AR < AVC

38. In Monopolistic Competition, the long-run equilibrium price will be equal to
(a) Marginal Revenue
(b) Average Cost
(c) Marginal Cost
(d) Both (a) and (c)

39. Under Monopolistic Competition, in the long-run, if MC = MR and LAC = LAR, then the industry is said to

(a) Growing (b) in troubled times
(c) in Equilibrium (d) inefficient

40. In the long-run, Industry Equilibrium is achieved if MC = MR and LAC = LAR. This condition is applicable for-
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly

41. In the long-run, Industry Equilibrium is achieved in Monopolistic Competition only if LAC = LMC. This statement is-
(a) True (b) False
(c) Partially True (d) None of the above

42. In the long-run, Industry Equilibrium is achieved in Monopolistic Competition only at the lowest point of LAC Curve. This statement is
(a) True (b) False
(c) Partially True (d) None of the above

43. In Monopolistic Competition, a Firm is in long run equilibrium-
(a) at the minimum point of the LAC Curve
(b) in the declining segment of the LAC Curve
(c) In the rising segment of the LAC Curve
(d) when price is equal to Marginal Cost

44. Under Monopolistic Competition, in the long-run Output is produced at -
(a) minimum feasible cost
(b) maximum cost
(c) optimal, and not necessarily minimum cost
(d) zero cost

45. Under Monopolistic Competition in the long-run, resources-
(a) will be fully used
(b) may be partially used
(c) may not be used at all
(d) will not be required at all

46. Monopolistic Competition differs from Perfect Competition primarily because -
(a) In Monopolistic Competition, Firms can differentiate their products

(b) In Perfect Competition, Firms can differentiate their products
(c) In Monopolistic Competition, entry into the industry is blocked
(d) In Monopolistic Competition, there are relatively few barriers to entry

47. The long-run equilibrium outcomes in Monopolistic competition and Perfect Competition are similar, because in both market structures-
(a) The efficient output level will be produced in the long run
(b) Firms will be producing at minimum average cost
(c) Firms will only earn a normal profit
(d) Firms realize all economies of scale

48. Product differentiation is an important feature of:
(a) Monopoly
(b) Imperfect competition
(c) Perfect competition
(d) Discriminating monopoly

49. Price leadership is used to explain firm's behavior under:
(a) Monopoly
(b) Oligopoly
(c) Perfect Competition
(d) Discriminating monopoly

50. Which one of the following is not a feature of Oligopoly?
(a) Inter dependence
(b) Selling cost
(c) Group behavior
(d) Free entry

51. If the supply of a commodity does not change then with every increase in demand price will____
(a) Remain same
(b) Increase

(c) Decrease
(d) Becomes zero

52. If there is a increase in supply without any change in demand, equilibrium price will_____
(a) Increase
(b) Decrease
(c) Remain unchanged
(d) Becomes zero

53. Under the first degree of price discrimination the monopolist charges different prices,
(a) From different persons
(b) For different quantity sold
(c) At different markets
(d) In all of the above situations

54. In a monopoly market which of the following is not found?
(a) Single seller
(b) Barriers to entry
(c) Close substitutes
(d) All of the above

55. A monopoly average revenue curve:
(a) Falls from left to right
(b) Is parallel to x-axis
(c) Is parallel to y-axis
(d) Rise from left to right

56. In long run a perfectly competitive firm earns
(a) Normal profits
(b) Super normal profits
(c) Losses
(d) Neither profits nor losses

57. Under perfect competition demand curve for individual firm is:
(a) In elastic
(b) Unitary elastic
(c) Perfectly elastic
(d) Perfectly inelastic

58. Which of the following is not a feature of perfect competition?
(a) Homogenous
(b) Large number of buyers & sellers
(c) Free entry & exit
(d) Selling cost

59. Marginal revenue curve of a firm under perfect competition:
(a) Falls from left to right
(b) Rises from left to right
(c) Parallel to y-axis
(d) Parallel to x-axis

V. OLIGOPOLY

OLIGOPOLY

1. Under Oligopoly, there are _____sellers
(a) Many (b) Only one
(c) A Few (d) No

2 _____is a situation is which a firm bases its market policy on part of the expected behavior of a few close rivals-
(a) monopoly
(b) Oligopoly
(c) perfect competition
(d) monopolish

3. Which one of the following is the best example of agreement between Oligopolists?
(a) GATT (b) OPEC
(c) WTO (d) UNIDO

4. If Firms in the Toothpaste Industry have the following market shares, which market structure would best describe the industry?

Firm	Market Share%
White Shine Ltd	29.8
White Teeth Ltd	18.7
More White Teeth Ltd	14.3
Sure Health Ltd	11.6
Bright Teeth Ltd	9.4
Dental Care Ltd	8.8
Brighter than White Ltd	7.4
Total	**100.0**

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

5. One characteristic not typical of Oligopolistic Industry is
(a) Horizontal Demand Curve
(b)Too much importance to Non-Price Competition
(c) Price Stickiness
(d) A small number of Firms in the industry

6. Under Oligopoly, the product is-
(a) Differentiated (b) Homogeneous
(c) Necessity Goods (d) Always Intangible

7. Under Oligopoly, each Firm's control over price is -
(a) Nil
(b) Full and Absolute
(c) Subject to Competing Firms' Strategies
(d) None of the above.

8. Under Oligopoly, Price Elasticity of Demand is
(a) Nil
(b) Less Elastic
(c) More Elastic
(d) Infinity

9. Under Oligopoly, the Firm is Demand Curve is
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked.

10. Oligopoly is the market from in which there are
(a) Many Sellers and many Buyers
(b) One Seller and many Buyers
(c) Few Sellers and many Buyers
(d) None of the above

11. Which of the following most closely approximates the definition of an Oligopoly?
(a) Tobacco Industry
(b) Vehicle manufacturers in India
(c) Rice Producers
(d) Readymade Garments units in a city

12. Pure Oligopoly is one where -
(a) There are many sellers producing homogeneous
product
(b) There are many sellers producing differentiated product

(c) There are few sellers producing homogeneous product
(d) There are few sellers producing differentiate product

13. Oligopolistic Industries are characterized by
(a) A few dominant Firms and substantial barriers to entry
(b) A few large Firms and no entry barriers
(c) A large number of small Firms and no entry barriers
(d) One dominant Firm and low entry barriers

14. In which of the following, a Kinked Demand Curve can be seen in a Firm?
(a) Monopolistic competition
(b) Monopoly
(c) Duopoly
(d) Oligopoly

15. Which of these does not apply to Oligopoly?
(a) A Few Sellers
(b) Inter-dependence between Sellers
(c) Only one Buyer
(d) Group Behaviour between Sellers

16. One characteristic not typical of Oligopolistic industry is-
(a) Too much importance to Non-Price Competition
(b) Price Leadership
(c) Horizontal Demand Curve
(d) A small number of Firms in the industry

17. Which of these applies to Oligopoly?
(a) A Few Sellers
(b) Group Behaviour between Sellers
(C) Non-Price Competition
(d) All the above

18. Duopoly is a specific form where are-
(a) No Sellers at all
(b) Only one Seller
(c) Two Sellers
(d) Large Number of Sellers

19. The American Economist Sweezy developed the-
(a) Production Possibility Curve concept
(b) Diminishing Marginal Utility Theory
(c) Kinked Demand Curve Theory
(d) Price Discrimination Theory

20. When an Oligopolistic Firm changes its price, its rival Firms-
(a) will retaliate or react and change their prices
(b) will not react at all
(c) will exit the market
(d) will appeal to the Government

21. A Price War in an Oligopoly refers to -
(a) Successive and continued price cuts by the Firms to increase sales and revenues
(b) Free gift offers by all Firms on a competitive basis
(c) Flooding the market with its goods by one Firm leading to price reduction by others
(d) Increase in the price by one Firm and other Firms following in a reverse way by decreasing their prices

22. A Firm under _____cannot have sure and definite Demand Curve
(a) Perfect Competition
(b) Monopoly
(c) Monopolistic Competition
(d) Oligopoly

23. Price Leadership is form of-
(a) Monopolistic Competition
(b) Monopoly
(c) Non-Collusive Oligopoly
(d) Perfect Competition

24. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally -
(a) reduce their prices
(b) increase their prices
(c) not react at all
(d) exit the market.

25. Under Oligopoly, if one Firm reduces its prices, the other Firms will generally-
(a) reduce their prices
(b) increase their prices
(c) maintain their prices
(d) exit the market.

26. Kinked demand curve is related to-
(a) Oligopoly
(b) Perfect
(c) Monopoly
(d) Monopolistic competition

27. Kinked demand curve is found in:
(a) Monopolistic
(b) Perfectly Competitive firm
(c) Perfectly competitive industry
(d) None of the above

28. As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at -
(a) Prevailing Price
(b) Higher than Prevailing Price
(c) Lower than Prevailing Price
(d) Origin

29. As per Kinked Demand Curve Theory of Oligopoly, the demand above the Kink is -
(a) more elastic (b) less elastic
(c) unit elastic (d) zero elastic

30. As per Kinked Demand Curve Theory of Oligopoly, the demand below the Kink is-
(a) more elastic (b) less elastic
(c) unit elastic (d) zero elastic

31. The upper part of kinked demand curve is -
(a) Elastic (b) Inelastic
(c) Perfectly Elastic (d) Unitary Elastic

32. What does the Kinked Demand Curve explain?
(a) Price Differentiation
(b) Other than Price Competition
(c) Rivalry reactions in an Oligopoly
(d) None of the above

33. A Firm having a Kinked Demand Curve indicates that
(a) If the Firm increases the price, competitive Firms reduce the price
(b) If the Firm increases the price, competitive Firms also increase the price
(c) If the Firm reduces the price, competitive Firms do not reduce the price
(d) If the Firm increases the price, competitive Firm do not increase the price

34. The Kinked Demand Hypothesis is designed to explain in the context of Oligopoly-
(a) Price and Output Determination
(b) Price Rigidity
(c) Price Leadership
(d) Collusion among Rivals

35. The Kinked Demand Curve model assumes that price elasticity of demand-
(a) Is higher for a price increase than for a price decrease
(b) Is lower for a price increase than for a price increase
(c) Is perfectly elastic for a price increase perfectly inelastic for a price decrease
(d) Is perfectly inelastic for a price increase and perfectly elastic for a price increase

36. The demand curve of an oligopolist is
(a) Determinate (b) Indeterminate
(c) Circular (d) Vertical

37. Kinky demand curve model explains the market situation known as_____
(a) Pure Oligopoly
(b) Collusive oligopoly
(c) Differentiated Oligopoly
(d) Price rigidity

38. Kinked DD curve under oligopoly is designed to show _____
(a) Price & output
(b) Price rigidity
(c) Price & Leadership

(d) Collusion among rivals

39. The Kinked Demand Curve model of Oligopoly assumes that-
(a) Response to a price increase is less than the response to a price decrease
(b) Response to a price increase is more than the response to a price decrease
(c) Elasticity of demand is constant regardless of whether price increases or decreases
(d) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases

40. In both the Chamberlin and Kinked Demand Curve models, the Oligopolists -
(a) recognize their independence
(b) do not collude
(c) tend to keep prices constant
(d) all of the above

41. In Oligopoly, why it difficult to determine the equilibrium price and output?
(a) All the Firms take their independent decisions
(b) Firms are interdependent making it difficult to specify the particular reaction of the rivals
(c) Very few Firms exist in the market
(d) A large number of Firms exist in the market

42. If the Demand Curve confronting an individual Firm is perfectly elastic then
(a) The Firm is a Price Taker
(b) The Firm cannot influence the Price
(c) The Firm's Marginal Revenue Curve coincides with Average Revenue Curve
(d) All of the above

43. Kinked demand curve of the Oligopoly indicates
I. If one firm decreases price other firms also decreases the price
II. If one firm increases price other firms also increases the price
III. If one firm decreases the price other firms does not decrease the price.
IV. If one firm increases the price other firms does not increase the price.
(a) Only I (b) II and IV
(c) I and IV (d) II and III

44. Which among the following market situation is known as a 'myth in the market'?
(a) Duopoly (b) Oligopoly
(c) Discriminating (d) Perfect Competition

45. A market where there is no restrictions on the transactions is called as-
(a) Regulated market (b) Unregulated market
(c) Spot market (d) Future market

46. Under perfect competition, price elasticity of demand of a firm is -
(a) Large (b) Slight
(c) Infinite (d) Extreme

Business Cycles

1. The term business cycle refers to
(a) The ups and downs in production of commodities
(b) the fluctuating levels of economic activity over a period of time
(c) decline in economic activities over prolonged period of time
(d) increasing unemployment rate and diminishing rate of savings

2. When does an economic expansion occur in the business cycle?
(a) At the peak of the business cycle
(b) At the trough of the business cycle
(c) Between the peak and trough
(d) Between the trough and peak

3. Increasing Prosperity and High standards of living are the characteristics of
(a) Peak (b) Contraction
(c) Expansion (d) Trough

4. The end of expansion is termed as -
(a) Peak (b) Contraction
(c) Trough (d) None of the above

5. The beginning of recession is
(a) Peak (b) Trough
(c) Contraction (d) Expansion

6. A significant decline in general economic activity extending over a period of time is
(a) business cycle (b) contraction phase
(c) recession (d) recovery

7. Severe form of recession is
(a) Contraction (b) Depression
(c) Expansion (d) Peak

8. The trough of a business cycle occurs when hits its lowest point.
(a) inflation in the economy
(b) the money supply
(c) aggregate economic activity
(d) the unemployment rate

9. The lowest point in the business cycle is referred to as the
(a) Expansion (b) Boom
(c) Peak (d) Trough

10. Even with lower rate of interest, demand for credit declines in
(a) Expansion Phase (b) Peak
(c) Contraction Phase (d) Depression

11. Which of the following statements is true?
(a) An Economy grows endlessly
(b) An Economy Contracts endlessly
(c) It is easy to predict turning points of Business Cycle
(d) None of the above

12. Which of the following statement is not correct?
(a) Business Cycles are periodical
(b) Business Cycles are regular
(c) Business Cycles vary in intensity
(d) Business Cycles vary in length

13. A leading indicator is
(a) a variable that tends to move along with the level of economic activity
(b) a variable that tends to move in advance of aggregate economic activity
(c) a variable that tends to move consequent on the level of aggregate economic activity
(d) None of the above

14. A variable that tends to move later than aggregate economic activity is called
(a) a leading variable.
(b) a coincident variable.
(c) a lagging variable.
(d) a cyclical variable.

15. Changes in housing interest rate is a
(a) a leading indicator

(b) a coincident indicator
(c) a lagging indicator
(d) a cyclical indicator

16. Unemployment is a
(a) a leading indicator
(b) a coincident indicator
(c) a lagging indicator
(d) a cyclical indicator

17. GDP is a
(a) a leading indicator
(b) a coincident indicator
(c) a lagging indicator
(d) a cyclical indicator

18. Industries that are extremely sensitive to the business cycle are the
(a) Durable goods and service sectors.
(b) Non-durable goods and service sectors.
(c) Capital goods and non-durable goods sectors.
(d) Capital goods and durable goods sectors.

19. A decrease in government spending would cause
(a) the aggregate demand curve to shift to the right.
(b) the aggregate demand curve to shift to the left.
(c) a movement down and to the right along the aggregate demand curve.
(d) a movement up and to the left along the aggregate demand curve.

20. Which of the following does not occur during an expansion?
(a) Consumer purchases of all types of goods tend to increase
(b) Employment increases as demand for labour rises.
(c) Business profits and business confidence tend to increase
(d) None of the above.

21. Which of the following best describes a typical business cycle?
(a) Economic expansions are followed by economic contractions.
(b) Inflation is followed by rising income and unemployment.
(c) Economic expansions are followed by economic growth and development.
(d) Stagflation is followed by inflationary economic growth.

22. During recession, the unemployment rate _____and output_____
(a) Rises; falls (b) Rises; rises
(c) Falls; rises (d) Falls; falls

23. The four phases of the business cycle are
(a) peak, recession, trough, and boom
(b) peak, depression, trough, and boom
(c) peak, recession, trough, and recovery
(d) peak, depression, bust, and boom

24. Leading economic indicators
(a) are used to forecast probable shifts in economic policies
(b) are generally used to forecast economic fluctuations
(c) are indicators of stock prices existing in an economy
(d) are indicators of probable recession and depression

25. When aggregate economic activity is declining, the economy is said to be in
(a) Contraction (b) an expansion.
(c) a trough (d) a turning point.

26. Peaks and troughs of the business cycle are known collectively as
(a) Volatility.
(b) Turning points.
(c) Equilibrium points.
(d) Real business cycle events.

27. The most probable outcome of an increase in the money supply is
(a) interest rates to rise, investment spending to rise, and aggregate demand to rise

(b) interest rates to rise, investment spending to fall, and aggregate demand to fall
(c) interest rates to fall, investment spending to rise, and aggregate demand to rise
(d) interest rates to fall, investment spending to fall, and aggregate demand to fall

28. Which of the following is not a characteristic of business cycles
(a) Business cycles have serious consequences on the well being of the society.
(b) Business cycles occur periodically, although they do not exhibit the same regularity.
(c) Business cycles have uniform characteristics and causes.
(d) Business cycles are contagious and unpredictable.

29. Economic recession shares all of these characteristics except
(a) Fall in the levels of investment, employment
(b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
(c) Investor confidence is adversely affected and new investments may not be forthcoming
(d) Increase in the price of inputs due to increased demand for inputs

30. The different phases of a business cycle
(a) Do not have the same length and severity
(b) expansion phase always last more than ten years
(c) last many years and are difficult to get over in short periods
(d) None of the above

31. Which of the following is not an example of coincident indicator?
(a) Industrial production
(b) inflation
(c) Retail sales
(d) New orders for plant and equipment

32. According to _____ trade cycles occur due to onset of innovations
(a) Hawtrey (b) ADAM Smith
(c) J M Keynes (d) Schumpeter

33. According to Keynes, Fluctuations in economic activity are due to fluctuations in
(a) aggregate effective demand
(b) Price
(c) Supply of resources
(d) None of the above

34. What is the cause for rise in investments?
(a) New inventions
(b) Profit expectations
(c) Low interest rate in the economy
(d) All of the above

35. Internal Cause for Business Cycle include
(a) Money Supply
(b) Wars
(c) Weather Cycles
(d) Changing Technology

Money Market

I. THE CONCEPT OF MONEY DEMAND IMPORTANT THEORIES

1. Money means anything that serves as-
(a) Medium of Exchange
(b) Common Measure of Value
(c) Store of Value
(d) All of the above

2. Measure of value of all goods and services refers____ from following function of money
(a) Medium of exchange
(b) Unit of account
(c) Standard of different payments
(d) Store of value

3. Which of the following functions are not performed by Money?
(a) As a medium of exchange
(b) As a unit of account
(c) As a store of value
(d) As a tissue paper

4. Which is not the static function of money
(a) As a medium of exchange
(b) As a unit of account
(c) As encouragement to division of labour
(d) As standard of deferred payment

5. Functions of money doesn't include:
(a) Medium of exchange
(b) Store of value
(c) Measure of value
(d) Employment generation

6. For an Indian Economist, Money represents -
(a) Dollar
(b) Pounds Sterling
(c) Indian Rupee
(d) All of the above merely represent different units of money.

7. Which of the following statements about Money is incorrect?
(a) There are many assets which carry the attribute of money.
(b) Money is what money does.
(c) Value of money remains constant at all periods of time
(d) None of the above

8. For Modern Economist or Empiricists, the crucial function of Money is-
(a) Store of Values
(b) Common Measure of Value
(c) Medium of Exchange
(d) All of the above

9. For a Modern Economist, which of the following instruments serves to store value?
(a) Only Currencies, Demand Deposits of Banks.
(b) Financial Assets like Bonds, Government Securities, Time Deposits with Banks and Equity Shares
(c) Both (a) and (b)
(d) Neither (a) nor (b)

10. According to the Empiricists, to include Financial Asset under the purview of Money, which of the following condition should be satisfied?
(a) Stability of demand function
(b) High degree of substitutability
(c) Feasibility of measuring statistical variations in real economic factor.
(d) All of the above

11. According to some economists, Pure Money refers to
(a) Only Currencies, Demand Deposits of Banks
(b) Financial Assets like Bonds, Government Securities, Time Deposits with Banks and Equity Shares

(c) Both (a) and (b)
(d) Neither (a) nor (b)

12. According to some economists, Near Money refers to
(a) Only Currencies, Demand Deposits of Banks
(b) Financial Assets like Bonds, Government Securities, Time Deposits with Banks and Equity Shares
(c) Both (a) and (b)
(d) Neither (a) nor (b)

13. In a liberal sense, Money includes-
(a) Currencies and Demand Deposits
(b) Bonds, Government Securities
(c) Equity Shares
(d) All of the above

14. Demand Deposits with Banks are considered as Money because they are-
(a) Generally acceptable as a means of payment
(b) More liquid than Cash
(c) Held by the Government
(d) Managed efficiently by Bank Managers

15. In Static Sense, Money serves as -
(a) Medium of Exchange
(b) Common Measure of Value
(c) Standard of Deferred Payments
(d) All of the above

16. In Dynamic Sense, Money serves the following purposes__
(a) Gives direction to economic trends
(b) Encourages specialization and division of labour.
(c) Ensures transformation of Savings into Investments
(d) All of the above

17. When we say that Money serves as a medium of exchange, we are considering the aspect of Money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

18. When we say that Money serves as a common measure of value, we are considering the___ aspect of money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

19. When we say that Money serves as a standard for deferred payments, we are considering the___ aspect of Money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

20. When Money serves as a store of value, we are considering the ____ aspect of Money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

21. When we say that Money provides direction to economic trends, we are considering the ____ aspect of Money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

22. When we say that Money promotes occupational specialization and division of labour, we are considering the _____ aspect of Money.
(a) Static (b) Dynamic
(c) Both (a)and (b) (d) Neither (a) nor (b)

23. When we say that Money ensures conversion of savings into investment, we are considering the_____ aspect of Money.
(a) Static (b) Dynamic
(c) Both (a) and (b) (d) Neither (a) nor (b)

24. Money serves as ___ in any economy.
(a) Medium of exchange
(b) Means of payment
(c) Both (a) and (b)
(d) Neither (a) nor (b) in any economy.

25. Money serves as a unit of account. This means that-
(a) Money is a common measure of value

(b) Money is a means of calculating relative prices of goods and services
(c) Money is the value in exchange of all goods and services
(d) All of the above

26. Money is a standard of deferred payments. This means that-
(a) Future transactions can be settled in terms of money
(b) Loans given and repayments thereof can he established in terms
(c) Both (a) and (b)
(d) Neither (a) nor (b)

27. Money acts s as a store of value. This means that
(a) Money can be used to buy goods and services in current and future
(b) Money can be used to buy goods and services current but not future
(c) Money can be used to buy goods and services in past periods only
(d) None of the of the above

28. Money Supply is the stock of money held by-
(a) Public
(b) Public and Banking System
(c) Banking System and Government
(d) None of these

29. In order to increase money supply in the country, the RBI may:
(a) Reduce CRR
(b) Increase CRR
(c) Sell securities in the open market
(d) Increase Bank Rate

30. Which of the following is / a determinant(s) of money supply in an economy?

(a) Behaviour of the Public
(b) Behaviour of Commercial Banks
(c) Behaviour of the Central Bank
(d) All of the above

31. The Quantity Theory of Money suggests that the demand for money is primarily influenced by:
(a) The interest rate
(b) The price level
(c) The level of income
(d) Government policies

32. According to the Keynesian Theory of Money Demand, the main determinant of the demand for money is:
(a) The nominal interest rate
(b) The rate of inflation
(c) The level of investment
(d) The real interest rate

33. The Baumol-Tobin model proposes that individuals hold money for the purpose of:
(a) Transactions motives
(b) Speculative motives
(c) Precautionary motives
(d) Asset motives

34. The speculative demand for money is based on the expectation of changes in:
(a) Tax rates
(b) Interest rates
(c) Income levels
(d) Prices of goods and services

35. The Fisher Effect suggests that an increase in the expected rate of inflation will lead to
(a) A decrease in the demand for money
(b) An increase in the demand for money
(c) A decrease in t the supply of money
(d) An increase in the supply of money

36. The opportunity cost of holding money is often measured by
(a) Inflation rate
(b) Real interest rate
(c) Exchange rate
(d) Fiscal deficit

37. The speculative demand for money is inversely related to changes in the:
(a) Rate of economic growth
(b) Level of investment
(c) Interest rate
(d) Government expenditure

38. According to the Liquidity demand for money Preference Theory, is the demand influenced by:
(a) The quantity of money in circulation
(b) The level of government spending
(c) People's preference for liquidity
(d) The balance of trade

39. The Tobin's Portfolio Theory of Money Demand suggests that the demand for money is affected by changes in:
(a) The stock market prices
(b) Consumer confidence
(c) The exchange rate
(d) The relative returns on money and other assets

40. The precautionary demand for money arises from the need to hold money for:
(a) Everyday transactions
(b) Speculative purposes
(c) Emergencies and unforeseen events
(d) Long-term investments

41. What are monetary aggregates?
(a) Measures of the total demand for money in an economy
(b) Measures of the total supply of money in an economy
(c) Measures of the total output of goods and services in an economy
(d) Measures of the total government expenditure in an economy

42. M1 includes which of the following components?
(a) Currency in circulation and time deposits
(b) Currency in circulation, demand deposits, and other deposits with RBI
(c) Currency in circulation, demand deposits, and time deposits
(d) Currency in circulation, demand deposits, time deposits, and savings deposits

43. M2 includes which of the following components?
(a) Currency in circulation, demand deposits, time deposits, and savings deposits
(b) Currency in circulation, demand deposits, and other deposits with RBL
(c) Currency in circulation and time deposits
(d) Currency in circulation, demand deposits, and government bonds

44. M3 includes which of the following components?
(a) Currency in circulation, demand deposits, and other deposits with RBI
(b) Currency in circulation and time deposits
(c) Currency in circulation, demand deposits, time deposits, savings deposits, and government securities
(d) Currency in circulation, demand deposits, and time deposits

45. Which monetary aggregate is considered the narrowest measure of money supply?
(a) M1 (b) M2 (c) M3 (d) M4

46. M4 includes which of the following components?
(a) Currency in circulation, demand deposits, and government securities
(b) Currency in circulation, demand deposits, time deposits, and savings deposits
(c) Currency in circulation, demand deposits, time deposits, savings deposits, and small-denomination time deposits
(d) Currency in circulation and time deposits.

47. Which monetary aggregate represents the broadest measure of money supply?
(a) M1 (b) M2 (c) M3 (d) M4

48. The main purpose of creating different monetary aggregates is to:
(a) Simplify accounting procedures for the central bank
(b) Measure the different components of GDP
(c) Monitor the money supply in various forms to understand the overall liquidity in the economy
(d) Determine the government's fiscal policy

49. Non-Monetary Financial Institutions (NMFIs) are included in which monetary aggregate?
(a) M1 (b) M2 (c) M3 (d) M4

50. Which of the following is an example of an M3 component?
(a) Demand deposits
(b) Time deposits
(c) Treasury bills
(d) Currency in circulation

51. What is the money multiplier?
(a) The ratio of the money supply to the gross domestic product (GDP)
(b) The ratio of the money supply to the total population
(c) The ratio of the money supply to the monetary base
(d) The ratio of the money supply to the government budget

52. The money multiplier approach helps explain the relationship between changes in the monetary base and changes in the:
(a) Money supply
(b) Government spending
(c) Consumer price index (CPI)
(d) Trade deficit

53. The money multiplier is influenced by which of the following factors?
(a) The government's fiscal policy
(b) The central bank's monetary policy
(c) The foreign exchange rate
(d) Consumer preferences

54. An increase in the required reserve ratio will lead to:
(a) A decrease in the money supply and a decrease in the money multiplier
(b) An increase in the money supply and an increase in the money multiplier
(c) A decrease in the money supply and an increase in the money multiplier
(d) An increase in the money supply and a decrease in the money multiplier

55. The formula for calculating the money multiplier is:
(a) Money Multiplier = Currency in Circulation / Reserve Ratio
(b) Money Multiplier = Reserve Ratio / Currency in Circulation
(c) Money Multiplier = 1/ Reserve Ratio
(d) Money Multiplier = Reserve Ratio / 1

56. If the reserve ratio is 0.10 (10%), what is the money multiplier?
(a) 10 (b) 5 (c) 2 (d) 0.10

57. The money multiplier approach assumes that banks will:
(a) Hold excess reserves
(b) Lend out all their deposits
(c) Decrease their lending during economic expansions
(d) Not influence the money supply

58. If the central bank conducts an open market sale of government securities, the money supply will:
(a) Increase (b) Decrease
(c) Remain unchanged (d) Double

59. In the money multiplier approach, the process of money creation continues until:
(a) The government intervenes and controls the money supply
(b) The central bank runs out of monetary base
(c) The banks hold excess reserves

(d) The money supply equals the monetary base multiplied by the money

60. The money multiplier approach assumes that there are no leakages or withdrawals from the banking system the form of:
(a) Taxes and government spending
(b) Interest payments
(c) Foreign exchange transactions
(d) Currency held by the public

61. What is monetary policy?
(a) Government policies that regulate international trade
(b) Government policies that control fiscal deficits
(c) Central bank policies that manage the money supply and interest rates
(d) Central bank policies that control inflation

62. The primary goal of monetary policy is to:
(a) Achieve full employment
(b) Control the government's budget deficit
(c) Stabilize the stock market
(d) Maintain price stability and economic growth

63. The central bank can expand the money supply by
(a) Selling government bonds in the open market
(b) Raising the reserve requirements for banks
(c) Decreasing the discount rate
(d) Lowering interest rates on loans to banks

64. When the central bank buys government securities in the open market, it is conducting:
(a) Tight monetary policy
(b) Expansionary monetary policy
(c) Contractionary monetary policy
(d) Fiscal policy

65. Contractionary monetary policy is designed to:
(a) Increase inflation
(b) Reduce unemployment
(c) Stimulate economic growth
(d) Control inflationary pressures

66. The interest rate at which the central bank lends money to commercial banks is known as the:

(a) Prime rate (b) Discount rate
(c) Federal funds rate (d) Treasury rate

67. Open market operations refer to the central bank's buying and selling of:
(a) Government securities in the secondary market
(b) Foreign currencies in the foreign exchange market
(c) Commodities in the stock market
(d) Real estate properties

68. An increase in the reserve requirement by the central bank will lead to:
(a) An increase in money supply and lower interest rates
(b) A decrease in money supply and lower interest rates
(c) An increase in money supply and higher interest rates
(d) A decrease in money supply and higher interest rates

69. In a situation of economic recession, the central bank is likely to implement:
(a) Expansionary monetary policy
(b) Contractionary monetary policy
(c) Fiscal policy
(d) A fixed exchange rate policy

70. The Taylor rule is a monetary policy guideline that links interest rates to:
(a) Inflation rate and the output gap
(b) Fiscal deficit and money supply growth
(c) Government spending and tax revenues
(d) Exchange rate fluctuations

71. Quantitative easing (QE) is a monetary policy tool used by central banks to:
(a) Reduce the budget deficit
(b) Control inflation
(c) Lower interest rates

(d) Increase the money supply and stimulate economic growth

72. The term "moral suasion" in the context of monetary policy refers to the central bank's ability to:
(a) Influence consumer behavior through advertising campaigns
(b) Persuade commercial banks to comply with its policy recommendations
(c) Control international trade agreements
(d) Limit speculative trading in financial markets

73 . The "liquidity trap" is a situation where:
(a) Interest rates are extremely high, leading to reduced investment
(b) Interest rates are extremely low, leading to ineffective monetary policy
(c) Inflation is very low or negative, causing deflationary pressures
(d) The money supply is unable to keep up with rising demand in the economy

74. A central bank's target for inflation is often expressed through:
(a) The GDP growth rate
(b) The unemployment rate
(c) The consumer price index(CPI) or the inflation rate
(d) The exchange rate

75. The Phillips Curve illustrates the trade-off between:
(a) Fiscal policy and monetary policy
(b) Inflation and unemployment
(c) Imports and exports
(d) Government spending and tax revenue

76. The term "forward guidance" in monetary policy refers to the central bank's communication about its future:
(a) Fiscal policy plans
(b) Inflation targets
(c) Foreign exchange reserves
(d) Interest rate intentions

77. An inverted yield curve" is a situation where:
(a) Short-term interest rates are higher than long-term Interest rates
(b) Long-term interest rates are higher than short-term Interest rates
(c) Interest rates remain constant across all maturities
(d) There is no relationship between short-term and long-term interest rates

78. The "dual mandate" of some central banks typically includes objectives related to:
(a) Financial stability and exchange rate stability
(b) Economic growth and unemployment
(c) Fiscal deficit reduction and price stability
(d) Money supply growth and inflation control

79. During periods of economic expansion, a central bank may pursue a policy of:
(a) Tightening money supply and raising interest rates
(b) Expanding money supply and lowering interest rates
(c) Reducing government spending and increasing taxes
(d) Decreasing money supply and increasing government spending

80. "Sterilization" in the context of monetary policy refers to the central bank's actions to:
(a) Neutralize the impact of fiscal policies
(b) Remove excess liquidity from the banking system
(c) Influence the exchange rate through market interventions
(d) Implement price controls on essential goods and services

National Income

1. _____refers to money value of all the final goods and services produced by a country during a year.
(a) National Income
(b) Personal Income
(c) Personal Disposable Income
(d) Government Income

2. National dividend measures money value of _____goods and services produced by residents of the country during current year.
(a) Producer (b) Consumer
(c) Intermediary (d) Final

3. National Income helps the Government to-
(a) Analyse the level of production and economic welfare in the economy
(b) Analyse the stability and growth of the economy
(c) Formulate appropriate economic policies to direct the economy
(d) All of the above

4. Domestic Territory includes
(a) National frontiers of India
(b) Territorial waters of India
(c) Embassies, Consulates and Military Establishments of India, which are located abroad
(d) All of the above

5. Domestic Territory includes -
(a) Ships and Aircrafts operated by the residents of the country between two or more countries
(b) Fishing Vessels, Oil and Natural Gas Rigs, and Floating Platforms operated by the residents of the country in international waters, or engaged in extraction in areas in which the country has exclusive rights of exploitation.
(c) Territory lying within the political frontiers, including territorial waters of the country.
(d) All of the above

6. Which of the following concepts of National Income takes into consideration the geographical boundaries of a country, rather than the origin of the Factors of Production?
(a) Gross (b) Net
(c) National (d) Domestic

7. Concepts like GDP, GNP, NDP, NNP, etc. are measured at -
(a) Market Prices (b) Factor Cost
(c) Both (a) and (b) (d) Neither (a) nor (b)

8. Measurement at Market Prices constitute –
(a) External sale price angle
(b) Internal value addition angle
(c) Both (a) and (b)
(d) Neither (a) nor (b)

9. Measurement at Factor Cost constitute-
(a) External sale price angle
(b) Internal value addition angle
(c) Both (a) and (b)
(d) Neither (a) nor (b)

10. Which of the following constitute the reason for difference between Market Prices and Factor Cost?
(a) Indirect Taxes
(b) Subsidies
(c) Both (a) and (b)
(d) Neither (a) nor (b)

11. Which of the following equations is correct?
(a) Value at Factor Cost plus Indirect Taxes minus Subsidies = Value at Market Prices
(b) Value at Factor Cost minus Indirect Taxes minus Subsidies = Value at Market Prices
(c) Value at Factor Cost plus Indirect Taxes plus Subsidies = Value at Market Prices
(d) Value at Factor Cost minus Indirect Taxes plus Subsidies = Value at Market Prices

12. Which of the following equations is correct?
(a) Value at Factor Cost = Value at Market Prices plus Indirect Taxes minus Subsidies
(b) Value at Factor Cost = Value at Market Prices

plus Indirect Taxes plus Subsidies
(c) Value at Factor Cost = Value at Market Prices minus Indirect Taxes minus Subsidies
(d) Value at Factor Cost = Value at Market Prices minus Indirect Taxes plus Subsidies

13. $GDP_{FC} = GDP_{mp}$ - _____+ subsidies
(a) Indirect taxes (b) Depreciation
(c) NFIA (d) None

14. GDP at factor cost = _____
(a) GDP at market price subsidies
(b) GDP at market price + subsidies-Indirect tax
(c) GDP at market price subsidies Indirect tax
(d) GDP at market price + subsidies +Indirect tax

15. Indirect Taxes minus Subsidies is called-
(a) Net Subsidies
(b) Net Indirect Taxes
(c) Gross Subsidies
(d) Gross Indirect Taxes

16. The difference between values at Market Prices and Factor Cost is attributed to -
(a) Net Factor Income from abroad
(b) Depreciation
(c) Net Indirect Taxes
(d) All of the above

17. If NNP figure is available at Market Prices, we will _____Indirect Taxes and _____Subsidies to the figure to get National Income of the economy.
(a) Add, Subtract (b) Add, Divide
(c) Subtract, Add (d) Subtract, Divide

18. Concepts like GDP, GNP, NDP, NNP, etc. are measured at -
(a) Current Prices (b) Constant Prices
(c) Both (a) and (b) (d) Neither (a) nor (b)

19. When the value of output for each year is estimated on the basis of the prices prevailing in that year, it constitutes measurement at-
(a) Current Prices (b) Constant Prices
(c) Both (a) and (b) (d) Neither (a) nor (b)

20. When the value of output for each year is estimated on the basis of fixed prices, or prices prevailing at a earlier point of time or in some earlier Base Year, it constitutes measurement at -
(a) Current Prices (b) Constant Prices
(c) Both (a) and (b) (d) Neither (a) nor (b)

21. Measurement at Current Prices constitute -
(a) Nominal Value (b) Real Value
(c) Both (a) and (b) (d) Neither (a) nor (b)

22. Measurement at Constant Prices constitute -
(a) Nominal Value (b) Real Value
(c) Both (a) and (b) (d) Neither (a) nor (b)

23. _____is the money value of all final goods and services produced in the domestic territory of a country during an accounting year.
(a) Gross Domestic Product
(b) Net Domestic Product
(c) Gross National Product
(d) Net National Product

24. _____is the measure of the Market Value of all final goods and services produced by factors of production located within the boundaries of a country, during a specified period of time.
(a) GDP (b) GNP
(c) National Income (d) Personal Income

25. Net Domestic Product (NDP) equals -
(a) GDP plus Depreciation
(b) GDP minus Depreciation
(c) GNP plus Depreciation
(d) GNP minus Depreciation

26. Allowance given for using Capital Equipment for Production is known as -
(a) Appreciation (b) Deficit
(c) Loss (d) Depreciation

27. Depreciation Allowance is also called as-
(a) Fixed Asset Allowance
(b) Capital Allowance
(c) Capital Consumption Allowance
(d) None of the above

28. The difference between GNP and NNP equals -
(a) Consumer Expenditure on Durable Goods
(b) Indirect Business Taxes
(c) A statistical discrepancy
(d) Depreciation

29. _____is the sum of the Gross Domestic Product and Net Factor Incomes from Abroad.
(a) Gross Domestic Product
(b) Net Domestic Product
(c) Gross National Product
(d) Net National Product

30. Net National Product (NNP) equals -
(a) GDP plus Depreciation
(b) GDP minus Depreciation
(c) GNP plus Depreciation
(d) GNP minus Depreciation

31. National Income refers to _____at Factor Cost
(a) Gross Domestic Product
(b) Net Domestic Product
(c) Gross National Product
(d) Net National Product

32. National Income means
(a) GNP at Market Prices
(b) NNP at Market Prices
(c) GNP at Factor Cost
(d) NNP at Factor Cost

33. Net National Product at Factor Cost can be calculated as -
(a) NNP at Market Prices less Net Indirect Taxes
(b) GNP at Factor Cost less Depreciation
(c) NDP at Factor Cost plus Net Factor Income from abroad
(d) All of the above

34. National income differs from Net National product at market price by the amount of-
(a) Net indirect taxes
(b) National be interest
(c) Subsidies
(d) Current transfers from the rest of the world

35. Which of the following statements regarding National Income is true?
(a) National Income fails to account for non-marketable household production
(b) Goods and Services produced and consumed by the individuals for themselves are indicated in the National Income
(c) All transactions involving illegal and underground activities are valued and reported in National Income
(d) National Income accounts consider all the Implications of productive activities and the events of nature in an economy

36. Which of the following statements regarding National Income is false?
(a) Housework done by Housewives is not included in the National Income
(b) In Agricultural Sector, the value of the Commodities consumed by the Farmers is included in the National Income
(c) Most of the underground activities in the economy are unreported and are not included in National Income accounts
(d) National Income fails to take into account the human cost of employment in terms of physical and mental strain

37. What is the usual effect of double counting on the National Income?
(a) National Income shows a lower figure
(b) National Income gets exaggerated
(c) National Income remains same, even in the case of double counting
(d) Double-counting can never take place while calculating the National Income

38. The difference between the GDP_{mp} and GNP_{mp} is-
(a) Net factor income from abroad
(b) Depreciation
(c) Net income
(d) None of these

39. GDP at market prices =_____
(a) GNP at MP-Depreciation

(b) GNP at MP-NFIA
(c) GNP at FC- Depreciation
(d) GNP at FC- NFIA

40. If Net Factor Income from Abroad is positive, then which of the following is true?
(a) GNP > GDP (b) GNP = GDP
(c) GNP < GDP (d) None of the above

41. If Net Factor Income from Abroad is zero, then which of the following is true?
(a) GNP > GDP (b) GNP = GDP
(c) GNP < GDP (d) None of the above

42. If Not Factor Income from Abroad is negative, then which of the following is true?
(a) GNP > GDP (b) GNP = GDP
(C) GNP < GDP (d) None of the above

43. If Net Factor Income from Abroad is positive, then which of the following is true?
(a) NNP > NDP (b) NNP= NDP
(C) NNP < NDP (d) None of the above

44. If Net Factor Income from Abroad is zero, then which of the following is true?
(a) NNP > NDP (b) NNP = NDP
(c) NNP < NDP (d) None of the above

45. If Net Factor Income from Abroad is negative, then which of the following is true?
(a) NNP > NDP (b) NNP = NDP
(c) NNP < NDP (d) None of the above

46. GDP at Market Price Less Net Indirect Taxes equals
(a) GNP at Market Price
(b) GDP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

47. GDP at Market Price Less Depreciation equals- (a) GNP at Market Price
(b) GDP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

48. GDP at Factor Cost Less Depreciation equals -
(a) GNP at Market Price
(b) GDP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

49. GDP at Market Price Plus Net Factor Income from Abroad equals -
(a) GNP at Market Price
(b) GDP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

50. To convert GDPmp GNPmp
(a) Add Dep. (b) Add NIT
(c) Add NFIA (d) ALL of the above

51. GDP at Factor Cost Plus Net Factor Income from Abroad equals -
(a) GNP at Market Price
(b) GNP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

52. GNP at Market Price Less Net Indirect Taxes equals
(a) GDP at Market Price
(b) GNP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

53. GNP at Market Price Less Depreciation equals
(a) NNP at Market Price
(b) GNP at Factor Cost
(c) NDP at Market Price
(d) NDP at Factor Cost

54. GNP at Factor Cost Less Depreciation equals -
(a) NNP at Market Price
(b) NNP at Factor Cost
(c) GDP at Market Price
(d) GDP at Factor Cost

55. NDP at Market Price Less Net Indirect Taxes equals
(a) NNP at Market Price
(b) GNP at Factor Cost

(c) GDP at Market Price
(d) NDP at Factor Cost

56. NDP at Market Price Plus Net Factor Income from Abroad equals-
(a) NNP at Market Price
(b) NNP at Factor Cost
(c) GDP at Market Price
(d) NDP at Factor Cost

57. NDP at Factor Cost Plus Net Factor Income from Abroad equals -
(a) NNP at Market Price
(b) NNP at Factor Cost
(c) GDP at Market Price
(d) NDP at Factor Cost

58. Suppose NDP_{mp} increasing then GDP_{mp} is constant and deprecation is
(a) Decreases
(b) Increases
(c) Decreases with same amount as deprecation
(d) Increases with same amount as deprecation

59. Which of the following equations regarding GDP or GNP at Market Prices is true?
(a) GDP or GNP at Market Prices GDP or GNP at Factor Cost less Indirect Taxes, less Subsidies
(b) GDP or GNP at Market Prices = GDP or GNP at Factor Cost plus Indirect Taxes, less Subsidies
(c) GDP or GNP at Market Prices = GDP or GNP at Factor Cost less Indirect Taxes, plus Subsidies
(d) GDP or GNP at Market Prices = GDP or GNP at Factor Cost plus Indirect Taxes, plus Subsidies

60. Which of the following equation is used to arrive at GNP at Factor Cost?
(a) GNP at Factor Cost = GDP at Factor Cost + Net Factor Income From abroad
(b) GNP at Factor Cost = GDP at Factor Cost × Net Factor Income from Abroad
(c) GNP at Factor Cost = GDP at Factor Cost - Net Factor Income from Abroad
(d) GNP at Factor Cost = GDP at Factor Cost + Net Factor Income from Abroad - Depreciation

61. Which of the following is incorrect?
(a) GNP at market price - Depreciation = NNP market price.
(b) GNP at market price -NFIA = GDP market price
(c) GNP at market price - Net Indirect Tax G at factor cost.
(d) None of these

62. _____is the net flow of output produced in an economy, after adjusting the GNP by amount necessary to keep the existing capital intact
(a) NNP (b) GDP
(c) GNP (d) None of the above

63. The difference between values at Domestic level and National Level is attributed to -
(a) Net Factor Income from abroad
(b) Depreciation
(c) Net Indirect Taxes
(d) All of the above

64. In the process of measuring the National Income, the difference between National and Domestic Product is known as-
(a) Net Factor Income from Abroad
(b) Gross Factor Income from Abroad
(c) Income Deficit
(d) Income Flow Gap

65. The Factor Income earned by Domestic Residents abroad is 500 and the Factor Income earned by Foreigners in the country is 600. If the GNP of the country is 6000, the GDP of the country is -
(a) 6100 (b) 5900
(c) 6000 (d) 6200

66. From the following information compute GNP at Market Price. GDP at Factor Cost = 3000, Net Factor Income Abroad 200, Indirect Taxes = 420 Subsidies = 240
(a) 3380 (b) 2980
(c) 3020 (d) 2620

67. Raj, an Indian Citizen, is working for an Indian MNC in USA. The income earned by Rat is part of

(a) India's GDP and USA's GNP
(b) India's GDP and USA'S GDP
(c) India's GNP and USA's GDP
(d) India's GNP and USA'S GNP

68. The difference between Gross Values and Net Values is attributed to-
(a) Net Factor Income from abroad
(b) Depreciation
(c) Net Indirect Taxes
(d) All of the above

69. NNP at MP = NNP at FC, when there is -
(a) No Direct Tax
(b) No Indirect Tax
(c) No Subsidy
(d) No Indirect Tax and no Subsidy

70. GNP excludes-
(a) Rental Incomes
(b) Interest Payments
(c) Dividends
(d) Government Transfer Payments

71. Which will increase GNP?
(a) A rise in the Market Price
(b) A surplus in Budget
(c) An increase in Investment
(d) A deficit in Budget

72. GNP- NNP =
(a) Transfer Payments
(b) Capital Consumption
(c) Value Added
(d) None of the above

73. National Income at Market Prices, plus Subsidies, but less Indirect Taxes is equal to which one of the following?
(a) Gross National Income
(b) National Income at Factor Cost
(c) Private Income before Cost
(d) Net Consumer Income

74_____ is the sum of all incomes actually received by individuals during a given year.
(a) National Income
(b) Personal Income
(c) Personal Disposable Income
(d) Government, Income

75. Personal Income = Private Income minus_____
(a) Saving of Private Corporate Sector and Corporation Tax
(b) Consumption of Fixed Capital
(c) Direct Taxes paid by Households
(d) All of the above

76. _____is the net amount available after meeting tax labilities
(a) National Income
(b) Personal Income
(c) Personal Disposable Income
(d) None

77._____ is the net amount available for consumption and savings
(a) National Income
(b) Personal Income
(c) Personal Disposable Income
(d) Government Income

78. Which of the following statements is not true?
(a) When the price level increases, Nominal GDP increases even if no additional goods and services are produced
(b) Personal Disposable Income is either consumed or paid as taxes
(c) Net Investment equals Gross Investment less Depreciation
(d) The higher the interest rate, the higher the Opportunity Cost of holding money

79.Consumption of a particular good or service depends on various factors such as weather, tastes and preferences of the customer availability of the product and its substitutes, etc. But consumption is primarily determined by-
(a) Spending Habits
(b) Taxes
(c) Disposable Income
(d) Savings

80.Which of the following fiscal policy instruments has a direct impact on People's Disposable Income?
(a) Government Spending
(b) Taxation
(c) Government Savings
(d) Interest Rates

81. In a simple economy, National Income is-
(a) Equal to Disposable Income
(b) More than Disposable Income
(c) Less than Disposable Income
(d) Sometimes less than Disposable Income

82. National Income may be viewed as a -
(a) Flow of goods and services
(b) Flow of Incomes
(c) Flow of Expenditure on Goods and Services
(d) All of the above

83. Which of the following is not, by definition, equal to National Income?
(a) National Product
(b) National Expenditure
(c) National Output
(d) National Wealth

84. National Income may be computed under _____Method.
(a) Product (b) Income
(c) Expenditure (d) All of the above

85. The three methods of computing National Income are-
(a) Production, Outlay and Income Methods
(b) Balance of Payments, Income and Consumption Methods
(c) Saving, Investment and Income Methods
(d) Outlay, Depreciation and Production Methods

86. Which of the following is not an approach used to measure National Income?
(a) Product Approach
(b) Two Sector Model in circular flow of Income
(c) Income Approach
(d) Expenditure Approach

87. Product Method focusses on measurement of National Income at -
(a) Phase of Production of Goods and Services
(b) Phase of Income Distribution
(c) Phase of Income Disposition
(d) All of the above

88. The production method of calculating national income is also known as_____
(a) Value added method
(b) Income method
(c) Expenditure method
(d) None of the above

89. Income Method focusses on measurement of National Income at -
(a) Phase of Production of Goods and Services
(b) Phase of Income Distribution
(c) Phase of Income Disposition
(d) All of the above

90. Expenditure Method focusses on measurement of National Income at -
(a) Phase of Production of Goods and Services
(b) Phase of Income Distribution
(c) Phase of Income Disposition
(d) All of the above

91._____Method is suitable for measuring National Income in the case of Agricultural Sector.
(a) Product (b) Income
(c) Expenditure (d) All of the above

92. _____Method is suitable for measuring National Income in the case of Small Scale Sector.
(a) Product (b) Income
(c) Expenditure (d) All of the above

93. _____Method is suitable for measuring National Income in the case of Construction Sector.
(a) Product (b) Income
(c) Expenditure (d) All of the above

94. _____Method is suitable for measuring National Income in the case of Developed

Countries where all persons file their income-tax returns.
(a) Product (b) Income
(c) Expenditure (d) All of the above

95. _____Method is also called Value Added Method of computing National Income.
(a) Product (b) Income
(c) Expenditure (d) All of the above

96. The Net Values Added method of measuring National Income is also known as -
(a) Net Output Method
(b) Production Method
(c) Industry of Origin Method
(d) All of the above

97. Value added method is used to measure
(a) National Income (b) Domestic Income
(c) Gross Income (d) Personal Income

98. The Value Added by a Firm is equal to -
(a) Its Sales
(b) Its Profits
(c) Its Sales minus Cost of Intermediate Goods
(d) Cost of producing the goods less Cost of Raw Materials

99. Which of the following items are included in computing National Income under Product Method?
(a) Own account production of Fixed Assets by Government, Enterprises and Households
(b) Production for Self-Consumption
(c) Imputed Rent of owner-occupied houses
(d) All of the above

100. In which of the following approaches is National Income measured by calculating the Total Value of the Final Output of a country?
(a) Income Approach
(b) Product Approach
(c) Expenditure Approach
(d) No such measures exist, where final output of a country is considered for measuring National Income

101. The annual flow of Factor Earnings in the form of Wages, Rents, Interest and Profits accrued from Labour, Land, Capital and Organization respectively are taken into account in which of the following approaches to measuring National Income?
(a) Income Approach
(b) Expenditure Approach
(c) Product Approach
(d) All the approaches consider Factor Earnings

102. Which of the following items are included in computing National Income under Income method?
(a) Transfer Incomes
(b) Illegal Incomes
(c) Incomes earned by Owners of Primary Factors of Production
(d) All of the above

103. Which of the following items are not included in computing National Income under Income Method?
(a) Windfall Gains
(b) Sale Proceeds of second-hand goods
(c) Death Duties
(d) All of the above

104. Net Value Added is equal to -
(a) Payments accruing to Factors of Production
(b) Compensation to Employees
(c) Wages plus Rent plus Imputed Rent
(d) Value of Output minus Depreciation

105. _____ refers to the Income where the distinction between Capital and Labour is not possible, e.g. income of self-employed persons.
(a) National Income
(b) Mixed Income
(c) Personal Disposable Income
(d) Personal Income

106. Mixed Income of the self-employed means -
(a) Gross Profits received by Proprietors
(b) Rent, Interest and Profit of an Enterprise
(c) Combined Factor Payments which are not distinguishable

(d) Wages due to Family Workers

107. Income Method does not include -
(a) Rent (b) Mixed Incomes
(c) Pensions (d) All of the above

108. _____Sectors have expenditure in the economy.
(a) Household Sector
(b) Business Sector
(c) Government Sector
(d) All of the above

109. _____Method of measuring National Income aggregates all the money spent by Private Citizens, Firms and the Government within a given year.
(a) Income (b) Expenditure
(c) Savings (d) Input

110. _____constitutes expenditure on consumer goods and services.
(a) Consumption Expenditure
(b) Investment Expenditure
(c) Both (a) and (b)
(d) Neither (a) nor (b)

111. _____Goods constitutes expenditure on Capital
(a) Consumption Expenditure
(b) Investment Expenditure
(c) Both (a) and (b)
(d) Neither (a) nor (b)

112. Which of the following is not included in Gross Investment?
(a) Additions to Business Inventory
(b) Business and Residential Constructions
(c) Expenditures on Consumer Goods
(d) Expenditures on Machinery

113. Consumption Expenditure is done by _____Sectors of the economy
(a) Household and Business
(b) Business and Government
(c) Government and Household
(d) Household, Business and Government

114. Expenditure on Defence is -
(a) Private Investment
(b) Public Investment
(c) Private Consumption
(d) Public Consumption

115. Investment Expenditure is done by _____Sectors of the economy
(a) Household and Business
(b) Business and Government
(c) Government and Household
(d) Household, Business and Government

116. Which is not the major source of Government Saving?
(a) Taxes
(b) Surpluses of Public Enterprises
(c) Transfer Payments
(d) None of the above

117. Transfer Payments refer to payments which are made-
(a) Without any exchange of goods and services
(b) To workers on transfer from one job to another
(c) As compensation to employees
(d) None of the above

118. Which of the following is an example of a Government Transfer Payment?
(a) Salary paid to a Soldier
(b) Purchase of a new car for the Ministry of Finance
(c) Funding of a clinic to provide free vaccinations
(d) Free Food Coupons issued to persons as part of an anti-poverty program

119. Identify the item which is not a Factor Payment.
(a) Free uniform to Defence Personnel
(b) Salaries to the Members of Parliament
(c) Imputed Rent of an Owner-Occupied Building
(d) Scholarships given to Scheduled Caste Students

120. In computing National Income under Expenditure Method, the expenditure on Final Goods and Services produced _____is included.
(a) In the current period
(b) In preceding periods
(c) Both (a) and (b)
(d) Neither (a) nor (b)

121. In computing National Income under Expenditure Method, the expenditure on _____is excluded.
(a) Raw Materials and Intermediate Goods and Services
(b) Final Goods and Services
(c) Both (a) and (b)
(d) Neither (a) nor (b)

122. In computing National Income under Expenditure Method, Government Expenditure on Pensions, Scholarships, Unemployment Allowance, etc. is
(a) Included
(c) First included, then excluded
(b) Excluded
(d) Nothing can be said

123. Under Expenditure Method, Consumption Expenditure + Net Domestic Investment Replacement Expenditure equals -
(a) Gross Domestic Expenditure
(b) Gross National Expenditure
(c) Net Domestic Expenditure
(d) Net National Expenditure

124. Under Expenditure Method, Consumption Expenditure + Net Domestic Investment + Net Foreign Investment equals - Replacement Expenditure
(a) Gross Domestic Expenditure
(b) Gross National Expenditure
(c) Net Domestic Expenditure
(d) Net National Expenditure

125. Under Expenditure Method, Consumption Expenditure + Net Domestic Investment equals
(a) Gross Domestic Expenditure
(b) Gross National Expenditure
(c) Net Domestic Expenditure
(d) Net National Expenditure

126. Under Expenditure Method, Consumption Expenditure + Net Domestic Investment + Net Foreign Investment equals –
(a) Gross Domestic Expenditure
(b) Gross National Expenditure
(c) Net Domestic Expenditure
(d) Net National Expenditure

127. Which of the following relationships is true?
(a) Net Domestic Saving = Net Personal Saving = Retained Earning of Domestic Companies
(b) Gross Domestic Saving = Net Domestic Saving + Budget Surplus
(c) Gross Domestic Investment = Gross Fixed Investment + Change in Consumption
(d) Gross Domestic Product = Consumption + Gross Investment + Government Expenditure + Net Exports

128. Net Domestic Expenditure is Consumption Expenditure plus-
(a) Net Foreign Investment
(b) Net Foreign Investment plus Net Domestic Investment
(c) Net Domestic Investment
(d) Replacement Expenditure

129. Which of the following economic policies by Governments help maintain full employment and reasonable price stability in an economy?
(a) Monetary Policy
(b) Fiscal Policy
(c) Stabilization Policies
(d) Both (b) and (c)

130. Which of the following is correct?
(a) Increase in the % of per capita income is less than the increase in % of national income
(b) Increase in the % of national income is less than the increase in % of per capita income
(c) Per capita income rises when population increases
(d) Per capita income rises when population increases

131. In the Keynesian model, equilibrium aggregate output is determined by
(a) aggregate demand
(b) consumption function
(c) the national demand for labor
(d) the price level

132. Keynes believed that an economy may attain equilibrium level of output
(a) only at the full-employment level of output
(b) below the full-employment level of output
(c) only if prices were inflexible
(d) a) and c) above

133. According to Keynes, consumption expenditure is determined by
(a) the level of interest rates
(b) extent of government taxes and subsidies
(c) disposable income
(d) autonomous investment expenditure

134. The marginal propensity to consume (MPC) can be defined as
(a) a change in spending due to a change in income
(b) a change in income that is saved after consumption
(c) part of income that is spent on consumption.
(d) part of income that is not saved.

135. If the consumption function is expressed as C = a + by then b represents
(a) autonomous consumer expenditure when income is zero
(b) the marginal propensity to consume.
(c) the expenditure multiplier when consumption is increased
(d) part of disposable income

136. If the consumption function is expressed as C = a+ by then a represents
(a) autonomous consumer expenditure.
(b) the marginal propensity to consume.
(c) the consumption income relationship
(d) Non-linear consumption function

137. If the consumption function is C = 20 + 0.5Yd, then an increase in disposable income by ₹ 100 will result in an increase in consumer expenditure by ₹ _____
(a) 25 (b) 70
(c) 50 (d) 100

138. If the autonomous consumption equals ₹ 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals ₹ 10,000, then total consumption will be ₹ _____
(a) 8,000 (b) 6,000
(c) 10,000 (d) None of the above

139. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45- degree line indicates the
(a) level of full employment income.
(b) less than full employment level of income.
(c) equilibrium level of income which may or may not be full employment level of income
(d) autonomous level of income which may not be full employment level of income

140. In a closed economy, aggregate demand is the sum of
(a) consumer expenditure, demand for exports and government spending.
(b) consumer expenditure, planned investment spending and government spending.
(c) consumer expenditure, actual investment spending, government spending and net exports.
(d) consumer expenditure, planned investment spending, government spending, and net exports.

141. Under equation C = a + by, b = 0.8, what is the value of 2 sector expenditure multiplier?
(a) 4 (b) 2
(c) 5 (d) 1

International Trade

1. Which of the following best describes international trade?
(a) The exchange of goods and services within a country's borders
(b) The exchange of goods and services between individuals within a country
(c) The exchange of goods and services between countries
(d) The exchange of goods and services within a region

2. What is a trade deficit?
(a) When a country exports more goods than it imports
(b) When a country imports more goods than it exports
(c) When a country's total exports and imports are balanced
(d) When a country does not engage in international trade any

3. Which of the following is an example of a trade barrier?
(a) A free trade agreement
(b) Export subsidies
(c) Elimination of import tariffs
(d) Removing quotas on imports

4. What does the term "comparative advantage" mean in international trade?
(a) When a country can produce a good more efficiently than any other country
(b) When a country can produce all goods more efficiently than any other country
(c) When a country has an absolute advantage in producing all goods
(d) When a country can produce a good at a lower opportunity cost than another country

5. Which organization facilitates international trade negotiations and dispute resolutions among its member countries?
(a) United Nations (UN)
(b) International Monetary Fund (IMF)
(c) World Bank
(d) World Trade Organization (WTO)

6. Which of the following does not represent a difference between internal trade and international trade?
(a) transactions in multiple currencies
(b) homogeneity of customers and currencies
(c) differences in legal systems
(d) none of the above

7. The theory of absolute advantage states that
(a) national wealth and power are best served by increasing exports and decreasing imports
(b) nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else.
(c) that the value or price of a commodity depends exclusively on the amount of labour going into its production and therefore factor prices will be the same
(d) differences in absolute advantage explains differences in factor endowments indifferent countries

8. Which of the following theories advocates that countries should produce those goods for which it has the greatest relative advantage?
(a) Modern theory of international trade
(b) The factor endowment theory
(c) The Heckscher-Ohlin Theory
(d) None of the above

9. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports
(a) Capitalism
(b) Socialism
(c) Mercantilism
(d) Laissez faire

10. Given the number of labour hours to produce cloth and grain in two countries, which country should produce grain?

Labour cost (hours) for production of one unit

	Country A	Country B
Cloth	40	80
Grain	80	40

(a) Country A
(b) Country B
(c) Neither A nor B
(d) Both A and B

11. According to the theory of comparative advantage
(a) trade is a zero-sum game so that the net change in wealth or benefits among the participants is zero.
(b) trade is not a zero-sum game so that the net change in wealth or benefits among the participants is positive
(c) nothing definite can be said about the gains from trade
(d) gains from trade depends upon factor endowment and utilization

12. Given the number of labour hours to produce wheat and rice in two countries and that these countries specialise and engage in trade at a relative price of 1:1 what will be the gain of country X?

Labour cost (hours) for production of one unit

	Wheat	Rice
Country X	10	20
Country Y	20	10

(a) 20 labour hours
(b) 10 labour hours
(c) 30 labour hours
(d) Does not gain anything

13. Assume India and Bangladesh have the unit labour requirements for producing tables and mats shown in the table below. It follows that:

Labour cost (hours) for production of one unit

	India	Bangladesh
Tables	3	8
Mats	2	1

(a) Bangladesh has a comparative advantage in mats
(b) India has a comparative advantage in tables
(c) Bangladesh has an absolute advantage in mats
(d) All the above are true

14. Comparative advantage refers to
(a) a country's ability to produce some good or service at the lowest possible cost compared to other countries
(b) a country's ability to produce some good or service at a lower opportunity cost than other countries.
(c) Choosing a productive method which uses minimum of the abundant factor
(d) (a) and (b) above

15. Ricardo explained the law of comparative advantage on the basis of
(a) opportunity costs
(b) the law of diminishing returns
(c) economies of scale
(d) the labour theory of value

16. Which theory of international trade suggests that a country should specialize in producing and exporting goods that it can produce more efficiently than other countries?
(a) Absolute advantage theory
(b) Comparative advantage theory
(c) Heckscher-Ohlin theory
(d) Mercantilism theory

17. According to the Heckscher-Ohlin theory, international trade is primarily driven by differences in which of the following factors?
(a) Labor productivity
(b) Capital intensity
(c) Natural resources
(d) Technology

18. The theory of absolute advantage was proposed by:
(a) David Ricardo
(b) Adam Smith
(c) Paul Krugman
(d) John Stuart Mill

19. Which theory of international trade emphasizes the role of economies of scale and product differentiation in explaining trade patterns?
(a) New trade theory
(b) Comparative advantage theory
(c) Hecksher-Ohlin theory
(d) Absolute advantage theory

20. The theory of mercantilism suggests that a country's wealth is determined by:
(a) Accumulation of gold and precious metals
(b) High levels of government spending
(c) Low levels of international trade
(d) Large trade deficits

THE INSTRUMENTS OF TRADE POLICY

21. A specific tariff is
(a) a tax on a set of specified imported good
(b) an import tax that is common to all goods Imported during a given period
(c) a specified fraction of the economic value of an imported good
(d) a tax on imports defined as an amount of currency per unit of the good

22. A tariff on imports is beneficial to domestic producers of the imported good because
(a) they get a part of the tariff revenue.
(b) it raises the price for which they can sell their product in the domestic market
(c) it determines the quantity that can be imported to the country
(d) it reduces their producer surplus, making them more efficient

23. A tax applied as a percentage of the value of an imported good is known as
(a) preferential tariff
(b) ad valorem tariff
(c) specific tariff
(d) mixed or compound tariff

24. Escalated tariff refers to
(a) nominal tariff rates on raw materials which are greater than tariffs on manufactured products
(b) nominal tariff rates on manufactured products which are greater than tariffs on raw materials
(c) a tariff which is escalated to prohibit imports of a particular good to protect domestic industries
(d) none of the above

25. Voluntary export restraints involve:
(a) an importing country voluntarily restraining the quantity of goods that can been ported into the country during a specified period of time
(b) domestic firms agreeing to limit the quantity foreign products sold in their domestic markets
(c) an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time
(d) quantitative restrictions imposed by the Importing country's government.

26. Anti-dumping duties are
(a) additional import duties so as to offset the effects of exporting firm's unfair charging of prices in the foreign market which are lower than production costs.
(b) additional import duties so as to offset the effects of exporting firm's increase competitiveness due to subsidies by government
(c) additional import duties so as to offset the effects of exporting firm's unfair charging of lower prices in the foreign market
(d) Both (a) and (c) above

27. A countervailing duty is
(a) a tariff that aim to offset artificially low prices charged by exporters who enjoy export subsidies and tax concessions in their home country
(b) charged by importing countries to ensure fair and market-oriented pricing of imported products
(c) charged by importing countries to protect domestic industries and firms from unfair price advantage arising from subsidies
(d) All the above

28. Which of the following is an outcome of tariff?
(a) create obstacles to trade and increase the volume of imports and exports
(b) domestic consumers enjoy consumer surplus because consumers must now pay only a lower price for the good
(c) discourage domestic consumers from consuming Imported foreign goods and encourage consumption of domestically produced import substitutes
(d) increase government revenues of the importing country by more than value of the total tariff it charges

29. SPS measures and TBTs are
(a) permissible under WTO to protect the interests of countries
(b) may result in loss of competitive advantage of developing countries
(c) increases the costs of compliance to the exporting countries
(d) All the above

30. Which of the following is not a non-tariff barrier.
(a) Complex documentation requirements
(b) Import quotas on specific goods
(c) Countervailing duties charged by importing country
(d) Pre shipment product inspection and certification requirements

31. Under tariff rate quota
(a) countries promise to impose tariffs on imports from members other than those who are part of a preferential trade agreement
(b) a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate
(c) lower tariff is charged from goods imported from a country which is given preferential treatment
(d) none of the above

32. Non-tariff barriers (NTBs) include all of the following except:
(a) import quotas (b) tariffs
(c) export subsidies
(d) technical standards of products

33. Which of the following is an example of a trade barrier that restricts imports by imposing additional charges on imported goods?
(a) Export subsidy (b) Quota
(c) Dumping (d) Import tariff

34. What is the primary goal of protectionist trade policies?
(a) To promote free trade and open markets
(b) To encourage international cooperation
(c) To protect domestic industries from foreign competition
(d) To lower prices for imported goods

35. Which trade policy allows a government to completely ban the import or export of certain goods and services?
(a) Import quota (b) Export tax
(c) Embargo (d) Dumping policy

36. What does the term "dumping" refer to in trade policy?
(a) A sudden increase in import tariffs
(b) Selling goods in foreign markets at a lower price than the domestic market
(c) Limiting the quantity of exports to specific countries
(d) Imposing high taxes on imported goods

37. Which trade policy encourages the unrestricted flow of goods and services between countries without any trade barriers?
(a) Protectionism
(b) Free trade
(c) Subsidies
(d) Import quota

38. What is the purpose of an export subsidy in trade policy?
(a) To encourage domestic consumption of goods
(b) To discourage international trade
(c) To increase domestic production for exports
(d) To reduce budget deficits

39. Which trade policy tool is used to restrict the quantity of a specific imported product?
(a) Import tariff (b) Export subsidy
(c) Embargo (d) Import quota

40. What does the term "trade liberalization" mean in the context of trade policy?
(a) The removal of trade barriers to promote free trade
(b) The implementation of protectionist policies
(c) Increasing tariffs on imported goods
(d) Encouraging dumping practices

41. Which organization oversees and regulates international trade policies and dispute resolutions among member countries?
(a) International Monetary Fund (IMF)
(b) United Nations (UN)
(c) World Bank
(d) World Trade Organization (WTO)

42. Which trade policy is designed to support domestic Industries by providing financial assistance to help them compete with foreign producers
(a) Import tariff (b) Export tax
(c) Subsidy (d) Embargo

TRADE NEGOTIATIONS

43. What does GATT stand for?
(a) Global Association for Trade and Tariffs
(b) General Agreement on Tariffs and Trade
(c) Global Alliance for Trade Treaties
(d) General Association of Trade and Taxes

44. When was GATT established?
(a) 1945 (b) 1948
(c) 1955 (d) 1960

45. What was the main objective of GATT?

(a) To promote regional trade agreements
(b) To eliminate tariffs and trade barriers among member countries
(c) To establish a unified currency system
(d) To regulate intellectual property rights

46. Which organization succeeded ATT in 1995 and took over its functions?
(a) World Trade Organization (WTO)
(b) International Monetary Fund (IMF)
(c) United Nations (UN)
(d) World Bank

47. Under GATT, which round of negotiations, held in 1986-1994, led to significant reductions in tariffs and the creation of the WTO?
(a) Tokyo Round (b) Uruguay Round
(c) Doha Round (d) Cancun Round

48. Which of the following culminated in the establishment of the World Trade Organization?
(a) The Doha Round
(b) The Tokyo Round
(c) The Uruguay Round
(d) The Kennedy Round

49. Choose the correct statement
(a) The GATT was meant to prevent exploitation of poor countries by richer countries
(b) The GATT dealt with trade in goods only, while, the WTO covers services as well as intellectual property.
(c) All members of the World Trade Organization are required to avoid tariffs of all types
(d) All the above

50. The National treatment' principle stands for
(a) the procedures within the WTO for resolving disagreements about trade policy among countries
(b) the principle that imported products are to be treated no worse in the domestic market than the local ones
(c) exported products are to be treated no worse in the domestic market than the local ones
(d) imported products should have the same tariff, no matter where they are imported from

51. 'Bound tariff refers to
(a) clubbing of tariffs of different commodities into one common measure
(b) the lower limit of the tariff below which a nation cannot be taxing its imports

(c) the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO.
(d) the limit within which the country's export duty should fall so that there are cheaper exports

52. The essence of "MFN principle' is
(a) equality of treatment of all member countries of WTO in respect of matters related to trade
(b) favour one, country, you need to favour all in the same manner
(c) every WTO member will treat all its trading partners equally without any prejudice and discrimination
(d) all the above

53. The World Trade Organization (WTO)
(a) has now been replaced by the GATT
(b) has an inbuilt mechanism to settle disputes among members
(c) was established to ensure free and fair trade internationally.
(d) (b) and c) above

54. The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments
(a) on increasing agricultural productivity and rural development
(b) market access and agricultural credit support
(c) market access, domestic support and export subsidies
(d) market access, import subsidies and export subsidies

55. The Agreement on Textiles and Clothing
(a) provides that textile trade should be deregulated gradually and the tariffs should be increased
(b) replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974
(c) granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries
(d) stipulated that tariffs in all countries should be the same

56. The Agreement on Trade-Related Aspects of Intellectual Property Rights
(a) stipulates to administer a system of enforcement of intellectual property rights.
(b) provides for most-favoured-nation treatment and national treatment for intellectual properties
(c) mandates to maintain high levels of intellectual property protection by all members
(d) all the above

57. The most controversial topic in the yet to conclude Doha Agenda is
(a) trade in manufactured goods
(b) trade in intellectual property rights-based goods
(c) trade in agricultural goods
(d) market access to goods from developed countries

58. The WTO commitments
(a) affect developed countries adversely because they have comparatively less agricultural goods
(b) affect developing countries more because they need to make radical adjustments
(c) affect both developed and developing countries equally
(d) affect none as they increase world trade and ensure prosperity to all

59. Which of the following best describes Foreign Direct Investment (FDI)?
(a) Investment in foreign stocks and bonds by individuals and institutions
(b) Investment in a foreign country with the Intention of controlling a business operation
(c) Investment in a foreign country's financial markets, such as stock exchanges
(d) Investment in a foreign country's infrastructure projects

60. What is the main difference between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)?
(a) FDI involves investment in financial assets, while FPI involves investment in physical assets.

(b) FDI is long-term investment with the intention of controlling a business, while FPI is short-term investment for financial returns.
(c) FDI is limited to large institutional investors, while FPI is open to individual investors.
(d) FDI is only allowed in developed countries, while FPI is allowed in both developed and developing countries.

61. Which of the following is an example of Foreign Portfolio Investment (FPI)?
(a) A multinational corporation acquiring a local manufacturing plant in a foreign country
(b) An individual purchasing shares of a foreign company's stock on a foreign stock exchange
(c) A foreign government providing funds for a public infrastructure project in another country
(d) A foreign bank investing in a technology startup in its home country

62. Which type of investment is more volatile and can quickly move in and out of a country's financial markets?
(a) Foreign Direct Investment (FDI)
(b) Foreign Portfolio Investment (FPI)
(c) Both FDI and FPI have the same level of volatility
(d) Neither FDI nor FPI are subject to volatility

63. What is the primary purpose of Foreign Direct Investment (FDI)?
(a) To generate short-term financial returns
(b) To gain ownership and control over a business in a foreign country
(c) To diversify investment portfolios across multiple countries
(d) To provide funding for public infrastructure projects in developing countries

EXCHANGE RATE AND ITS ECONOMIC EFFECTS

64. Based on the supply and demand model of determination of exchange rate, which of the following ought to cause the domestic currency of Country X to appreciate against dollar?
(a) The US decides not to import from Country X
(b) An increase in remittances from the employees who are employed abroad to their families in the home country
(c) Increased imports by consumers of Country X
(d) Repayment of foreign debts by Country X

65. All else equal, which of the following is true if consumers of India develop taste for imported commodities and decide to buy more from the US?
(a) The demand curve for dollars shifts to the right and Indian Rupee appreciates
(b) The supply of US dollars shrinks and, therefore, import prices decrease
(c) The demand curve for dollars shifts to the right and Indian Rupee depreciates
(d) The demand curve for dollars shifts to the left and leads to an increase in exchange rate

66. "The nominal exchange rate is expressed in units of one currency per unit of the other currency. A real exchange rate adjusts this for changes in price levels'. The statements are
(a) wholly correct
(b) partially correct
(c) wholly incorrect
(d) None of the above

67. Match the following by choosing the term which has the same meaning
(i) floating exchange rate
(ii) fixed exchange rate
(iii) pegged exchange rate rate
(iv) devaluation
(a) (ic); (iid); (iii b); (iv a))
(b) (ib); (iia); (iil d); (iv c)
(c) (ia); (iid); (iii b); (iv c)
(d) (id); (iia); (iii b); (iv c)

68. Choose the correct statement
a. depreciation
b. revaluation
c. flexible exchange
d. appreciation
(a) An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency

(b) the fixed exchange rate regime is said to be efficient and highly transparent.
(c) A direct quote is the number of units of a local currency exchangeable for one unit of a foreign currency
(d) Exchange rates are generally fixed by the central bank of the country

69. Which of the following statements is true?
(a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency
(b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency
(c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable.
(d) All the above

70. An increase in the supply of foreign exchange
(a) shifts the supply curve to the right and as a consequence, the exchange rate declines
(b) shifts the supply curve to the right and as a consequence, the exchange rate increases
(c) more units of domestic currency are required to buy a unit of foreign exchange
(d) the domestic currency depreciates and the foreign currency appreciates

71. Currency devaluation
(a) may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries
(b) may reduce export prices and increase the international competitiveness of domestic industries
(c) may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services
(d) (a) and (c) above
(e)

72. At any point of time, all markets tend to have the same exchange rate for a given currency due to
(a) Hedging (b) Speculation
(c) Arbitrage (d) Currency futures

73. "Vehicle Currency' refers to
(a) a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties
(b) a currency that is traded internationally and, therefore, is in high demand
(c) a type of currency used in euro area for synchronization of exchange rates
(d) a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties

INTERNATIONAL CAPITAL MOVEMENTS

74. Which of the following statements is incorrect?
(a) Direct investments are real investments in factories, assets, land, inventories etc.and Involve foreign ownership of production facilities.
(b) Foreign portfolio investments involve flow of 'financial capital'
(c) Foreign direct investment (FDI) is not concerned with either manufacture of goods or with provision of services.
(d) Portfolio capital moves to a recipient country which has revealed its potential for higher returns and profitability.

75. Which of the following is a component of foreign capital?
(a) Direct inter government loans
(b) Loans from international institutions (e.g. World Bank, IMF, ADB)
(c) Soft loans for e.g. from affiliates of World Bank such as IDA
(d) All the above

76. Which of the following would be an example of foreign direct investment from Country X?
(a) A firm in Country X buys bonds issued by a

Chinese computer manufacturer.
(b) A computer firm in Country X enters into a contract with a Malaysian firm for the latter to make and sell to it processors
(c) Mr. Z a citizen of Country X buys a controlling share in an Italian electronics firm
(d) None of the above

77. Which of the following types of FDI includes creation of fresh assets and production facilities in the host country?
(a) Brownfield investment
(b) Merger and acquisition
(c) Greenfield investment
(d) Strategic alliances

78. Which is the leading country in respect of inflow of FDI to India?
(a) Mauritius (b) USA
(c) Japan (d) USA

79. An argument in favour of direct foreign investment is that it tends to
(a) promote rural development
(b) increase access to modern technology
(c) protect domestic industries
(d) keep inflation under control

80. Which of the following is a reason for foreign direct investment?
(a) secure access to minerals or raw materials
(b) desire to capture of large and rapidly growing emerging markets
(c) desire to influence home country industries
(d) (a) and (b) above

81. A foreign direct investor
(a) May enter India only through automatic route
(b) May enter India only through government route
(c) May enter India only through equity in domestic enterprises
(d) Any of the above

82. Foreign investments are prohibited in
(a) Power generation and distribution
(b) Highways and waterways
(c) Chit funds and Nidhi company
(d) Airports and air transport

83. Which of the following statement is false in respect of PP1?
(a) portfolio capital in general, moves to investment in financial stocks, bonds and other financial instruments
(b) is effected largely by individuals and institutions through the mechanism of capital market
(c) is difficult to recover as it involves purely long-term investments and the investors have controlling interest
(d) investors also do not have any intention of exercising voting power or controlling or managing the affairs of the company

84. What does the exchange rate represent?
(a) The price of a domestic currency in terms of foreign currency
(b) The price of a foreign currency in terms of domestic currency
(c) The cost of goods and services in a foreign country
(d) The difference between import and export values

85. What type of exchange rate system allows the exchange rate to be determined by market forces of supply and demand?
(a) Fixed exchange rate system
(b) Managed exchange rate system
(c) Floating exchange rate system
(d) Pegged exchange rate system

86. rate system, how aw In a floating exchange rate exchange rates determined?
(a) By government authorities based on economic indicators
(b) By commercial banks in the foreign exchange market
(c) By a fixed formula decided upon by the central bank
(d) By market forces of supply and demand

87. If the exchange rate between the US dollar (USD) and the Euro (EUR) changes from 1 USD 0.85 EUR to 1 USD 0.80 EUR, how has the USD appreciated or depreciated against the Euro?
(a) Appreciated by 0.05 EUR
(b) Appreciated by 0.85 EUR
(c) Depreciated by 0.05 EUR
(d) Depreciated by 0.80 EUR

88. Which of the following statements is true regarding a fixed exchange rate system?
(a) Exchange rates fluctuate based on market forces of supply and demand
(b) Central banks intervene to maintain a stable exchange rate
(c) Exchange rates are determined by the International stock markets
(d) Countries using fixed exchange rates are not part of the global economy

Nature & Scope of Business Economics

BASIC OF BUSINESS ECONOMICS

1.B	2.C	3.A	4.B	5.B	6.B	7.C	8.A	9.A	10.C
11.D	12.C	13.A	14.B	15.C	16.D	17.B	18.B	19.B	20.D
21.B	22.B	23.C	24.D	25.D	26.D	27.B	28.D	29.C	30.D
31.C	32.B	33.B	34.C	35.A	36.D	37.B	38.A	39.B	40.C
41.B	42.D	43.C	44.A	45.D	46.C	47.A	48.C	49.A	50.D
51.D	52.D	53.D	54.B	55.C					

CENTRAL ECONOMIC

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

Utility Analysis and Consumer Behaviour

UTILITY ANALYSIS

1.C	2.A	3.C	4.A	5.D	6.C	7.A	8.B	9.D	10.C
11.A	12.A	13.A	14.A	15.D	16.B	17.B	18.C	19.C	20.A
21.A	22.A	23.C	24.C	25.A	26.C	27.A	28.D	29.A	30.B
31.C	32.B	33.D	34.D	35.D	36.A	37.A	38.B	39.B	40.B
41.A	42.C	43.C	44.A	45.C	46.B	47.B	48.A	49.C	50.B
51.C	52.A	53.C	54.B	55.C	56.B	57.A	58.A	59.B	60.C
61.C	62.D	63.C	64.A	65.C	66.A	67.D	68.B	69.D	70.D
71.B	72.C	73.D	74.A	75.B	76.C	77.A	78.C	79.A	80.A
81.A	82.D	83.A	84.B	85.C	86.C	87.D	88.C	89.B	90.B
91.D	92.B	93.C	94.A	95.B	96.B	97.B	98.C	99.A	100.C
101.B	102.D	103.A	104.C	105.B	106.A	107.C	108.A	109.B	110.C
111.A	112.A	113.C	114.A	115.A	116.B	117.A	118.C	119.D	120.B
121.B	122.D	123.C	124.A	125.D	126.B	127.A	128.A	129.D	130.C
131.C	132.C	133.B	134.A	135.B	136.A	137.B	138.C	139.C	140.B
141.D	142.C	143.C	144.B	145.C	146.A	147.A	148.C	149.D	150.A
151.B	152.A	153.C	154.A	155.B	156.A	157.A	158.C	159.C	160.C
161.A	162.B								

ORDINAL APPROACH

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

Demand Analysis

DEMAND BASICS

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

ANSWERS – THEORY OF DEMAND

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

ELASTICITY OF DEMAND

1.A	2.C	3.C	4.C	5.D	6.A	7.D	8.D	9.D	10.B
11.D	12.B	13.D	14.C	15.C	16.B	17.C	18.A	19.C	20.A
21.C	22.A	23.A	24.C	25.C	26.A	27.C	28.C	29.A	30.C
31.A	32.B	33.A	34.A	35.B	36.B	37.B	38.B	39.D	40.A
41.A	42.D	43.B	44.C	45.B	46.B	47.C	48.B	49.D	50.B
51.A	52.B	53.B	54.B	55.C	56.C	57.C	58.A	59.D	60.C
61.C	62.B	63.C	64.A	65.A	66.D	67.C	68.A	69.C	70.A
71.A	72.C	73.D	74.B	75.B	76.A	77.B	78.B	79.C	80.D
81.A	82.A	83.D	84.C	85.B	86.B	87.A	88.A	89.B	90.B
91.D	92.A	93.A	94.A	95.B	96.C	97.B	98.A	99.B	100.C
101.A	102.D	103.A	104.B	105.D	106.A	107.C	108.A	109.C	110.C
111.A	112.B	113.B	114.C	115.B	116.C	117.C	118.B	119.C	120.D
121.D	122.A	123.A	124.A	125.A	126.B	127.B	128.A	129.B	130.B
131.A	132.D	133.D	134.A	135.B	136.C	137.A	138.B	139.A	140.B
141.B	142.C	143.B	144.D	145.C	146.D	147.A	148.B	149.A	150.B
151.A	152.D	153.C	154.A	155.B	156.C	157.B	158.C	159.C	160.B
161.C	162.C	163.B	164.D	165.A	166.B	167.C	168.D	169.C	170.A
171.B	172.C	173.A	174.B	175.B	176.C	177.D	178.A	179.A	180.A
181.A	182.B	183.B	184.A	185.B	186.B	187.B	188.B	189.D	190.A
191.B	192.C	193.A	194.B	195.A	196.D	197.D	198.D	199.B	200.B
201.A	202.A	203.D	204.B	205.B	206.C	207.C	208.B	209.A	210.A
211.A	212.B	213.A	214.C	215.A	216.C	217.D	218.B	219.B	220.C
221.B	222.C	223.B	224.A	225.A					

Supply Analysis and Equilibrium Price

SUPPLY BASICS

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

ELASTICITY AND EQUILIBRIUM PRICE

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

Production Concepts

PRODUCTION AND FACTORS OF PRODUCTION

1.A	2.B	3.A	4.A	5.A	6.C	7.D	8.A	9.B	10.C
11.C	12.B	13.A	14.C	15.D	16.A	17.A	18.A	19.A	20.B
21.D	22.B	23.D	24.D	25.A	26.B	27.A	28.B	29.C	30.D
31.A	32.A	33.A	34.B	35.B	36.B	37.B	38.B	39.A	40.C
41.D	42.B	43.C	44.C	45.A	46.D	47.D	48.C	49.A	50.B
51.C	52.D	53.A	54.D	55.A	56.A	57.D	58.D	59.B	60.D
61.D	62.A	63.A	64.D	65.A	66.B	67.B	68.B	69.B	70.C
71.A	72.B	73.A	74.B	75.A	76.B	77.D	78.B	79.D	80.B
81.A	82.B	83.B	84.A	85.A	86.D	87.C	88.B	89.C	90.A
91.C	92.A	93.C	94.A	95.D	96.A	97.B	98.A	99.A	100.D
101.D	102.A	103.A	104.C	105.B	106.C	107.C	108.B	109.C	110.D
111.C	112.C	113.A	114.B	115.A	116.C	117.D	118.C	119.C	120.A
121.B	122.C	123.A	124.C	125.C	126.D	127.C	128.C	129.A	130.B
131.D	132.C	133.D	134.C	135.D	136.B	137.C	138.C	139.B	140.B
141.D	142.D	143.A	144.C	145.C	146.A	147.A	148.B	149.B	150.A
151.C	152.A	153.C	154.A	155.D	156.A	157.B	158.C	159.D	160.D
161.C	162.B	163.C	164.D	165.A	166.D	167.A	168.C	169.A	170.B
171.A	172.D	173.B	174.D	175.D	176.C	177.C	178.A	179.D	180.C
181.B	182.A	183.A							

PRODUCTION FUNCTION

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

101.C	102.D	103.C	104.C	105.A	106.A	107.C	108.B	109.A	110.A
111.C	112.C	113.A	114.B	115.A	116.D	117.A	118.A	119.A	120.D
121.A	122.A	123.A	124.C	125.A					

LAW OF VARIABLE PROPORTIONS

1.C	2.B	3.A	4.C	5.B	6.B	7.D	8.A	9.D	10.D
11.D	12.D	13.C	14.A	15.B	16.B	17.B	18.A	19.B	20.B
21.C	22.A	23.B	24.C	25.C	26.B	27.B	28.A	29.B	30.B
31.D	32.C	33.B	34.D	35.D	36.D	37.D	38.B	39.C	40.B
41.B	42.C	43.B	44.D	45.A	46.C	47.B	48.C	49.A	50.B
51.C	52.B	53.B	54.B	55.D	56.C	57.A	58.C	59.C	60.B
61.D	62.C	63.C	64.D	65.A	66.B	67.B	68.B	69.C	70.A
71.B	72.D	73.D	74.C	75.B	76.C				

LAW OF RETURNS TO SCALE

1.C	2.C	3.C	4.B	5.A	6.D	7.D	8.A	9.B	10.C
11.D	12.C	13.A	14.D	15.C	16.B	17.C	18.B	19.B	20.A
21.B	22.A	23.A	24.C	25.C	26.B	27.C	28.C	29.C	30.B
31.D	32.C	33.C	34.A	35.B	36.B	37.A	38.B	39.C	40.A
41.D	42.A	43.D	44.D	45.B	46.C	47.D	48.C	49.A	50.C
51.B	52.A	53.A	54.D	55.A	56.A	57.C	58.B	59.A	60.C
61.D	62.B								

Cost and Revenue Concepts

TYPES OF COST

1.C	2.D	3.D	4.C	5.A	6.B	7.A	8.C	9.A	10.B
11.B	12.B	13.C	14.D	15.A	16.D	17.A	18.C	19.D	20.B
21.C	22.D	23.A	24.C	25.C	26.C	27.A	28.A	29.B	30.C
31.D	32.C	33.B	34.D	35.D	36.B	37.A	38.B	39.A	40.D
41.B	42.A	43.A	44.D	45.C	46.D	47.D	48.D	49.C	50.B
51.A	52.B	53.A	54.B	55.A	56.A	57.A	58.A	59.B	60.A
61.A	62.D	63.A	64.C	65.C	66.B	67.D	68.D	69.C	70.A
71.B	72.B	73.B	74.A	75.D	76.C	77.B	78.C	79.A	80.D
81.B	82.C	83.C	84.D	85.D	86.C	87.D	88.A	89.C	90.B
91.A	92.B	93.C	94.D	95.B	96.C	97.B	98.C	99.A	100.C
101.A	102.B	103.B	104.A	105.B	106.C	107.A	108.B	109.D	110.D
111.B	112.A	113.A	114.B	115.D	116.C	117.B	118.C	119.A	120.B
121.B	122.D	123.C	124.A	125.B	126.A	127.A	128.A	129.A	130.B
131.D	132.B	133.A	134.D	135.D	136.A	137.D	138.D	139.D	140.A
141.A	142.B	143.C	144.C	145.A	146.C	147.A	148.C	149.B	150.C
151.A	152.A	153.B	154.C	155.C	156.B	157.A	158.C	159.A	160.B
161.D									

SHORT-RUN & LONG-RUN COST BEHAVIOUR

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

ANSWERS – REVENUE CONCEPTS

1.A	2.B	3.C	4.C	5.B	6.B	7.A	8.A	9.B	10.C
11.C	12.C	13.C	14.B	15.D	16.A	17.A	18.B	19.A	20.C
21.C	22.C	23.A	24.B	25.C	26.D	27.D	28.B	29.B	30.B
31.A	32.B	33.D	34.B	35.C	36.A	37.A	38.A	39.D	40.A
41.B	42.A	43.A	44.C	45.A	46.B	47.C	48.A	49.C	50.B
51.A	52.C	53.A	54.B	55.A	56.C	57.C	58.B	59.A	60.D
61.A	62.B	63.A	64.B	65.C	66.B	67.A	68.A	69.B	70.A
71.D	72.C	73.A	74.B	75.C	76.A	77.B	78.C	79.A	80.B
81.A	82.A	83.B	84.C	85.A	86.C	87.D	88.C	89.A	90.D
91.B	92.D	93.D	94.D	95.B	96.B	97.C	98.B	99.B	100.B
101.B	102.A	103.A	104.B	105.D	106.D	107.A	108.C	109.C	110.B
111.C	112.D	113.B	114.B	115.B	116.A	117.C	118.C	119.D	120.B
121.B	122.B	123.C	124.B	125.A	126.A	127.D	128.D	129.D	130.C
131.C	132.D	133.C							

ANSWERS – PRODUCTION OPTIMISATION

1.C	2.D	3.A	4.D	5.C	6.D	7.A	8.D	9.C	10.A
11.C	12.C	13.C	14.C	15.B	16.C	17.A	18.C	19.A	20.B
21.D	22.B								

Public finance

ANSWERS – PUBLIC FINANCE

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

Market Forms, Market Price & Output Determination

MARKET BASICS

MARKET BASIC

1.C	2.C	3.D	4.C	5.D	6.B	7.D	8.C	9.C	10.D
11.B	12.B	13.A	14.A	15.B	16.D	17.B	18.D	19.A	20.D
21.C	22.D	23.C	24.D	25.D	26.D	27.D	28.B	29.B	30.B
31.B	32.C	33.A	34.B	35.D	36.D	37.D	38.A	39.D	40.A
41.A	42.D	43.A	44.B	45.A	46.C	47.C	48.C	49.D	50.A
51.D	52.C	53.A	54.D	55.B	56.A	57.A	58.C	59.A	60.B
61.B	62.D	63.A	64.C	65.D	66.C	67.A			

PERFECT COMPETITION

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

MONOPOLY

1.B	2.A	3.A	4.A	5.A	6.D	7.A	8.B	9.D	10.C
11.B	12.C	13.A	14.B	15.D	16.B	17.C	18.C	19.A	20.A
21.C	22.B	23.D	24.A	25.A	26.B	27.C	28.C	29.A	30.A
31.D	32.C	33.C	34.D	35.B	36.A	37.A	38.B	39.C	40.B
41.C	42.D	43.D	44.D	45.D	46.A	47.A	48.B	49.C	50.B
51.D	52.C	53.B	54.B	55.B	56.D	57.A	58.D	59.D	60.C
61.D	62.D	63.A	64.D	65.C	66.B	67.C	68.A	69.A	70.A
71.A	72.C	73.C	74.C	75.C	76.C	77.D			

MONOPOLISTIC

1.A	2.A	3.A	4.A	5.C	6.C	7.C	8.C	9.B	10.A
11.B	12.C	13.C	14.C	15.C	16.D	17.D	18.D	19.B	20.D
21.C	22.A	23.B	24.C	25.D	26.B	27.C	28.B	29.D	30.D
31.B	32.B	33.A	34.B	35.C	36.B	37.D	38.B	39.C	40.C
41.B	42.B	43.B	44.C	45.B	46.A	47.C	48.B	49.B	50.D
51.B	52.B	53.A	54.C	55.A	56.A	57.C	58.D	59.D	

OLIGOPOLY

1.C	2.B	3.B	4.C	5.A	6.A	7.C	8.B	9.D	10.C
11.B	12.C	13.A	14.D	15.C	16.C	17.D	18.C	19.C	20.A
21.A	22.D	23.C	24.A	25.C	26.A	27.D	28.A	29.A	30.B
31.A	32.C	33.D	34.B	35.A	36.B	37.D	38.B	39.A	40.D
41.B	42.D	43.C	44.D	45.B	46.C				

BUSINESS CYCLES

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

MONEY MARKET

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

National Income

1.A	2.D	3.D	4.D	5.D	6.D	7.C	8.A	9.B	10.C
11.A	12.D	13.A	14.B	15.B	16.C	17.C	18.C	19.A	20.B
21.A	22.B	23.A	24.A	25.B	26.D	27.C	28.D	29.C	30.D
31.D	32.D	33.D	34.A	35.A	36.B	37.B	38.A	39.B	40.A
41.B	42.C	43.A	44.B	45.C	46.B	47.C	48.D	49.A	50.C
51.B	52.B	53.A	54.B	55.D	56.A	57.B	58.D	59.B	60.A
61.D	62.A	63.A	64.A	65.A	66.A	67.C	68.B	69.D	70.D
71.C	72.B	73.B	74.B	75.A	76.C	77.C	78.B	79.C	80.B
81.A	82.D	83.D	84.D	85.A	86.B	87.A	88.A	89.B	90.C
91.A	92.B	93.C	94.B	95.A	96.D	97.A	98.C	99.D	100.B
101.A	102.C	103.D	104.A	105.B	106.C	107.C	108.D	109.B	110.A
111.B	112.C	113.C	114.D	115.B	116.C	117.A	118.D	119.D	120.A
121.A	122.B	123.A	124.B	125.C	126.D	127.D	128.C	129.D	130.A
131.A	132.B	133.C	134.A	135.B	136.A	137.C	138.C	139.C	140.B
141.C									

International Trade

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