

# BRAHMASTRA SERIES

## Chapter : 2

# THEORY OF

# DEMAND

# AND

# SUPPLY

1. Demand for a commodity refers to :
  - (a) Desire backed by ability to pay for the commodity.
  - (b) Need for the commodity and willingness to pay for it.
  - (c) The quantity demanded of that commodity at a certain price.
  - (d) The quantity of the commodity demanded at a certain price during any particular period of time.
  
2. The term 'demand' refers to :
  - (a) Demand of money
  - (b) Need for the commodity
  - (c) Need for services
  - (d) The quantity of a good or service that buyers are willing and able to purchase at various prices during a given period of time.
  
3. Demand is the :
  - (a) The desire for a commodity given its price and those of related commodities.
  - (b) The entire relationship between the quantity demanded and the price of a good other things remaining the same.
  - (c) Willingness to pay for a good if income is larger enough.
  - (d) Ability to pay for a good.
  
4. The quantity demanded is always expressed \_\_\_\_\_.
  - (a) separately in isolation
  - (b) separately with quantity supplied
  - (c) at a given price
  - (d) none of these
  
5. Which of the following statement is correct ?
  - (a) with the help of statistical tools, the demand can be forecasted accurately.
  - (b) The more the number of substitutes of a commodity , more elastic is the demand.
  - (c) Demand for butter is perfectly elastic
  - (d) Gold jewellery will have negative income elasticity.

6. The demand for a firm's product when expressed as a percentage of industry demand it signifies the \_\_\_\_\_ of the firm.
- (a) Product share                      (b) market share  
(c) demand                              (d) Supply
7. The quantity demanded is a \_\_\_\_\_.
- (a) Flow                                      (b) Stock  
(c) Single isolated purchase              (d) Concept without reference to time
8. Effective demand depends on :
- (a) Price                      (b) Cost                      (c) Desire                      (d) Product
9. In economics, effective demand for a thing depends on :
- (a) Desire                                      (b) Means to purchase  
(c) willingness to use those means for that purchase  
(d) all of the above
10. All of the following are determinants of demand except :
- (a) Tastes and preferences              (b) Quantity supplied  
(c) income of the consumer              (d) price of related goods
11. \_\_\_\_\_ is not a determinant of demand for commodity.
- (a) Price of substitute commodities  
(b) Price of complementary goods  
(c) Consumer expectations about future price of the commodity  
(d) Quantity of stock of the commodity
12. Which is not an important factor that determines demand ?
- (a) Price of commodity  
(b) Disposable income of consumer  
(c) Tastes and preference of buyer  
(d) Educational qualification of buyer
13. Price of goods expresses value of \_\_\_\_\_.
- (a) Exchange                      (b) Cost                      (c) Demand                      (d) Fair

14. Which of the following will affect the demand for non – durable goods ?
- (a) Disposable income                      (b) Price  
(c) Demography                                (d) All of the above
15. What is not a determinant of demand ?
- (a) Consumer’s expectations  
(b) Consumer’s tastes and preferences  
(c) Income of the consumers  
(d) Prices of unrelated goods.
16. The term “Ceteris Paribus” refers
- (a) Other things being equal              (b) Other things also change  
(c) other things may change              (d) None of the above
17. Ceteris Paribus, the demand for a commodity is inversely related to its price. This happens because of :
- (a) Income effect                              (b) Substitution Effect  
(c) both (a) & (b)                              (d) None of the above
18. \_\_\_\_\_ is/are the types of related commodities.
- (a) Complementary                              (b) Substitutes  
(c) Complementary and substitutes        (d) Complementary or substitutes
19. The increase in demand on account an increase in real income is known as:
- (a) Substitution effect                        (b) Income effect  
(c) marginal effect                              (d) Demand effect
20. Which one of the following set of commodities represents complementary goods ?
- (a) Tea and Sugar                              (b) Automobile and Petrol  
(c) Pen and ink                                  (d) All of the above

21. \_\_\_\_\_ are those goods which are consumed together or simultaneously.
- (a) Complementary (b) Substitutes  
(c) Similar (d) Unrelated
22. Goods which are inferior, with no close substitutes easily available and which occupy a substantial place in consumer's budget are called \_\_\_\_\_ goods.
- (a) Speculative (b) Prestige (c) Conspicuous (d) Giffen
23. When two commodities are complementary, a fall in the price of one (other things being equal) will cause the demand for the other to \_\_\_\_\_.
- (a) Fall (b) Rise  
(c) Remain constant (d) Fall substantially
24. Two commodities are called \_\_\_\_\_ when they satisfy the same want and can be used with ease in place of one another.
- (a) Substitutes (b) Complementary  
(c) Unrelated (d) Opposite
25. There is a \_\_\_\_\_ relation between the demand for a product and the price of its substitutes.
- (a) Direct (b) Positive (c) Indirect (d) Both (a) & (b)
26. In case of Veblen goods, the demand curve is :
- (a) Horizontal (b) Vertical  
(c) Upward sloping to the right (d) Downward sloping to the right
27. Highly priced goods are consumed status seeking rich people to satisfy their need for conspicuous consumption. This is called as : \_\_\_\_\_.
- (a) Veblen effect (b) Snob effect  
(c) Helen effect (d) none of these



36. 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.
37. When the price of petrol decreases, people reduce the consumption of diesel, then the goods are :
- (a) Complementary                      (b) Substitutes  
(c) Superior                                (d) Any of the above
38. 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 & Up will decrease
39. Which of the following is an incorrect statement ?
- (a) When goods are substitutes a fall in the price of one (ceteris paribus) leads to a fall in the quantity demanded of its substitutes.  
(b) When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise.  
(c) As the income of the consumer increases, the demand for the commodity increases always and vice versa.  
(d) When a commodity becomes fashionable people prefer to buy it and therefore its demand increases.
40. What will happen in the rice market if buyers are expecting higher rice prices in the near future ?
- (a) The demand for rice will increase.  
(b) The demand for rice will decrease.  
(c) The demand for rice will be unaffected.  
(d) None of the above.
41. Conspicuous goods are also known as :
- (a) Prestige goods                      (b) Snob goods  
(c) Veblen goods                        (d) all of the above

42. A good which cannot be consumed more than once is known as :
- (a) Durable good                      (b) non – durable good  
(c) producer good                      (d) none of the above
43. 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.
44. The price of tomatoes increases and people buy tomato puree. You infer that tomato puree and tomatoes are :
- (a) Normal goods                      (b) Complements  
(c) substitutes                      (d) inferior goods
45. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will \_\_\_\_\_.
- (a) Increase or decrease but the demand curve for chicken will not change.  
(b) Increase and the demand curve for fish will shift rightwards.  
(c) Not change but there will be a movement along the demand curve for fish  
(d) Decrease and the demand curve for fish will shift leftwards.
46. If the price of X commodity increases and due to that the demand for Y commodity increases, then x and y goods are \_\_\_\_\_.
- (a) complementary                      (b) substitutes  
(c) normal                      (d) giffen
47. Potato chips and popcorn are substitutes. A rise in the price of potato chips will \_\_\_\_\_ the demand for popcorn and the quantity of popcorn will \_\_\_\_\_.
- (a) Increase ; increase                      (b) increase ; decrease  
(c) decrease ; decrease                      (d) decrease ; increase

48. Increase in price of pulses leads to increase in demand of green vegetables.  
The pulses and green vegetables are \_\_\_\_\_.
- (a) Substitutes (b) complimentary goods  
(c) normal goods (d) none of the above
49. "High priced goods consumed by status seeking rich people to satisfy their need for conspicuous goods" is :
- (a) Veblen effect (b) bandwagon effect  
(c) Snob effect (d) Demonstration effect
50. Which of the following is the price at which the quantity demanded of a commodity is equal to the quantity supplied of the commodity and there is no unsold stock or no unsupplied demand ?
- (a) Selling price (b) Asking price  
(c) Future price (d) market clearing price
51. If the price of orange juice increases, the demand for apple juice will \_\_\_\_\_.
- (a) Increase (b) Decrease  
(c) Remain the same (d) Become negative
52. At higher prices people demand more of certain goods not for their worth but for their prestige value this is called \_\_\_\_\_.
- (a) Veblen effect. (b) Giffen paradox  
(c) speculative effect (d) none of the above
53. With a fall in the price of a commodity.
- (a) Consumer's real income increases.  
(b) Consumer's real income decreases  
(c) There is no change in the real income of the consumer  
(d) None of the above.



59. In a demand function, the determinants of demand like price, money income, tastes & preferences, etc. May be regarded as :
- (a) dependent variables                      (b) independent variables  
(c) related variables                         (d) complex variables
60. The demand curve of a normal good has shifted to the right. Which of the four events would have caused the shift ?
- (a) a fall in the price of a substitute with the price of the good unchanged  
(b) a fall in the normal income of the consumer and a fall in the price of the normal good  
(c) a fall in the price of a complementary good with the price of the normal good unchanged  
(d) a fall in the price of the normal good, other things remaining the same
61. 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.
62. What are exceptions to law of demand ?
- (a) Law of diminishing marginal utility  
(b) Substitution effect  
(c) Conspicuous goods  
(d) Different uses
63. When price of a commodity increases what will be the affect on quantity demanded ?
- (a) increases                                      (b) decreases  
(c) no change                                      (d) none of these

64. An increase in the demand for computers, other things remaining same, will :
- (a) Increase the number of computers bought
  - (b) Decrease the price but increase the number of computers bought
  - (c) Increase the price of computers
  - (d) Increase the price and number of computers bought
65. In case of normal goods, rise in price leads to \_\_\_\_\_ ?
- (a) Fall in demand
  - (b) rise in demand
  - (c) no change
  - (d) initially rise then ultimately fall
66. A decrease in the demand for cameras, other things remaining the same will :
- (a) increase the number of cameras bought
  - (b) decrease the price but increase the number of cameras bought
  - (c) increase the price of cameras
  - (d) decrease the price and decrease in the number of cameras bought
67. Comforts lies between :
- (a) Inferior goods and necessities
  - (b) Luxuries and inferior goods
  - (c) necessities and luxuries
  - (d) none of the above
68. If price of the commodity increases, what will be the effect on quantity demanded ?
- (a) Decreases
  - (b) increases
  - (c) no change
  - (d) cant say
69. Due to increase in price of coffee, the demand for tea increases. The two commodities under consideration are :
- (a) Substitute goods
  - (b) complementary goods
  - (c) unrelated goods
  - (d) producers goods
70. Who has given the law of demand ?
- (a) Alfred Marshall
  - (b) Paul Samuelson
  - (c) Robbins
  - (d) J.B. say

71. A table which represents the different prices of a good and the corresponding quantity demanded per unit is called as \_\_\_\_\_.
- (a) Demand curve                      (b) demand table  
(c) demand schedule                (d) demand tabulation
72. The demand schedule depicts \_\_\_\_\_ relationship between price and quantity demanded.
- (a) Direct            (b) Inverse            (c) Adverse            (d) None of these
73. \_\_\_\_\_ is a graphical presentation of the \_\_\_\_\_.
- (a) demand curve, demand schedule  
(b) demand schedule, demand curve  
(c) demand curve, supply schedule  
(d) supply curve, demand schedule
74. All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it ?
- (a) The preference of the individual  
(b) His monetary income  
(c) Price of the commodity  
(d) Price of related goods
75. The demand curve has a \_\_\_\_\_ slope.
- (a) Positive                      (b) Negative                      (c) circular                      (d) No
76. The demand for petrol decrease due to increase in its price, it is termed as :
- (a) A decrease in demand            (b) a change in demand  
(c) a contraction in demand            (d) an increase in demand
77. The \_\_\_\_\_ sloping demand curve is in accordance with the law of demand which describes an \_\_\_\_\_ price demand relationship.
- (a) upward, inverse                      (b) downward, inverse  
(c) upward, direct                      (d) download, direct

78. The sum of individual demands for a product at a price per unit of time called as \_\_\_\_\_.
- (a) Firm's demand (b) market demand  
(c) goods available in market (d) goods to be sold in market
79. The table which represents the sum of various quantities demanded by different consumers in the market is called as \_\_\_\_\_.
- (a) Demand schedule (b) Individual demand schedule  
(c) market demand schedule (d) market demand curve
80. The market demand schedule indicates \_\_\_\_\_ relationship between price and quantity demanded of a commodity.
- (a) direct (b) inverse (c) circular (d) no
81. If we plot the market demand schedule on a graph, we get \_\_\_\_\_.
- (a) demand chart (b) market demand chart  
(c) demand curve (d) market demand curve
82. The lateral summation of individual demand curves is regarded as \_\_\_\_\_.
- (a) economy demand curve (b) market demand curve  
(c) product demand curve (d) marginal demand curve
83. According to \_\_\_\_\_, the consumer has diminishing utility for each additional unit of a commodity and therefore, he will be willing to pay only less for each additional unit.
- (a) Marshall (b) Robbins (c) Samuelson (d) none of these
84. A consumer maximize his satisfaction when the marginal utility of the commodity is \_\_\_\_\_ its price.
- (a) Equal to (b) less than  
(c) more than (d) less than or equal to

85. The operations of diminishing marginal utility and the act of the consumer to equalize the utility of the commodity with its price result in a \_\_\_\_\_ demand curve.
- (a) downward sloping                      (b) upward sloping  
(c) straight line                              (d) hyperbola upward
86. \_\_\_\_\_ has/have explained the law of demand in terms of substitution effect and income effect.
- (a) Marshall                      (b) Hicks                      (c) Allen                      (d) Both (a) & (b)
87. As a result of fall in the price of a commodity , consumer's real income or purchasing power increases. This increase in the real income induces him to buy more of that commodity. This is technically termed as :
- (a) Price effect                      (b) Substitution effect  
(c) Income effect                      (d) both (b) & (c)
88. Which one of the following is not the rationale of the law of demand ?
- (a) Law of diminishing marginal utility  
(b) Price effect  
(c) Arrival of new customers  
(d) Change of taste & performances
89. Certain commodities have multiple uses. These different uses of a commodity make the demand curve \_\_\_\_\_ reacting to changes in price.
- (a) Slope downwards                      (b) Slope upwards  
(c) straight line                              (d) both (a) & (b)
90. When total demand for a commodity whose price has fallen increases, it is due to :
- (a) Income effect                              (b) Substitution effect  
(c) complementary effect                      (d) Price effect

91. Which of the following is not an exception to the law of demand ?  
(a) Giffen goods                      (b) Speculative goods  
(c) conspicuous goods              (d) white goods
92. Suppose the demand for automobile decreases due to increase in price of petrol. Both the goods are :  
(a) Perishable                      (b) complementary              (c) substitute              (d) Normal
93. Which one of the following may be considered as a rationale of the law of demand ?  
(a) Price effect                      (b) Giffen goods  
(c) returns to scale                      (d) none of these
94. Which of the following is not an exception to the law of demand ?  
(a) Speculative goods              (b) Giffen goods  
(c) Necessary goods                      (d) Normal goods
95. Which of the following statements is not correct ?  
(a) Giffen goods exhibit negative relationship between price and demand  
(b) Conspicuous goods exhibit positive relationship between price and demand  
(c) Incomplete information and irrational behavior of consumer is one of the reasons of exception to the law of demand  
(d) Law of demand states inverse relationship between price of a commodity and its quantity demanded.
96. In which of the following cases, the law of demand holds true ?  
(a) Normal goods                      (b) Giffen goods  
(c) Speculative goods                      (d) necessary goods
97. Higher the price of diamonds, higher is the prestige value attached to them and hence higher is the demand for them. These goods are called as \_\_\_\_\_  
(a) Conspicuous goods                      (b) Giffen goods  
(c) Normal goods                      (d) none of these

98. Which one of the following is an exception to the law of demand ?

- (a) future expectations about prices
- (b) demand for necessities
- (c) speculative goods
- (d) all of these

99. Which of the following is an exception to the law of demand ?

- (a) Substitute goods
- (b) marginal utility
- (c) conspicuous goods
- (d) cross elasticity of demand

100. For what type of goods does demand fall with a rise in income levels of households ?

- (a) Inferior goods
- (b) substitutes
- (c) Luxurious
- (d) necessities

101. A situation where after a price decrease, more units are sold causing increase in revenue is called as which of the following ?

- (a) Price effect
- (b) Quantity effect
- (c) income effect
- (d) substitution effect

102. Price effect is described as which of following ?

- (a) income effect + Veblen effect
- (b) substitution effect + Veblen effect
- (c) income effect + substitution effect
- (d) Veblen effect + demonstration effect

103. In case of inferior goods, with rise of income of consumers, demand of goodwill ?

- (a) Increases
- (b) Decreases
- (c) no change
- (d) none of these

104. In the case of a giffen good, the demand curve will be :

- (a) Horizontal
- (b) downward sloping to the right
- (c) vertical
- (d) upward sloping to the right

105. In case \_\_\_\_\_, there is an inverse relationship between income and demand for a product.
- (a) substitute goods            (b) complementary goods  
(c) giffen goods                (d) none of the above
106. If the demand of Bajra decreases due to decrease in its price, then Bajra is a :
- (a) Superior good                (b) Inferior good  
(c) Necessary good               (d) Luxury good
107. An example of a good that exhibit direct price demand relationship is :
- (a) Giffen goods                (b) complementary goods  
(c) substitute goods              (d) none of the above
108. In economics, when demand for a commodity increases with a fall in its price it is known as :
- (a) Contraction of demand      (b) expansion of demand  
(c) no change in demand        (d) none of the above
109. When as a result of increase in price, the quantity demanded decreases, it is called as \_\_\_\_\_.
- (a) expansion of demand        (b) increase in demand  
(c) both (a) & (b)                (d) none of these
110. The change in demand will be regarded as expansion of demand, if the increase in quantity demanded is due to \_\_\_\_\_.
- (a) Price of related goods        (b) price of goods  
(c) change in income              (d) change in taste & preferences
111. Movement along the same demand curve represents :
- (a) change in demand            (b) change in quantity demand  
(c) increase in demand          (d) decrease in demand

112. When price of apple is Rs.120 per kg. ram buys one kg. of apples at that price. Now it other things remains the same but the price of apples falls to Rs.90 per kg. now Ram buys 2 kg. of apples. It is called as :
- (a) demand schedule                      (b) market demand  
(c) contraction of demand              (d) expansion of demand
113. \_\_\_\_\_ refers to a change along a curve i.e. movement from one point to another on the same curve.
- (a) Expansion/contraction of demand  
(b) Increase/decrease in demand  
(c) Shift of demand curve  
(d) None of these
114. In case of \_\_\_\_\_ goods, the expansion in demand due to a price fall will take place only if the substitution effect outweighs the income effect
- (a) Inferior goods                      (b) Necessaries  
(c) Giffen goods                      (d) Luxurious goods
115. Movement along the demand curve may be due to \_\_\_\_\_
- (a) Expansion of demand              (b) contraction of demand  
(c) increase/decrease in demand      (d) both (a) & (b)
116. Contraction of demand is the result of :
- (a) Decrease in the number of consumers.  
(b) Increase in the price of the good concerned.  
(c) Increase in the price of other goods  
(d) Decrease in the income of purchasers
117. A movement along the demand curve for soft drinks is best described as :
- (a) An increase in demand              (b) A decrease in demand  
(c) a change in quantity demanded      (d) a change in demand

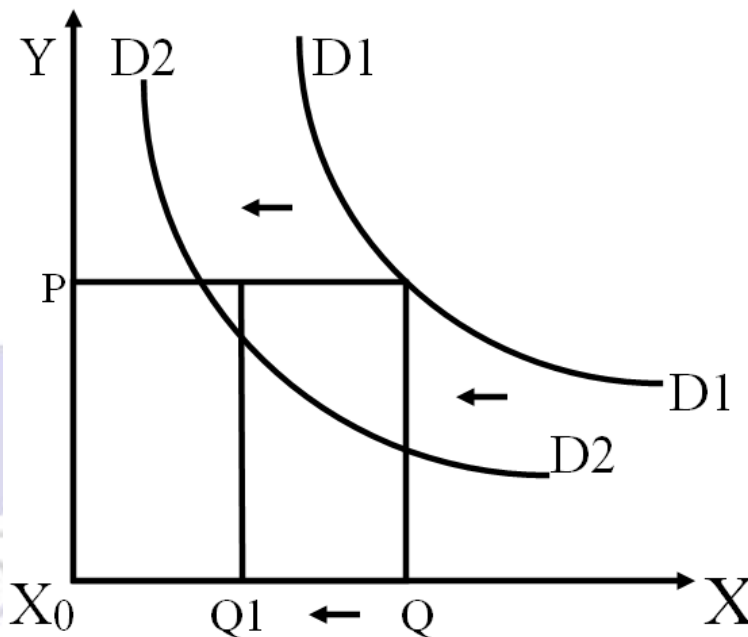


123. By 'change in demand' represents which of the following ?
- (a) Movement upward and downwards on the same demand curve
  - (b) Change in budgets line with change income
  - (c) Shift in the indifference curve
  - (d) Shift of the demand curve to the right of left
124. Suppose the price of Pepsi increases, we will expect the demand curve of Coca Cola to :
- (a) Shift towards left since these are substitutes
  - (b) Shift towards right since these are substitutes
  - (c) Remain at the same level
  - (d) None of the above
125. A leftward shift in the demand curve may be due to :
- (a) Fall in income
  - (b) fall in the price of substitutes
  - (c) decrease in population
  - (d) any of the above
126. During a recession, economies experience increased unemployment and a reduced level of income. How would a recession likely to affect the market demand for new cars ?
- (a) Demand curve will shift to the right.
  - (b) Demand curve will to the left.
  - (c) Demand will not shift, but the quantity of cars sold per month will decrease.
  - (d) Demand will not shift, but the quantity of cars sold per month will increase.
127. The movement upwards or downwards on the same demand curve resulting from a change in the price of the commodity is called as \_\_\_\_\_.
- (a) Change in demand
  - (b) change in quantity demanded
  - (c) shifting of demand curve
  - (d) increase in demand

128. Which of the following may be a reason behind rightward shift of the demand curve ?

- (a) Rise in price of substitute
- (b) Fall in price of substitute
- (c) Rise of price of same commodity
- (d) Fall of price of same commodity

129. The diagram given below shows :



- (a) A change in demand which may be caused by a rise in income and the good is a normal good.
- (b) A shift of demand curve caused by a fall in the price of a complementary good
- (c) A change in demand which is caused by a rise in income and the good is an inferior good
- (d) A shift demand curve caused by a rise in the price of a substitute and the good is a normal good.

130. Which of the following alternatives would be true if the event presented in the following diagram occurs ?
- (a) A fall in wage costs of the firm along with a fall in consumer incomes
  - (b) A shortage of raw materials and consequent increases in raw material price
  - (c) An increase in subsidy by the government and a reduction in taxes
  - (d) Decrease in the market price of the commodity in question
131. Elasticity of demand is the percentage change in \_\_\_\_\_ divided by the percentage change in \_\_\_\_\_ on which demand depends.
- (a) Quantity demanded, one of the variables
  - (b) Quantity demanded, all the variables
  - (c) Quantity supplied, all the variables
  - (d) Quantity supplied, one of the variables
132. If both the total revenue of a product and price are moving in the same direction, demand is :
- (a) Elastic
  - (b) Perfectly inelastic
  - (c) Inelastic
  - (d) Unrelated
133. Which of the following is CORRECT for determination of price elasticity of demand ?
- (a)  $E_p = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$
  - (b)  $E_p = \frac{\text{Change in quantity}}{\text{Original Quantity}} \times \frac{\text{Original Price}}{\text{Change in Price}}$
  - (c)  $E_p = \frac{\Delta q}{\Delta P} \times \frac{P}{q}$
  - (d) All of the above
134. What is reason behind the fact that price elasticity is negative ?
- (a) Price of commodity always fall
  - (b) Quantity of commodity always fall
  - (c) Price and quantity are inversely related (with few exception)
  - (d) Price and quantity are positively related

135. At Rs.5 per unit, Ram supplies 500 units of commodity X. at what price, 650 units of X should be supplied for at unit elasticity of supply ?  
(a) 3.5            (b) 4.5            (c) 6.5            (d) 7.5
136. The price of a commodity decreases from Rs.6 per unit to Rs.4 per unit and quantity demanded of the goods increased from 10 units to 15 units. The coefficient of price elasticity will be \_\_\_\_\_  
(a) 3            (b) 2            (c) 1            (d) 4
137. The demand for the commodity is \_\_\_\_\_ when a consumer is a habitual consumer.  
(a) Relative elasticity            (b) Inelastic  
(c) Unit elasticity            (d) Perfectly elastic
138. Identify the factor which generally keeps the price elasticity of a good low ?  
(a) Variety of uses for that good  
(b) Very low price of a commodity  
(c) Close substitutes for that good  
(d) High proportion of the consumer's income spent on it.
139. Calculate the price elasticity of demand, when the price increases from Rs.20 to Rs.22 and quantity demand falls from 300 and 200 units (Midpoint method)  
(a) 4.2            (b) - 4.2            (c) 4            (d) - 4
140. A 5% fall in the price of a good leads to a 15% rise in its demand. The price elasticity is \_\_\_\_\_ and the goods in question has \_\_\_\_\_ demand.  
(a) 1/3 , elastic            (b) 3, elastic  
(c) 1/3, inelastic            (d) 3, inelastic

141. The quantity demanded by a consumer at price Rs.9 per unit is 800 units. As price falls by 25%, the quantity demanded rises by 160 units. What is the price elasticity of demand ?  
(a) 1.3                      (b) 1                      (c) 0.8                      (d) None of these
142. The price of a good decreases from Rs.80 to Rs.40 per unit. If the price elasticity of demand for the given product is 1.5 and the original quantity is 20 units, then the new quantity demanded will be :  
(a) 15 units                      (b) 35 units  
(c) 18 units                      (d) 48 units
143. Calculate the price elasticity of demand if the household increases his demand for commodity x from 80 units to 100 units and price of a product x decreases by 10%.  
(a) 2.5                      (b) 0.4                      (c) 10                      (d) 1.25
144. A consumer buys 80 units of a good at a price of Rs.4 per unit. The price elasticity of demand is 4. At what price, consumer will buy 60 units ?  
(a) Rs.4 per unit                      (b) Rs.4.25 per unit  
(c) Rs.4.80 per unit                      (d) None of these
145. The numerical value of elasticity of demand can assume any value between :  
(a) Zero and - 1                      (b) zero and infinity  
(c) - 1 and + 1                      (d) zero and + 1
146. The extent of responsiveness of demand due to changes in any of its determinants is regarded as \_\_\_\_\_.  
(a) Price elasticity of demand                      (b) income elasticity of demand  
(c) cross elasticity of demand                      (d) elasticity of demand
147. Suppose the income elasticity of demand of Air conditioner (AC) is + 1.8 we can conclude from this that the AC is \_\_\_\_\_.  
(a) Superior good                      (b) inferior good  
(c) necessary good                      (d) conspicuous good

148. Identify the coefficient of price elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price :
- (a) Equal to one                      (b) greater than one  
(c) smaller than one                (d) Zero
149. There is decrease in price of LED TV after budget announcement from Rs.60,000 to Rs.50,000. As a result of which demand for it has increases from 1,500 units to 2,000 units. The elasticity of demand for LED TV will be \_\_\_\_\_.
- (a) 1.27                      (b) - 2                      (c) 0.63                      (d) 0.67
150. Which of the following statements about price elasticity of demand is correct ?
- (a) Price elasticity of demand is a measure of how much the quantity demanded of a good responds to a change in the price of that good.  
(b) Price elasticity of demand is computed as the percentage change in quantity demanded divided by the percentage change in price.  
(c) Price elasticity of demand in the long run would be different from that of the short run.  
(d) All of the above
151. If the proportionate change in price is greater than the proportionate change in quantity demanded of a commodity, the price elasticity of demand will be :
- (a) Zero                      (b) Inelastic                      (c) Elastic                      (d) Infinite

152. A decrease in price will result in an increase in total revenue if :

- (a) The percentage change in quantity demanded is less than the percentage change in price.
- (b) The percentage change in quantity demanded is greater than the percentage change in price.
- (c) Demand is inelastic
- (d) The consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.

153. An increase in price will result in an increase in total revenue if :

- (a) The percentage change in quantity demanded is less than the percentage change in price.
- (b) The percentage change in quantity demanded is greater than the percentage change in price.
- (c) Demand is elastic
- (d) The 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.

154. For which of the following product elasticity of demand is highly elastic?

- (a) Salt
- (b) Life – saving medicines
- (c) Water
- (d) Jewellery

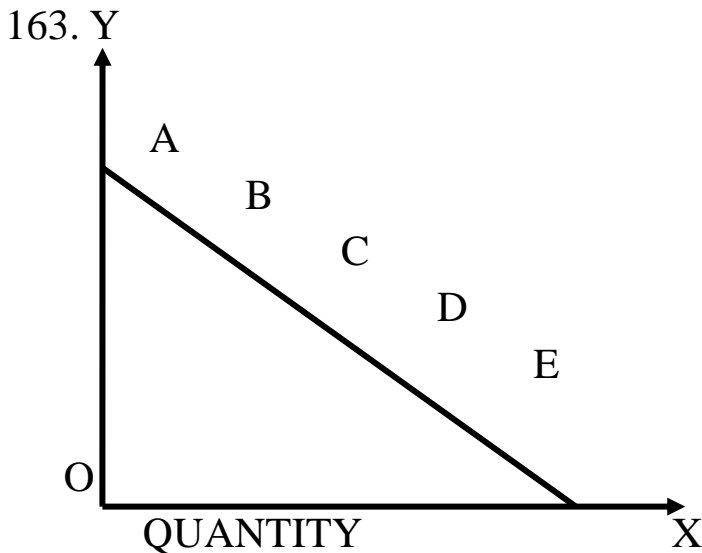
155. The price of X commodity decreases from Rs.10 to 8, owing to which its demand increases from 100 to 120 units. Calculate the price elasticity of demand.

- (a) (-) 1
- (b) 1
- (c) 0.8
- (d) 1.2

156. If price decreases from Rs.80 to Rs.60 and elasticity of demand is 1.25 then \_\_\_\_\_.

- (a) Demand increase by 25%
- (b) Demand decrease by 25%
- (c) Remains constant
- (d) None of the above

157. The elasticity of demand for a product will not be higher when :
- (a) it has several uses
  - (b) more substitutes for the product are available
  - (c) it is an expensive commodity
  - (d) it is considered a necessity by its buyers
158. If the price of a gel pen increases from Rs.40 to Rs.50 and in response to this the quantity demand decreases from 25 units to 20 units. The coefficient of price elasticity will be :
- (a) 1.25
  - (b) - 1.25
  - (c) 0.8
  - (d) - 0.8
159. The price elasticity of demand for X is 1 and the original quantity demand of X is 90 units, if the price of X decreases from Rs.300 to Rs.180 per unit, calculate the new quantity demand of X.
- (a) 36 units
  - (b) 120 units
  - (c) 126 units
  - (d) 144 units
160. Mr.Z went to a stationary shop to buy pens. The price of pen decreased from Rs.5 to Rs.3 per unit. If the price elasticity of demand for pen is 2.5 and the original quantity demand for pen is 20, then how much is the new quantity of demanded.
- (a) 10
  - (b) 40
  - (c) 30
  - (d) 20
161. 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
162. The concept of point elasticity is used for measuring price elasticity where the change in price is \_\_\_\_\_.
- (a) Finite
  - (b) Limited
  - (c) Infinite small
  - (d) None of the above



- (a) Elasticity at point A =  $\infty$ , at B =  $> 1$ , at C = 1, at D =  $< 1$  and E = 0  
 (b) Elasticity at point A = 0, at B =  $< 1$ , at C = 1, at D =  $> 1$  and E =  $\infty$   
 (c) Elasticity at point A = 0, at B =  $> 1$ , at C = 1, at D =  $< 1$  and E = 0  
 (d) None of these

164. The price elasticity of demand at the midpoint of the straight line demand curve under point method is \_\_\_\_\_.

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

165. Which of the following methods calculate elasticity of demand by using the formula :

$\frac{\text{lower segment of demand curve}}{\text{upper segment of demand curve}}$

- (a) The ARC elasticity method  
 (b) Cross elasticity method  
 (c) The income elasticity method  
 (d) The point elasticity method

166. Point elasticity is useful for which of the following situations ?

- (a) Arc elasticity                      (b) Point elasticity  
 (c) Cross elasticity                    (d) Cannot be measured

167. 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 per cent.
  - (c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by Rs.100.
  - (d) None of the above
168. The price of a commodity decreases from Rs.6 to Rs.4 and the quantity demanded of the good increases from 10 units to 15 units, and the coefficient of price elasticity. (Use point elasticity method)
- (a) 1.5            (b) 2.5            (c) – 1.5            (d) 0.5
169. If the price of air – conditioner increases from Rs.30,000 to Rs.30,010 and resulting change in demand is negligible, we use the measure of \_\_\_\_\_ to measure elasticity.
- (a) Point elasticity            (b) Perfect elasticity  
(c) Perfect inelasticity            (d) Price elasticity
170. Elasticity between two points :
- (a) Point elasticity            (b) Arc elasticity  
(c) Cross elasticity            (d) None
171. Suppose the price of movies seen at a theatre rises from Rs.120 per person to Rs.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 ? (Use Arc elasticity method)
- (a) .5            (b) .8            (c) 1.0            (d) 1.2
172. Suppose a department store has a sale on its silverware. If the price of a plate setting is reduced from Rs.300 to Rs.200 and the quantity demanded increases from 3,000 plate – settings to 5,000 plate – settings, what is the price elasticity of demand for silverware ? (Use Arc elasticity method)
- (a) .8            (b) 1.0            (c) 1.25            (d) 1.50

173. If the local pizzeria raises the price of a medium pizza from Rs.60 to Rs.100 and quantity demanded falls from 700 pizzas a night to 100 pizzas a night, the price elasticity of demand for pizzas is : (Use Arc elasticity method)
- (a) .67                      (b) 1.5                      (c) 2.0                      (d) 3.0
174. Which of the following method is used to calculate elasticity of demand when price and quantity demand are large ?
- (a) Zero elasticity                      (b) Cross elasticity  
(c) Point elasticity                      (d) Arc elasticity
175. The price of a commodity decreases from Rs.200 to Rs.120 per unit. If the price elasticity of demand for this commodity is 2 and the original quantity demanded is 60 units, calculate the new quantity demanded.
- (a) 48 units                      (b) 100 units  
(c) 108 units                      (d) 120 units
176. If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be :
- (a) Horizontal                      (b) Vertical  
(c) Positively demand                      (d) negatively demand
177. The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is :
- (a) elastic                      (b) inelastic  
(c) unitarily elastic                      (d) perfectly elastic
178. The demand for a generic good like soap and for Lux soap are \_\_\_\_\_ respectively.
- (a) Elastic and elastic                      (b) inelastic and inelastic  
(c) inelastic and elastic                      (d) elastic and inelastic

179. If electricity demand is inelastic, and electricity charges 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.
180. Suppose the demand for meals at a medium – price 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
181. Demand for a good will tend to be more elastic if it exhibits which of the following characteristics ?
- (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
182. Demand for a good will tend to be more inelastic if it exhibits which of the following characteristics ?
- (a) The good has many substitutes
  - (b) The good is a luxury (as opposed to a necessity)
  - (c) The good 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.

183. Using total outlay method, \_\_\_\_\_
- (a) We cannot find exact coefficient of price elasticity
  - (b) We can find exact coefficient of price elasticity
  - (c) We cannot determine whether the good is elastic or enelastic
  - (d) None of the above.
184. When, as a result of the change in price of a good, the total expenditure on the goods or total revenue received from those good remains the same, the price elasticity for the good is equal to \_\_\_\_\_.
- (a) Zero
  - (b) Unity
  - (c) More than one
  - (d) Less than one
185. Which one of the following is/are the determinants of price elasticity ?
- (a) Availability of substitutes
  - (b) Time period
  - (c) Price range
  - (d) all of the above
186. The demand for goods like common salt, matches, buttons, etc. tends to be \_\_\_\_\_ because a household spends only a fraction of their income on each of them.
- (a) Less elastic
  - (b) Inelastic
  - (c) Highly inelastic
  - (d) highly elastic
187. The price of a good has decreased from Rs.100 to Rs.60 per unit. If the price elasticity of demand for it is 1.5 and the original quantity demanded is 30 units, the new quantity demanded will be \_\_\_\_\_.
- (a) 18 units
  - (b) 30 units
  - (c) 48 units
  - (d) 60 units
188. The electricity board wants to reduce the consumption of electricity by 5%. The price elasticity of demand for electricity is (-) 0.5. the board should \_\_\_\_\_.
- (a) Raise the price of electricity by 2.5%
  - (b) Decrease the price of electricity by 2.5%
  - (c) Raise the price of electricity by 10%
  - (d) Raise the price of electricity by 0.1%

189. If there is no change at all in the quantity demanded, when price changes, the elasticity will be \_\_\_\_\_.
- (a) Zero      (b) Unitary      (c) Greater than one      (d) Less than one
190. If elasticity is \_\_\_\_\_, then the quantity demanded does not respond at all to a price change.
- (a) Zero      (b) One      (c) Greater than one      (d) Less than one
191. The demand is said to be \_\_\_\_\_ when the percentage change in quantity demanded is less than the percentage change in price.
- (a) Elastic      (b) Inelastic  
(c) Perfectly elastic      (d) none of the above
192. In case of wheat & common salt, the nature of price elasticity of demand is \_\_\_\_\_.
- (a) Elastic      (b) Inelastic  
(c) Perfectly elastic      (d) none of the above
193. If a consumer is a habitual consumer of a commodity, no matter how much its price changes, the demand for the commodity will be \_\_\_\_\_.
- (a) elastic      (b) inelastic      (c) perfectly elastic      (d) Unitary
194. The greater the proportion of income spent on a commodity, generally the \_\_\_\_\_ will be its elasticity of demand and vice versa.
- (a) Greater      (b) Lesser  
(c) Either (a) or (b)      (d) None of these
195. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to :
- (a) remain the same      (b) increase  
(c) decrease      (d) any of these

196. 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 prices rises.
197. Suppose a consumer's income increases from Rs.30,000 to Rs.36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs ? (Use Arc Elasticity method)
- (a) 0.5
  - (b) 1.0
  - (c) 1.5
  - (d) 2.0
198. The household income rises by 20% in a year. Consequently the demand for TV rises by 30%. What is income elasticity of demand.
- (a) 1.5
  - (b) 0.5
  - (c) 0.4
  - (d) 5
199. Income elasticity of demand is the degree of responsiveness of quantity demanded to a good to change in the \_\_\_\_\_ of consumers.
- (a) Taste and preferences
  - (b) income
  - (c) status of living
  - (d) fashion
200. If the percentage change in demand of good X is - 2.5% and the percentage change in income is 5%, then the income elasticity for and the good X will be good X is treated as :
- (a) - 0.5 normal goods
  - (b) - 0.5 inferior goods
  - (c) 0.5 normal goods
  - (d) 0.5 inferior goods
201. Which of the following formula can be used calculation income elasticity of demand ?
- (a)  $E_i = \frac{\Delta q}{\Delta y} \times \frac{y}{q}$
  - (b)  $E_i = \frac{\Delta y}{\Delta q} \times \frac{q}{y}$
  - (c)  $E_i = \frac{\Delta q}{\Delta y} \times \frac{q}{y}$
  - (d) None of the above

202. Income elasticity of luxury goods is \_\_\_\_\_.
- (a) Zero (b) Positive and greater than one  
(c) Positive and lesser than one (d) Negative and greater than – I
203. Suppose there is an increase in income by 15% , which increases demand by 30% the income elasticity of demand will be \_\_\_\_\_.
- (a) 0.67 (b) 0.5 (c) 2 (d) 1.0
204. The quantity purchased remains constant irrespective of the change in income. This is known as :
- (a) Negative income elasticity of demand.  
(b) Income elasticity of demand less than one.  
(c) Zero income elasticity of demand.  
(d) Income elasticity of demand is greater than one.
205. Dinesh's annual income increases from Rs.3,00,000 to Rs.3,60,000. According , he increases his purchases of commodity X from 50 Nos. to 60 Nos. what is the Dinesh's income elasticity of demand for commodity X ? (use Arc elasticity method)
- (a) 0.5 (b) 1.0 (c) 2.0 (d) Zero
206. When income increases the money spent on necessities of life may not increase in the same proportion. This means :
- (a) Income elasticity of demand is zero.  
(b) Income elasticity of demand is one.  
(c) Income elasticity of demand is greater than one.  
(d) Income elasticity of demand is less than one.

207. The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true ?

City	% increase in income	% change in demand for good X	% change in demand for good Y
A	12	6.5	- 2.3
B	9	5.6	1.6

- (a) Both goods are normal goods in both cities A and B
- (b) Good X is a normal good in both cities ; good Y is an inferior good in city A
- (c) Good X is a normal in both cities ; good Y is an inferior in city B
- (d) Need more information to make and accurate comment

208. As income increases, the consumer will go in for superior goods and consequently the demand for inferior goods will fall. This means :

- (a) Income elasticity of demand less than one.
- (b) Negative income elasticity of demand.
- (c) Zero income elasticity of demand.
- (d) Unitary income elasticity of demand.

209. Income elasticity of demand is calculated by dividing percentage change in \_\_\_\_\_ by the percentage change in \_\_\_\_\_.

- (a) income, demand
- (b) demand, income
- (c) income, price
- (d) demand, price

210. Which one of the following is the preposition on the relationship between income elasticity of demand and the proportion of income spent on it ?

- (a) If the proportion of income on a good *remains the same* as income increase, then income elasticity for the good is equal to one.
- (b) If the proportion of income spent on good increases as income increases, then the income elasticity for the goods is greater than one.
- (c) If the proportion of income spent on a good *decreases* as income rises, the income elasticity for the good is less than one.

(d) All of the above.

211. For all \_\_\_\_\_ goods, the income elasticity is positive.

- (a) Normal                      (b) Interior                      (c) Luxury                      (d) All of the above

212. For all \_\_\_\_\_ goods, the income elasticity is greater than one.

- (a) Normal                      (b) Interior                      (c) Luxury                      (d) All of the above

213. 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

214. If as people's income increases, the quantity demanded of a good decreases, the good is called \_\_\_\_\_.

- (a) A substitute                      (b) A normal good  
(c) An inferior good                      (d) a complement

215. When oranges has  $- (0.58)$  income elasticity the commodity orange is called as \_\_\_\_\_.

- (a) Orange is a necessary good  
(b) Orange is a inferior good  
(c) Orange is a substitute good  
(d) None

216. The income elasticity of tomatoes is 0.25, it means tomatoes are :

- (a) Inferior goods.                      (b) Luxury goods  
(c) normal goods                      (d) Cant say

217. Suppose the income elasticity of education in private school in India is 1.6. what does this indicates ?
- (a) Private school education is a luxury
  - (b) Private school education is a necessity
  - (c) Private school education is an inferior commodity
  - (d) We should have more private schools.
218. Suppose potatoes have (-) 0.4 as income elasticity. We can say from the data given that :
- (a) Potatoes are inferior goods.
  - (b) Potatoes are superior goods
  - (c) Potatoes are necessities
  - (d) There is a need to increase the income of consumers so that they can purchase potatoes.
219. If the income elasticity is less than one, it shows that the goods is either relatively least important in the eyes of consumer or it is a \_\_\_\_\_.
- (a) inferior
  - (b) Luxury
  - (c) necessity
  - (d) none of these
220. The income elasticity of demand of commodity "Buttons" is \_\_\_\_\_.
- (a) Greater than one
  - (b) Lest than one
  - (c) Zero
  - (d) One
221. In the case of inferior goods, the income elasticity of demand is :
- (a) Positive
  - (b) Zero
  - (c) negative
  - (d) Infinite
222. 'Bajra' is an inferior commodity in the eyes of the household. Its income elasticity of demand will be \_\_\_\_\_.
- (a) More than 1
  - (b) Equal to 1
  - (c) less than 1 , but greater than 0
  - (d) Negative
223. Assume that wheat have (-) 0.4 as income elasticity. By this, we can say that wheat is a \_\_\_\_\_ good.
- (a) Inferior
  - (b) Normal
  - (c) Superior
  - (d) Luxurious

224. Cross elasticity of demand refers to the quantities of commodity which will be demanded in response to \_\_\_\_\_, keeping other things remaining the same.
- (a) Income of consumer                      (b) Price of same commodity  
(c) Price of related commodity            (d) Both (b) & (c)
225. In case of substitute commodities, the cross demand curve slopes \_\_\_\_\_.
- (a) Upwards                      (b) Downwards                      (c) circular                      (d) Parabolic
226. What is numerical measure of elasticity for “Perfectly elastic”?
- (a) Zero    (b) Infinity  
(c) greater than one and less than infinity                      (d) Less than one
227. A shopkeeper sells only two brands of notebooks “Classmate” and “Neelgagan”. It is observed that when the price of “Classmate” rises by 10%, the demand for “Neelgagan” increases by 15%. What is the cross price elasticity for “Neelgagan” against the price of “Classmate”?
- (a) 0.5                      (b) 1                      (c) 1.5                      (d) None of these
228. The cross price elasticity between two goods x and y is known to be – 0.8. if the price of good y rises to 20%, how will the demand for x changed?
- (a) + 10%                      (b) + 16%                      (c) – 16%                      (d) none of these
229. The price of 1 kg. of coffee is Rs.60. at this price 10 kg. of coffee is demanded. If the price of tea rises from 50 to rs.70 per kg. the quantity demanded of coffee rises from 10 kg. to 16 kg. the cross – price elasticity of coffee is :
- (a) – 1.5                      (b) + 1.5                      (c) + 0.3                      (d) – 0.3
230. There is a \_\_\_\_\_ relationship between price of a commodity and the demand for its complementary goods (other things remaining the same)
- (a) inverse                      (b) Positive                      (c) Direct                      (d) Any of (b) & (c)

231. Cross elasticity of perfect substitutes is :  
(a) Zero      (b) negative      (c) one      (d) infinity
232. The cross elasticity between bread and DVDs is :  
(a) Positive      (b) negative      (c) Zero      (d) One
233. If the quantity demand of mutton increases by 5% when the price of chicken increases by 20% the cross- price elasticity of demand between mutton and chicken \_\_\_\_\_.  
(a) 0.25      (b) - 4      (c) 4      (d) - 0.25
234. When two goods are unrelated then cross elasticity of demand will be \_\_\_\_\_.  
(a) 0      (b) 00      (c) 1      (d) (-)
235. The quantity demanded of coffee increases by 2% when the price of tea increases by 8% , the cross elasticity of demand between two products are \_\_\_\_\_.  
(a) + 0.25      (b) - 0.25      (c) - 0.4      (d) + 0.4
236. If the quantity demand of coffee increased by 8% the price of tea increase by 25% the cross elasticity of demand between coffee and tea is \_\_\_\_\_.  
(a) - 0.32      (b) 0.32      (c) 3.125      (d) - 3.125
237. The cross elasticity between personal computers and software's is :  
(a) Positive      (b) Negative      (c) Zero      (d) One
238. If two goods are perfect substitutes for each other, the cross elasticity between them is \_\_\_\_\_.  
(a) One      (b) more than one      (c) less than one      (d) infinite
239. When the numerical value of cross elasticity between two goods is very high, it means :

- (a) The goods are perfect complements and therefore have to be used together.
- (b) The goods are perfect substitutes and can be used with ease in place of one another.
- (c) There is high degree of substitutability between the two goods.
- (d) The goods are neutral and therefore cannot be considered as substitutes.

240. Price of one can of Pepsi is Rs.25. at this price, 10 cans of Pepsi are demanded. If the price of Coca Cola increases from Rs.20 to Rs.30 per can, then quantity demanded of Pepsi rises from 10 cans to 16 cans. Find the cross – price elasticity of Pepsi.

- (a) 1.2                      (b) 1.25                      (c) 0                      (d) 1

241. Cross elasticity of commodity X is (-) 1.5. it indicates that commodity X is :

- (a) Complementary goods                      (b) Suspicious goods  
(c) industrial goods                      (d) substitute goods

242. If the goods are substituted (like tea and coffee) the cross elasticity between them is \_\_\_\_\_.

- (a) Positive                      (b) negative                      (c) Zero                      (d) Infinity

243. If the quantity demanded of mutton increases by 5% when the price of chicken increases by 20% , the cross price elasticity of demand between mutton and chicken is :

- (a) – 0.25                      (b) 0.25                      (c) – 4                      (d) 4

244. In case of complementary goods, a rise in the price of one leads to a fall in the quantity demanded of the other. The cross elasticity of demand between these will be \_\_\_\_\_.

- (a) Positive                      (b) Negative                      (c) Zero                      (d) Infinity

245. When the numerical value of cross elasticity between two goods is very high, it means :
- (a) The goods are perfect complements and therefore have to be used together.
  - (b) The goods are perfect substitutes and can be used with ease in place of one another.
  - (c) There is a high degree of substitutability between the two goods.
  - (d) The goods are neutral and therefore cannot be considered as substitutes.
246. The price of 1 kg. of tea is Rs.30. at this price, 5 kg. of tea is demanded. If the price of coffee rises from Rs.25 to Rs.35 per kg. the quantity demanded of tea rises from 5 k. to 8 kg. the cross price elastic of tea is \_\_\_\_\_.
- (a) 1            (b) 0.5            (c) 1.5            (d) 0
247. The cross elasticity is  $-1.2$ . it represents that the commodities are \_\_\_\_\_ in nature.
- (a) Complementary            (b) Substituted  
(c) Inferior            (d) Giffen
248. Advertisement elasticity of sales or promotional elasticity of demand is the responsive of a good demanded to changes in \_\_\_\_\_.
- (a) Price of commodity
  - (b) Per unit advertisement budget
  - (c) Firms spending on advertising
  - (d) Firms spending on distribution
249. Usually, higher the value of advertising elasticity, greater will be the responsiveness of demand to change in advertisement. Therefore, usually advertising elasticity of demand typically \_\_\_\_\_.
- (a) Positive            (b) Unitary            (c) Negative            (d) Zero

250. Ram and Sons are going for heavy advertisement campaign to enhance their sales. When analyzed it was realized that the expenditure on advertisement by the company has gone up from Rs.2,00,000 to Rs.3,00,000 and the sales of this product increased from 10 lakh units to 20 lakh units. What is the advertising elasticity of demand ?  
(a) - 1            (b) 4            (c) 2            (d) 3
251. Advertisement elasticity of demand values between \_\_\_\_\_ and \_\_\_\_\_.  
(a) One, infinity            (b) Zero, infinity  
(c) Zero, one            (d) (-) infinity to (+) infinity
252. Advertising elasticity of demand is typically \_\_\_\_\_.  
(a) negative            (b) Zero            (c) Infinity            (d) Positive
253. What will be the advertisement elasticity ?  
% change in demand = 30%  
% change in price = Nil  
% change in advertisement expenditure = 25%  
(a) 1.2            (b) 0.83            (c) 1            (d) 25
254. When the demand changes at a higher rate than change in advertisement expenditure, the advertisement elasticity will be \_\_\_\_\_.  
(a) Zero            (b) One            (c) More than one            (d) Less than one
255. If the advertisement expenditure on X commodity increase by 20% and demand for it increases only by 5%. The advertisement elasticity of demand for X commodity is :  
(a) 0.25            (b) (-) 0.25            (c) 4            (d) (-) 4
256. The zero advertisement elasticity represents :  
(a) Demand responds proportionately  
(b) Demand does not respond proportionately  
(c) Demand does not respond at all  
(d) None of the above

257. When the change in demand is less than proportionate change in advertisement expenditure, the advertisement elasticity ( $E_a$ ) will be equal to \_\_\_\_\_.

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

258. Which of the following statement is correct ?

- (a) With the help of statistical tools, the demand can be forecasted accurately.  
(b) The more the number of substitutes of a commodity, more elastic is the demand.  
(c) Demand for butter is perfectly elastic.  
(d) Gold jewellery will have negative income elasticity.

259. Method of demand forecasting does not include ?

- (a) Mathematical method                      (b) Barometric method  
(c) Expert opinion method                      (d) statistical method

260. Forecasting of demand is the art and science of predicting ?

- (a) actual demand of a product at same future date  
(b) probable demand in future  
(c) total demand in future  
(d) none of these

261. The Delphi technique of demand forecasting is also called an \_\_\_\_\_.

- (a) Survey of buyer intentions                      (b) Expect opinion method  
(c) barometric method                      (d) Controlled experiments

262. Of the following, who developed the Delphi technique of demand forecasting ?

- (a) Olaf Helmer                      (b) David Richardson  
(c) Michael Porter                      (d) J.M. Keynes

263. Forecasting refers to knowing or measuring the status or nature of an event or variable \_\_\_\_\_ it occurs.  
(a) before                      (b) When                      (c) After                      (d) Both (b) & (c)
264. The demand for cement in India is forecasted. It refers to \_\_\_\_\_.  
(a) Micro level forecasting      (b) Long – term forecasting  
(c) Industry level forecasting      (d) firm level forecasting
265. Method of demand forecasting does not include ?  
(a) mathematical method      (b) Barometric method  
(c) expert opinion method      (d) statistical method
266. \_\_\_\_\_ demand forecasting is generally useful in tactical decisions.  
(a) Short – term                      (b) long term  
(c) very long period                      (d) Both (a) & (b)
267. The demand for a commodity that arises because of the demand for same other commodity (Prevent product) is called as \_\_\_\_\_.  
(a) demand                      (b) direct demand  
(c) derived demand                      (d) implied demand
268. If the demand for a product is independent of the demand for other goods, then it is called as \_\_\_\_\_.  
(a) derived demand                      (b) Autonomous demand  
(c) industry demand                      (d) implied demand
269. Which of the following are consumer's goods ?  
(a) Readymade clothes                      (b) prepared food  
(c) residential houses                      (d) all of the above
270. Identify producer's goods out of following :  
(a) plant and equipment                      (b) readymade clothes  
(c) residential houses                      (d) all of the above

271. Which of the following factors affecting demand for non – durable consumer goods ?

- (a) Disposable income                      (b) Price  
(c) demography                              (d) all of the above

272. In order to find out turning points, it is necessary to find out the general behavior of the economy. This method of forecasting is called as :

- (a) controlled experiments              (b) barometric method  
(c) statistical method                      (d) none of these

273. \_\_\_\_\_ method of forecasting includes the methods :

# complete Enumerations

# sample survey

# End use

- (a) collective opinion                      (b) Survey of Buyer's intentions<sup>®</sup>  
(c) Expert opinion                              (d) Barometric

274. Under \_\_\_\_\_ method of demand forecasting, the future demand is estimated by conducting market studies and experiments on consumer behavior under actual, through controlled, market conditions.

- (a) controlled experiment method  
(b) market experiment method  
(c) barometric method  
(d) both (a) & (b)

275. Which one of the following is the statistical method of demand forecasting ?

- (a) trend projection method              (b) fitting equation method  
(c) regression analysis                      (d) all of the above

276. Which of the following is not a statistical method of demand forecasting?

- (a) regression analysis                      (b) Survey of Buyer's intentions  
(c) least square method                      (d) free hand projection method

277. Demand forecasting by means of asking customer what they are going to buy comes under :

- (a) Statistical method (b) Grass roots method  
(c) survey of buyers intention (d) experts opinion method

278. All \_\_\_\_\_ of human beings are called wants in economics.

- (a) Desires (b) tastes (c) motives (d) all of these

279. Wants arise due to \_\_\_\_\_ causes.

- (a) elementary (b) psychological  
(c) internal (d) both (a) & (b)

280. Which of the following is not the characteristic of wants of human beings?

- (a) Wants are unlimited  
(b) wants are subjective & relative  
(c) Wants are affected by income , taste , fashion , advertisements and social customs  
(d) Wants do not vary with time, place & person

281. Wants arise from multiple causes including \_\_\_\_\_.

- (a) natural instincts (b) Social obligations  
(c) Individual's economic & social status (d) all of the above

282. Which of the following is one of the categories of wants ?

- (a) Necessaries (b) comforts  
(c) luxuries (d) all of the above

283. Which of the following is NOT an example of Luxuries ?

- (a) expensive clothing (b) exclusive vintage cars  
(c) classy furniture (d) labour saving equipments

284. Which of the following is NOT an example of necessaries ?

- (a) Nourishing food (b) Adequate clothing & clean water  
(c) comfortable dwelling (d) expensive clothing

285. \_\_\_\_\_ is the \_\_\_\_\_ by the consumer and \_\_\_\_\_ is the actual satisfaction derived.

- (a) Utility, anticipated satisfaction, satisfaction
- (b) Utility, actual satisfactory, desire
- (c) Desire, utility, satisfaction
- (d) None of these

286. \_\_\_\_\_ is the want satisfying power of a commodity.

- (a) Utility
- (b) Marginal Utility
- (c) desire
- (d) desired utility

287. Which of the following statements about utility is incorrect ?

- (a) utility is ethically neutral
- (b) a commodity has utility even when it is not consumed
- (c) utility is subjective and varies from person to person
- (d) utility is the same thing as usefulness

288. Which of the following theories explains consumer behaviours ?

- (a) marginal utility analysis
- (b) indifference curve
- (c) returns to scale
- (d) both (a) & (b)

289. Utility is the numerical score in terms of '\_\_\_\_\_' representing the satisfaction that a consumer obtains from the consumption of a particular good.

- (a) Points
- (b) Utils
- (c) Units
- (d) Numbers

290. Marginal utility analysis has been propounded by :

- (a) Marshall
- (b) Hicks
- (c) Allen
- (d) Hicks & Allen

291. Alfred Marshall was a \_\_\_\_\_ economist.

- (a) British
- (b) American
- (c) European
- (d) Asian

292. \_\_\_\_\_ is the sum of marginal utilities derived from the consumption of different units.
- (a) marginal utility                      (b) average utility  
(c) total utility                          (d) incremental marginal utility
293. \_\_\_\_\_ is the additional made to total utility by the consumption of an additional unit of a commodity.
- (a) marginal utility                      (b) average utility  
(c) total utility                          (d) incremental marginal utility
294. When economists speak of the utility of a certain good, they are referring to :
- (a) The demand for the good  
(b) The usefulness of the good in consumption  
(c) The expected satisfaction derived from consuming the good  
(d) The rate at which consumers are willing to exchange one good for another.
295. When total utility is diminishing, the marginal utility is :
- (a) Diminisher                      (b) zero                      (c) negative                      (d) increases
296. The aim of the consumer in allocating his income is to \_\_\_\_\_.
- (a) Maximize his total utility  
(b) Maximize his marginal utility  
(c) To buy the goods he wants most whatever the price.  
(d) To buy the goods which he expects to be short in supply.
297. Additional made to total utility refers to :
- (a) total utility                      (b) average utility  
(c) marginal utility                      (d) all of the above
298. At the point of satiation, TU is \_\_\_\_\_ and MU is \_\_\_\_\_.
- (a) maximum, zero                      (b) minimum, zero  
(c) zero, zero                      (d) maximum, diminishing

299. From the information provided, what will be the total utility of 2<sup>nd</sup> unit ?

Units	TU	MU
1	200	--
2	--	150
3	480	--

- (a) 350                      (b) 380                      (c) 50                      (d) 330

300. Which equation is correct ?

- (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)  $\frac{MU_x}{MU_y} \neq \frac{P_x}{P_y}$

301. Marginal rate of substitution of X for Y is calculated as \_\_\_\_\_.

- (a) change in X/change in Y                      (b)  $P_x / P_y$   
(c)  $P_y / P_x$                       (d) change in Y / change in X

302. From the following data given below answer questions 251 and 252

Units	TU	MU
1	200	-
2	-	180
3	480	-

Total utility derived from 2<sup>nd</sup> unit ?

- (a) 380                      (b) 20                      (c) 100                      (d) 280

303. Marginal utility of 3<sup>rd</sup> unit is ?

- (a) 200                      (b) 280                      (c) 100                      (d) 50

304. When marginal utility is zero then total utility is \_\_\_\_\_.

- (a) Maximum                      (b) Lower                      (c) negative                      (d) increasing

305. Supposing that total utility is 100 at 10 unity of consumption of a commodity. If consumer increases the consumption by one more unit and owing to that total utility increases to 108.

The marginal utility of last units consumed will be \_\_\_\_\_

- (a) 8                      (b) 100                      (c) 108                      (d) 101

306. Budgets line is otherwise called as :

- (a) money line                                      (b) preference line  
(c) income line                                      (d) price line

307. The consumer is in equilibrium when the following condition is satisfied:

- (a) budget line is tangent to the Ic curve  
(b)  $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z}$   
(c) Both (a) and (b)  
(d) None of the above

308. An indifference curve is a curve which represents all those combination of two goods which give \_\_\_\_\_ to the consumer.

- (a) equal satisfaction                                      (b) greater satisfaction  
(c) lesser satisfaction                                      (d) variable satisfaction

309. Cardinal approach is related to :

- (a) indifference curve                                      (b) equi marginal utility  
(c) law of diminishing returns                                      (d) none of these

310. Which economist said that money is the measuring rod of utility ?

- (a) A.C. Pigou                                      (b) Marshall  
(c) Adam Smith                                      (d) Robbins

311. Which of the following relation is true with MU ?

- (a) when MU is positive, total utility rises at a diminishing rate  
(b) when marginal utility is zero, total utility is maximum  
(c) when marginal utility is negative, total utility is diminishing  
(d) all of the above

312. Total utility is maximum when :
- (a) Marginal utility is zero.
  - (b) Marginal utility is at its highest point.
  - (c) Marginal utility is negative
  - (d) None of the above
313. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of :
- (a) law of demand
  - (b) law of diminishing returns
  - (c) law of diminishing utility
  - (d) law of supply
314. When  $TU_{n-1}$  is deducted from  $TU_n$ , the resultant is \_\_\_\_\_
- (a) marginal utility
  - (b) average utility
  - (c) total utility
  - (d) incremental marginal utility
315. Marginal utility analysis is \_\_\_\_\_ concept.
- (a) Cardinal
  - (b) Ordinal
  - (c) Sequential
  - (d) None of these
316. Which of the following is not an assumption of marginal utility analysis ?
- (a) Rationality
  - (b) Cardinal measurability of utility
  - (c) hypothesis of independent utility
  - (d) increasing marginal utility of money
317. Law of diminishing marginal utility is derived from which of the following concept ?
- (a) Consumer surplus
  - (b) Additional utility
  - (c) total utility
  - (d) producer surplus
318. As per the hypothesis of \_\_\_\_\_ utility, the total utility which a person gets from the whole collection of goods purchased by him is simply the sum total of the separate utilities of the goods.
- (a) dependent
  - (b) independent
  - (c) related
  - (d) affected

Read the following table and answer questions (319 – 320)

<b>Quantity consumed</b>	0	1	2	3	4	5	6	7	8
<b>Total utility</b>	0	300	500	650	750	830	890	930	960

319. What is marginal utility when consumption increases from 4 units to 5 units ?  
(a) 130                      (b) 80                      (c) 160                      (d) 100
320. What is marginal utility when consumption increases from 7 units to 8 units ?  
(a) 60                      (b) 100                      (c) 40                      (d) 30
321. According to neo – classical economists, utility is a cardinal concept. It means :  
(a) Utility is a measurable and quantifiable entity  
(b) A psychological unit of measurement of utility is available called as 'UTILS'  
(c) Utilities from different units of the commodity can be added.  
(d) All of the above
322. Hicks and Allen believed that utility \_\_\_\_\_  
(a) can be measured in ordinal numbers  
(b) can be measured in cardinal numbers  
(c) cannot be measured  
(d) cannot be expressed
323. The marginal utility can be \_\_\_\_\_.  
(a) positive                      (b) zero                      (c) negative                      (d) any of above
324. The concept of consumer's surplus was propounded by \_\_\_\_\_.  
(a) Alfred Marshall                      (b) Hicks & Allen  
(c) J.B.Say                      (d) None of these

325. If a consumer gets more utility from a commodity, he would be willing to pay a higher price and vice versa. This extra satisfaction which consumer gets from the purchase of goods is called as \_\_\_\_\_.

- (a) Producer's supply                      (b) Consumer's supply  
(c) Extra Utility                              (d) Excess marginal utility

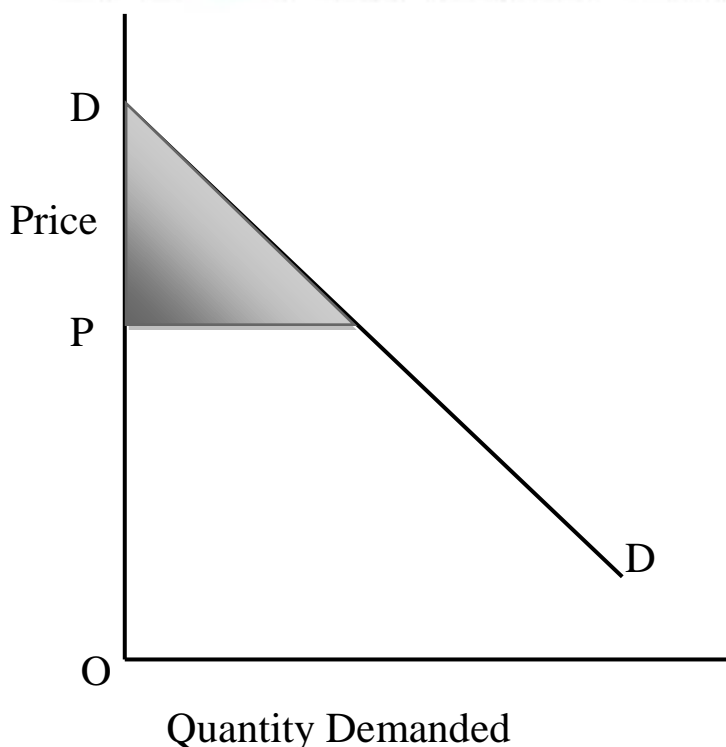
326. Which of the following statement is incorrect as regards consumer's surplus ?

- (a) It can be measured in money  
(b) It cannot be measure precisely  
(c) It is affected by a variability of substitutes  
(d) It is always infinite for necessities

327. By consumer surplus, economists mean

- (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

328. In the diagram given below, the shaded portion represents.



- (a) Price above which there is no demand for the commodity
- (b) Monopoly price of the commodity
- (c) Consumer surplus
- (d) None of the above

329. Consumer's surplus = what the consumer is ready to pay minus \_\_\_\_\_ ?

- (a) What is actual price of the product
- (b) What is income of the consumer
- (c) What he actually pays
- (d) What is actual surplus

330. Purushotham Wanted to buy laptop by paying Rs.60,000 but the actual price is Rs.55,000, then consumer surplus is :

- (a) 6,500      (b) 55,000      (c) 5,000      (d) 60,000

331. Ram wanted to purchase an Apple tab at Rs.12,000/- actual price in the market (MRP) is Rs.11,000/- and discount was given at 20%. Also there is an additional cash discount of Rs.300. find consumers surplus.

- (a) 3200      (b) 3500      (c) 1000      (d) 3300

332. Which of the following is/are the condition's of theory of consumer surplus if price is same for all the units he purchased ?

- (a) Consumer gains extra utility or surplus
- (b) Consumer surplus for the last commodity is zero
- (c) Both
- (d) None

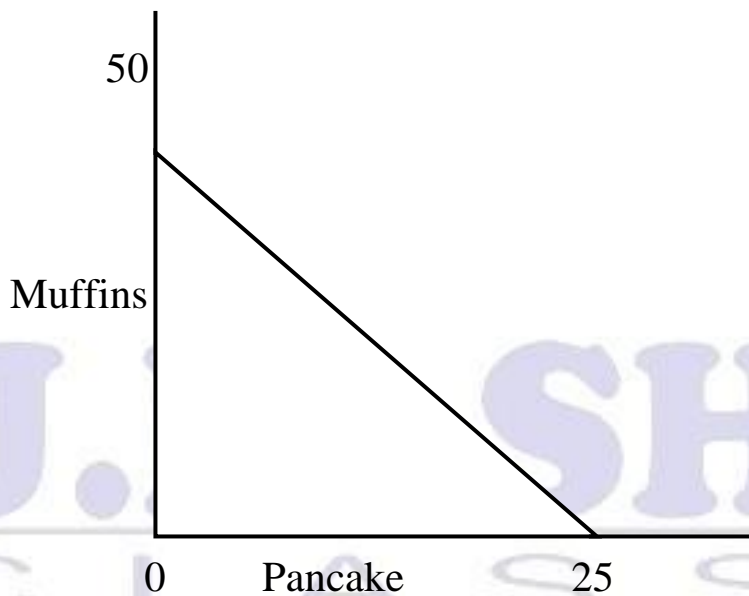
333. The concept of consumer's surplus is derived from :

- (a) The law of diminishing marginal utility
- (b) The law of equal – marginal utility
- (c) The law of diminishing returns
- (d) Engel's law

334. The concept of consumer surplus is derived from \_\_\_\_\_.

- (a) the law of demand
- (b) the law of supply
- (c) the law of diminishing marginal utility
- (d) indifference curve analysis

335. When the total income of a consumer is Rs.750 find out the prices of pancake & muffins respectively.

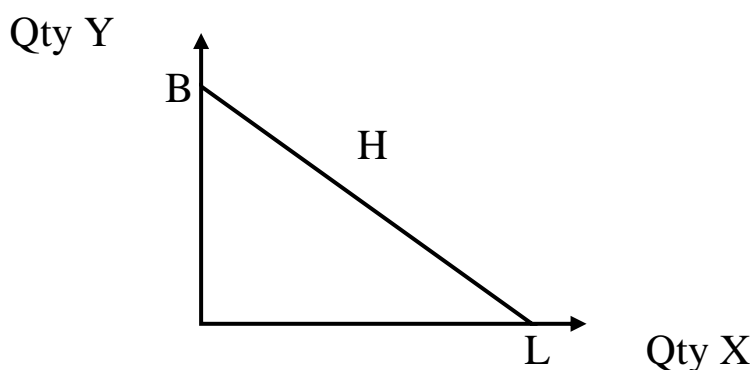


- (a) 15, 30
- (b) 30, 15
- (c) 50, 25
- (d) 25, 50

336. In case of necessities , consumers surplus is :

- (a) infinite
- (b) zero
- (c) equals to one
- (d) more than one

337. BL is the budget line. What does the points 'K' and 'H' represent from the consumer's point of view ?



- (a) Point 'K' is not reachable of the consumer, point 'H' shows under spending by the consumer
- (b) Point 'K' and 'H' shows equal consumer spending behavior.
- (c) Point 'K' shows under spending by the consumer and point 'H' shows beyond the reach of consumer
- (d) Point 'K' and 'H' shows the price ratio

338. A point above the budget line of a consumer represents

- (a) represents costs less than the whole consumers income.
- (b) Represents combination of goods which costs whole of consumers income
- (c) Represents a combination which is totally unattainable
- (d) Represents a combination that is attainable

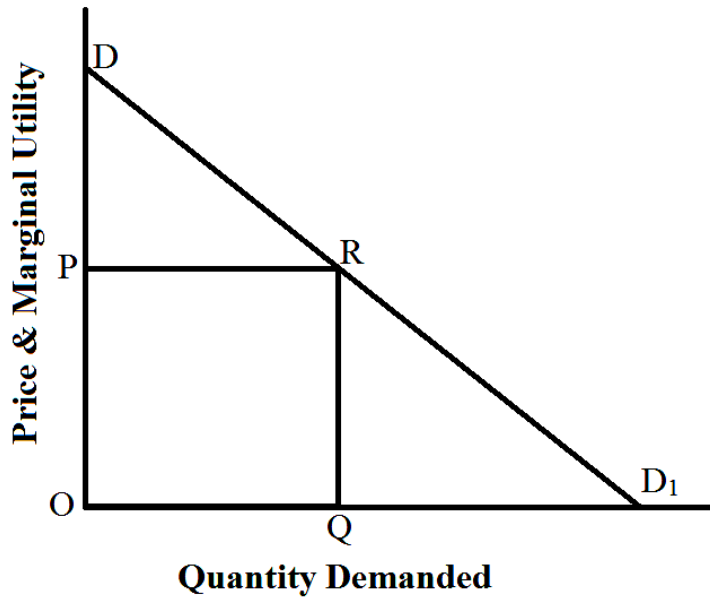
339. Producer surplus arises when :

- (a) The price of the product is less than the minimum price at which they would be prepared to supply the product.
- (b) The price of a product is equal to the minimum price at which they would be prepared to supply the product.
- (c) The price of a product is greater than the minimum price at which they would be prepared to supply the product.
- (d) The price of a product is equal to the marginal cost of the product.

340. Marshall defined the concept of consume surplus as the \_\_\_\_\_.

- (a) Area covered in between the average revenue an marginal revenue curves.
- (b) Area inside the budget line.
- (c) Difference between the minimum amount a person is willing to pay for a good and its market price.
- (d) Difference between the maximum amounts a person is willing to pay for good and the amount he actually pays.

341. Consider the following :

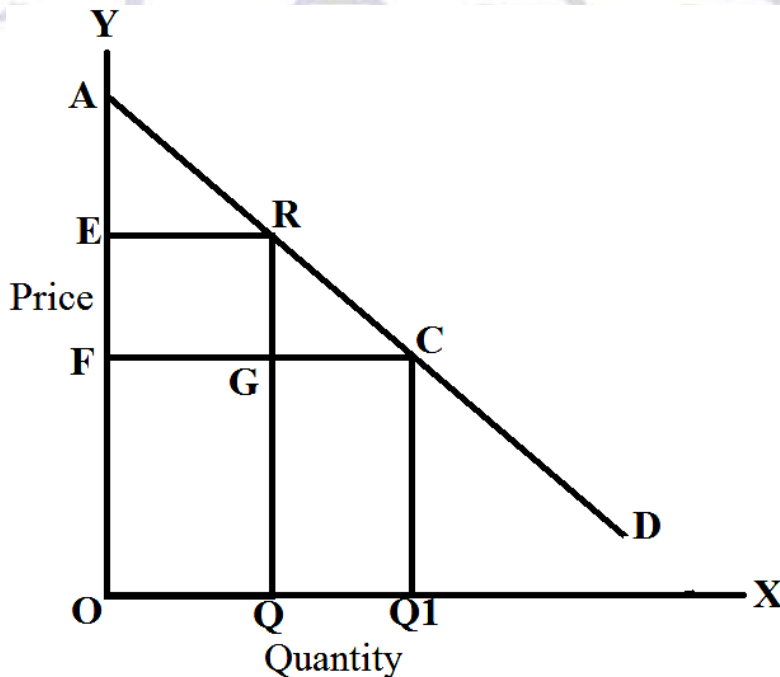


The consumer's surplus in above diagram is \_\_\_\_\_

- (a) OQRP      (b) RQD<sub>1</sub>      (c) DPR      (d) ODD<sub>1</sub>

**Refer to the figure below. Answer questions 342 and 343**

342. The effect on consumer surplus of fall in price from E to F is :



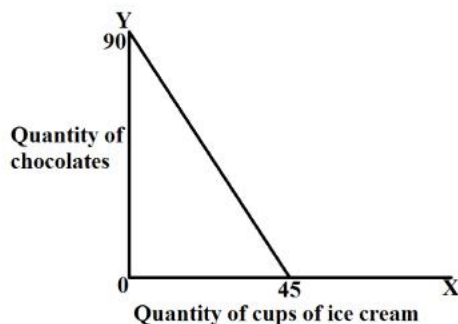
- (a) A decrease in consumer surplus by EFGR  
 (b) A decrease in consumer surplus by AER  
 (c) A decrease in consumer surplus by EFCR  
 (d) None of the above

343. When price rises from F to E, the increase in revenue earned by the seller is :
- (a) equivalent to area EFGR
  - (b) equivalent to area EFCR
  - (c) equivalent to area AER
  - (d) none of the above
344. The indifference curve analysis is based on \_\_\_\_\_ utility.
- (a) Ordinal
  - (b) Cardinal
  - (c) Quantitative
  - (d) Numeric
345. Which of the following is a property of indifference curves ?
- (a) Indifference curves are always concave to the origin
  - (b) Indifference curves slope upwards to the left
  - (c) Two indifference curves can touch or cut each other
  - (d) An indifference curve will not touch either the X axis or Y axis
346. Let assume that in OY – axis we have good A and on OX – axis good B. if the price of good B increases by Rs.1 but the price of good A remains constant and income also remains unchanged, the budget line will shift \_\_\_\_\_.
- (a) left on OY axis
  - (b) left on OX axis
  - (c) right on OY axis
  - (d) right on OX axis
347. Which one is not an assumption of the theory of demand based on analysis of indifference curves ?
- (a) Given scale of preferences as between different combination 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.

348. More consumption of commodity X and less consumption of commodity Y make indifference curve.
- (a) Slope downwards from left to right
  - (b) Intersect with each other
  - (c) Touch two axes
  - (d) Concave at mid – point
349. Which of the following is not the property of indifference curve ?
- (a) Slopes downwards to the right
  - (b) Always convex to the origin
  - (c) Intersects each other
  - (d) Will not touch either of the axes
350. Indifference curve analysis is based on which approach ?
- (a) Ordinal
  - (b) cardinal
  - (c) marginal
  - (d) all of the above
351. Which of the following is not the property of indifference curve ?
- (a) IC is convex to the origin
  - (b) IC slopes downward from left to right
  - (c) Two IC can touch each other
  - (d) IC cannot touch either of the axis
352. An indifference curve slopes down towards right since more of one commodity and less of another result in :
- (a) Same level of satisfaction
  - (b) Greater satisfaction
  - (c) Maximum satisfaction
  - (d) Any of the above.

353. 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.
354. An IC shows \_\_\_\_\_ MRS between the commodity ?
- (a) increasing
  - (b) decreasing
  - (c) constant
  - (d) zero
355. The indifference curve for two perfect complementary goods is \_\_\_\_\_.
- (a) Slopes downward
  - (b) L shaped
  - (c) U shaped
  - (d) Straight line
356. How would that budget line be affected if the price of both goods fell ?
- (a) The budget line would not shift.
  - (b) The new budget line must be parallel to the old budget line.
  - (c) The budget line must be shifting to the left.
  - (d) The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion.

357. The figure below shows the budget constraint of a consumer with an income of Rs.900 to spend on two commodities, namely ice cream and chocolates.



The prices of these two commodities respectively are :

- (a) Rs.10 and Rs.20
- (b) Rs.20 and Rs.10
- (c) Rs.10 and Rs.5
- (d) any of the above

358. Indifference curve is L shaped then two goods will be :

- (a) Perfect substitute goods
- (b) Substitute goods
- (c) Perfect complementary goods
- (d) Complementary goods

359. Which of the following statement 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 income elasticity for inferior goods to a consumer is positive.
- (d) The total effect of a change in the price of a good on its quantity demanded is called the price effect.

360. 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.

361. A point below the budget line of a consumer :

- (a) Represents a combination of goods which costs the whole of consumer's income.
- (b) Represents a combination of goods which costs less than the consumer's income.
- (c) Represents a combination of goods which is unattainable to the consumer given his/her money income.
- (d) Represents a combination of goods which costs more than the consumer's income.

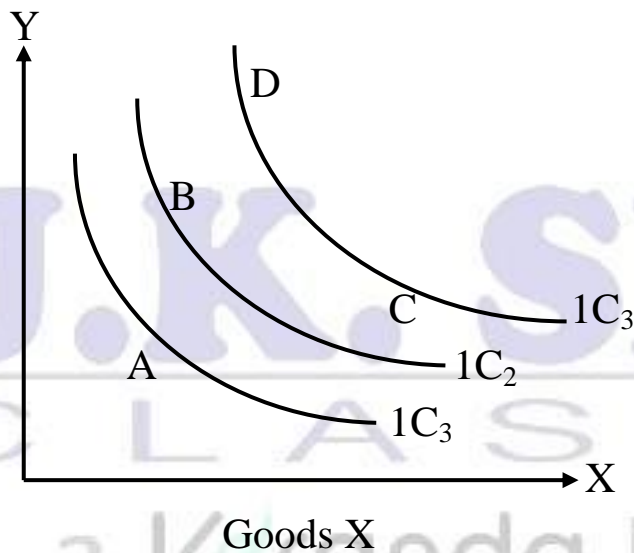
362. \_\_\_\_\_ is a curve which represents all those combination of two goods which give same satisfaction to the consumer.

- (a) indifference curve                      (b) Iso – utility curve  
(c) equal – utility curve                  (d) all of the above

363. \_\_\_\_\_ represents a collection of many indifference curves where each curve represents a certain level of satisfaction.

- (a) Indifference group                      (b) Indifference Map  
(c) Indifference aggregate                  (d) market Map

364. Consider the following :



In the above indifference map, which point gives highest satisfaction ?

- (a) A                      (b) B                      (c) C                      (d) both (c) and (d)

365. The difference curve for two perfect complementary goods is

- (a) U shaped                      (b) Straight line                      (c) Z shaped                      (d) L shaped

366. A shift in budget line occurs, when prices of the two goods remain constant, is due to \_\_\_\_\_.

- (a) change in preferences                      (b) Change in demand  
(c) change in income                      (d) change in utility

367. \_\_\_\_\_ is the rate at which a consumer is prepared to exchange group X and Y.
- (a) marginal rate of substitution
  - (b) average rate of substitution
  - (c) mathematical rate of substitution
  - (d) none of the above
368. When  $MU_A$  is divided by  $MU_B$ , then it is the marginal rate of substitution of \_\_\_\_\_.
- (a) A for B
  - (b) B for A
  - (c) A & B for other product
  - (d) None of these
369. Why does demand curve slopes downwards ?
- (a) Law of diminishing marginal cost
  - (b) Arrival of old consumers
  - (c) Cost effect
  - (d) Different users
370. When the consumer has more and more unit of food, he is prepared to give up less and less units of clothing. It is due to \_\_\_\_\_.
- (a) Falling MRS
  - (b) Rising MRS
  - (c) Constant MRS
  - (d) none of the above
371. If difference curve is 'L' shaped then two goods will be called as \_\_\_\_\_.
- (a) Perfect superior goods
  - (b) Perfect inferior goods
  - (c) perfect quality goods
  - (d) perfect complementary goods
372. Which one of the following statement is incorrect about indifference curve ?
- (a) Always convex to the origin
  - (b) Never intersects each other
  - (c) Higher curve represents higher level of satisfaction
  - (d) It may touch X axis but never Y axis.

373. A higher indifference curve shows a higher level of satisfaction than a lower one. Therefore, a consumer, in his attempt to maximize satisfaction will try to reach the \_\_\_\_\_ possible indifference curve.

- (a) Highest                      (b) Lowest                      (c) any of (a) or (b)                      (d) none

374. 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.

375. The slope of the indifference curve shows consumer equilibrium at point

where  $MRS_{(xy)}$  \_\_\_\_\_  $\frac{P_x}{P_y}$  (price line)

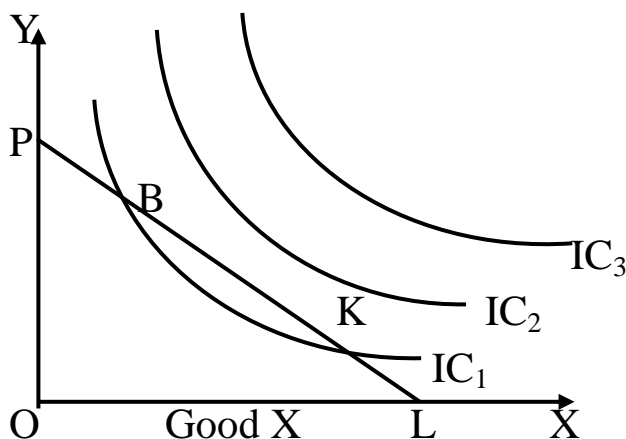
- (a) less than                      (b) more than  
(c) equal to                      (d) none of the above

376. The slope of indifference curve is \_\_\_\_\_.

- (a) marginal rate of substitution.  
(b) Minimal rate of substitution  
(c) Average rate of substitution  
(d) Total rate of substitution

**Refer to the figure below. Answer questions 377 and 378**

377. If this consumer is spending her entire income and consuming at point B, what advise will you give her ?



- (a) No advise needed as she is maximizing her utility at B
- (b) Consume more of good X and less of good Y
- (c) Consume more of X and less of Y and reach point K
- (d) Consumer same quantity of good Y and more of good X

378. Which of the following statement is true about this consumer ?

- (a) The consumer is not maximizing her utility at point K
- (b) The consumer is spending her entire income on both goods.
- (c) The consumer gets equal pleasure at points B and K
- (d) All of the above

379. The slope of the 'Price line' indicates the ratio between \_\_\_\_\_ of the two goods.

- (a) Prices
- (b) Quantities demanded
- (c) Quantities sold
- (d) marginal utility

380. 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

381. The supply of a good refers to :

- (a) Actual production of the good.
- (b) Total existing stock of the good
- (c) Stock available for sale.
- (d) Amount of the good offered for sale at a particular price per unit of time.

382. Supply is a \_\_\_\_\_ concept.

- (a) Flow
- (b) Stock
- (c) Flow and stock, both
- (d) Qualitative

383. Supply is the :

- (a) Limited resources that are available with the seller.
- (b) Cost of producing a good.
- (c) Entire relationship between the quantity supplied and the price of good.
- (d) Willingness to produce a good if the technology to produce it become available.

384. The quantity supplied of a good or service is the amount that \_\_\_\_\_.

- (a) Is actually bought during a given time period at a given price.
- (b) Producers wish they could sell at a higher price.
- (c) Producers plan to sell during a given time period at a given price.
- (d) People are willing to buy during a given time period at a given price.

385. In a very short period, the supply :

- (a) Can be changed
- (b) Cannot be changed
- (c) can be increased
- (d) None of the above

386. Which of the following statement is correct ?

- (a) Supply is inversely related to its cost of production
- (b) Price and quantity demand of a goods have direct relationship
- (c) Taxes and subsidy has no impact on the supply of the product.
- (d) Seasonal changes have no impact on the supply of the commodity

387. If a short run supply curve is plotted for the following table which presents price and quantity of the aeroplanes, what will be its shape ?

Price in million \$	Number of Aeroplanes
248	52
280	52
300	52
320	52
350	52

- (a) Horizontal straight line parallel to the quantity axis
- (b) A perfectly elastic supply curve
- (c) A perfectly inelastic supply curve
- (d) Steeply rising with elasticity less than one

388. The term supply refers to the amount of goods or services that the producers are \_\_\_\_\_ to the market at value prices during a given period of time.

- (a) Willing to offer
- (b) Able to offer
- (c) Actually sold
- (d) both (a) & (b)

389. Which of the following is a factor determining the supply ?

- (a) Price of the good
- (b) Price of related goods
- (c) Price of factor of production
- (d) All of the above

390. Other things being equal, the \_\_\_\_\_ the relative price of a good the \_\_\_\_\_ the quantity of it that will be supplied.

- (a) Higher ; Lesser
- (b) Higher, Greater
- (c) Lower, Lower
- (d) None of these

391. Under \_\_\_\_\_ conditions, supply will be more than that under \_\_\_\_\_ conditions.

- (a) Competitive, Monopolized
- (b) Monopolized, competitive
- (c) Monopolized, oligopoly
- (d) Duopoly, monopolized

392. The supply of a particular product depends upon the state of technology also. Invention and innovations tend to make it possible to produce \_\_\_\_\_ goods with the same resources.

- (a) More
- (b) Better
- (c) Lesser
- (d) More and/or better

393. According to law of supply change in supply is related to ?  
(a) Price of goods (b) Price of related goods  
(c) factors of production (d) none of the above
394. If the demand is more than supply, then the pressure on price will be :  
(a) Upward (b) Downward  
(c) Constant (d) None of the above
395. If the supply of bottled water decreases, other things remaining the same, the equilibrium price \_\_\_\_\_ and the equilibrium quantity \_\_\_\_\_.  
(a) Increases ; decreases (b) Decreases ; increases  
(c) decreases ; decreases (d) increases ; increases
396. In the book market , the supply of books will decrease if any of the following occurs except :  
(a) A decrease in the number of book publishers  
(b) A decrease in the price of the book  
(c) An increase in the future expected price of the book.  
(d) An increase in the price of paper used.
397. An increase in the number of sellers of bikes will increase the :  
(a) the price of a bike (b) Demand for bikes  
(c) the supply of bikes (d) demand for helmets.
398. If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought.  
(a) Increases and the price might rise, fall or not change.  
(b) Does not change but the price rises.  
(c) Does not change but the price falls.  
(d) Increases and the price rises.
399. The supply curve for perishable commodities is \_\_\_\_\_.  
(a) elastic (b) inelastic  
(c) perfectly elastic (d) perfectly inelastic

400. When supply price increase in the short run, the profit of the producer \_\_\_\_\_.

- (a) increases
- (b) decreases
- (c) remains constant
- (d) decreases marginally

401. The \_\_\_\_\_ is a graphical presentation of the \_\_\_\_\_.

- (a) Supply curve, Demand Schedule
- (b) Supply curve, supply schedule
- (c) Demand curve, supply schedule
- (d) None of these

402. Contraction of supply is the result of :

- (a) Decrease in the number of producers.
- (b) Decrease in the price of the good concerned.
- (c) Increase in the prices of other goods.
- (d) Decrease in the outlay of sellers.

403. When the supply of a good increase as a result of an increase in its price, then it is an increase in \_\_\_\_\_ and there is a upward \_\_\_\_\_ the supply curve.

- (a) Quantity Supplied, Movement on
- (b) Quantity supplied, shift of
- (c) Supply, movement on
- (d) Supply, shift of

404. Movements on the supply curve may be due to :

- (a) Change in price of goods
- (b) Change in price of related goods
- (c) Change in technology
- (d) None of the above

405. Contraction of supply implies \_\_\_\_\_.
- (a) Decrease in cost of production.
  - (b) Decrease in price of the good concerned
  - (c) Decrease in price of related good
  - (d) Increase in price of the good concerned
406. When supply curves moves to right, it means \_\_\_\_\_
- (a) Supply increases
  - (b) Supply decreases
  - (c) Supply remains constant
  - (d) Supply expands
407. An increase in the supply of a good is caused by :
- (a) Improvements in its technology
  - (b) Fall in the prices of other goods
  - (c) Fall in the prices of factors of production
  - (d) All of the above
408. When supply curve moves to right, it means \_\_\_\_\_.
- (a) Supply increases
  - (b) Supply decreases
  - (c) Supply remains constant
  - (d) none of the above
409. When supply curve shifts to the right there is :
- (a) An increase
  - (b) expansion
  - (c) contraction
  - (d) decrease
410. When supply curve moves to the left, it means \_\_\_\_\_.
- (a) Smaller supply at a given price
  - (b) Larger supply at a given price
  - (c) Constant supply at a lower price
  - (d) None of the above
411. When the supply curve shifts to the left or right , it is called as \_\_\_\_\_  
or \_\_\_\_\_ in supply, respectively.
- (a) Decrease, decrease
  - (b) Decreases, increase
  - (c) increase, increase
  - (d) increase, decrease

412. 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

413. If there are large number of producers in the market of a product and there is high competition among them, then the elasticity of supply will be :

- (a) more (b) less (c) zero (d) infinity

414. A vertical supply curve parallel to the Y axis exhibits that the elasticity of supply is :

- (a) Zero (b) infinite (c) elastic (d) inelastic

415. If elasticity of supply is infinite , the supply curve will be :

- (a) parallel to x axis (b) Parallel to y axis  
(c) upward sloping (d) downward sloping

416. Price elasticity of supply refers to change in responsiveness of quantity to change in :

- (a) Price (b) Price in substitute  
(c) Income (d) Preference

417. The elasticity of supply is defined as the :

- (a) Responsiveness of the quantity supplied of a good to a change in its price.  
(b) Responsiveness of the quantity supplied of a good without change in its price.  
(c) Responsiveness of the quantity demanded of a good to a change in its price.  
(d) Responsiveness of the quantity demanded of a good without change in its price.

418. If the elasticity of supply is 5 and the price of product Y increases by 15%, then what percentage of quantity supplied will increase ?  
(a) 10%            (b) 3%            (c) 75%            (d) 15%
419. The price of good increases from Rs.200 to Rs.300 the quantity supplied increases from 200 to 2500 units. The elasticity of supply will be :  
(a) Less than one            (b) Greater than two  
(c) Equal to one            (d) Equal to two
420. Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by \_\_\_\_\_.  
(a) Percentage change in income.  
(b) Percentage change in quantity demanded of goods.  
(c) Percentage change in price.  
(d) Percentage change in taste and preference.
421. Which of the following statement is correct ?  
(a) When the price falls the quantity demanded falls.  
(b) Seasonal changes do not affect the supply of a commodity.  
(c) Taxes and subsidies do not influence the supply of the commodity  
(d) With lower cost, it is profitable to supply more of the commodity.
422. When price of a commodity rises from 200 to 300 and quantity supply increases from 2,000 to 5,000 units find elasticity of supply ?  
(a) 3.0            (b) 2.5            (c) 0.3            (d) 3.5
423. If the price of sugar increases from Rs.8,000 to 10,000 per tone and due to that quantity supplies of sugar increases from 2000 to 2500 tones. Compute the elasticity of supply.  
(a) (-) 1            (b) 1            (c) (-) 0.4            (d) 0.4
424. If price of computers increases by 10% and supply increases by 25%. The elasticity of supply is :  
(a) 2.5            (b) 0.4            (c) (-) 2.5            (d) (-) 0.4

425. Due to introduction of 5G mobiles in the market, the price of such mobiles has increased by 20% and there by supply increased by 40% the elasticity of supply will be which of the following ?  
(a) 0.5                      (b)  $-0.5$                       (c)  $-2$                       (d) 2
426. When no. of tourists increase at a place for which the room rent of hostel also increases. Then the elasticity of supply of room will be \_\_\_\_\_.  
(a) Zero                      (b)  $< 1$                       (c)  $> 1$                       (d) = 1
427. If quantity supplied changes substantially in response to small changes in price of the good, then it is :  
(a) Perfect elastic                      (b) Unitary elastic  
(c) relatively less elastic supply                      (d) Relatively greater elastic supply
428. When elasticity is measured at a given point on the supply curve is called as which of the following ?  
(a) unit elasticity                      (b) point elasticity  
(c) supply elasticity                      (d) limited elasticity
429. The price of commodity X increased from Rs.2,000 per unit to Rs.2,100 per unit and consequently the quantity supplied rises from 2,500 units to 3,000 units. The elasticity of supply will be :  
(a) 2                      (b) 4                      (c) .25                      (d) 0
430. The supply function is given as  $Q = 20p - 200$ . The elasticity of supply using point method, when the price is Rs.30 will be :  
(a)  $-1.5$                       (b)  $+1.5$                       (c)  $+0.66$                       (d)  $-0.66$
431. Perishable commodities will have \_\_\_\_\_.  
(a) Perfectly elastic curve                      (b) Perfectly inelastic curve  
(c) Elastic                      (d) Inelastic

432. 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
433. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is :
- (a) Zero (b) Infinity  
(c) equal to one (d) greater than zero but less than infinity
434. Incase of a perfectly elastic supply, price elasticity of supply is \_\_\_\_\_ and the supply curve becomes \_\_\_\_\_
- (a) Zero, vertical (b) One, upward sloping  
(c) One, downward sloping (d) Infinite, horizontal
435. If the percentage change in supply is less the percentage change in price it is called :
- (a) Unit elasticity of supply (b) perfectly elastic  
(c) more elastic supply (d) inelastic supply
436. Elasticity of supply is zero means :
- (a) perfectly inelastic (b) perfectly elastic  
(c) imperfectly elastic (d) all of the above
437. If the quantity supplied is exactly to the relative change in price then the elasticity of supply is :
- (a) Less than one (b) Greater than one  
(c) One (d) None of the above

438. Elasticity of supply is greater than one when :

- (a) Proportion change in quantity supplied is more than the proportionate change in price.
- (b) Proportionate change in price is greater than the proportionate change in quantity supplied.
- (c) Change in price and quantity supplied are equal.
- (d) None of the above

439. When the supply of a product is perfectly inelastic then the curve will be :

- (a) parallel to Y – axis
- (b) parallel to X - axis
- (c) at the angle of 45°
- (d) Sloping upwards

440. The cross elasticity between Rye bread and whole wheat bread is expected to be :

- (a) Positive
- (b) negative
- (c) Zero
- (d) can't say

441. The supply function is given as  $Q = - 100 + 10P$ . find the elasticity using point method, when price is Rs.15.

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

442. Equilibrium refers to a market situation where quantity demand is \_\_\_\_\_ to quantity supplied.

- (a) Equal
- (b) less than or equal
- (c) more than
- (d) more than or equal

443. The equilibrium price is determined by the inter-section between \_\_\_\_\_ and \_\_\_\_\_. It is also called as the \_\_\_\_\_ equilibrium.

- (a) Demand, Supply, Static
- (b) Demand, Supply, Dynamic
- (c) Supply, demand, Partial
- (d) Demand, Supply, Market