Chapter 1: Nature and Scope of Business Economics

1.	Economists regard decision making as important because: (a) The resources required to satisfy our unlimited wants and needs are finite, or scarce (b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs. (c) Resources have alternative uses. (d) All the above Ans :- (d) **[SM]**
2.	Business Economics is – (a) Abstract and applies the tools of Microeconomics (b) Involves practical application of economic theory in business decision making (c) Incorporates tools from multiple disciplines (d) (b) and (c) above Ans :- (d) **[SM]**
3.	In Economics, we use the term scarcity to mean - (a) Absolute scarcity and lack of resources in less developed countries (b) Relative scarcity i.e. scarcity in relation to the wants of the society (c) Scarcity during times of business failure and natural calamities (d) Scarcity caused on account of excessive consumption by the rich Ans :- (b) **[SM]**
4.	What implication(s) does resource scarcity have for the satisfaction of wants?\ (a) Not all wants can be satisfied (b) We will never be faced with the need to make choices (c) We will never be faced with the need to make choices (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants. Ans :- (a) **[SM]**
5.	Which of the following is a normative statement? (a) Planned economies allocate resources via government departments (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade (c) There is a greater degree of consumer sovereignty in market economies than planned economies (d) Reducing inequality should be a major priority for mixed economies. Ans :- (d) **[SM]**
6.	In every economic system, scarcity imposes limitations on (a) households, business firms, governments, and the nation as a whole (b) households and business firms, but not the governments (c) local and state governments, but not the federal government (d) households and governments, but not business firms Ans :- (a) **[SM]**
7.	Macroeconomics is also called———economics. (a) Applied (b) Aggregate (c) Experimental (d) none of the above Ans :- (b) **[SM,MTP April 23]**
8.	An example of 'positive' economic analysis would be: (a) an analysis of the relationship between the price of food and the quantity purchased

	(b) determining how much income each person should be guaranteed (c) determining the 'fair' price for food. (d) deciding how to distribute the output of the economy. Ans :- (a) **[SM]**
9.	A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of – (a) Macro-Economics (b) Descriptive Economics (c) Micro-economics (d) Normative economics. Ans :- (a) **[SM,MTP May 20]**
10.	Which of the following does not suggest a macro approach for India? (a) Determining the GNP of India (b) Finding the causes of failure of ABC Ltd (c) Identifying the causes of inflation in India (d) Analyse the causes of failure of industry in providing large scale employment Ans :- (b) **[SM]**
11.	Identifying the causes of inflation in India Ram: My corn harvest this year is poor. Krishan: Don't worry. Price increases will compensate for the fall in quantity supplied. Vinod: Climate affects crop yields. Some years are bad, others are good. Madhu: The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by – (a) Ram (b) Krishan (c) Vinod (d) Madhu Ans :- (d) **[SM]**
12.	Consider the following and decide which, if any, economy is without scarcity: (a) The pre-independent Indian economy, where most people were farmers (b) A mythical economy where everybody is a billionaire (c) Any economy where income is distributed equally among its people (d) None of the above. Ans :- (d) **[SM,MTP May 18, Nov 20]**
13.	Which of the following is not a subject matter of Micro-economies? (a) The price of mangoes (b) The cost of producing a fire truck for the fire department of Delhi, India (c) The quantity of mangoes produced for the mangoes market (d) The national economy's annual rate of growth Ans :- (d) **[SM,MTP Nov 20]**
14.	The branch of economic theory that deals with the problem of allocation of resources is- (a) Micro-Economic theory (b) Macro-economic theory (c) Econometrics (d) None of the above Ans :- (a) **[SM, MTP May 20]**
15.	Which of the following is not the subject matter of Business Economics? (a) Should our firm be in this business (b) How much should be produced and at price should be kept? (c) How will the product be placed in the market? (d) How should we decrease unemployment in the economy? Ans :- (d) **[SM]**
16.	Which of the following is a normative economic statement? (a) Unemployment rate decreases with industrialization (b) Economics is a social science that studies human behaviour (c) The minimum wage should be raised to Rs. 200/- per day (d) India spends a huge amount of money on national defence Ans :- (c) **[SM]**
17.	Which of the following would be considered a topic of study in Macroeconomics?

	(a) The effect of increase in wages on the profitability of cotton industry (b) The effect on steel prices when more steel is imported (c) The effect of an increasing inflation rate on living standards of people in India (d) The effect of an increase in the price of coffee on the quantity of tea consumed Ans :- (c) **[SM]**
18.	The difference between positive and normative Economics is: (a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance (b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the Welfare of the people. (c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people. (d) Positive Economics prescribes while normative Economics describes Ans :- (b) **[SM,MTP May 20]**
19.	Which of the following is not within the scope of Business Economics? (a) Capital Budgeting (b) Risk Analysis (c) Business Cycles (d) Accounting Standards Ans :- (d) **[SM,MTP May 20,May 23]**
20.	Which of the following statements is incorrect? (a) Business economics is normative in nature (b) Business Economics has a close connection with statistics (c) Business Economist need not worry about macro variables. (d) Business Economics is also called Managerial Economics.
	Ans:- (c) **[SM]**
21.	Economic goods are considered scarce resources because they. (a) cannot be increased in quantity (b) do not exist in adequate quantity to satisfy the requirements of the society (c) are of primary importance in satisfying social requirements (d) are limited to man made goods. Ans:- (b) **[SM]**
22.	In a free market economy the allocation of resources is determined by (a) voting done by consumers (b) a central planning authority (c) consumer preferences (d) the level of profits of firms Ans:- (c) **[SM]**
23.	A capitalist economy uses _____ as the principal means of allocating resources. (a) demand (b) supply (c) efficiency (d) prices Ans:- (d) **[SM]**
24.	Which of the following is considered as a disadvantage of allocating resources using the market system? (a) Income will tend to be unevenly distributed (b) People do not get goods of their choice (c) Men of Initiative and enterprise are not rewarded (d) Profits will tend to be low. Ans:- (a) **[SM,MTP April 24]**
25.	Which of the following statements does not apply to a market economy? (a) Firms decide whom to hire and what to produce (b) Firms aim at maximizing profits (c) Households decide which firms to work for and what to buy with their incomes. (d) Government policies are the primary forces that guide the decisions of firms and households.

	Ans:- (d) **[SM]**
26.	In a mixed economy – (a) all economic decisions are taken by the central authority (b) all economic decisions are taken by private entrepreneurs (c) economic decisions are partly taken by the state and partly by the private entrepreneurs (d) none of the above. Ans:- (c) **[SM]**
27.	The central problem in economics is that of (a) comparing the success of command versus market economies (b) guaranteering that production occurs in the most efficient manner (c) Guaranteering a minimum level of income for every citizen (d) allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner Ans:- (d) **[SM]**
28.	Capital intensive technique would get chosen in a (a) labour surplus economy where the relative price of capital is lower (b) capital surplus economy where the relative price of capital is lower (c) developed economy where technology is better (d) developing economy where technology is poor Ans:- (b) **[SM]**
29.	Which of the following is not one of the four central questions that the study of economics is supposed to answer? (a) Who produces what ? (b) When are goods produced? (c) Who consumes what? (d) How are goods produced? Ans:- (b) **[SM]**
30.	Larger production of _____ goods would lead to higher production in future. (a) consumer goods (b) capital goods (c) agricultural goods (d) public goods Ans:- (b) **[SM]**
31.	The economic system in which all the means of production are owned and controlled by private individuals for profit. (a) Socialism (b) Capitalism (c) Mixed economy (d) Communism Ans:- (b) **[SM]**
32.	Macro Economics is the study of _. (a) all aspects of scarcity (b) the national economy and the global economy as a whole (c) big businesses (d) the decisions of individual businesses and people Ans:- (b) **[SM]**
33.	Freedom of choice is the advantage of – (a) Socialism (b) Capitalism (c) Communism (d) None of the above Ans:- (b) **[SM,MTP April 24]**
34.	Exploitation and inequality are minimal under: (a) Socialism (b) Capitalism (c) Mixed economy (d) None of the above Ans:- (a) **[SM,MTP May 18, May 20]**
35.	Administered prices refer to: (a) Prices determined by sellers in the market (b) Prices determined by an external authority which is usually the government (c) None of the above Ans:- (c) **[SM]**
36.	In Economics, the central economic problem means: (a) Output is restricted to the limited availability of resources

	(b) Consumer do not have as much money as they would wish (c) There will always be certain level of unemployment (d) Resources are not always allocated in an optimum way Ans:- (a) **[SM,MTP Nov 20,May 19]**
37.	Scarcity definition of Economics is given by- (a) Alfred Marshall (b) Samuelson (c) Robinson (d) Adam Smith Ans:- (c) **[SM,MTP Nov 20,Nov 23]**
38.	The definition "Science which deals with wealth of Nation" was given by: (a) Alfred Marshall (b) A C Pigou (c) Adam Smith (d) B Say Ans:- (c) **[SM,MTP Nov 20]**
39.	Which of the following is not one of the features of capitalist economy? (a) Right of private property (b) Freedom of choice by the consumers (c) No profit, No Loss motive (d) Competition Ans:- (c) **[SM,MTP Nov 19, Nov 20, Nov 22]**
40.	There is need of economic study, because – (a) The resources are limited (b) The wants are unlimited (c) The resources are unlimited (d) Both a and b Ans:- (d) **[SM]**
41.	The benefit of economic study is – (a) It ensure that all problems will be appropriately tackled (b) It helps in identifying problems (c) It enable to examine a problem in its right perspective (d) It gives exact solutions to every problem Ans:- (c) **[SM]**
42.	The managerial economics –

	(a) Is Applied Economics that fills the gap between economic theory and business practice (b) Is just a theory concept (c) Trains managers how to behave in recession (d) Provides the tools which explain various concepts Ans:- (a) **[SM]**
43.	Which of the following statements is correct? (a) Micro economics is important for study of a particular household and a particular firm (b) Macro economics is important for study of economic conditions of a country (c) Trains managers how to behave in recession (d) Both a and b Ans:- (d) **[SM]**
44.	Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using? (a) Micro economics (b) Macro economics (c) None of the above (d) Both a and b Ans:- (a) **[SM]**
45.	Profit motive is a merit of (a) Socialism (b) Capitalism (c) Mixed economy (d) None of the above Ans:- (b) **[SM]**
46.	is also called as command economy (a) Socialist (b) Capitalist (c) Mixed economy (d) None of the above Ans:- (a) **[SM]**
47.	Which of the following statements is/are correct regarding business economics?

	(a) Business economics attempts to indicate how business policies are firmly rooted in economic principles (b) Business economics uses micro economic analysis of the business unit and macro economic analysis of business environment. (c) Business economics takes a pragmatic approach towards facilitating an integration between economic theory and business practices. (d) All the above Ans:- (d) **[SM]**
48.	Unlimited ends and limited means together present the problem of _. (a) Scarcity of resources (b) Choice (c) Distribution (d) None of the above Ans:- (b) **[SM]**
49.	'Economics is a Science which deals with wealth' was referred by (a) Alfred Marshal (b) J.B. Say (c) Adam Smith (d) A.C. Pigou. Ans:- (b) **[MTP May 18]**
50.	Which of the following in not within the Scope of Business Economics? (a) Capital Budgeting (b) Accounting Standards (c) Business Cycles (d) Risk Analysis Ans:- (b) **[MTP May 18]**
51.	When we study why saving rates are high or low, we are studying : (a) Macro Economics (b) Micro Economics (c) Econometrics (d) Both (a) and (b) Ans:- (a) **[MTP May 18]**
52.	expressed the view the "Economics is neutral between end". (a) Robbins (b) Marshall (c) Pigou (d) Adam Smith Ans :- (a) **[MTP Nov 18, Nov 20, Nov 22, April 24]**
53.	Which of the following is not micro - economic subject matter? (a) The price of apples. (b) The cost of producing a fire truck for the fire department of Delhi, India (c) The quantity of apples produced for the apple market. (d) The national economy's annual rate of growth. Ans :- (d) **[MTP Nov 18]**
54.	Which of the following is correct? (a) Normative economics is not concerned with value judgment. (b) A market is a process that reconciles consumer decision, production decisions and labour decisions. (c) A mixed economy has a certain level of government intervention in the economy along with private sector ownership of the economy. (d) Both (b) and (c) Ans :- (d) **[MTP Nov 18]**
55.	Which of the following involve a trade – off? (a) Taking a nap (b) All of these answers involve trade-offs. (c) Watching a football game on Saturday afternoon (d) Going to university Ans :- (b) **[MTP Nov 18, May 20, April 23]**
56.	Which of the following statements is incorrect? (a) Unlike normative economics, positive economics is based on objective analysis of economic issues. (b) The opportunity cost of a good is the quantity of other goods sacrificed to get another unit of that good. (c) Microeconomics emphasizes interactions in the economy as a whole. (d) None of the above. Ans:- (c) **[MTP Nov 18]**

57. Which of the following is not an economic activity?
(a) A son looking after his ailing mother
(b) A chartered accountant doing his own practice,
(c) A soldier serving at the border.
(d) A farmer growing millets
Ans:- (a)
[MTP Nov 18]

58. Which of the following is a cause of an economic problem?
(a) Scarcity of Resources
(b) Unlimited wants
(c) Alternative uses
(d) All of the above
Ans:- (d)
[MTP May 18, May 19]

59. Economic goods are goods which:
(a) Cannot be increased in quantity
(b) Obey the law of Micro Economics
(c) Are limited in supply and are scarce
(d) Are limited to man-made goods.
Ans:- (c)
[MTP May 19]

60. Which of the following means an Economic activity?
(a) Production of Goods
(b) Production of Services
(c) Consumption of Goods and Services
(d) All of the above
Ans:- (d)
[MTP May 18, May 19]

61. Which economy is now a myth only, as no country in the world is having that type of economy?
(a) Capitalist Economy
(b) Socialist Economy
(c) Mixed Economy
(d) None of the above
Ans:- (b)
[MTP May 19]

62. Macroeconomics is the study of:
(a) Inflation
(b) Unemployment
(c) Growth
(d) All of the above
Ans:- (d)
[MTP May 19]

63. Lesser production of would lead to lesser production in future
(a) Public goods
(b) Consumer goods
(c) Agricultural goods
(d) Capital goods
Ans:- (d)
[MTP May 19]

64. The law of scarcity
(a) Does not apply to rich, developed countries
(b) Does not apply to poor, under developed countries
(c) Implies only to socialist economies.
(d) Implies that all consumer wants will never be completely satisfied.
Ans:- (d)
[MTP May 18, May 19]

65. Questions like what should be the level of national income, what should be the wage rate fall within the scope of:
(a) Positive Science
(b) Normative Science
(c) Both (a) and (b)
(d) None of the above
Ans:- (b)
[MTP May 19]

66. Capital is a :
(a) Stock concept
(b) Flow Concept
(c) Both (a) and (b)
(d) None of the above
Ans:- (a)
[MTP May 19]

67. We mainly study the following in Micro Economics:
(a) Location of a Industry
(b) Study of firms
(c) Factor pricing
(d) All of the above
Ans:- (d)
[MTP May 19]

68. Which of the following statements is correct?
(a) As normative science, Economics involves value judgments
(b) Robbins has made economics as a form of welfare economics
(c) The Law of Demand is always true
(d) None of the above
Ans:- (a)
[MTP May 19]

69. When we are studying how a producer fixes the price of his products we are studying
(a) Macro Economics
(b) Micro Economics
(c) Both Micro and Marco Economics
(d) None of the above
Ans:- (b)
[MTP May 19]

70. Macro economics doesn't include one example from the following:
(a) National Income and output
(b) Study of firms
(c) General Price Level
(d) Saving and Investment
Ans:- (b)
[MTP May 19]

71. The implication that resource scarcity have for the satisfaction of wants are-
(a) Not at all wants can be satisfied
(b) We will never be faced with the need to make choices
(c) We must develop ways to decrease our individual wants
(d) The discovery of new natural resources is necessary to increase our ability to satisfy wants
Ans:- (a)
[MTP Nov 19]

72. A normative economic statement is-
(a) Unemployment rate decreases with industrialization
(b) Economics is a social science that studies human behaviour
(c) The minimum wage should be raised to Rs. 200/- per day
(d) India spends a huge amount of money on national defence
Ans:- (c)
[MTP Nov 19]

73. Choice is created by the-
(a) Abundance of resources
(b) Scarcity of resources
(c) Urgency of needs
(d) Non-Availability of resources
Ans:- (b)
[MTP May 20]

74. Which of the following statements would you consider to be a normative one?
(a) Faster economic growth should result if an economy has a higher level of investment.
(b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
(c) Higher levels of unemployment will lead to higher levels of inflation.
(d) The average level of growth in the economy was faster in the 1990s than the 1980s.
Ans:- (b)
[MTP Nov 18, May 20]

75. Capital intensive techniques would get chosen in a
(a) Labour surplus economy where the relative price of capital is lower.
(b) Capital surplus economy where the relative price of capital is lower.
(c) Developed economy where technology is better.
(d) Developing economy where technology is poor.
Ans:- (b)
(MTP May 20)

76. The economic analysis expects the consumer to behave in a manner which is:
(a) Rational
(b) Irrational
(c) Emotional
(d) Indifferent
Ans:- (a)
(MTP Nov 20)

77. Which of the following statements is incorrect?
(a) Business economics is normative in nature.
(b) Business Economics has a close connection with statistics.
(c) Business Economist need not worry about macro variables.
(d) Business Economics is also called Managerial Economics.
Ans:- (c)
(MTP Nov 20)

78. The Book "The Wealth of Nations "is written by:
(a) Adam Smith
(b) Arthur Pigou
(c) Robinson
(d) Ragnar Nurske

	Ans:- (a) **[MTP May 21]**
79.	The Nature of Business Economics: (a) Business Economics is a Science (b) Incorporate elements of Macro Analysis (c) Interdisciplinary in Nature (d) All the above Ans:- (d) **[MTP May 21]**
80.	Which of these country is a purely socialist economy? (a) USSR (b) China (c) Vietnam (d) None of these Ans:- (d) **[MTP May 21, Dec 23]**
81.	Rational decision making requires that: (a) one's choice be arrived at logically and without error. (b) one's choice be consistent with one's goal. (c) one's choice never vary. (d) the consumer plan's to attain the highest possible level of satisfaction. Ans:- (d) **[MTP May 21]**
82.	The problem what to produce relates to: (a) choice of goods and services (b) distribution of Income (c) choice of technique (d) market value of goods and services Ans:- (a) **[MTP May 21]**
83.	An Applied Economics that fills the gap between economic theory and business practice: (a) Business Economics (b) Macro Economics (c) Welfare Economics (d) None of these Ans:- (a) **[MTP May 21]**
84.	Administered price are determined in socialism by: (a) Market Forces (b) Government (c) Both (a) and (b) (d) None of these

	Ans:- (b) **[MTP May 21]**
85.	Which of the following is a normative statement? (a) Health care basic facilities to be provided to all citizens. (b) With Industrialisation, unemployment rate decreases. (c) On national defence India spent huge amount of money. (d) None of these Ans:- (a) **[MTP May 21]**
86.	Which of the following is not a demerit of Capitalism? (a) The pattern of demand does not represent the real need of the society. (b) Strikes and lockdown are very common under capitalism (c) Capitalism usually functions in a democratic framework. (d) None of these Ans:- (c) **[MTP May 21]**
87.	Socialist economy does have: (a) Right to work and minimum standard to living (b) Absence of competition (c) Right to private property (d) Both a and b Ans:- (d) **[MTP May 21]**
88.	Scarcity of resources of occurs due to: (a) High demand of resources (b) Absence of Substitutes (c) Mismanagement and inequality (d) All of these Ans:- (d) **[MTP May 21]**
89.	In mixed economy the feature include existence of (a) Private Sector (b) Public Sector (c) Combined Sector (d) All of these Ans:- (d) **[MTP Nov 21]**
90.	Which of the following is demerit of Capitalism: (a) There is precedence of property rights

	over human right (b) It functions in a domestic framework (c) High degree of operative efficiency (d) None of these Ans:- (a) **[MTP Nov 21]**
91.	Which of the following is included in study of Micro economics: (a) Product Pricing (b) Factor Pricing (c) Both (a) and (b) (d) None of these Ans:- (c) **[MTP Nov 21]**
92.	Scarcity definition is economics is given by (a) Lipsey (b) Adam Smith (c) J B Say (d) Robinson Ans:- (d) **[MTP Nov 21]**
93.	Business Economics in its approach is (a) Pragmatic (b) Idealistic (c) Normative (d) None of these Ans:- (a) **[MTP Nov 21]**
94.	The industratlization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of (a) Capitalism and Laissez Faire (b) Mixed Economic Structure (c) Socialism and Planned Structure (d) None of these Ans:- (a) **[MTP Nov 21]**
95.	In the beginning economics was named as (a) Political Economy (b) Welfare Economics (c) Economies of Wealth (d) None of these Ans:- (a) **[MTP Nov 21,April 23]**
96.	Normative economics can be explained through : (a) Fairness to tax (b) Incidence to tax (c) Effect of tax on incentives to work
	(d) None of these Ans:- (a) **[MTP Nov 21]**
97.	Which of the following is not a characteristics of capitalist economy: (a) Right to Private Property (b) Freedom of Enterprise (c) Consumer Sovereignty (d) Combined Sector Ans:- (d) **[MTP Nov 21]**
98.	Which are the areas that come under Macro economics (a) External Value of currency (b) The general price level and interest rate (c) Location of the industry (d) National Income and National Output Ans:- (c) **[MTP Nov 21]**
99.	Business Economics is a : (a) Normative Science (b) Interdisciplinary (c) Pragmatic (d) All of these Ans:- (d) **[MTP Nov 21,Nov 22, April 23, May 23]**
100.	Scarcity of resource has to be dealt in: (a) Capitalist Economy (b) Socialist Economy (c) Mixed Economy (d) All of these Ans:- (d) **[MTP Nov 21]**
101.	Allocation of resources is dealt in: (a) Macro Economic (b) Micro Economics (c) Public Finance (d) None of these Ans:- (b) **[MTP Nov 21,Nov 23,May 23]**
102.	How to Produce is related to: (a) Product's Choice (b) Choice of technique (c) Either (a) or (b) (d) None of these Ans:- (b) **[RTP Jan 25, MTP Nov 21]**
103.	Which of the following are the characteristics of Business Economics:

	(a) It is a normative Science (b) It is inter disciplinary (c) Pragmatic in Nature (d) All of the above Ans:- (d) **[MTP May 22]**
104.	Which branch of economic theory deals with allocation of resources: (a) Macro economic (b) Micro economic (c) Economic Growth (d) None of these Ans:- (b) **[MTP May 22]**
105.	Under which system Freedom of choice is an advantage:- (a) Capitalism (b) Mixed economy (c) Socialism (d) None of these Ans:- (a) **[MTP May 22,June 24]**
106.	Taxation involves which aspects of normative economics: (a) Incidence (b) Fairness (c) Incentive to work (d) All of the above Ans:- (b) **[MTP May 22]**
107.	Which of the following statements is correct? (a) In a two-good economy, the production possibilities frontier reflects the maximum amount of one good that can be produced when a given amount of the other good is produced. (b) Microeconomics is the study of the behavior of the economy as a whole. (c) Positive economics focuses on welfare of the people of a society (d) None of the above Ans:- (a) **[MTP May 22]**
108.	In a planned or command economy all the economic decisions are taken by the . (a) Workers (b) Consumers (c) Voters (d) Government

	Ans:- (d) **[MTP May 22]**
109.	The regulatory mechanism of the market system is- (a) Self interest (b) Private property (c) Competition (d) Specialization Ans:- (c) **[MTP May 22,Nov 23,Nov 22]**
110.	Which of the following statements is/are correct about mixed economic system? (a) Mixed economic system depends on both markets and governments for allocation of resources (b) Mixed economy is not always a golden path between capitalism and socialism. (c) It is very difficult to maintain a proper balance between private and public sectors. (d) All of the above Ans:- (d) **[MTP May 22]**
111.	Which of the following statements is true? (a) The study of economics ensures that all problems will be appropriately tackled. (b) The study of economics cannot ensure that all problems will be appropriately tackled. (c) The study of economics does not enable a student to examine a problem in its right perspective. (d) None of these Ans:- (b) **[MTP Nov 22]**
112.	Which one of the following countries does not follow Capitalist economic system? (a) USA (b) UK (c) Germany (d) India Ans:- (d) **[MTP Nov 22,May 23]**
113.	is concerned with welfare proposition. (a) Normative Economics (b) Positive Economics (c) Both (a) and (b) (d) None of these Ans:- (a)

	[RTP May 25, MTP Nov 22, Nov 23, Dec 23, July 24, August 24]
114.	The greater the inequalities in the distribution of money incomes, the the inequalities in the distribution of national output. (a) greater (b) lesser (c) (a) or (b) (d) None of these Ans:- (a) **[MTP Nov 22]**
115.	An example of positive economic analysis would be: (a) an analysis of the relationship between the price of food and quantity purchased (b) determining how much income each person should be granted (c) determining the fair price for food (d) deciding how to distribute the output of the economy Ans:- (a) **[MTP Nov 22,Nov 23]**
116.	Microeconomic theory studies how a free-enterprise economy determines (a) the price of goods (b) the price of services (c) the price of economic resources (d) all of the above. Ans :- (a) **[MTP Nov 22]**
117.	Which aspect of taxation involves normative economics? (a) the incidence of (i.e., who actually pays for) the tax (b) the effect of the tax on incentives to work (c) the "fairness" of the tax (d) all of the above. Ans :- (c) **[MTP Nov 22,Dec 23,August 24]**
118.	"If Americans today, for example were to content to live at the level of the Indian middle-class people, all their wants would be fully satisfied with their available resources and capacity to produce. "On the basis of the above statement, which of the following conclusion can be made? (a) The possession of goods and services by USA has enormously increased to exceed their wants. (b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants to remain a head of their increased resources and capacity to produce. (c) The affluent and developed countries are not facing the problem of scarcity. (d) None of these Ans :- (b) **[MTP Nov 22]**
119.	Economics is a branch of focused on the production, distribution and consumption of goods and services. (a) Natural science (b) Physical science (c) Social science (d) None of these Ans :- (c) **[MTP Nov 22]**
120.	A socialist economy is a system of production where goods and services are produced . (a) to generate profit (b) directly for use (c) Both (a) and (b) (d) None of these Ans :- (b) **[MTP Nov 22]**
121.	Capital intensive technique of production is used in . (a) Developed Economy (b) Underdeveloped Economy (c) Labour surplus economy (d) Capital surplus economy Ans :- (d) **[MTP Nov 22]**
122.	Consumer is sovereign under (a) Free Economy (b) Mixed Economy (c) Controlled Economy (d) Both (a) and (b) Ans :- (d) **[MTP Nov 22]**
123.	The problem of "what to produce relate to (a) The choice of goods and service (b) Distribution of income (c) The choice of technique

	(d) None of these Ans :- (a) **[MTP Nov 22]**
124.	Which of the following is not studied in micro economics? (a) Factor pricing (b) Location of Industry (c) Consumer Behaviour (d) External value of currency Ans :- (d) **[MTP Nov 22]**
125.	The Characteristics of capitalist economics does not include? (a) Right to Private property (b) Freedom of economic choice (c) Absence of Consumer choice (d) Completion Ans :- (c) **[MTP Nov 22]**
126.	Management of the firm control over macro-economic factors. (a) has (b) has no (c) has partial (d) None of these Ans :- (b) **[MTP Nov 22,May 22,April 24]**
127.	What are the Central Problem of an economy: (a) What to Produce (b) What provisions are to be made for economic growth? (c) How to Produce (d) All the above Ans :- (d) **[MTP April 23]**
128.	Which of the following is not the demerit of Capitalism: (a) There is usually high degree of operative efficiency under the capitalist system (b) Under Capitalism there is precedence of property right over human rights (c) Due to income inequality the pattern of demand does not represent the real needs of the society. (d) Capitalism leads to the formation of monopolies Ans :- (a) **[MTP April 23]**
129.	Normative economics can be best explained through: (a) Fairness to tax (b) Incidence to tax (c) Effect of tax on incentives to work (d) None of these Ans :- (a) **[MTP April 23]**
130.	The Central Economic Problem is: (a) What to Produce? (b) What Provision (if any) are to be made for economic growth? (c) How to Produce? (d) All the above Ans :- (d) **[MTP May 23]**
131.	The allocation of resources in a free-market economy is determined by : (a) Level of Profits of firms (b) Consumer Preferences (c) Central Planning Authority (d) None of these Ans :- (b) **[MTP May 23]**
132.	Who defined Business economics in terms of the use of economic analysis in the formulation of business policies? (a) Adam Smith (b) Robbins (c) Joel Dean (d) Alfred Marshall Ans :- (c) **[MTP May 23,April 24]**
133.	Assertion (A): Investment has also a supply effect. Reason (R): Because it raises capacity to produce. (a) (A) is true and (R) is false (b) Both (A) and (R) are true & (R) is the correct explanation of (A) (c) Both (A) and (R) are true & (R) is not the correct explanation of (A) (d) (A) is false and (R) is true Ans :- (b) **[MTP May 23]**
134.	Inequality and Exploitation is minimal under: (a) Mixed economy (b) Capitalism (c) Socialism (d) None of these Ans :- (c)

	[MTP May 23]
135.	Demonstration effect a term coined by: (a) James Dusenbery (b) Milton (c) Kuznets (d) Hicks Ans :- (a) **[MTP Nov 23]**
136.	In a market economy, resource allocation is primarily determined by: (a) Central planning by the government (b) Consumer demand and supply in the marketplace (c) The decisions of a few large corporations (d) international trade agreements Ans :- (b) **[MTP Dec 23, August 24]**
137.	Concept of Business Economics was given by: (a) Joel Dean (b) Alfred Marshall (c) Adam Smith (d) L. Robbins Ans :- (a) **[MTP April 24]**
138.	The choice between labour- and Capital-intensive techniques is related with: (a) What to Produce? (b) How to Produce? (c) For whom to Produce (d) All of the above. Ans :- (b) **[MTP April 24]**
139.	Which of the following are the features of a mixed economy? (a) Planned economy (b) Dual system of pricing exists (c) Balance regional development (d) All of the above Ans :- (d) **[MTP April 24]**
140.	Which of the following is NOT a central issue in macroeconomics? (a) How should the central bank of a country fight inflation? (b) What is responsible for high and persistent unemployment? (c) How do tax changes influence consumers' buying choices? (d) What factors determine economic growth? Ans :- (c) **[MTP April 24]**
141.	Which of these countries is a purely socialist economy? (a) USSR (b) China (c) Vietnam (d) None of these Ans :- (d) **[MTP August 24]**
142.	What is economic planning? (a) It refers to Central planning authority. (b) It refers the planning of agricultural production. (c) It means development in the seller's market. (d) A process through which targets are being achieved as per need & means of the economy Ans :- (d) **[SM]**
143.	What is the merit of Capitalism? (a) It promotes self-interest & economic growth. (b) It leads economic balance in the country (c) It leads to equitable distribution of wealth. (d) It leads to equitable distribution of wealth. Ans :- (a) **[SM]**
144.	Scarcity of resources exit at: (a) Micro level (b) Macro level (c) Micro as well as Macro (d) None of these Ans :- (c) **[MTP June 24]**
145.	Central Problems of an Economy: (a) What to Produce (b) How to Produce (c) For Whom to Produce (d) All the above Ans :- (d) **[MTP June 24]**
146.	Problem of choice is the basis of: (a) Economic Problem

	(b) Social Problem (c) Political Problem (d) None of these Ans :- (a) **[MTP June 24]**
147.	In a capitalist economy, profit is socially desirable because it: (a) reallocates wealth from small firms to large firms. (b) attracts resources to the most desirable types of production. (c) allows firms to operate at higher levels of cost. (d) permits firms to hire more workers and thereby reduces the unemployment rate. Ans :- (b) **[MTP May 24]**
148.	What social function is served by profits in a capitalist economic system? (a) Taxes on profits support government programs. (b) They provide an incentive for the reallocation of resources. (c) Profits allow individuals to accumulate wealth and engage in capital investment. (d) Profits result in higher levels of employment. Ans :- (b) **[MTP May 24]**
149.	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 Ans:- (b) **[SM]**
150.	Most of the economic problems are of _____ nature and are affected by . (a) Complex, Several forces (b) Simple, Several forces (c) Simple, single factor (d) Complex, Single factor Ans:- (a) **[MTP May 22]**
151.	A rational person does not act unless (a) The action is ethical. (b) The action produces marginal cost that exceeds marginal revenue. (c) The action produces marginal benefits that exceed marginal costs. (d) The action makes money for the person. Ans:- (c) **[MTP Nov 22,May 23]**
152.	Opportunity cost is . (a) A cost that cannot be avoided. (b) The cost incurred in the past before we make a decision about what to do in the future. (c) That which we forgo or give up when we make a choice or a decision. (d) The additional benefit of buying an additional unit of a product. Ans:- (c) **[MTP Nov 22,Dec 23,April 24,August 24]**
153.	Which of the following are within the scope of business economies? (a) Capital Budgeting (b) Risk Analysis (c) Business cycles (d) All of the Above Ans:- (d) **[MTP Nov 22]**
154.	"The wealth of Nation" Considered as the first modern work of Economics was written by : (a) Marx (b) Adam-Smith (c) Lipsey (d) Allen Ans:- (b) **[MTP May 23]**
155.	Business Economics is: (a) Normative Science (b) Interdisciplinary (c) Pragmatic in approach (d) All the above Ans:- (d) **[MTP May 23]**
156.	Successful business firms spend considerable time, energy, and efforts in analyzing the for their products. (a) Supply (b) Price (c) Demand (d) None of these Ans:- (c)

	[MTP April 24, August 24]
157.	Positive economics means: (a) Does not depend on market interactions, (b) only looks at the best parts of the economy. (c) Examines how the economy works (as opposed to how it should work) (d) is very subjective. Ans:- (c) **[MTP May 24]**
158.	Innovation theory is propounded by: (a) Schumpeter (b) Nicholas Kaldor (c) Keynes (d) None of these Ans:- (a) **[MTP June 24]**
159.	'Time' element in market was conceived by: (a) Alfred Marshall (b) Pigou (c) Allen (d) None of these Ans:- (a) **[MTP June 24]**
160.	The regulatory mechanism of the market system is: (a) Self interest (b) Private property (c) Competition (d) Specialization Ans:- (c) **[MTP June 24]**
161.	Which one is included in three-sector model? (a) Family (b) Firm (c) Government (d) All of these Ans:- (d) **[MTP June 24]**
162.	Factor abundance is considered to be part of international trade: (a) Heckscher Ohlin theory of international trade (b) Comparative cost advantage theory (c) New Trade theory (d) Factor Equalization theorem Ans:- (a) **[MTP June 24]**
163.	Nationalization means: (a) Selling of government stake to private sector (b) Selling of government companies to private sector (c) Government purchasing 26% shares in private companies (d) Taking of full control and management from Private Sector by the Government Ans:- (d) **[MTP June 24, August 24, Dec 24]**
164.	The 'Diamond Water' controversy is explained by: (a) Total utility (b) Marginal utility (c) Price offered (d) Quantity supplied Ans:- (b) **[MTP June 24]**
165.	Which of the following is an implication of the imposition of price ceiling below the equilibrium price? (a) Shortages in the market (b) Problem of allocation of limited supplies among large number of consumer. (c) Black marketing (d) All of the above Ans:- (d) **[MTP June 24, Dec 24]**
166.	What can be the minimum value of investment multiplier? (a) 10 (b) 1 (c) infinity (d) 0 Ans:- (b) **[MTP June 24]**
167.	Which one is included in National Income? (a) Transfer Earnings (b) Sale proceeds of Shares and Bonds (c) Black Money (d) None of the Above Ans:- (d) **[MTP June 24]**
168.	"If the price of oranges falls due to good crop from Rs. 20 per dozen to Rs.10 per dozen, the household that was purchasing 3 dozen oranges may now afford to purchase 6 dozen oranges by spending the same amount of money." The above statement is depicting -

	(a) Income effect (b) Substitution effect (c) Price effect (d) Both (A) and (C) Ans:- (d) **[MTP June 24]**
169.	The firm can attain its equilibrium in stage of the law of variable proportion. (a) 1st (b) 2nd (c) 3rd (d) Any of the above Ans:- (b) **[MTP June 24]**
170.	"If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce." On the basis of the above statement, which of the following conclusion can be made? (a) The possession of goods and services by USA has enormously increased to exceed their wants. (b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants to remain a head of their increased resources and capacity to produce. (c) The affluent and developed countries are not facing the problem of scarcity. (d) None of these Ans:- (b) **[MTP July 24]**
171.	Microeconomics deals primarily with: (a) comparative statics, general equilibrium, and positive economics (b) comparative statics, partial equilibrium, and normative economics (c) dynamics, partial equilibrium, and positive economics (d) comparative statics, partial equilibrium, and positive economics. Ans:- (d) **[MTP July 24]**
172.	Which of the following areas of study refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its aims or objectives most efficiently? (a) Business economics (b) Microeconomics (c) Macroeconomics (d) Econometrics Ans:- (a) **[MTP Jan 25]**
173.	Which of the following factors does NOT contribute to economic growth? (a) the availability of resources such as labour and capital (b) increases in the size of the population (c) the availability of new and better technology (d) increased knowledge gained through education or work experience Ans:- (b) **[MTP Jan 25]**
174.	Normative economics is also known as - (a) Prescriptive Economics (b) Positive Economics (c) Applied Economics (d) None of these Ans:- (d) **[MTP July 24]**

Chapter 2: Theory of Demand & 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 demanded of that commodity at a certain price Ans:- (d) **[SM]**
2.	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 prices of other goods (d) decrease in the income of purchasers Ans:- (b) **[SM,MTP Nov 20,Nov 22]**
3.	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 Ans:- (c) **[SM]**
4.	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 Ans:- (b) **[SM]**
5.	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 Ans:- (b)
6.	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 Ans:- (b) **[SM]**
7.	Identify the factor which generally keeps the price-elasticity of demand for 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. Ans:- (b) **[SM]**
8.	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) Less than one. (d) Zero Ans:- (c) **[SM]**
9.	In the case of an inferior good, the income elasticity of demand is: (a) positive (b) Zero. (c) Negative. (d) infinite Ans:- (c) **[SM]**
10.	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 Ans:- (b) **[SM]**
11.	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 sloped (d) negatively sloped. Ans:- (b) **[SM]**
12.	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 Ans:- (b) **[SM]**
13.	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 Ans:- (b) **[SM]**
14.	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 Ans:- (c) **[SM]**
15.	If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for: (a) Coke will decrease (b) 7-Up will decrease. (c) Coke and 7-UP will increase (d) Coke and 7-Up will decrease. Ans:- (d) **[SM]**
16.	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. Ans:- (c) **[SM,MTP Nov 18, Nov 19]**
17.	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 Ans:- (a) **[SM]**
18.	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 Ans:- (b) **[SM]**
19.	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. Ans:- (d) **[SM]**
20.	Which of the following statements about price elasticity of supply is correct? (a) Price elasticity of supply is a measure of how much the quantity supplied of a good responds to a change in the price of that good (b) Price elasticity of supply is computed as the percentage change in quantity supplied divided by the percentage change in price (c) Price elasticity of supply in the long run would be different from that of the

	short run (d) All the above Ans:- (d) **[SM]**
21.	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 Ans:- (c) **[SM]**
22.	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 Ans:- (b) **[SM]**
23.	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 Ans:- (c) **[SM]**
24.	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 Ans:- (c) **[SM]**
25.	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 Ans:- (d) **[SM]**
26.	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 Ans:- (b) **[SM]**
27.	Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively: (a) Large fall in quantity demanded (b) Large fall in demand (c) Small fall in quantity demanded. (d) Small fall in demand Ans:- (a) **[SM,MTP May 18]**

28.	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 percent (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. Ans:- (c) **[SM]**
29.	A decrease in price will result in an increase in total revenue if: (a) The percentage change in quantity demanded in 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. Ans:- (b) **[SM]**
30.	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. Ans:- (a) **[SM]**
31.	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. Ans:- (b) **[SM]**
32.	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 Ans:- (c) **[SM]**
33.	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 Ans:- (b) **[SM]**
34.	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 Ans:- (a) **[SM,MTP April 23]**
35.	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 combinations of two goods. (b) Diminishing marginal rate of substitution (c) Diminishing marginal utility of money

	(d) Consumers would always prefer more of a particular good to less of it, other things remaining the same Ans:- (c) **[SM,MTP Nov 18]**
36.	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. Ans:- (a) **[SM]**
37.	Suppose that workers in a steel plant managed to force a significant increase in their wage package. How would the new wage contract be likely to affect the market supply of steel, other things remaining the same? (a) Supply curve will shift to the left (b) Supply curve will shift to the right (c) Supply will not shift, but the quantity of cars produced per month will decrease (d) Supply will not shift, but the quantity of cars produced per month will increase. Ans:- (a) **[SM]**
38.	Which of the following statements is incorrect? (a) An indifference curve must be downward-sloping to the right. (b) Convexity of a curve implies that the slope of the curve diminishes as one moves from left to right. (c) The 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. Ans:- (c) **[SM]**
39.	The successive units of stamps collected by a little boy give him greater and greater satisfaction. This is a clear case of (a) Operation of the law of demand (b) Consumer surplus enjoyed in hobbies and rare collections (c) Exception to the law of diminishing utility (d) None of the above Ans:- (c) **[SM]**
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 and the demand curve will shift to the right (b) The demand for rice will decrease and the demand curve will shift to the left (c) The demand for rice will be unaffected as it is a necessity (d) The demand for wheat will increase and the demand curve will shift to the right Ans:- (a) **[SM,MTP May 20]**
41.	In the case of a Giffen good, the demand curve will usually be: (a) horizontal. (b) downward-sloping to the right. (c) vertical. (d) upward-sloping to the right. Ans:- (d) **[SM]**
42.	By consumer surplus, economists mean (a) The area inside the budget line above the price of the commodity (b) The area between the average revenue and marginal revenue curves. (c) The difference between the maximum amount that a person is willing to pay for a good and its market price. Ans:- (c) **[SM]**
43.	Which of the following is a property of an indifference curve? (a) It is convex to the origin due to diminishing marginal rate of substitution (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 budget line cuts the indifference curve Ans:- (a) **[SM]**

44. 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.
Ans:- (c)
[SM]

45. 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.
Ans:- (a)
[SM,MTP Nov 21,May 23]

46. For a normal good with a downward sloping demand curve:
(a) The price elasticity of demand is negative; the income elasticity of demand is negative
(b) The price elasticity of demand is positive; the income elasticity of demand is negative
(c) The price elasticity of demand is positive; the income elasticity of demand is positive.
(d) The price elasticity of demand is negative; the income elasticity of demand is positive
Ans:- (d)
[SM]

47. An increase in the supply of a good is caused by
(a) Improvements in its production technology
(b) Fall in the prices of other goods which can be produced using the same inputs
(c) Fall in the prices of factors of production used in its production
(d) all of the above.
Ans:- (d)
[SM]

48. 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
Ans:- (b)
[SM,MTP Nov 18]

49. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
(a) Zero
(b) Infinite
(c) Equal to one
(d) Greater than zero but less than one.
Ans:- (b)
[SM,MTP Nov 18, May 19]

50. 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
Ans:- (b)
[SM]

51. Conspicuous goods are also known as
(a) Prestige goods
(b) Snob goods
(c) Veblen goods
(d) All of the above
Ans:- (d)
[SM,MTP Nov 20]

52. 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
Ans:- (c)
[SM]

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

	Ans:- (b) **[SM]**
54.	When income increases the money spent on necessaries 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 Ans:- (d) **[SM]**
55.	The luxury goods like jewellery and fancy articles will have (a) low income elasticity of demand (b) high income elasticity of demand (c) zero income elasticity of demandf (d) none of the above Ans:- (b) **[SM]**
56.	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 Ans:- (b) **[SM, MTP Nov 19]**
57.	A relative price is (a) price expressed in terms of money (b) what you get paid for babysitting your cousin (c) the ratio of one money price to another (d) equal to a money price Ans:- (c) **[SM]**
58.	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 consumers' income
	Ans:- (b) **[SM]**
59.	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 Ans:- (b) **[SM]**
60.	Suppose potatoes have (-).0.4 as income elasticity. We can say from the data given that: (a) Potatoes are superior goods. (b) Potatoes are necessities (c) Potatoes are inferior goods (d) There is a need to increase the income of consumers so that they can purchase potatoes Ans:- (c) **[SM]**
61.	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 bough (c) Increase the price of computers. (d) Increase the price and number of computers bought. Ans:- (d) **[SM]**
62.	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 Ans:- (d) **[SM]**
63.	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 Ans:- (a)

	[SM]
64.	With an increase in the price of diamond, the quantity demanded also increases. This is because it is a: (a) Substitute good (b) Complementary good (c) Conspicuous good (d) None of the above Ans:- (c) **[SM]**
65.	An example of goods that exhibit direct price-demand relationship is (a) Giffen good (b) Complementary goods (c) Substitute goods (d) None of the above Ans:- (a) **[SM]**
66.	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 Ans:- (b) **[SM]**
67.	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 Ans:- (c) **[SM]**
68.	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 becomes available Ans:- (c) **[SM]**
69.	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. Ans:- (b) **[SM]**
70.	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) .4 Ans:- (a) **[SM]**
71.	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 Ans:- (c) **[SM]**
72.	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 Ans:- (a) **[SM]**
73.	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) Decrease in quantity of camera demanded (d) Decrease the price and decrease in the number of cameras bought Ans:- (c) . **[SM]**

74. Which of the following statements about inferior goods is/are false?
I. Inferior goods are those that we will never buy, no matter how cheap they are.
II. Inferior goods are those that we buy more of, if we become poorer.
III. Inferior goods are those that we buy more of, if we become richer.
(a) I and III only.
(b) I only
(c) III only.
(d) I, II, and III.
Ans:- (a)
[SM,MTP Nov 20]

75. Comforts lie between
(a) inferior goods and necessaries
(b) luxuries and inferior goods
(c) necessaries and luxuries
(d) none of the above
Ans:- (c)
[SM]

76. In a very short period, the supply
(a) can be changed
(b) can not be changed
(c) can be increased
(d) none of the above
Ans:- (b)
[SM,MTP May 20]

77. When supply curve moves to the left, it means
(a) lesser quantity is supplied at a given price
(b) larger quantity is supplied at a given price
(c) prices have fallen and quantity is supplied at a lower price
(d) none of the above
Ans:- (a)
[SM]

78. When supply curve moves to right, it means
(a) supply increases and more quantity is supplied at a given price
(b) supply decreases and less quantity is supplied at a given price
(c) supply remains constant at a given price
(d) none of the above
Ans:- (a)
[SM]

79. 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
Ans:- (a)
[SM]

80. 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
Ans:- (c)
[SM]

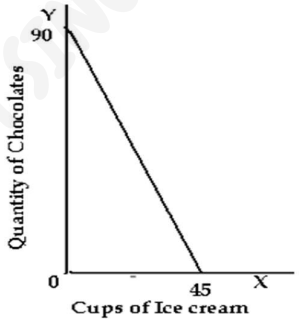
81. Elasticity of supply is zero means
(a) perfectly inelastic supply
(b) perfectly elastic supply
(c) imperfectly elastic supply
(d) none of the above
Ans:- (a)
[SM]

82. Elasticity of supply is greater than one when
(a) Proportionate 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
Ans:- (a)
[SM]

83. If the quantity supplied is exactly equal 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
Ans:- (c)
[SM]

84. 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
Ans:- (d)
[SM]

85. 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) 10 and Rs. 20
(b) 20 and Rs. 10
(c) 10 and Rs. 5
(d) Any of the above
Ans:- (b)
[SM]

86. 'No matter what the price of coffee is, Arjun always spend a total of exactly 100 per week on coffee.' The statement implies that:
(a) Arjun is very fond of coffee and therefore he has an inelastic demand for coffee
(b) Arjun has elastic demand for coffee
(c) Arjun's demand for coffee is relatively less elastic
(d) Arjun's demand for coffee is unit elastic
Ans:- (d)
[SM]

87. A firm learns that the own price elasticity of a product it manufactures is 3.5. What would be the Correct action for this firm to take if it wishes to raise its total revenue?
(a) Lower the price because demand for the good is elastic
(b) Raise the price because demand for the product is inelastic
(c) Raise the price because demand is elastic
(d) We need information in order to answer this question
Ans:- (a)
[SM,MTP Nov 20]

88. 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) Giffens paradox
(c) Speculative effect
(d) None of the above
Ans:- (a)
[SM, MTP Nov 23]

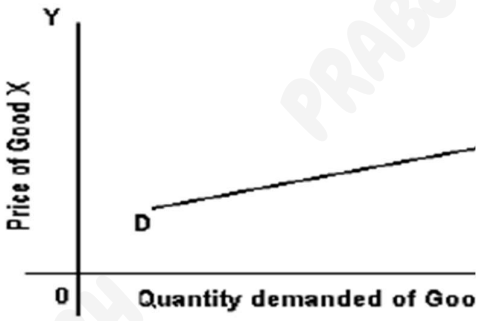
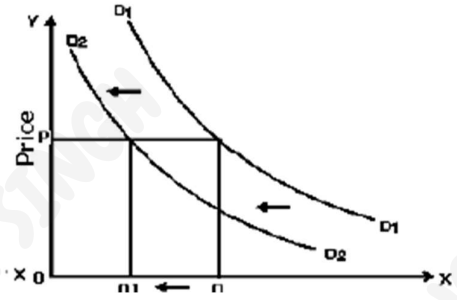
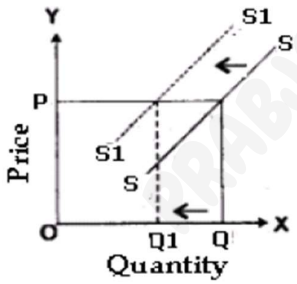
89. If the price of air-conditioner increases from Rs. 30,000 to Rs. 30,010 and resultant change in demand is negligible, we use the measure of to measure elasticity.
(a) Point elasticity of demand since it is a small change
(b) Arc elasticity of demand since it is a small change
(c) Price elasticity based on average prices method
(d) Any of the above
Ans:- (a)
[SM]

90. Given the following four possibilities, which one will result in an increase in total expenditure of the consumer?
(a) Demand is unit elastic and price rises
(b) Demand is elastic and price rises
(c) Demand is inelastic and price falls
(d) demand is inelastic and price rises
Ans:- (d)
[SM]

91. The supply curve shifts to the right because of————————
(a) improved technology
(b) increased price of factors of production
(c) increased excise duty
(d) all of the above
Ans:- (a)
[SM]

92. Which of the following statements 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 Ans:- (d) **[SM]**
93.	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 Ans:- (a) **[SM]**
94.	The supply curve for highly perishable commodities during very short period is generally —— (a) Elastic (b) Inelastic (c) Perfectly elastic (d) Perfectly inelastic Ans:- (d) **[SM]**
95.	Supply is a concept. (a) Stock (b) Flow and stock (c) Flow (d) None of the above Ans:- (c) **[SM]**
96.	The cross elasticity between Rye bread and Whole Wheat bread is expected to be: (a) Positive (b) Negative (c) Zero (d) Can't say Ans:- (a) **[SM, MTP May 20]**
97.	The cross elasticity between personal computers and soft wares is: (a) Positive (b) Zero (c) Negative (d) One Ans:- (c) **[SM]**
98.	The cross elasticity between Bread and DVDs is: (a) Positive (b) Negative (c) Zero (d) One Ans:- (c) **[SM]**
99.	Which of the following statements is correct? (a) With the help of statistical tools, the demand can be forecasted with perfect accuracy (b) The more the number of substitutes of a commodity, the more elastic is the demand. (c) Demand for butter is perfectly elastic. (d) Gold jewellery will have negative income elasticity Ans:- (b) **[SM]**
100.	Suppose the income elasticity of education in private school in India is 3.6. What does this indicate: (a) Private school education is highly wanted by rich (b) Private school education is a necessity. (c) Private school education is a luxury (d) We should have more private schools Ans:- (c) **[SM]**
101.	If the organizers of an upcoming cricket match decide to increase the ticket price in order to raise its revenues, what they have learned from past experience is; (a) The percentage increase in ticket rates will be always equal the percentage decrease in tickets sold (b) The percentage increase in ticket rates will be always greater than the percentage decrease in tickets sold (c) The percentage increase in ticket rates will be less than the percentage decrease in tickets sold (d) (a) and (c) above are true Ans:- (b) **[SM]**
102.	Data on production of vegetables for the past two years showed that, despite stable prices, there is a substantial decline in

	output of cabbage leading to lower supply into the market. Which of the following can possibly be the reason (a) An increase in the price of cauliflower which is equally preferred by consumers (b) Announcement of a subsidy by government on vegetable production (c) More farmers producing cabbage and the increasing competition among them (d) A substantial decrease in the price of capsicum Ans:- (a) **[SM]**
103.	The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is;  (a) Good X and Good Y are perfect complements (b) Good X and Good Y are perfect substitutes (c) Good X and Good Y are remote substitutes (d) Good X and Good Y are close substitutes Ans:- (d) **[SM]**
104.	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) change in demand which is caused by a rise in income and the good is an inferior good (d) A shift of demand curve caused by a rise in the price of a substitute and the good is a normal good. Ans:- (c) **[SM]**
105.	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 increase 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 Ans:- (b) **[SM]**
106.	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 nominal 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 Ans:- (c) **[SM]**

107. If roller- coaster ride is a function of amusement park visit, then, if the price of amusement park entry falls
(a) The demand for roller- coaster rides will rise and the demand curve will shift to right
(b) The demand for roller coaster ride cannot be predicted as it depends on the tastes of consumers for the ride
(c) There will be an expansion in the demand for roller coaster drive as it complementary
(d) None of the above
Ans:- (a)
[SM]

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

Price in Millions of $	Number of Aircrafts
124	28
140	28
150	28
160	28
175	28

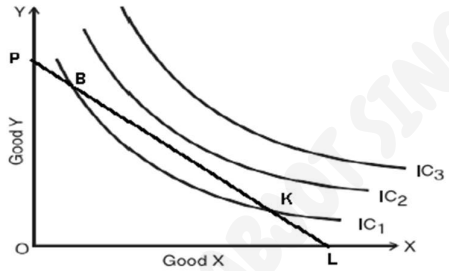
(a) Horizontal straight line parallel to the quantity axis
(b) Steeply rising with elasticity less than one
(c) Vertical straight line parallel to Y axis
(d) A perfectly elastic supply curve
Ans:- (c)
[SM]

109. 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

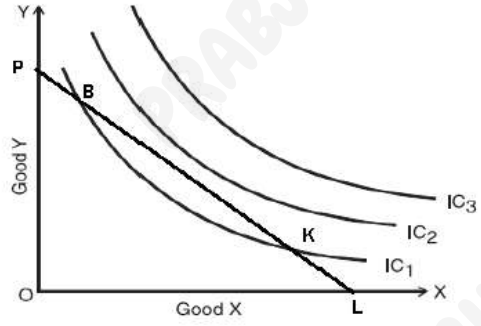
(a) Both goods are normal goods in both cities A and B
(b) Good X is a normal good in both cities; good Y is an inferior good in city A
(c) Good X is a normal good in both cities; good Y is an inferior good in city B
(d) Need more information to make an accurate comment
Ans:- (b)
[SM]

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

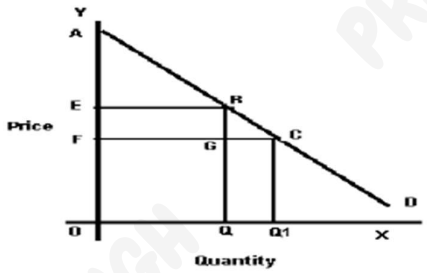


(a) No advise needed, as she is maximizing her utility at
(b) Consume more of Good X and less of Good Y
(c) Consume more of X and less of Y and reach point K
(d) Consume same quantity of Good Y and more of Good X
Ans:- (b)
[SM]

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



Which of the following statements 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 the above Ans:- (d) **[SM]**
112.	The effect on consumer surplus of a 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 Ans:- (d) **[SM]**
113.	From Previous Question, 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 Ans:- (a) **[SM]**
114.	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 Ans:- (d) **[SM]**
115.	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 shift 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. Ans:- (b) **[SM]**
116.	Calculate Income-elasticity for a household when the income of this household rises by 5% and the demand for buttons does not change at all. (a) Infinity (b) 1 (c) 5 (d) Zero Ans:- (d) **[SM,MTP May 18]**
117.	The income of a household rises by 20 per cent, the demand for computer rises by 50%, this means computer is a/an: (a) Inferior good (b) Luxury good (c) Necessity (d) None of the above Ans:- (b) **[SM,MTP May 18]**
118.	If the price of Banana rises from Rs. 30 per dozen to Rs. 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is: (use arc elasticity Method) (a) .7 (b) -.67 (c) .65 (d) .77 Ans:- (d) **[SM,MTP May 18, May 19, Nov 18, April 24]**
119.	If distribution of income is more equal, then the propensity to consumer of the country is (a) Relatively High (b) Relatively Low (c) Unaffected (d) None of the above Ans:- (a) **[MTP May 18]**

120. If demand for a good is elastic, an increase in its price will cause total expenditure of the consumer of the good to:
(a) Increase
(b) Decrease
(c) Remain the same
(d) None of the above
Ans:- (b)
[MTP May 18]

121. If a good is priced at Rs. 180 p.u. and its price is increased to Rs. 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity? (use Mid Point method)
(a) .777
(b) 1.4
(c) 1
(d) .8
Ans:- (a)
[SM]

122. Which of the following statements if false?
(a) An indifference cure is concave to the origin
(b) An indifference cure is convex to the origin
(c) A higher indifference curve is better than a lower indifferent curve
(d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.
Ans:- (a)
[MTP May 18]

123. Law of diminishing marginal utility may not apply to:
(a) Money
(b) Butter
(c) Pepsi, Coke etc.
(d) Ice cream
Ans:- (a)
[MTP May 18]

124. If the local-cream shop raises the price of a ice cream cup from Rs. 10 per cup to Rs. 15 per cup, and quantity demanded falls from 500 cups per day to 300 cups per day, the price elasticity of demand for ice-cream cup is: (use arc elasticity Method)
(a) 1
(b) 2.5
(c) 2
(d) 1.25
Ans:- (d)
[SM]

125. When the price of a substitute of X commodity falls, the demand for X .
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Any of the above.
Ans:- (b)
[MTP May 18]

126. Giffen goods are those goods
(a) For which demand increases as price increases
(b) That have a high income elasticity of demand
(c) That are in short supply
(d) None of these
Ans:- (a)
[MTP May 18]

127. Consumer surplus is highest in the case of :
(a) Necessities
(b) Luxuries
(c) Comforts
(d) Conventional necessities
Ans:- (a)
[MTP Nov 18]

128. _____pair of commodities is an example of substitutes.
(a) Coffee and milk
(b) Diamond and cow
(c) Pen and ink
(d) Mustard oil and coconut oil
Ans:- (d)
[MTP Nov 18]

129. The law of demand refers to .
(a) Price-supply relationship
(b) Price-cost relationship
(c) Price-demand relationship
(d) Price-income relationship
Ans:- (c)
[MTP Nov 18]

130. The law of consumer surplus is based on:
(a) Indifference curve analysis
(b) Revealed preference theory
(c) Law of substitution
(d) The law of diminishing marginal utility

	Ans:- (d) **[RTP Sep 24, MTP Nov 18, Nov 22, April 24, May 24]**
131.	When a market is in equilibrium: (a) No shortages exist. (b) Quantity demanded equals quantity supplied. (c) A price is established that clears the market. (d) All of the above are correct Ans:- (d) **[MTP Nov 18, May 20]**
132.	Which of the following is incorrect? (a) The cross elasticity of demand for two substitutes is positive. (b) The income elasticity of demand is the percentage change in quantity demanded of a good due to a change in the price of a substitute. (c) The cross elasticity of demand for two complements is negative. (d) The price elasticity of demand is always negative, except for Giffen goods. Ans:- (b) **[MTP Nov 18]**
133.	If the quantity of blankets demanded increases from 4600 to 5700 in response to a decrease in their price from Rs. 220 to Rs. 190, the price elasticity of demand for blankets is (a) 0.69 (b) 1.0 (c) 1.46 (d) 2.66 Ans:- (c) **[MTP Nov 18, May 20]**
134.	If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are _____ (a) Complements. (b) Inferior goods (c) Normal goods. (d) Substitutes Ans:- (d) **[MTP Nov 18]**
135.	Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples? (a) There is an increase in the quantity demanded of apples and in the supply for apples (b) There is an increase in the demand and supply of apples. (c) There is an increase in the demand for apples and a decrease in the supply of apples. (d) There is an increase in the demand for apples and an increase in the quantity supplied. Ans:- (d) **[MTP Nov 18]**
136.	In the case of an inferior good the income elasticity of demand is: (a) Positive (b) Zero (c) Negative (d) Infinite Ans:- (c) **[MTP Nov 18, July 24]**
137.	An isoquant slopes: (a) Downward to the left (b) Downward to the right (c) Upward to the left (d) Upward to the right Ans:- (b) **[MTP Nov 18]**
138.	The second slice of bread gives less satisfaction to a hungry 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 Ans:- (c) **[MTP Nov 18]**
139.	If a fisher man must sell all of his daily catch before its spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is (a) Zero (b) Infinite (c) One (d) Unable to determine Ans:- (a) **[MTP Nov 18]**
140.	Suppose onions have (-) 0.5 as income

	elasticity, we can say from the data given that, (a) Onions are inferior goods (b) Onions are superior goods (c) Onions are necessities (d) There is a need to increase the income of consumers so that they can buy onions Ans:- (a) **[MTP Nov 18]**
141.	Consumer surplus means _____ (a) the area inside the budget line (b) the area between the average revenue and marginal revenue curves (c) the difference between the maximum amount a person is willing to pay for a good and its market price. (d) none of the above Ans:- (c) **[MTP Nov 18, May 21]**
142.	Marginal utility approach to demand was given by_____ (a) J.R. Hicks (b) Alfred Marshall (c) Robbins (d) A.C. Pigou Ans:- (b) **[MTP Nov 18, Nov 20]**
143.	If R point bisects the demand curve in two equal part, then elasticity at R equals (a) Zero (b) Five (c) Two (d) One Ans:- (d) **[MTP Nov 18]**
144.	Read the following data and answer Questions below: A shopkeeper sells gel pen at Rs. 10 per pen. At this price he can sell 120 per month. After some time, he raises the price to Rs. 15 per pen. Following the price rise: • Only 60 pens were sold every month • The number of refills bought were down from 200 to 150. • The number of ink pen customers bought went up from 90 to 180 per month. The price elasticity of demand when gel pen's price increases from Rs.10 per pen to Rs.15 per pen is equal to: (a) 2.5 (b) 1.0 (c) 1.66 (d) 2.66 Ans:- (c)
	The cross elasticity of monthly demand for refills when the price of gel pen increase from Rs. 10 to Rs. 15 is equal to: (a) -0.71 (b) + 0.25 (c) -0.1 (d) + 0.38 Ans:- (a)
	The cross elasticity of monthly demand for ink pen when the price of gel pen increases from Rs. 10 to Rs. 15 is equal to: (a) + 1.66 (b) -1.05 (c) -2.09 (d) + 2.09 Ans:- (a)
	What can be said about the price elasticity of demand for pen? (a) It is perfectly elastic (b) It is elastic (c) It is perfectly inelastic (d) It is inelastic Ans:- (b)
	Suppose income of the residents of locality increases by 50% and the quantity of gel pens demanded increases by 20%. What is income elasticity of demand for gel pen? (a) 0.4 (b) 0.6 (c) 1.25 (d) 1.50 Ans:- (a)
	We can say that gel pen in economics sense is a/an. (a) Luxury good (b) inferior good (c) Normal good (d) Nothing can be said Ans:- (c)

[MTP Nov 18]

145. If the quantity demanded of coffee increases by 5% when the price of tea increases by 20%, the cross-price elasticity of demand between tea and coffee is
(a) -0.25
(b) 0.25
(c) -4
(d) 4
Ans:- (b)

[MTP Nov 18]

146. The total effect of a price change of commodity is
(a) substitution effect plus price effect
(b) substitution effect plus income effect
(c) substitution effect plus demonstration effect
(d) substitution effect minus income effect
Ans:- (b)

[MTP Nov 18]

147. Read table and answer Questions

	% change in price	% change in quantity demanded (quantity supplied)	Elasticity
Demand for salt	20	-1	X
Demand for bananas	15	Y	3
Supply of chicken	z	14	1

(A) Refer Table and find the value of x.
(a) -20
(b) 0.05
(c) -1
(d) Can not be determined
Ans:- (b)

(B) Refer Table 2 and find the value of y.
(a) -5
(b) 15
(c) -45
(d) -3
Ans:- (c)

(C) Refer Table 2 and find the value of z.
(a) 14
(b) 1
(c) 0.07
(d) 5
Ans:- (a)

[MTP Nov 18, May 20]

148. Read the following table and answer question number (A),(B),

Number of products	Total utility	Marginal utility
0	0	
1	3600	
2	6800	
3	9600	
4	12000	
5	14000	
6	15600	
7	16800	
8	17600	
9	18000	

(A). What is marginal utility when consumption increases from 4 units to 5 units?
(a) 3000
(b) 1200
(c) 2000
(d) 1500
Ans:- (c)

(B). What is marginal utility when consumption increases from 8 units to 9 units?
(a) 3000
(b) 400
(c) 2000
(d) 1500
Ans:- (b)

[MTP Nov 18]

149. If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect?
(a) The commodity must be essential to those who purchase it.
(b) The commodity must have many substitutes.
(c) The commodity will be purchased regardless of increase in its price.

	(d) The elasticity of demand for this commodity must equal zero. Ans:- (b) **[MTP Nov 18]**
150.	If a good has price elasticity greater than one then: (a) demand is unit elastic and a change in price does not affect sellers' revenue. (b) demand is elastic and a change in price causes sellers' revenue to change in the opposite direction. (c) demand is inelastic and a change in price causes sellers' revenue to change in the same direction. (d) (d) None of the above is correct. Ans:- (b) **[MTP Nov 18]**
151.	The law of diminishing returns implies that: (a) for each extra unit of X consumed, holding constant consumption of other goods, total utility increases. (b) total utility remains unchanged regardless of how many units of X are consumed. (c) marginal utility will increase at a constant rate as more units of X are consumed. (d) each extra unit of X consumed, holding constant consumption of other goods, adds successively less to total utility. Ans:- (d) **[MTP Nov 18]**
152.	A buyer's willingness to pay is that buyer's: (a) minimum amount he is willing to pay for a good. (b) producer surplus. (c) consumer surplus. (d) maximum amount he is willing to pay for a good Ans:- (d) **[MTP Nov 18]**
153.	Which of the following is not a property of the indifference curve? (a) Indifference curves are convex to the origin (b) Indifference curves slope downwards from left to right (c) No two indifference curves can cut each other (d) None of the above
	Ans:- (d) **[MTP Nov 18]**
154.	if the price of apples rises from Rs. 30 per quarter kg. to Rs. 40 quarter per kg and the supply increases from 240 kg to 300 kg. Elasticity of supply is: (a) .77 (b) .67 (c) (-) .67 (d) (-) .77 Ans:- (a) **[SM]**
155.	When the consumer is in equilibrium his price line is to indifference curve (a) Parallel (b) At right angle (c) Diagonally opposite (d) Tangent Ans:- (d) **[MTP May 19]**
156.	Indifference Curve analysis is based on (a) Ordinal utility (b) Cardinal utility (c) Marginal utility (d) None of the above Ans:- (a) **[MTP Nov 19]**
157.	When two goods are perfect substitutes of each other then (a) MRS is falling (b) MRS is rising (c) MRS is constant (d) None of the above Ans:- (c) **[MTP May 19]**
158.	In case of a Giffen good, the demand curve will be: (a) Horizontal (b) Downward – sloping to the right (c) Vertical (d) Upward – sloping Ans:- (d) **[MTP May 19]**
159.	In case of necessaries the marginal utilities of the earlier units are large. In such cases the consumer surplus will be: (a) Infinite (b) Zero (c) Marginally positive (d) Marginally Negative

	Ans:- (a) **[MTP May 18, May 19]**
160.	Calculate Income-elasticity for the household when the income of a household rises by 5% and the demand for bajra falls by 2% (a) + 2.5 (b) – 2.5 (c) -.4 (d) +.4 Ans:- (c) **[MTP May 19]**
161.	The consumer surplus concept is derived from: (a) Law of demand (b) Indifference curve analysis (c) Law of diminishing marginal utility (d) All of above Ans:- (c) **[MTP May 19]**
162.	_____depicts complete picture of consumer tastes and preferences. (a) Budget line (b) Average cost curve (c) Indifference map (d) Marginal revenue curve Ans:- (c) **[MTP May 19]**
163.	When economists speak of 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 the consumption of good. (d) The rate at which consumers are willing to exchange one good for another Ans:- (c) **[MTP May 19]**
164.	If the goods are perfect substitutes for each other then cross elasticity is (a) Infinite (b) One (c) Zero (d) None of the above Ans:- (a) **[MTP May 18, May 19]**
165.	Consumer Surplus is: (a) What a consumer is ready to pay + what he actually pays (b) What a consumer is ready to pay – what he actually pays (c) What he actually pays – what a consumer is ready to pay (d) None of the above Ans:- (b) **[MTP May 19]**
166.	Effective Demand depends on: (a) Desire (b) Means to purchase (c) Willingness to use those means (d) All of the above Ans:- (d) **[MTP May 19]**
167.	Quantity demanded is a: (a) Flow Concept (b) Stock Concept (c) Both (a) and (b) (d) None of the above Ans:- (a) **[MTP May 19]**
168.	If two goods are complementary, like pen and ink, then the cross elasticity is: (a) Positive (b) Zero (c) Negative (d) Less than one Ans:- (c) **[MTP May 19]**
169.	If a good is priced at Rs. 180 p.u. and its price is increased to Rs. 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity? (a) . 777 (b) 1.4 (c) 1 (d) . 8 Ans:- (a) **[MTP May 18, May 19]**
170.	If the price of petrol rises by 25% and demand for car falls by 40% then, cross elasticity between petrol and car is: (a) -1.6 (b) 1.6 (c) -2.6 (d) 2.6 Ans:- (a)

	[MTP May 19]
171.	Supply of a good and its price have (a) Negative relationship (b) Inverse relationship (c) No relationship (d) Positive relationship Ans:- (d) **[MTP May 19]**
172.	Which of the following has the lowest price elasticity of supply? (a) Luxury (b) Necessities (c) Salt (d) Perishable goods Ans:- (d) **[MTP May 19]**
173.	Which is not the assumption of Indifference curve Analysis? (a) The consumer is rational and possesses full information about all the aspects of economic environment (b) The consumer is not capable of ranking all combinations (c) If consumer prefers combination A to B, and B to C, then he must prefer combination A to C (d) If combination A has more commodities than combination B, then A must be preferred to B. Ans:- (b) **[MTP May 18, May 19]**
174.	The horizontal demand curve parallel to x-axis implies that the elasticity of demand is (a) Zero (b) Infinite (c) Equal to one (d) Greater than zero but less than infinity Ans:- (b) **[MTP May 19]**
175.	The consumer is in equilibrium when: (a) When marginal utility is constant (b) When marginal utility is greater than price of the good (c) When marginal utility is less than price of the good (d) When marginal utility is equal to price of the good Ans:- (d) **[MTP May 19]**
176.	A higher indifference curve shows: (a) A higher level of satisfaction (b) A higher level of production (c) A higher level of income (d) None of the above Ans:- (a) **[MTP May 19]**
177.	In case of an inferior good the income elasticity of demand is: (a) Zero (b) Positive (c) Negative (d) None of the above Ans:- (c) **[MTP May 19]**
178.	When quantity demanded changes by larger percentage than does price, elasticity is termed as: (a) Inelastic (b) Elastic (c) Perfectly Elastic (d) Perfectly Inelastic Ans:- (b) **[MTP May 19]**
179.	Indifference curve is convex to the origin due to: (a) Falling MRS (b) Rising MRS (c) Constant MRS (d) None of the above Ans:- (a) **[MTP May 19]**
180.	Normal goods have: (a) Positive income elasticity (b) Negative income elasticity (c) Fluctuating income elasticity (d) Zero income elasticity Ans:- (a) **[MTP May 19]**
181.	Cardinal Measurability of utility means: (a) Utility can be measured (b) Utility cannot be measured (c) Utility can be ranked (d) Utility can be measured in some case Ans:- (a) **[MTP Nov 22,May 19]**
182.	Which of the following statement is false? (a) An indifference curve is concave to the origin (b) An indifference curve is convex to the origin

	(c) A higher indifference curve is better than a lower indifferent curve (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer. Ans:- (a) **[MTP May 19]**
183.	Identify the factor which generally keeps the price-elasticity of a demand for a good high. (a) Its very high price (b) Its very low price (c) Large number of substitutes (d) None of the above Ans:- (c) **[MTP May 18, May 19]**
184.	If price of automobiles 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 Ans:- (a) **[MTP Nov 19]**
185.	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 Ans:- (c) **[MTP Nov 19]**
186.	The second glass of water 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. Ans:- (c) **[MTP Nov 19]**
187.	When the price of commodity increases by 40% and its quantity demanded falls from 150 to 120 units , then the price elasticity of demand for a commodity is- (a) -0.8% (b) 0.8% (c) 0.5%
	(d) -0.5% Ans:- (d) **[MTP Nov 19]**
188.	If the consumer consumes only one commodity X , he will be in equilibrium when- (a) MUx > Px (b) MUx< Px (c) MUx= Px (d) None of these Ans:- (c) **[MTP Nov 19]**
189.	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 Ans:- (c) **[MTP Nov 19]**
190.	A consumer demands 5 units of a commodity at the price of Rs. 4 per unit. He demands 10 units when the price falls to Rs 3 per unit. Price elasticity of demand is equal to- (a) 3 (b) 2 (c) 1.5 (d) 4 Ans:- (d) **[MTP Nov 19]**
191.	Availability of close substitutes makes the demand- (a) Less elastic (b) More elastic (c) Parallel to X axis (d) Parallel to Y axis Ans:- (b) **[MTP Nov 19]**
192.	The supply curve for perishable commodities is- (a) elastic (b) inelastic (c) perfectly elastic (d) perfectly inelastic Ans:- (d) **[MTP Nov 19]**
193.	The slope of consumer's budget line is – (a) Positive and constant (b) Negative and decreasing

	(c) Negative and constant (d) Positive and increasing Ans:- (c) **[MTP Nov 19]**
194.	Demand for water is – (a) Elastic (b) Inelastic (c) Perfectly elastic (d) Relatively elastic Ans:- (b) **[MTP Nov 19]**
195.	Inferior goods are those goods whose income effect is- (a) Negative (b) Positive (c) Zero (d) None of these Ans:- (a) **[MTP Nov 19]**
196.	Suppose income elasticity of bread is 0.25, its means that bread is- (a) Inferior goods (b) Luxury goods (c) Normal goods (d) Can't say Ans:- (c) **[MTP Nov 19]**
197.	The supply curve shifts to the right because of- (a) Improved technology (b) Increased price of factors of production (c) Increased excise duty (d) All of the above Ans:- (a) **[MTP Nov 19]**
198.	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 Ans:- (a) **[MTP Nov 19]**
199.	Which of the following goods has inelastic demand- (a) Salt (b) Food grains (c) Medicines (d) All of the above
	Ans:- (d) **[MTP Nov 19]**
200.	Demand for pepsi is elastic because- (a) Its falls under luxuries (b) Its consumption can be postponed (c) Its substitutes are available in the market (d) It is a multiple use product Ans :- (c) **[MTP Nov 19]**
201.	A consumer of two goods X and Y is in equilibrium. The price of good X is Rs. 10 and price of the good Y is Rs. 20 respectively. If the MUX is 60 utils , then the MUy is- (a) 30 utils (b) 20 utils (c) 60 utils (d) 6 utils Ans :- (a) **[MTP Nov 19]**
202.	The slope of indifference curve is given by- (a) Budget line (b) Marginal rate of transformation (c) Marginal rate of substitution (d) None of these Ans :- (c) **[MTP Nov 19]**
203.	If the price of Orange Juice increases, the demand for Apple Juice will . (a) increase (b) decrease (c) remain the same (d) become negative. Ans :- (a) **(SM,MTP May 20)**
204.	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. Ans :- (a) **(MTP May 20)**
205.	If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:

(a) Zero
(b) Greater than zero but less than one
(c) One
(d) Greater than one
Ans :- (b)
[MTP Nov 18, May 20, Nov 22, Dec 23, August 24]

206. 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.
Ans :- (a)
(MTP May 20)

207. Suppose the income elasticity of education in private school in India is 1.8. What does this indicate:
(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.
Ans :- (a)
(MTP May 20)

208. Read the below table and answer Questions number 100-103

	% Change in price	% change in quantity demanded (quantity supplied	Elasticity
Demand for salt	20	- 1	X
Demand for bananas	15	Y	3
Supply of chicken	Z	14	1

(A) Refer the above table and find the value of x.
(a) -20
(b) -0.05
(c) - 1
(d) Can not be determined
Ans :- (b)
[SM]

209. Refer the above table and find the value of y.
(a) – 5
(b) 15
(c) -45
(d) – 3
Ans :- (c)
[SM]

210. Refer the above and find the value of z.
(a) 14
(b) 1
(c) 0.07
(d) 5
Ans :- (a)
[SM]

211. Suppose that at a price of Rs. 300 per month, there are 30,000 subscribers to cable television in Small Town. If Small Town Cablevision raises its price to Rs. 400 per month, the number of subscribers will fall to 20,000. Using the arc elasticity (midpoint) method for calculating the elasticity, what is the price elasticity of demand for cable TV in Small Town?
(a) 1.4
(b) 0.66
(c) 0.75
(d) 2.0
Ans :- (a)
(MTP May 20)

212. In the case of Giffen good, the demand curve will be –
(a) Horizontal
(b) Downward sloping to the right
(c) Upward sloping to the right
(d) Vertical
Ans :- (c)
(MTP Nov 20)

213. 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. Ans :- (b) **(MTP Nov 20)**
214.	Coco- cola and Pepsi are substitutes. A rise in the price of coco-cola will ——————— the demand for Pepsi and the quantity of Pepsi sold will ——————— (a) Increase; increase (b) Increase; decrease (c) Decrease; decrease (d) Decrease; increase Ans :- (a) **(MTP Nov 20)**
215.	A decrease in the demand for mobiles, other things remaining the same will (a) Increase the number of mobiles bought (b) Decrease the price but increase the number of mobiles bought (c) Increase the price of mobiles (d) Decrease the price and decrease in the number of mobiles bought Ans :- (d) **(MTP Nov 20)**
216.	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, find the coefficient of price elasticity. (Use Point Elasticity Method) (a) 1.5 (b) 2.5 (c) 1.5 (d) 0.5 Ans :- (c) **(SM , MTP Nov 20)**
217.	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 Ans :- (d) **(MTP Nov 20)**
218.	In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at y axis of the line would be equal to- (a) 1 (b) Infinity (c) 3 (d) 1.25 Ans :- (b) **(MTP Nov 20, May 19)**
219.	Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for Laptop rises by 20% (a) +.5 (b) -.5 (c) +2 (d) -2 Ans :- (c) **(MTP Nov 20)**
220.	If as a result of 20 percent fall in the ticket fares the demand for watching movie in the cinema hall increases by 10 percent, then price elasticity is (a) Zero (b) Greater than zero but less than one (c) One (d) Greater than one Ans :- (b) **(MTP Nov 20)**
221.	If price of good A increases relative to the price of its substitutes B and C, then demand for (a) B will decrease (b) C will decrease (c) B and C will increase (d) B and C will decrease Ans :- (c) **(MTP Nov 20)**
222.	In economics, what a consumer is ready to pay minus what he actually pays, is termed as: (a) Consumer's equilibrium (b) Consumer's surplus (c) Consumer's expenditure (d) None of the above Ans :- (b) **(MTP Nov 20)**
223.	The price of pizza increases by 22% and the quantity of pizza demanded falls by 25%. This Indicates that demand for pizza is

	(a) Elastic (b) Inelastic (c) Unitarily elastic (d) Perfectly elastic. Ans :- (a) **(MTP Nov 20)**
224.	The substitution effect will be stronger when: (a) the goods are closer substitute (b) there is lower cost of switching to the substitute good. (c) there is lower inconvenience while switching to the substitute good. (d) all the above Ans :- (d) **[RTP Sep 24, MTP May 21, May 22, Nov 22, April 23, Nov 23]**
225.	A relative price is: (a) price expressed in terms of money. (b) the ratio of one money price to another (c) equal to money price. (d) none of these. Ans :- (b) **[MTP May 21]**
226.	In case of substitute product: (a) demand curve slope upwards. (b) demand curve slope downwards (c) demand curve is perfectly elastic (d) none of these. Ans :- (a) **[MTP May 21]**
227.	A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal? (a) + 1.5 (b) -1.5 (c) 2.5 (d) none of these Ans :- (a) **[MTP May 21, Jan 25]**
228.	When e = 0, elasticity of demand is : (a) perfectly elastic (b) unitary elastic (c) inelastic (d) perfectly inelastic demand Ans :- (d) **[MTP May 21, May 23]**
229.	A rise in price will – (a) increase in consumer surplus (b) decrease in consumer surplus (c) no change in consumer surplus (d) none of these Ans :- (b) **[MTP May 21, May 22]**
230.	Demand Curve in the monopolistic competition is – (a) infinitely elastic (b) downward sloping and highly inelastic (c) downward sloping and more elastic demand curve. (d) none of these. Ans :- (c) **[MTP May 21, June 24]**
231.	When a small change in price leads to a large change in demand the demand is (a) inelastic (b) elastic (c) stagnant (d) fixed Ans :- (b) **[MTP May 21]**
232.	The relationship between price and quantity supplied in law of supply is: (a) proportionate (b) homogenous (c) inverse (d) direct Ans :- (a) **[MTPJune 24, May 21]**
233.	For luxuries goods the income elasticity is : (a) e > 1 (b) e < 1 (c) e= 0 (d) none of these Ans :- (a) **[MTP May 21]**
234.	When goods are complementary the indifference curve is : (a) is a straight line (b) is convex to the origin (c) consist of two straight line with a right angle bent. (d) none of these Ans :- (c) **[MTP May 21]**
235.	The Consumer is in equilibrium when:

	(a) the budget line is tangent to the indifference curve (b) marginal rate of substitution of one good for another must be equal to the price ratio of the two goods (c) either a or b (d) none of these Ans :- (c) **[MTP May 21]**
236.	Demand for factor of production is (a) supplementary demand (b) intermediate goods (c) derived demand (d) complementary demand Ans :- (c) **[MTP May 21]**
237.	The slope of isoquant is : (a) upward to the left (b) downward to the right (c) downward to the left (d) upward to the right Ans :- (b) **[MTP May 21]**
238.	The cross elasticity between tea and coffee is : (a) infinite (b) positive (c) zero (d) negative Ans :- (b) **[MTP May 21]**
239.	When violation of law of demand occurs: (a) substitution effect is negative (b) income effect is negative (c) negative income effect is less than substitution effect (d) negative income effect is greater than substitution effect Ans :- (d) **[MTP May 21]**
240.	The producer reduces supply from 100 units to 50 units. When the price falls from Rs 20 to Rs 10, the price elasticity of supply will be : (a) 1 (b) 2 (c) 4 (d) none of these Ans :- (a) **[MTP May 21]**
241.	The marginal utility from last unit consumed of commodity Y = 50 Units and MUm = 10. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y— (a) 5 (b) 10 (c) 40 (d) None of these Ans :- (a) **[MTP May 21]**
242.	Exception to the law of demand (a) Speculative effect (b) Fear of Shortage (c) Ignorance (d) All the above Ans :- (d) **[MTP May 21]**
243.	In case of inferior goods: (a) Income effect and substitution effect work in opposite direction (b) Income effect and substitution effect work in same direction (c) It leads consumer to purchase less of a good and more of the substitute (d) None of these Ans :- (a) **[MTP May 21]**
244.	If MUx = 30, Px = 5 MUy = 40 the value of Py will be (a) 10 (b) 15 (c) 6 (d) None of these Ans :- (a) **[MTP May 21]**
245.	When the demand curve is parallel to Y axis the elasticity of demand will be (a) Zero (b) Utility (c) Less than Unity (d) None of these Ans :- (a) **[SM]**
246.	A rise in sale of which type of good is expected in the case of recession: (a) Luxury (b) Necessity (c) Interior (d) Normal

	Ans :- (c) **[MTP May 21]**
247.	If price of both goods fall how would the budget line is affected? (a) The budget line will shift to left. (b) The budget line will shift to right (c) The budget line will not change (d) The new budget line will have the same slope as the original so long as the price of both goods change in the same proposition. Ans :- (d) **[MTP May 21]**
248.	When price of a good rises from Rs. 20 to Rs. 30 the producer supplier 20 percent more the Price elasticity of supply is (a) 0.5 (b) 0.4 (c) 1 (d) None of these Ans :- (b) **[MTP May 21]**
249.	From the following demand curve determine the elasticity at the given price Q = 1200 – 10P When P = 5, dQ/dP = 10 (a) Elastic (b) Inelastic (c) Unitary elastic (d) None of these Ans :- (b) **[MTP May 21]**
250.	If the Price of Thumps Up increase the demand curve of Pepsi will: (a) Remain at the same level (b) Shift towards right (c) Shift towards left (d) None of those Ans :- (b) **[MTP May 21]**
251.	Consumer surplus means: (a) Area between the average revenue and marginal revenue curve. (b) Area inside the budget line above the price of the commodity. (c) Difference between the market price and the surplus curve. (d) Difference between the maximum amount a person is willing to pay for a good and its maximum price Ans :- (d)

	[SM]
252.	What will be the shape of indifference curve in case of two perfect substitute s: (a) C Shaped (b) L Shaped (c) U Shaped (d) Straight line Ans :- (d) **[MTP May 21]**
253.	Which of the Statement is correct: - (a) Isoquant slopes downwards from left to right (b) No two Isoquant can intersect each other (c) Isoquants are convex to the origin (d) All the above Ans :- (d) **[MTP May 21]**
254.	The slope of Isocost line is (a) w/r (b) r/w (c) r x w (d) None of these Ans :- (a) **[MTP May 21]**
255.	Marketing Planning is based on: (a) Demand forecasting (b) Demand function (c) Demand estimation (d) Demand Analysis Ans :- (a) **[MTP May 21]**
256.	Snob effect is explained as (a) It is a function of consumption of others (b) It is a function of price (c) Both (a) and (b) (d) None of these Ans :- (a) **[SM]**
257.	Which of the following are the determinant of price elasticity of demand: (a) Availability of substitutes (b) Time period (c) Tied demand (d) All of these Ans :- (d) **[MTP Nov 21]**
258.	If the cross elasticity is only- slightly below zero which of the following is correct?

	(a) They are weak complements (b) Negative and very high they are strong complements (c) Both (a) and (b) (d) None of these Ans :- (a) **[MTP Nov 21]**
259.	Indifference Curve Analysis was proposed by (a) J. R Hicks and R.G.D Allen (b) Alfred Marshall (c) Jeremy Bentham (d) None of these Ans :- (a) **[SM]**
260.	The rate at which the consumer is prepared to exchange-good x and y is : (a) Marginal rate of substitution (b) Elasticity of Substitution (c) Diminishing Marginal Utility (d) None of these Ans :- (a) **[MTP Nov 21,April 23]**
261.	If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be - (a) Vertical (b) Horizontal (c) Negatively sloped (d) None of these Ans :- (a) **[MTP Nov 21]**
262.	If the price of a commodity raised by 12% and Ed is (-) 0.63 the expenditure made on the commodity by the consumer will_____ (a) Remain the same (b) Decrease (c) Increase (d) Can't say Ans :- (c) **[MTP Nov 21,Dec 23,April 24, June 24]**
263.	During lockdown due to Covid19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetable than usual prices. She will buy_____ vegetable than/as her usual demand showing the demand of vegetable is_____
	(a) Same; Elastic Demand (b) Same; Inelastic Demand (c) Less; Elastic Demand (d) More; Inelastic Demand Ans :- (b) **[MTP Nov 21]**
264.	Supply and Stock are_____ (a) Different (b) Same thing (c) Having no comparison (d) Both (a) and (c) Ans :- (a) **[SM]**
265.	The law of demand is : (a) Irreversible in nature (b) Reversible in nature (c) Both (a) and (b) (d) None of these Ans :- (a) **[MTP Nov 21]**
266.	A decrease in the demand for mobile phone other things remaining the same will_____ (a) Increase purchase the number of mobile phone bought (b) Decrease the price but increase the number of mobile phone (c) Decrease in quantity of mobile phone demanded (d) Decrease the price and decrease in the number of Mobile Phone bough Ans :- (c) **[MTP Nov 21]**
267.	Reason for operating the law of diminishing returns is_____ (a) Imperfect Substitution between factors (b) Scarcity of factors (c) Both (a) and (b) (d) None of these Ans :- (c) **[MTP Nov 21]**
268.	Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased (a) falls (b) rises (c) remain unchanged (d) None of these

	Ans :- (b) **[MTP Nov 21]**
269.	For Giffen good the angle Curve is : (a) Vertical (b) Horizontal (c) Negatively Sloped (d) Positively Sloped Ans :- (c) **[MTP Nov 21]**
270.	Isoquant in the relevant range are: (a) Convex to the Origin (b) Negatively Sloped (c) Cannot cross (d) All of the Above Ans :- (d) **[RTP Jan 25, MTP Nov 21]**
271.	Comforts lies between (a) Luxuries and Inferior goods (b) Interior goods and necessaries (c) Necessaries and Luxuries (d) None of these Ans:- (c) **[MTP Nov 21]**
272.	In case of Interior goods: (a) Income effect and substitution effect work in same direction. (b) Income effect are substitution effect work in opposite direction (c) Either (a) or (b) (d) None of these Ans :- (b) **[MTP Nov 21]**
273.	Rationale of the law of demand is: (a) Price effect of a fall in price (b) Different uses (c) Arrival of new consumers (d) All of these Ans :- (d) **[MTP Nov 21,April 23,June 24]**
274.	The cross elasticity between two goods will be: (a) Positive (b) Negative (c) Either (a) or (b) (d) None of these Ans :- (b) **[MTP Nov 21]**
275.	Demand for complementary goods are: (a) Derived Demand (b) Autonomous demand (c) Aggregate Demand (d) None of these Ans :- (a) **[MTP Nov 21,May 23,April 24]**
276.	Methods of demand forecasting are: (a) Survey of Buyer's intension (b) Collective opinion Method (c) Both (a) and (b) (d) None of these Ans :- (c) **[MTP Nov 21,April 23]**
277.	In the quality supplied is exactly equal to the relative change in price then the elasticity of supply is: (a) Greater than one (b) Less than one (c) One (d) None of these Ans :- (c) **[MTP Nov 21]**
278.	The budget line is also known as: (a) Production Possibility Curve (b) Consumption Possibility Curve (c) Iso Utility Curve (d) None of these Ans :- (b) **[MTP Nov 21,June 24,May 23,Nov 23]**
279.	The slope of budget line is: (a) Px/Py (b) Py/Px (c) Px.Py (d) None of these Ans :- (a) **[MTP Nov 21]**
280.	Indifference Curve analysis is superior to utility analysis: (a) It dispenses with the assumption of measurability (b) It segregates income effect and substitution effect (c) It does not assume constancy of marginal utility of money (d) All of the above Ans :- (d) **[MTP Nov 21,April 24]**
281.	All Giffen goods are: (a) Inferior goods (b) Non Inferior goods (c) Normal Goods (d) None of these

	Ans :- (a) **[MTP Nov 21,Nov 23]**
282.	For Substitute products the demand is: (a) Downward sloping (b) Horizontal (c) Upward Sloping (d) None of these Ans :- (c) **[MTP Nov 21]**
283.	Delphi technique was developed by: (a) Robinson (b) Olaf Helmer (c) Amartya Sen (d) None of these Ans :- (b) **[MTP Nov 21]**
284.	Indifference Curve analysis of demand is based on: (a) Cardinal Utility approach (b) Marginal Utility approach (c) Ordinal Utility approach (d) None of these Ans :- (c) **[MTP Nov 21]**
285.	Suppose we are drawing a supply curve of a farmer which of the following will be held constant. : (a) Price of Inputs (b) Weather Conditions (c) Technology (d) The price of the Commodity under consideration Ans :- (d) **[SM]**
286.	A fall in the price of a commodity where everything else is held constant is referred to as: (a) An increase in quantity demand (b) A decrease in demand (c) An increase in demand (d) None of these Ans :- (a) **[MTP May 22]**
287.	For Giffen good the Engel curve is: (a) Positive sloped (b) Vertical (c) horizontal (d) Negative sloped Ans :- (d) **[MTP May 22,April 23,June 24]**
288.	A theory is : (a) An assumption (b) A hypothesis (c) A validated hypothesis (d) None of these Ans :- (c) **[MTP May 22]**
289.	The Coefficient of Price elasticity of demand between two points on a demand curve is_____ (a) Arc elasticity (b) Point elasticity (c) Price elasticity (d) None of these Ans :- (a) **[MTP May 22]**
290.	When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to: (a) Remain unchanged (b) Increase (c) Decrease (d) Any of the above Ans :- (a) **[MTP May 22]**
291.	A movement along a curve rather than a shift in the curve can be measured by:- (a) Cross elasticity of demand (b) Income elasticity of demand (c) Price elasticity of demand & Price elasticity of Supply (d) None of these Ans :- (c) **[MTP May 22]**
292.	Isoquant are also called: (a) Equal product curves (b) Production Indifference curves (c) ISO product curves (d) All of the above Ans :- (d) **[MTP May 22]**
293.	Between two perfect substitute the elasticity of Substitution is (a) < Zero (b) >Zero (c) < Infinity (d) Infinity Ans :- (d) **[MTP May 22]**

294. "Supply creates its own demand" statement is given by
(a) Marshall
(b) J B Say
(c) Ricardo
(d) Kuznets
Ans :- (b)
[MTP May 22]

295. According to Hicks and Allen the demand curve slope downwards due to
(a) Law of diminishing marginal utility
(b) Income effect and substitution effect
(c) Either (a) or (b)
(d) None of these
Ans :- (b)
[MTP May 22]

296. When two goods are perfect substitute for each other:
(a) Indifference curve for these two goods are straight parallel line with a constant slope along the curve
(b) Indifference curve has a constant MRS
(c) Concave to the Origin
(d) Both (a) and (b)
Ans :- (d)
[MTP May 22]

297. Behavior of Supply depends upon:
(a) Phenomenon Considered
(b) Degree of possible adjustment in supply
(c) Time Period under Consideration
(d) All the above
Ans :- (d)
[MTP May 22]

298. What are the determinant of Price elasticity of demand:
(a) Time Period
(b) Tied Demand
(c) Price range
(d) All the above
Ans :- (d)
[MTP May 22]

299. If increasing railway fare increases revenue and decreasing then decrease revenue then the demand for railway travel has a price elasticity of _____
(a) Greater than 1
(b) 1
(c) Greater than 0 but less than 1
(d) None of these
Ans :- (c)
[MTP May 22]

300. 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;
(a) Ram is very fond coffee and therefore he has an inelastic demand for coffee
(b) Ram has elastic demand for coffee
(c) Ram's demand for coffee is relatively less elastic
(d) Ram's demand for coffee is unit elastic
Ans :- (d)
[MTP May 22,April 24]

301. After reaching the saturation point, consumption of additional units of the commodity cause:
(a) Total utility to fall and marginal utility to increase
(b) Total utility and marginal utility both to increase
(c) Total utility to full and marginal utility to become negative
(d) Total utility to become negative and marginal utility to fall
Ans :- (c)
[MTP May 22]

302. Demand for electricity is elastic because
(a) It is very expensive
(b) It has a number of close substitutes
(c) It has alternative uses
(d) None of the above
Ans :- (c)
[MTP May 22,May 23]

303. Elasticity of supply 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
Ans :- (b)
[MTP May 22,April 23]

304. Which of the following statements is correct?
(a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
(b) When the slope of the demand curve is zero, the elasticity is also zero and

	when the slope is infinite, elasticity is also infinite. (c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope i s infinite, elasticity is unity. (d) None of these Ans :- (a) **[MTP May 22,April 24]**
305.	Diminishing marginal utility implies that the (a) marginal utility of a good diminishes over time. (b) total utility is negative. (c) last unit of a good consumed will contribute most to the consumer's satisfaction. (d) first unit of a good consumed will contribute most to the consumer's satisfaction. Ans :- (d) **[MTP May 22,Nov 22]**
306.	The law of diminishing marginal utility states that (a) total utility is maximized when a consumer obtain the same amount of utility per unit of each product consumed (b) beyond some point additional units of a product will yield less and less extra satisfaction to a consumer. (c) price must be lowered to induce firms to supply more of a product. (d) it will take larger and larger amounts of resources beyond some point to produce successive units of a product. Ans :- (b) **[MTP May 22]**
307.	Marshallian theory of consumer's behavior is based on (a) Hypothesis of additive utilities. (b) Hypothesis of independent utilities. (c) Both (A) and (B) (d) Weak ordering Ans :- (c) **[MTP May 22]**
308.	Demand and are the forces that make market economies work. (a) Elasticity of demand (b) Quantity demanded (c) Supply (d) Quantity supplied Ans :- (c) **[MTP May 22]**
309.	Let slope of supply curve is 0.6, calculate elasticity of demand when initial price is $ 30 per unit and initial quantity is 100 units of the commodity. (a) 0.5 (b) 5.55 (c) (-) 0.5 (d) (-) 0.18 Ans :- (a) **[MTP May 22]**
310.	Demonstration effect, a term coined by (a) Adam Smith (b) James Duesenberry (c) Alfred Marshall (d) None of these Ans :- (b) **[MTP May 22]**
311.	Consider the following statements and select the correct answer from the given options. Assertion (A): Demand curve is vertical when elasticity of demand is zero. Reason (R): Marginal utility of a product is increasing (a) Both (A) and (R) are true and (R) is the correct explanation of (A) (b) Both (A) and (R) are true and (R) is not the correct explanation of (A) (c) (A) is true but (R) is false (d) (A) is false but (R) is true Ans :- (c) **[MTP May 22,June 24]**
312.	A rise in price of a good _____consumer surplus. (a) Reduces (b) Increases (c) Either (A) and (B) (d) Doesn't effect Ans :- (a) **[MTP Nov 22,Nov 22,Nov23]**
313.	A consumer is in equilibrium when s/he is deriving satisfaction from the goods. (a) maximum (b) possible (c) maximum possible (d) None of these Ans :- (c) **[MTP May 22]**
314.	Which one of the following statements is

	true regarding Indifference Curve? (a) Two ICs can never be parallel to each other (b) Two ICs are always parallel to each other (c) Two ICs may not intersect each other (d) Two ICs may be parallel to each other Ans :- (d) **[MTP May 22]**
315.	Law of Equi-marginal Utility can be expressed as- (a) $MU_X/P_X = Q_X$ (b) $P_X Q_X = MU_M$ (c) $MU_X/P_X = MU_Y/P_Y = MU_M$ (d) $MU_X = MU_M$ Ans :- (c) **[MTP May 22]**
316.	For substitutes, cross elasticity of demand is- (a) Positive (b) Negative (c) Zero (d) Always less than one Ans :- (a) **[MTP May 22]**
317.	The oldest approach to the theory of demand is _____. (a) the total utility approach (b) the cardinal utility approach (c) the ordinal utility approach (d) None of these Ans :- (b) **[MTP May 22,June 24]**
318.	The price which a consumer would be willing to pay for a commodity equals to his-. (a) Total utility (b) Marginal utility (c) Average utility (d) Does not have any relation to any of these Ans :- (b) **[MTP Nov 22]**
319.	The buyers in the market include (a) Consumers (b) Businesses (c) Government (d) All of the above Ans :- (d) **[MTP Nov 22]**
320.	"The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____ (a) Veblen effect (b) Bandwagon effect (c) Snob effect (d) Demonstration effect Ans :- (b) **[MTP Nov 22,May 23,June 24]**
321.	All desires, tastes and motives of human beings are called _____i n economics. (a) Willingness (b) Demand (c) Wants (d) None of these Ans :- (c) **[MTP Nov 22]**
322.	Match the following LIST-I (a) Two perfect substitute goods (b) Two perfect complementary goods (c) Indifference curve is always (d) Higher IC gives higher level of satisfaction LIST- II 1. Linear Indifference Curve 2. Monotonic Preference 3. L-Shape Indifference Curve 4. Convex to the origin Codes: a b c d (a) 1 2 3 4 (b) 3 1 4 2 (c) 1 3 4 2 (d) 1 3 2 4 Ans :- (c) **[MTP Nov 22]**
323.	Match the following a b c d LISTI (a) Tea and Coffee (b) Car (c) Gold & Diamond (d) Ragi and Bajara LIST- II 1. Veblen goods and Petrol 2. Substitutes 3. Giffen goods 4. Complementary Codes: Codes: a b c d (a) 1 2 3 4 (b) 2 4 1 3 (c) 1 3 4 2

	(d) 1 3 2 4 Ans :- (b) **[MTP Nov 22]**
324.	The study of demand and supply model is useful in explaining (a) How government works (b) How markets work (c) How consumers behave (d) None of these Ans :- (b) **[MTP Nov 22,Nov 23]**
325.	A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has_____ (a) more of one of the goods (b) less of at least one of the goods (c) more of at least one of the goods and less of the other good. (d) more of at least one of the goods and no less of the other good. Ans :- (d) **[MTP Nov 22,Dec 23,April 24,August 24]**
326.	Law of diminishing marginal rate of substitution is associated with (a) Marshall (b) Hicks (c) Slutsky (d) Keynes Ans :- (b) **[MTP Nov 22]**
327.	Assertion (A): An iso-cost line is a straight line. Reason (R): The market rate of exchange between the two inputs is constant. (a) (A) is true and (R) is false (b) Both (A) and (R) are true & (R) is the correct explanation of (A) (c) Both (A) and (R) are true & (R) is not the correct explanation of (A) (d) (A) is false and (R) is true Ans :- (b) **[MTP Nov 22,August 24,Dec 23,Jan 25]**
328.	A necessity is defined as a good having: (a) A positive income elasticity of demand (b) A negative income elasticity of demand (c) An income elasticity of demand between zero and 1. (d) An income elasticity of more than 1. Ans :- (c)

	[MTP Nov 22,Nov 23]
329.	The other name of the Budget line is: (a) Demand line (b) Price line (c) Supply line (d) None of the above Ans :- (b) **[MTP Nov 22]**
330.	If two goods are totally unrelated, then cross elasticity between them is: (a) Zero (b) One (c) Infinite (d) None of the above Ans :- (a) **[MTP Nov 22,May 19]**
331.	Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for T.V. rises by 20% (a) +.5 (b) -.5 (c) +2 (d) – 2 Ans :- (c) **(MTP May 19, Nov 22)**
332.	When the price of a substitute of commodity X falls, the demand for X (a) rises, (b) falls, (c) remains unchanged (d) any of the above. Ans :- (b) **[MTP Nov 22,Dec 23,August 24]**
333.	An increase in the price of a commodity when demand is inelastic causes the total expenditures of consumers of the commodity to (a) increase (b) decrease (c) remain unchanged (d) any of the above. Ans :- (a) **[MTP Nov 22]**
334.	If the amounts of two commodities purchased both increase or decrease when the price of one change, the cross elasticity of demand between them is (a) negative (b) positive

	(c) zero (d) 1. Ans :- (a) **[MTP Nov 22]**
335.	A consumer who is below the personal budget line (rather than on it) (a) is not spending all personal income (b) is spending all personal income (c) may or may not be spending all personal income (d) is in equilibrium. Ans :- (a) **[MTP Nov 22, Dec 23, July 24]**
336.	The substitution effect for a fall in the price of a commodity (ceteris paribus) is g iven by (a) a movement up a given indifference curve (b) a movement from a higher to a lower indifference curve (c) a movement down a given indifference curve (d) any of the above. Ans :- (d) **[MTP Nov 22]**
337.	When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity, the demand curve is negatively sloped, (a) Always (b) never (c) sometimes (d) often. Ans :- (a) **[MTP Nov 22]**
338.	Traditional economic theory could not explain choices involving risk because it assumed that (a) MU always declines (b) MU first declines and then rises (c) MU first rises and then declines (d) MU always increases. Ans :- (a) **[MTP Nov 22]** Empirical demand curves refer to demand curves estimated from (a) utility theory (b) the new approach to consumer theory (c) information provided by individual consumers
	(d) actual market price-quantities observations. Ans :- (d) **[MTP Nov 22]**
339.	Within the relevant range, isoquants (a) are negatively sloped (b) are convex to the origin (c) cannot cross (d) are all of the above. Ans :- (d) **[MTP Nov 22]**
340.	During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy_____ vegetables than/as her usual demand showing the demand of vegetables is_____ . (a) more, inelastic demand (b) less, elastic demand (c) same, inelastic demand (d) same, elastic demand Ans :- (c) **[MTP Nov 22,Dec 23,April 24,August 24]**
341.	At saturation point of TU curve, the slope of TU curve is_____ (a) 1 (b) Infinity (c) Zero (d) Positive Ans :- (c) **[MTP Nov 22]**
342.	The most crucial determinant of demand for an item is_____ . (a) Income of consumer (b) Prices of other related goods (c) Taste and preference of consumer (d) It's own price Ans :- (d) **[MTP Nov 22]**
343.	With reference to Arc elasticity measures the responsiveness of demand_____ on the demand curve. (a) at one given point (b) at intercepts on X-axis & Y-axis (c) between two points (d) Any of the above Ans :- (c) **[MTP Nov 22,Dec 24,Jan 25]**
344.	Shift in the budget line when prices are

	constant are due to (a) Change in income (b) Change in demand (c) Change in utility (d) None of these Ans :- (a) **[MTP Nov 22]**
345.	Law of demand is violated when (a) Income effect is negative (b) Substitution effect is negative (c) Negative income effect is greater than the substitution effect (d) None of these Ans :- (c) **[MTP Nov 22]**
346.	Elasticity is greater than utility for (a) Luxuries (b) Necessaries (c) Complementary good (d) None of these Ans :- (a) **[MTP Nov 22]**
347.	In Spite of the fact that the price of the television sets refrigerators, air conditions etc. have been continuously rising their demand does not stand any tendency to fact because they are (a) Conspicuous goods (b) Giffen goods (c) Speculative goods (d) Conspicuous necessities. Ans :- (d) **[MTP Nov 22]**
348.	What are the determinants of price elasticity (a) Availability of substitutes (b) Price range (c) Position of a Commodity in the Consumer's budget. (d) All the above Ans :- (d) **[MTP Nov 22,MTP May 23,May 22]**
349.	Income elasticities in the short run and long run (a) differ (b) Same (c) Can't say (d) Both (a) and (b) Ans :- (a)

	[MTP Nov 22]
350.	Related goods are of_____ types. (a) two (b) three (c) four (d) five Ans :- (a) **[MTP Nov 22]**
351.	The elasticity of supply at any point on a given supply curve passing through the origin point making angle of 35 degree with X-axis is (a) Greater than one (b) Less than one (c) Equal to one (d) Any of the above Ans :- (c) **[MTP Nov 22]**
352.	Traditional approach of law of demand was propounded by_____ (a) Giffen (b) Paul A Samuelson (c) Alfred Marshall (d) Pique Ans :- (c) **[MTP Nov 22,April 24]**
353.	Which of the following is the exception to the law of demand: (a) Speculative goods (b) Conspicuous necessities (c) Future expectation about prices (d) Income effect Ans :- (d) **[MTP April 23, June 24]**
354.	If the price of A rises by 10% and the demand for B increases by 15% then the Cross elasticity will be: (a) 1.5 (b) 1.5 (c) 2 (d) None of these Ans :- (a) **[MTP April 23]**
355.	What are the limitation of Consumer Surplus: (a) Consumer surplus cannot be measured precisely (b) The Consumer surplus derived from a

	commodity is affected by availability of substitute (c) Both (a) & (b) (d) None of these Ans :- (c) **[MTP April 23]**
356.	The income elasticity For Luxuries goods is: (a) E > 1 (b) E < 1 (c) E = 0 (d) None of these Ans :- (a) **[MTP April 23]**
357.	Consumer under Income effect: (a) Always purchase higher quantities of both the commodities (b) moves to higher or lower indifference curve (c) moves along the original indifference Curve. (d) None of these Ans :- (b) **[MTP April 23]**
358.	Which of the following exhibit direct price demand relationship: (a) Substitute goods (b) Complementary goods (c) Giffen goods (d) None of these. Ans :- (c) **[MTP May 23]**
359.	There will be ------- in the demand Curve of cars with an incase in the Price of Petrol (a) Leftward shift (b) Rightward Shift (c) Upward Movement (d) Downward Movement Ans :- (a) **[MTP May 23]**
360.	Income elasticity in the case of Inferior good will be : (a) Zero (b) Positive (c) Negative (d) Infinite Ans :- (c) **[MTP May 23]**
361.	When the two goods are complementary to each other the cross elasticity between them is: (a) Negative (b) Positive (c) Either of these (d) None of these Ans :- (a) **[MTP May 23]**
362.	According to Hicks and Allen the demand curve slopes downwards due to : (a) Income and substitution effect (b) Diminishing marginal utility (c) Price elasticity (d) None of these Ans :- (a) **[MTP May 23]**
363.	The commonly available technique of demand forecasting are: (a) Survey of buyer's intention (b) Expert opinion method (c) Least Square method (d) All of these Ans :- (d) **[MTP May 23]**
364.	If the price of both goods fall how would that budget line, be affected? (a) The budget line will be shifting to the left. (b) The budget line would not shift. (c) So long as the prices of both goods change in the same proportion the new budget line will have same slope. (d) None of these. Ans :- (c) **[MTP May 23]**
365.	Ceteris paribus means: (a) Holding supply constant (b) Holding demand constant (c) Price being constant (d) other factors being constant. Ans :- (d) **[MTP May 23]**
366.	Comfort lie between: (a) inferior goods and necessities (b) luxuries and inferior goods (c) necessities and luxury (d) None of these Ans :- (c)

	[MTP May 23]
367.	The objective of advertisement and all other sales promotion activities by any firm is to : (a) Shift the demand curve to the right. (b) Shift the demand curve to the left (c) will not influence the demand curve (d) None of these Ans :- (a) **[MTP Nov 23]**
368.	Factors affecting demand for Non-Durable Consumer goods: (a) Disposable Income (b) Price (c) Demography (d) All of the above Ans :- (d) **[MTP Nov 23]**
369.	Which is the statistical method of demand forecasting: (a) Trend Projection Method (b) Expert Opinion Method (c) Collective opinion method (d) None of these Ans :- (a) **[MTP Nov 23]**
370.	Utility is a_____ (a) Qualitative (b) Quantitative (c) Both (a) and (b) (d) None of these Ans :- (c) **[MTP Nov 23]**
371.	With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as: (a) Substitution Effect (b) Income Effect (c) Law of Demand (d) Law of diminishing Returns Ans :- (a) **[MTP Nov 23,Dec 24]**
372.	Goods are Perfect Complements when: (a) A consumer is interested in consuming only in fixed proportion (b) The Indifference Curve will consist of two straight lines (c) Both a and b are correct (d) None of these Ans :- (c) **[MTP Nov 23]**
373.	If the Price of both goods fell how the budget will be affected: (a) The Budget line would not shift. (b) The Budget line must be shifting to the left. (c) The new budget line must be parallel to the old budget line. (d) The new budget line will have the same slope as the original so long as the price of both goods changes in the same proportion. Ans :- (d) **[MTP Nov 23]**
374.	The Indian Government imposed heavy taxes on commodity to reduce its consumption by the public. Such heavy taxes will decrease the demand of the commodity only when: (a) ed = 0 (b) ed > 1 (c) Ed<1 (d) ed = 1 Ans :- (b) **[MTP Nov 23]**
375.	The income elasticity of demand for inferior good is : (a) Infinite (b) Positive (c) Zero (d) Negative Ans :- (d) **[MTP Nov 23]**
376.	If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is: (a) >1 (b) = 1 (c) < 1 (d) 0 Ans :- (d) **[MTP Dec 23,August 24]**

377. If the income elasticity of demand is greater than 1, the commodity is
(a) a necessity
(b) a luxury
(c) an inferior good
(d) a non-related good
Ans :- (b)
[MTP Dec 23,June 24,August 24]

378. If a good has a price elasticity of demand greater than 1, it is considered:
(a) Price inelastic
(b) Price elastic
(c) Unit price elastic
(d) Price neutral
Ans :- (b)
[MTP Dec 23,August 24]

379. The income elasticity of demand measures:
(a) The responsiveness of quantity demanded to changes in price
(b) The responsiveness of quantity demanded to changes in income
(c) The responsiveness of quantity supplied to changes in price
(d) The responsiveness of quantity supplied to changes in income
Ans :- (b)
[MTP Dec 23,August 24]

380. . Price Elasticity of Demand of a good is (-) 3. It shows that:
(a) When price falls by 1%, demand rises by 3%
(b) When price rises by 1%, demand falls by 3%
(c) Either (a) or (b)
(d) Neither (a) nor (b)
Ans :- (c)
[MTP Dec 23,August 24]

381. The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
(a) Proportionately large fall in quantity demanded
(b) No change in quantity demanded
(c) Proportionately small fall in quantity demanded
(d) Infinite change in quantity demanded
Ans :- (a)
[MTP Dec 23,August 24]

382. Demand curve of a firm under monopoly is:
(a) Downward sloping
(b) Indeterminate
(c) Upward sloping
(d) Perfectly elastic
Ans :- (a)
[MTP Dec 23,August 24]

383. By way of an optimal choice, a consumer tends to:
(a) save money
(b) purchase large quantity
(c) None of these
(d) maximize satisfaction subject to constraints like tastes and pref Erences
Ans :- (d)
[MTP Dec 23,August 24,April 24]

384. The economist's concept of demand is as desire or need or choice or preference or order.
(a) the same thing
(b) not the same thing
(c) (a) or (b)
(d) None of these
Ans :- (b)
[MTP Dec 23,April 24,June 24]

385. The demand for labour in response to the wage rate is_____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____ .
(a) Derived demand, Direct demand
(b) Direct demand, Derived demand
(c) Individual demand, Market demand
(d) Company demand, Industry demand
Ans :- (b)
[MTP Dec 23,MTP April 24,August 24]

386. Which of the following groups of goods have inelastic demand?
(a) Salt, Smart phone
(b) School uniform, branded goggles and

	smart phone (c) Salt, school uniform and medicine (d) Medicine, branded sports shoes and diamond ring Ans :- (c) **[MTP Dec 23, August 24, June 24, April 24]**
387.	Being utility varies with different persons: (a) Subjective (b) Absolute (c) Objective (d) None of these Ans :- (a) **[MTP Dec 23, August 24]**
388.	Which of the following statement(s) is/are true about the slope of budget line? (a) The slope of budget line is determined by the relative prices of two goods. (b) The slope of budget line is equal to price ratio of two goods. (c) The slope of budget line measures the rate at which the consumer can trade one good for the other. (d) All of the above Ans :- (d) **[MTP April 24]**
389.	The economist concept of demand is as desire or need or choice or preference or order. (a) the same thing (b) not the same thing (c) (a) or (b) (d) None of these Ans :- (b) **[MTP August 24]**
390.	If the price of a commodity is raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will . (a) decrease (b) Increase (c) remain same (d) can't Say Ans :- (b) **[MTP August 24]**
391.	Inferior goods are those whose income effect is: (a) Positive (b) Zero (c) Negative (d) None of these Ans :- (c) **[MTP August 24]**
392.	Availability of close substitute makes the demand: (a) more elastic (b) Less elastic (c) Parallel to X axis (d) None of these Ans :- (a) **[MTP August 24]**
393.	_____is the exception to law of demand. (a) Income (b) Price (c) Giffen Good (d) Fashions Ans :- (c) **[MTP August 24]**
394.	Suppose the price of a commodity X increases from Rs. 2000 per unit to Rs. 2100 per unit and consequently the quantity supplied rises from Rs. 2500 to Rs. 3000 units. Calculate the elasticity of supply. (a) 4 (b) 6 (c) 8 (d) None of these Ans :- (a) **[MTP August 24]**
395.	Marginal Utility is _____ when total utility diminishes. (a) Positive (b) Negative (c) Zero (d) Infinity Ans :- (a) **[MTP June 24]**
396.	Budget Line indicates: (a) Income Ratio (b) Price Ratio (c) Cost Ratio (d) None of these

	Ans :- (b) **[MTP June 24]**
397.	Avaibility of close Substitutes makes the demand: (a) more elastic (b) less elastic (c) Parallel to Y Axis (d) None of these Ans :- (a) **[MTP June 24]**
398.	If we notice that an increase in the price of product X causes reductions in the demand for product Y, then we can conclude that these two products are: (a) complements in consumption. (b) substitutes in consumption. (c) complements in production. (d) substitutes in production Ans :- (a) **[MTP May 24,Jan 25]**
399.	If we assume the following scenario: as the average income of the consumer increases the demand for "fast" food decreases, then we can assume that "fast" food is: (a) a normal good. (b) an inferior good. (c) None of the above is correct. (d) Either of these Ans :- (b) **[MTP May 24]**
400.	The price elasticity of demand for a good will tend to be more elastic if : (a) the good is broadly defined (e.g., the demand for food as opposed to the demand for carrots). (b) the good has relatively few substitutes. (c) a long period of time is required to fully adjust to a price change in the good. (d) None of the above is true. Ans :- (d) **[MTP May 24]**
401.	If cross-price elasticity between goods A and B is determined to be exactly zero, which of the following statements is correct? (a) Goods A and B are substitutes (b) Goods A and B are complements (c) Goods A and B are comparatives (d) Goods A and B are independent Ans :- (d) **[MTP May 24]**
402.	If supply increases while demand decreases: (a) the equilibrium price will definitely increase. (b) the equilibrium quantity will definitely increase. (c) the equilibrium price will definitely decrease. (d) the equilibrium quantity will definitely decrease. Ans :- (c) **[MTP May 24]**
403.	Which of the following statements is correct? (a) The Law of Demand states positive relationship between price and quantity demanded. (b) The Law of Supply states positive relationship between price and quantity supplied. (c) As per the Law of diminishing returns as the consumption of any commodity is increased, the average returns start diminishing. (d) None of the above Ans:- (b) **[MTP May 20]**
404.	A capitalist economy uses _____ as the principal means of allocating resources. (a) Demand (b) Supply (c) Efficiency (d) Prices Ans:- (d) **[MTP Nov 20]**
405.	When the demand curve is parallel to Y axis the elasticity of demand will be (a) Zero (b) Utility (c) Less than Unity (d) None of these Ans:- (a) **[MTP May 21]**

406. Indifference Curve Analysis was proposed by
(a) J. R Hicks and R.G.D Allen
(b) Alfred Marshall
(c) Jeremy Bentham
(d) None of these
Ans:- (a)
[MTP Nov 21]

407. Contraction of demand is the result of
(a) Decrease in the number of Consumers
(b) Increase in the price of the good concerned
(c) Price of related products
(d) None of these
Ans:- (b)
[MTP Nov 21,April 23]

408. Supply and Stock are
(a) Different
(b) Same thing
(c) Having no comparison
(d) Both (a) and (c)
Ans:- (a)
[MTP Nov 21,April 23]

409. Contraction of demand is the result of _____
(a) Increase in the price of other goods
(b) Increase in the price of the good.
(c) Decrease in the income of purchases
(d) None of these
Ans:- (b)
[MTP May 22, Nov 20,Nov 22]

410. After reaching the saturation point, consumption of additional units of the commodity cause -.
(a) Total utility to fall and marginal utility to increase.
(b) Total and marginal utility both to increase.
(c) Total utility to fall and marginal utility to become negative.
(d) Marginal utility to fall and total utility to become negative.
Ans:- (c)
[MTP May 22,April 24]

411. Computers and computer software are
(a) Substitute goods
(b) Complementary goods
(c) Independent goods
(d) Normal goods
Ans:- (b)
[MTP May 22,Nov 22,April 24]

412. Consider the following statements and select the correct answer from the given options. Assertion (A): Consumer surplus is the difference between the potential price and actual price. Reason (R): There exists an inverse relationship between the price and consumer surplus.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true but (R) is false
(d) (A) is false but (R) is true
Ans:- (a)
[MTP May 22,Dec 24]

413. When demand increases and supply decreases,
(a) the equilibrium price and quantity both rise
(b) the equilibrium price and quantity both fall
(c) the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.
(d) the equilibrium quantity rises but nothing certain can be said about the change in equilibrium price.
Ans:- (c)
[MTP May 22]

414. Nicholas Kaldor propounded
(a) Nocholas theory
(b) Kaldor Theory
(c) Cobweb theory
(d) Cobb-douglas theory
Ans:- (c)
[MTP May 22,Nov 23]

415. The Consumer surplus is derived from:
(a) Law of diminishing marginal utility
(b) Marginal rate of substitution.
(c) Budget line
(d) None of these
Ans:- (a)
[MTP May 23]

416. The substitution effect for a fall in the price of a commodity (ceteris paribus) is given by:
(a) a movement up a given IC
(b) a movement from a higher to a lower IC
(c) a movement down a given IC
(d) any of the above

	Ans:- (c) **[MTP Dec 23,August 24]**
417.	Marshallian theory of consumer's behaviour is based on: (a) Hypothesis of additive utilities. (b) Hypothesis of independent utilities. (c) Both (A) and (B) (d) Weak ordering Ans:- (c) **[MTP April 24,Jan 25]**
418.	Which of the following matters is/are fundamentally connected to economic analysis? (a) Economic prosperity (b) Higher standard of living (c) Changes in price of a commodity (d) All of the above Ans:- (d) **[MTP April 24]**
419.	In an economy C = 300+ 0.5Y and I = ` 600(where C is consumption, Y is income or investment). The Equilibrium level of income will be: (a) 1800 (b) 1500 (c) 1400 (d) None of these Ans:- (a) **[MTP July 24]**
420.	When both the price of a substitute and the price of a complement of commodity X rise, the demand for X: (a) rises (b) falls (c) remains unchanged (d) all of the above are possible. Ans:- (d) **[MTP July 24]**
421.	_____depicts complete picture of consumer's tastes and preferences (a) Budget line (b) Average cost curve (c) Indifference map (d) Marginal revenue curve Ans:- (c) **[MTP July 24]**
422.	What is the merit of Capitalism? (a) It promotes self-interest & economic growth. (b) It leads economic balance in the country (c) It leads to equitable distribution of wealth. (d) It leads to equitable distribution of wealth Ans:- (a) **[MTP July 24]**
423.	The level of consumption at which marginal utility of a commodity reaches zero is called: (a) Point of Satiety (b) Point of Equilibrium (c) Point of breakeven (d) None of these Ans:- (a) **[MTP July 24]**
424.	Following is not a factor affecting price elasticity of demand: (a) Price level (b) Cost of Production (c) Availability of substitutes (d) Time period Ans:- (b) **[MTP July 24]**
425.	On all points of rectangular hyperbola demand curve, elasticity of demand is: (a) equal to unity (b) zero (c) less than unity (d) greater than unity Ans:- (a) **[MTP July 24]**
426.	Imposition of GST, shifts the supply curve: (a) to the left (b) to the right (c) to the right as well as the left (d) None of these Ans:- (a) **[MTP July 24]**
427.	Average revenue curve is also known as – (a) Indifference Curve (b) Demand Curve (c) Average Cost Curve (d) None of these Ans:- (b) **[MTP August 24]**
428.	In a Public good context, it is difficult to measure impact of real income because: (a) Public goods are generally free to the Public (b) They make up a small percentage of

	total GDP (c) It is hard to measure how people value to public good (d) Inflation decreases the value of the good Ans:- (c) **[MTP August 24]**
429.	While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be- (a) PP PN (b) PN PP (c) M PN (d) M PP [Where, Pp – Price of Pepsi, PN - Price of Nachos & M – Money income of consumer] Ans:- (a) **[MTP Dec 24]**
430.	Which of the following conditions would violate the consumer equilibrium in a two-good world? (a) The marginal rate of substitution between the two goods equals the ratio of their prices. (b) The marginal utility per dollar spent on each good is equal. (c) The consumer's indifference curve is steeper than the budget line at the chosen bundle. (d) The consumer is spending their entire budget. Ans:- (c) **[MTP Dec 24]**
431.	If students' expenditures on airline travel increase as a consequence of more heavily discounted fares, students' demand for airline travel must be: (a) income elastic. (b) income inelastic. (c) price elastic. (d) price inelastic Ans:- (d) **[MTP Dec 24]**
432.	Shift in demand is caused by changes in the……. (a) non-price factors (b) price of a good alone (c) cost of production
	(d) raw material prices Ans:- (a) **[MTP Dec 24]**
433.	Let QX = 1111111 , the elasticity of demand of the good X when its price falls from PXX $ 8 to $ 2 per unit, will be- (a) greater than one (b) less than one (c) equal to one (d) can't say Ans:- (c) **[MTP Dec 24]**
434.	Which of the following elasticities measure a movement along a curve rather than a shift in the curve? (a) The price elasticity of demand. (b) The cross elasticity of demand. (c) The income elasticity of demand. (d) The price elasticity of supply. Ans:- (a and d) **[MTP Dec 24]**
435.	Which of the following is NOT dealt with in microeconomics? (a) the effect of agricultural subsidies on the price of milk (b) differences between the market for skilled labour versus the market for unskilled labour (c) issues related to the structure and performance of the health care sector (d) policies that affect the level of aggregate consumption Ans:- (d) **[MTP Jan 25]**
436.	For Giffen good the angle Curve is: (a) Vertical (b) Horizontal (c) Negatively Sloped (d) Positively Sloped Ans:- (d) **[MTP Jan 25]**
437.	Which of the following statements is incorrect? (a) In a recession, normal goods manufacturers are expected to have reductions in the demand. (b) In a recession, inferior goods manufacturers are not expected to have reductions in the demand.

	(c) All producers are going to be negatively affected in a recession. (d) None of the above is correct. Ans:- (c) **[MTP Jan 25]**
438.	Which of the following is not a determinant of the demand for a good? (a) Its cost of production (b) Expectations (c) The prices of related products (d) Preferences Ans:- (a) **[MTP Jan 25]**
439.	If the price of a good increases, then: (a) the demand for complementary goods will increase. (b) the demand for the good will increase. (c) the demand for substitute goods will increase. (d) the demand for the good will decrease. Ans:- (c) **[MTP Jan 25]**
440.	When goods are complementary the Indifference Curve is: (a) Is a straight line (b) Is Convex to the origin (c) Consist of two straight lines with a right angle bent. (d) None of these Ans:- (c) **[MTP Jan 25]**
441.	When some people start investing money in share market then many people start following the same without considering its advantage and disadvantages is called: (a) Demonstration effect (b) Snob effect (c) Veblan effect (d) None of these Ans:- (a) **[MTP Dec 24]**
442.	The share of the tax borne by seller will be larger (a) If the demand for the product is less elastic. (b) If the demand for the product is inelastic. (c) If the demand for the product has greater elasticity. (d) If the elasticity of supply of the product is larger. Ans:- (c) **[RTP May 25, MTP May 22]**
443.	What is the limitation of Consumer Surplus: (a) Consumer surplus cannot be measured precisely (b) The Consumer surplus derived from a commodity is affected by availability of substitute (c) Both (a) & (b) (d) None of these Ans:- (c) **[RTP May 25]**
444.	The quantity demanded of money rises: (a) As the interest rises (b) As the interest falls (c) As the supply of money falls (d) As the number of banks rises Ans:- (b) **[RTP May 25, MTP May 24]**
445.	Which of the following statements is true about the money supply? (a) It is the total volume of money that is held by the government of a country (b) It is the total volume of money that is held by the general public of a country over a time period (c) It is the total volume of money that is held by the general public of a country at a particular point in time (d) All of the above Ans:- (c) **[RTP May 25]**
446.	Which of the following statements is true about credit creation by banks? (a) Banks create credit on the basis of their total assets (b) Banks create credit on the basis of their total deposits (c) Banks create credit on the basis of their total securities (d) None of these Ans:- (b) **[RTP May 25]**
447.	Open market operation will become successful if there is a: (a) free-market economy (b) developing economy (c) well-developed bill and security market (d) All of the above

	Ans:- (c) **[RTP May 25]**
448.	What is Currency Deposit Ratio (CDR)? (a) Ratio of money held by the public in currency to that of money held in bank deposits (b) Ratio of money held by the public in bank deposits to that of money held by public in currency (c) Ratio of money held in demand drafts to that of money held in treasury bonds (d) None of the above Ans:- (a) **[RTP May 25]**
449.	What is Currency Deposit Ratio (CDR)? (a) Ratio of money held by the public in currency to that of money held in bank deposits (b) Ratio of money held by the public in bank deposits to that of money held by public in currency (c) Ratio of money held in demand drafts to that of money held in treasury bonds (d) None of the above Ans:- (a) **[RTP May 25]**
450.	Suppose we are drawing a supply curve of a farmer which of the following will be held constant: (a) Price of Inputs (b) Weather Conditions (c) Technology (d) The price of the Commodity under consideration Ans:- (d) **[RTP Sep 24, MTP May 22]**
451.	In order to influence spending on the goods and services in the short run, _____ is directed at directly influencing interest rate: (a) Fiscal policy (b) Budgetary policy (c) Monetary policy (d) Economic policy Ans:- (c) **[RTP Sep 24, MTP Nov 22]**
452.	Among the following canons of taxation which one has been given by Adam Smith? (a) Canon of Uniformity (b) Canon of productivity (c) Canon of diversity (d) Canon of equity Ans:- (d) **[RTP Sep 24, MTP June 24]**
453.	The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because: (a) The consumer's real income has increased. (b) The consumer's real income has decreased. (c) The product is now relatively less expensive than before. (d) Other products are now less expensive than before. Ans:- (c) **[RTP Sep 24, MTP May 22]**
454.	When total demand for a commodity whose price has fallen increases it is due to: (a) Price effect (b) Income effect (c) Substitution effect (d) Complementary effect Ans:- (a) **[RTP Jan 25, MTP Nov 21]**
455.	Snob effect is explained as: (a) It is a function of consumption of others (b) It is a function of price (c) Both (a) and (b) (d) None of these Ans:- (a) **[RTP Jan 25, MTP Nov 21, April 23]**
456.	If the local-cream shop raises the price of a ice cream cup from Rs. 10 per cup to Rs. 15 per cup, and quantity demanded falls from 500 cups per day to 300 cups per day, the price elasticity of demand for ice-cream cup is: (use arc elasticity Method) (a) 1 (b) 2.5 (c) 2 (d) 1.25 Ans:- (d) **[MTP May 18]**
457.	In the case of a Giffen good, the demand curve will be (a) Horizontal (b) Downward-sloping to the right

	(c) Upward-sloping to the right (d) Vertical Ans:- (c) **[MTP Nov 18]**
458.	A downward movement along a demand curve indicate- (a) Increase in demand (b) Decrease in demand (c) Contraction of demand (d) Expansion of Demand

	Ans:- (d) **[MTP Nov 19]**
459.	Demand for pepsi is elastic because- (a) Its falls under luxuries (b) Its consumption can be postponed (c) Its substitutes are available in the market (d) It is a multiple use product Ans:- (c) **[MTP Nov 19]**

Chapter 3: Theory of Production and Cost

1.	Which of the following is considered production in Economics? (a) Tilling of soil. (b) Singing a song before friends. (c) Preventing a child from falling into a manhole on the road. (d) Painting a picture for pleasure. Ans:- (a) **[SM,MTP Nov 18]**
2.	Identify the correct statement: (a) The average product is at its maximum when marginal product is equal toaverage product. (b) The law of increasing returns to scale relates to the effect of changes in factorproportions. (c) Economies of scale arise only because of indivisibilities of factor proportions. (d) Internal economies of scale can accrue when industry expands beyondoptimum. Ans:- (a) **[SM]**
3.	Which of the following is not a characteristic of land? (a) Its supply for the economy is limited. (b) It is immobile. (c) Its usefulness depends on human efforts. (d) It is produced by our forefathers. Ans:- (d) **[SM]**
4.	Which of the following statements is true? (a) Accumulation of capital depends solely on income of individuals. (b) Savings can be influenced by government policies. (c) External economies go with size and internal economies with location. (d) The supply curve of labour is an upward slopping curve. Ans:- (b) **[SM]**
5.	In the production of wheat, all of the following are variable factors that are used by thefarmer except: (a) the seed and fertilizer used when the crop is planted. (b) the field that has been cleared of trees and in which the crop is planted. (c) the tractor used by the farmer in planting and cultivating not only wheat butalso corn and barley. (d) the number of hours that the farmer spends in cultivating the wheat fields. Ans:- (b) **[SM]**
6.	The marginal product of a variable input is best described as: (a) total product divided by the number of units of variable input. (b) the additional output resulting from a one unit increase in the variable input. (c) the additional output resulting from a one unit increase in both the variableand fixed inputs. (d) the ratio of the amount of the variable input that is being used to the amountof the fixed input that is being used. Ans:- (b) **[SM,MTP May 18]**
7.	Diminishing marginal returns implies: (a) decreasing average variable costs. (b) decreasing marginal costs. (c) increasing marginal costs. (d) decreasing average fixed costs. Ans:- (c) **[SM,MTP May 19, May 20]**
8.	The short run, as economists use the phrase, is characterized by: (a) at least one fixed factor of production and firms neither leaving nor entering theindustry. (b) generally a period which is shorter than one year. (c) all factors of production are fixed and no variable inputs. (d) all inputs are variable and production is done in less than one year. Ans:- (a)

[SM]

9. The marginal, average, and total product curves encountered by the firm producing inthe short run exhibit all of the following relationships except:
(a) when total product is rising, average and marginal product may be either risingor falling.
(b) when marginal product is negative, total product and average product arefalling.
(c) when average product is at a maximum, marginal product equals averageproduct, and total product is rising.
(d) when marginal product is at a maximum, average product equals marginalproduct, and total product is rising.
Ans:- (d)
[SM]

10. To economists, the main difference between the short run and the long run is that:
(a) In the short run all inputs are fixed, while in the long run all inputs are variable.
(b) In the short run the firm varies all of its inputs to find the least-cost combination of inputs.
(c) In the short run, at least one of the firm's input levels is fixed.
(d) In the long run, the firm is making a constrained decision about how to use existing plant and equipment efficiently.
Ans:- (c)
[SM]

11. Which of the following is the best definition of "production function"?
(a) The relationship between market price and quantity supplied.
(b) The relationship between the firm's total revenue and the cost of production.
(c) The relationship between the quantities of inputs needed to produce a givenlevel of output.
(d) The relationship between the quantity of inputs and the firm's marginal cost of production.
Ans:- (c)
[SM]

12. The "law of diminishing returns" applies to:
(a) the short run, but not the long run.
(b) the long run, but not the short run.
(c) both the short run and the long run.
(d) neither the short run nor the long run.
Ans:- (a)
[SM]

13. Diminishing returns occur:
(a) when units of a variable input are added to a fixed input and total product falls.
(b) when units of a variable input are added to a fixed input and marginal productfalls.
(c) when the size of the plant is increased in the long run.
(d) when the quantity of the fixed input is increased and returns to the variableinput falls.
Ans:- (a)
[SM]

14. Use the following information to answer questions 14-16

Hours of Labour	Total Output	Marginal Product
0	-	-
1	100	100
2	-	80
3	240	-

What is the total output when 2 hours of labour are employed?
(a) 80
(b) 100
(c) 180
(d) 200
Ans:- (c)
[SM]

15. What is the marginal product of the third hour of labour?
(a) 60
(b) 80
(c) 100
(d) 240

	Ans:- (a) **[SM]**
16.	What is the average product of the first three hours of labour? (a) 60 (b) 80 (c) 100 (d) 240 Ans:- (b) **[SM]**
17.	Which cost increases continuously with the increase in production? (a) Average cost. (b) Marginal cost. (c) Fixed cost. (d) Variable cost. Ans:- (d) **[SM,MTP Nov 18]**
18.	Which of the following cost curves is never 'U' shaped? (a) Average cost curve. (b) Marginal cost curve. (c) Average variable cost curve. (d) Average fixed cost curve. Ans:- (d) **[SM]**
19.	Total cost in the short run is classified into fixed costs and variable costs. Which one ofthe following is a variable cost? (a) Cost of raw materials. (b) Cost of equipment. (c) Interest payment on past borrowings. (d) Payment of rent on building. Ans:- (a) **[SM]**
20.	In the short run, when the output of a firm increases, its average fixed cost: (a) increases. (b) decreases. (c) remains constant. (d) first declines and then rises. Ans:- (b) **[SM]**
21.	Which one of the following is also known as planning curve? (a) Long run average cost curve. (b) Short run average cost curve. (c) Average variable cost curve. (d) Average total cost curve. Ans:- (a)

	[SM]
22.	If a firm moves from one point on a production isoquant to another, which of thefollowing will not happen. (a) A change in the ratio in which the inputs are combined to produce output. (b) A change in the ratio of marginal products of the inputs. (c) A change in the marginal rate of technical substitution. (d) A change in the level of output. Ans:- (d) **[SM]**
23.	With which of the following is the concept of marginal cost closely related? (a) Variable cost. (b) Fixed cost. (c) Opportunity cost. (d) Economic cost. Ans:- (a) **[SM]**
24.	Which of the following statements is correct? (a) When the average cost is rising, the marginal cost must also be rising. (b) When the average cost is rising, the marginal cost must be falling. (c) When the average cost is rising, the marginal cost is above the average cost. (d) When the average cost is falling, the marginal cost must be rising. Ans:- (c) **[SM]**
25.	Which of the following is an example of "explicit cost"? (a) The wages a proprietor could have made by working as an employee of a largefirm. (b) The income that could have been earned in alternative uses by the resourcesowned by the firm. (c) The payment of wages by the firm. (d) The normal profit earned by a firm. Ans:- (c) **[SM]**
26.	Which of the following is an example of an "implicit cost"?

(a) Interest that could have been earned on retained earnings used by the firm tofinance expansion.
(b) The payment of rent by the firm for the building in which it is housed.
(c) The interest payment made by the firm for funds borrowed from a bank.
(d) The payment of wages by the firm.
Ans:- (a)
[SM]

27. Use the following data to answer questions 27-29. Below

Output (O)	Total Cost (TC)
0	Rs. 240
1	Rs. 330
2	Rs. 410
3	Rs. 480
4	Rs. 540
5	Rs. 610
6	Rs. 690

The average fixed cost of 2 units of output is:
(a) Rs. 80
(b) Rs. 85
(c) Rs. 120
(d) Rs. 205
Ans:- (c)
[SM]

28. The marginal cost of the sixth unit of output is:
(a) Rs. 133
(b) Rs. 75
(c) Rs. 80
(d) Rs. 450
Ans:- (c)
[SM]

29. Diminishing marginal returns start to occur between units:
(a) 2 and 3.
(b) 3 and 4.
(c) 4 and 5.
(d) 5 and 6.
Ans:- (c)
[SM]

30. Marginal cost is defined as:
(a) the change in total cost due to a one unit change in output.
(b) total cost divided by output.
(c) the change in output due to a one unit change in an input.
(d) total product divided by the quantity of input.
Ans:- (a)
[SM,MTP Nov 19]

31. Which of the following is true of the relationship between the marginal cost functionand the average cost function?
(a) If MC is greater than ATC, then ATC is falling.
(b) The ATC curve intersects the MC curve at minimum MC.
(c) The MC curve intersects the ATC curve at minimum ATC.
(d) If MC is less than ATC, then ATC is increasing.
Ans:- (c)
[SM]

32. Which of the following statements is true of the relationship among the average costfunctions?
(a) ATC = AFC – AVC.
(b) AVC = AFC + ATC.
(c) AFC = ATC + AVC.
(d) AFC = ATC – AVC.
Ans:- (d)
[SM,MTP April 24]

33. Which of the following is not a determinant of the firm's cost function?
(a) The production function.
(b) The price of labour.
(c) Taxes.
(d) The price of the firm's output.
Ans:- (d)
[SM,MTP May 23,April 24]

34. Which of the following statements is correct concerning the relationships among the
firm's cost functions?
(a) TC = TFC – TVC.
(b) TVC = TFC – TC.
(c) TFC = TC – TVC.
(d) TC = TVC – TFC.
Ans:- (c)
[SM]

35. Suppose output increases in the short run. Total cost will:

	(a) increase due to an increase in fixed costs only. (b) increase due to an increase in variable costs only. (c) increase due to an increase in both fixed and variable costs. (d) decrease if the firm is in the region of diminishing returns. Ans:- (b) **[SM]**
36.	Which of the following statements concerning the long-run average cost curve is false? (a) It represents the least-cost input combination for producing each level ofoutput. (b) It is derived from a series of short-run average cost curves. (c) The short-run cost curve at the minimum point of the long-run average cost curve represents the least-cost plant size for all levels of output. (d) As output increases, the amount of capital employed by the firm increases alongthe curve. Ans:- (c) **[SM]**
37.	The negatively-sloped (i.e. falling) part of the long-run average total cost curve is dueto which of the following? (a) Diseconomies of scale. (b) Diminishing returns. (c) The difficulties encountered in coordinating the many activities of a large firm. (d) The increase in productivity that results from specialization. Ans:- (d) **[SM]**
38.	The positively sloped (i.e. rising) part of the long run average total cost curve is due towhich of the following? (a) Diseconomies of scale. (b) Increasing returns. (c) The firm being able to take advantage of large-scale production techniques as itexpands its output. (d) The increase in productivity that results from specialization. Ans:- (a) **[SM]**
39.	A firm's average total cost is Rs. 300 at 5 units of output and Rs. 320 at 6 units of output.The marginal cost of producing the 6th unit is: (a) Rs. 20 (b) Rs. 120 (c) Rs. 320 (d) Rs. 420 Ans:- (d) **[SM]**
40.	A firm producing 7 units of output has an average total cost of Rs. 150 and has to pay Rs. 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs? (a) Rs. 200 (b) Rs. 50 (c) Rs. 300 (d) Rs. 100 Ans:- (d) **[SM,MTP Nov 20]**
41.	A firm has a variable cost of Rs. 1000 at 5 units of output. If fixed costs are Rs. 400, whatwill be the average total cost at 5 units of output? (a) Rs. 280 (b) Rs. 60 (c) Rs. 120 (d) Rs. 1400 Ans:- (a) **[SM]**
42.	A firm's average fixed cost is Rs. 20 at 6 units of output. What will it be at 4 units ofoutput? (a) Rs. 60 (b) Rs. 30 (c) Rs. 40 (d) Rs. 20 Ans:- (b) **[SM]**
43.	Which of the following statements is true? (a) The services of a doctor are considered production. (b) Man can create matter.

	(c) The services of a housewife are considered production. (d) When a man creates a table, he creates matter. Ans:- (a) **[SM]**
44.	Which of the following is a function of an entrepreneur? (a) Initiating a business enterprise. (b) Risk bearing. (c) Innovating. (d) All of the above. Ans:- (d) **[SM,MTP April 24]**
45.	In describing a given production technology, the short run is best described as lasting: (a) up to six months from now. (b) up to five years from now. (c) as long as all inputs are fixed. (d) as long as at least one input is fixed. Ans:- (d) **[SM,MTPJan 25]**
46.	If decreasing returns to scale are present, then if all inputs are increased by 10% then: (a) output will also decrease by 10%. (b) output will increase by 10%. (c) output will increase by less than 10%. (d) output will increase by more than 10%. Ans:- (c) **[SM,MTP May 19]**
47.	The production function is a relationship between a given combination of inputs and: (a) another combination that yields the same output. (b) the highest resulting output. (c) the increase in output generated by one-unit increase in one output. (d) all levels of output that can be generated by those inputs. Ans:- (b) **[SM]**
48.	If the marginal product of labour is below the average product of labour, it must betrue that: (a) the marginal product of labour is negative. (b) the marginal product of labour is zero. (c) the average product of labour is falling. (d) the average product of labour is negative. Ans:- (c) **[SM]**
49.	The average product of labour is maximized when marginal product of labour: (a) equals the average product of labour. (b) equals zero. (c) is maximized. (d) none of the above. Ans:- (a) **[SM,MTP Nov 18, Nov 21]**
50.	The law of variable proportions is drawn under all of the assumptions mentioned belowexcept the assumption that: (a) the technology is changing. (b) there must be some inputs whose quantity is kept fixed. (c) we consider only physical inputs and not economically profitability in monetaryterms. (d) the technology is given and stable. Ans:- (a) **[SM]**
51.	What is a production function? (a) Technical relationship between physical inputs and physical output. (b) Relationship between fixed factors of production and variable factors of production. (c) Relationship between a factor of production and the utility created by it. (d) Relationship between quantity of output produced and time taken to producethe output. Ans:- (a) **[SM]**
52.	Laws of production does not include …… (a) returns to scale. (b) law of diminishing returns to a factor. (c) law of variable proportions. (d) least cost combination of factors. Ans:- (d) **[SM]**
53.	An iso quant shows (a) All the alternative combinations of two inputs that can be produced by

using agiven set of output fully and in the best possible way.
(b) All the alternative combinations of two products among which a producer isindifferent because they yield the same profit.
(c) All the alternative combinations of two inputs that yield the same total product.
(d) Both (b) and (c).
Ans:- (c)
[SM]

54. Economies of scale exist because as a firm increases its size in the long run:
(a) Labour and management can specialize in their activities more.
(b) As a larger input buyer, the firm can get finance at lower cost and purchaseinputs at a lower per unit cost.
(c) The firm can afford to employ more sophisticated technology in production.
(d) All of these.
Ans:- (d)
[SM]

55. The production function:
(a) is the relationship between the quantity of inputs used and the resultingquantity of a product.
(b) Tells us the maximum attainable output from a given combination of inputs.
(c) Expresses the technological relationship between inputs and output of aproduct.
(d) All the above.
Ans:- (d)
[SM]

56. The production process described below exhibits.

Number of Workers	Output
0	0
1	23
2	40
3	50

(a) constant marginal product of labour.
(b) diminishing marginal product of labour.
(c) increasing return to scale.
(d) increasing marginal product of labour.
Ans:- (b)
[SM]

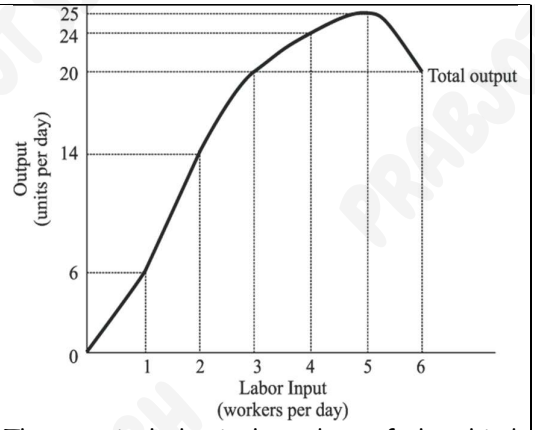
57. Which of the following is a variable cost in the short run?
(a) rent of the factory.
(b) wages paid to the factory labour.
(c) interest payments on borrowed financial capital.
(d) payment on the lease for factory equipment.
Ans:- (b)
[SM,MTP May 20, May 21]

58. The efficient scale of production is the quantity of output that minimizes
(a) average fixed cost.
(b) average total cost.
(c) average variable cost.
(d) marginal cost.
Ans:- (b)
[SM,MTP Nov 23]

59. In the short run, the firm's product curves show that
(a) Total product begins to decrease when average product begins to decrease butcontinues to increase at a decreasing rate.
(b) When marginal product is equal to average product, average product is decreasing but at its highest.
(c) When the marginal product curve cuts the average product curve from below,the average product is equal to marginal product.
(d) In stage two, total product increases at a diminishing rate and reaches maximum at the end of this stage.
Ans:- (d)
[SM]

60. A fixed input is defined as
(a) That input whose quantity can be quickly changed in the short run, in response to the desire of the company to change its production.
(b) That input whose quantity cannot be quickly changed in the short run, in response to the desire of the

	company to change its production. (c) That input whose quantities can be easily changed in response to the desire toincrease or reduce the level of production. (d) That input whose demand can be easily changed in response to the desire toincrease or reduce the level of production. Ans:- (b) **[SM]**
61.	Average product is defined as (a) total product divided by the total cost. (b) total product divided by marginal product. (c) total product divided by the number of units of variable input. (d) marginal product divided by the number of units of variable input. Ans:- (c) **[SM]**
62.	Which of the following statements is true? (a) After the inflection point of the production function, a greater use of the variable input induces a reduction in the marginal product. (b) Before reaching the inevitable point of decreasing marginal returns, the quantity of output obtained can increase at an increasing rate. (c) The first stage corresponds to the range in which the AP is increasing as a result of utilizing increasing quantities of variable inputs. (d) All the above. Ans:- (d) **[SM]**
63.	Marginal product, mathematically, is the slope of the (a) total product curve. (b) average product curve. (c) marginal product curve. (d) implicit product curve. Ans:- (a) **[SM,MTP May 20]**
64.	Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is: (a) 50 (b) 100 (c) 150 (d) 200 Ans:- (b) **[SM]**
65.	Which of the following statements is false in respect of fixed cost of a firm? (a) As the fixed inputs for a firm cannot be changed in the short run, the TFC areconstant, except when the prices of the fixed inputs change. (b) TFC continue to exist even when production is stopped in the short run, but theyexist in the long run even when production is not stopped. (c) Total Fixed Costs (TFC) can be defined as the total sum of the costs of all the fixed inputs associated with production in the short run. (d) In the short run, a firm's fixed cost cannot be escaped even when production is stopped. Ans:- (b) **[SM,MTP May 22]**
66.	Diminishing marginal returns for the first four units of a variable input is exhibited bythe total product sequence: (a) 50, 50, 50, 50 (b) 50, 110, 180, 260 (c) 50, 100, 150, 200 (d) 50, 90, 120, 140 Ans:- (d) **[SM]**
67.	Use the following diagram to answer the question given below it



The marginal physical product of the third unit of labour is___, the MP of the ____ labour is Negative

(a) Six; fourth
(b) Six; third
(c) Six; fifth
(d) Six; sixth

Ans:- (d)

[SM]

68. In the third of the three stages of production:

(a) the marginal product curve has a positive slope.
(b) the marginal product curve lies completely below the average product curve.
(c) total product increases.
(d) marginal product is positive.

Ans:-(b)

[SM]

69. When marginal costs are below average total costs,

(a) average fixed costs are rising.
(b) average total costs are falling.
(c) average total costs are rising.
(d) average total costs are minimized.

Ans:- (b)

[SM]

70. A firm's long-run average total cost curve is

(a) Identical to its long-run marginal-cost curve.
(b) Also its long-run supply curve because it explains the relationship between priceand quantity supplied.
(c) In fact the average total cost curve of the optimal plant in the short run as ittries to produce at least cost.
(d) Tangent to all the curves of short-run average total cost.

Ans:- (d)

[SM]

71. In the long run, if a very small factory were to expand its scale of operations, it is likelythat it would initially experience

(a) an increase in pollution level.
(b) diseconomies of scale.
(c) economies of scale.
(d) constant returns to scale.

Ans:- (c)

[SM,MTP May 20, May 21]

72. A firm's long-run average total cost curve is.

(a) Identical to its long-run marginal-cost curve as all factors are variable.
(b) Also its long-run total cost curve because it explains the relationship cost andquantity supplied in the long run.
(c) In fact the average total cost curve of the optimal plant in the short run as ittries to produce at least cost.
(d) Tangent to all short-run average total cost the curves and represents the lowest average total cost for producing each level of output.

Ans:- (d)

[SM]

73. Which of the following statements describes increasing returns to scale?

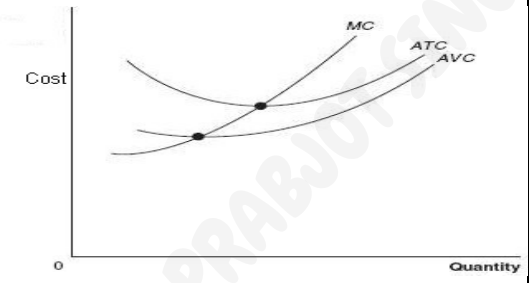
(a) Doubling of all inputs used leads to doubling of the output.
(b) Increasing the inputs by 50% leads to a 25% increase in output.
(c) Increasing inputs by 1/4 leads to an increase in output of 1/3.
(d) None of the above.

Ans:- (c)

[SM]

74. The marginal cost for a firm of producing the 9th unit of output is Rs. 20. Average cost atthe same level of output is Rs. 15. Which of the following must be true?

(a) marginal cost and average cost are

	both falling (b) marginal cost and average cost are both rising (c) marginal cost is rising and average cost is falling (d) it is impossible to tell if either of the curves are rising or falling Ans:- (b) **[SM]**
75.	Implicit cost can be defined as (a) Money payments made to the non-owners of the firm for the self-owned factors employed in the business and therefore not entered into books of accounts. (b) Money not paid out to the owners of the firm for the self-owned factors employed in a business and therefore not entered into books of accounts. (c) Money payments which the self-owned and employed resources could have earned in their next best alternative employment and therefore entered into books of accounts. (d) Money payments which the self-owned and employed resources earn in their best use and therefore entered into book of accounts. Ans:- (b) **[SM]**
76.	The most important function of an entrepreneur is to _____. (a) Innovate (b) Bear the sense of responsibility (c) Finance (d) Earn profit Ans:- (a) **[SM,MTP May 20, May 22, Dec 24]**
77.	Economic costs of production differ from accounting costs of production because (a) Economic costs include expenditures for hired resources while accounting costsdo not. (b) Accounting costs include opportunity costs which are deducted later to find paidout costs. (c) Accounting costs include expenditures for hired resources while economic costsdo not. (d) Economic costs add the opportunity cost of a firm which uses its own resources. Ans:- (d) **[SM,MTP May 20]**
78.	In figure below, possible reason why the average variable cost curve approaches the average total cost curve as output rises is:  (a) Fixed costs are falling while total costs are rising at rising output. (b) Total costs are rising and average costs are also rising. (c) Marginal costs are above average variable costs as output rises. (d) Average fixed costs are falling as output rises. Ans:- (d) **[SM]**
79.	Marginal cost changes due to changes in —————— (a) Total cost (b) Average cost (c) Variable cost (d) Quantity of output Ans:- (c) **[SM]**
80.	Which of the following statements is correct? (a) Fixed costs vary with change in output. (b) If we add total variable cost and total fixed cost we get the average cost. (c) Marginal cost is the result of total cost divided by number of units produced. (d) Total cost is obtained by adding up

	the fixed cost and total variable cost. Ans:- (d) **[SM,MTP May 20]**
81.	Which of the following statements is incorrect? (a) The LAC curve is also called the planning curve of a firm. (b) Total revenue = price per unit × number of units sold. (c) Opportunity cost is also called alternative cost. (d) If total revenue is divided by the number of units sold we get marginal revenue. Ans:- (d) **[SM,MTP May 20]**
82.	The vertical difference between TVC and TC is equal to- (a) MC (b) AVC (c) TFC (d) None of the above Ans:- (c) **[SM]**
83.	The falling part of long run average cost curve is tangent to the _____ ____ of corresponding short run average cost curve(s). (a) falling part (b) rising part (c) minimum point (d) None of the above Ans:- (a) **[SM]**
84.	Which one of the following is an external economies of scale in long run? (a) Risk bearing economies (b) Financial economies (c) Development of skill labour (d) None of the above Ans:- (c) **[SM]**
85.	In the long run, normal profits are included in the curve. (a) LAC (b) LMC (c) AFC (d) SAC Ans:- (a) **[MTP May 18, May 19]**
86.	If as a result of 90 per cent increase in all inputs, the output increase by 75 per cent this is a case of (a) Increasing return of a factor (b) Decreasing return of a factor (c) Diminishing returns to scale (d) None of the above Ans:- (c) **[MTP May 18, May 19]**
87.	Suppose that an owner is earning total revenue of Rs. 1,00,000 and is increasing explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that: (a) The firm is earning economic profit or Rs. 10,000 (b) The firm is earning accounting profit or Rs. 40,000 (c) The firm is earning economic profit of Rs. 40,000 (d) Both (a) and (b) Ans:- (d) **[SM]**
88.	What is the total output when 2 hours of labour are employed? (a) 160 (b) 200 (c) 360 (d) 540 Ans:- (d) **[MTP May 18]**
89.	Suppose the short run cost function can be written as TC = 250 + 10Q. Average Fixed cost equals: (a) 250/Q (b) 250 (c) 10 (d) 250/Q+10 Ans:- (a) **[MTP May 18]**
90.	Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is Rs. 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid Rs. 50,000 for this land. (a) Nothing, since the land was inherited (b) Rs. 50,000 which his father paid (c) Rs. 90 lakh, since the amount Gopal is getting now if he sells it

(d) Both (b) and (c)
Ans:- (c)
[SM]

91. Suraj is a high school senior thinking about becoming an economic research assistant, Shyam just graduated from college with an economic degree and is looking for a job as an economic research assistant. For whom is the college tuition an opportunity cost?
(a) Suraj
(b) Shyam
(c) Both Suraj and Shyam
(d) Neither Suraj nor Shyam
Ans:- (a)
[MTP May 18]

92. At the point of inflexion, the marginal product is
(a) Increasing
(b) Decreasing
(c) Maximum
(d) Negative
Ans:- (c)
[MTP May 18, MTP Dec 23, June 24, August 24, Jan 25]

93. When , we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency
(a) AC = AR
(b) MC = AC
(c) MC = MR
(d) AR = MR
Ans:- (b)
[MTP May 18, Nov 18]

94. If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of:
(a) Constant returns of scale
(b) Increasing returns to scale
(c) Decreasing returns to scale
(d) None of these
Ans:- (a)
[MTP Nov 18]

95. Production may be defined as an act of_____.
(a) Creating utility
(b) Earning profit
(c) Destroying utility
(d) Providing services
Ans:- (a)
[MTP Nov 18]

96. The MC curve cuts the AVC and ATC curves
(a) At the falling part of each
(b) At different points
(c) At their respective minimas:
(d) At the rising part of each
Ans:- (c)
[MTP Nov 18, May 19]

97. You are given the following data:
Table

Output	Total Costs
0	0
1	15
2	30
3	45
4	60
5	75

(a) Constant returns to scale.
(b) Decreasing returns to scale.
(c) Increasing returns to scale.
(d) Globalization.
Ans:- (a)
[SM]

98. Read table 1 and answer questions below
Table 1

Labour Input	Output	Average Product	Marginal Product
0	0	-	
2			25
4	90		
6	120		
8	140		
10		14	
12		10	

At a labour of 2, output is:
(a) 25
(b) 30
(c) 50
(d) 75
Ans:- (c)
[MTP Nov 18]

At a labor input of 4, output per worker is:

(a) 20
(b) 22.5
(c) 45
(d) 90
Ans:- (b)

[MTP Nov 18]

At a labour input of 6, the marginal product of labour is:
(a) 120
(b) 20
(c) 15
(d) 10
Ans:- (c)

[MTP Nov 18]

Output per worker is maximized at a labour input of:
(a) 2
(b) 4
(c) 6
(d) 8
Ans:- (b)

[MTP Nov 18]

The firm's output is at a short run maximum at a labour input of:
(a) 6
(b) 10
(c) 12
(d) 2
Ans:- (b)

[MTP Nov 18]

99. A Competitive firm sells as much as of its product as it chooses at a market price of Rs. 200 per unit. Its fixed cost is Rs. 600 and its variable costs (in rupees) for different levels of production are shown in the following table. Use Table to answer questions below:

Quantity	VC	FC	TC	AVC	ATC	MC
0	0			-	-	-
5	500					
10	940					
15	1400					
20	1960					
25	2700					
30	3700					
35	5040					
40	6800					
45	9060					
50	11900					

When production is 40 units, the average total cost is
(a) Rs. 8.80
(b) Rs. 15
(c) Rs. 170
(d) Rs. 185 36.
Ans:- (d)

In the table marginal cost per unit that corresponds to 40 units of production is
(a) Rs. 44
(b) Rs. 170
(c) Rs. 352
(d) Rs. 1760
Ans:- (c)

to maximize profit, the firm should produce
(a) 15 units
(b) 30 units
(c) 35 units
(d) 50 units
Ans:- (b)

If the market price drops from Rs. 200 to Rs. 112, the firm's short run response should be
(a) Shut down
(b) Produce 5 units
(c) Produce 20 units
(d) Continue to produce the same number of units as before the drop in price.
Ans:- (c)

If the market price rises form Rs. 200 to Rs. 352, the firm's short run response should be
(a) Shut down
(b) Produce 40 units
(c) Produce 20 units
(d) Continue to produce the same number of units as before the increase in price.
Ans:- (b)

[MTP Nov 18]

100. Suppose you find Rs. 2000. If you choose to use Rs. 2000 to go to a cricket match, your opportunity cost of going to the game is_____.
(a) Nothing, because you found the money

(b) Rs. 2000 (because you could have used Rs. 2000 to buy other things) plus the value of your time spent at the game.
(c) Rs. 2000 (because you could have used Rs. 2000 to buy other things) plus the value of your time spent at the game, plus the cost of the dinner you purchased at the game.
(d) Rs. 2000 (because you could have used Rs. 2000 to buy other things).
Ans:- (b)

[MTP Nov 18]

101. If there are implicit costs of production:
(a) Economic profit will be equal to accounting profit.
(b) Economic profit will be less than accounting profit.
(c) Economic profits will be zero
(d) Economic profit will be more than accounting profit.
Ans:- (b)

[MTP Nov 18]

102. A firm's average total cost is Rs. 300 at 5 units of output and Rs. 320 at 6 units of output the marginal cost of producing the 6th unit is:
(a) Rs. 20
(b) Rs. 120
(c) Rs. 320
(d) Rs. 420
Ans:- (d)

[MTP Nov 18]

103. Which of the following is an example of an "explicit cost"?
(a) The wages a proprietor could have made by working as an employee of a large firm
(b) The income that could have been earned in alternative uses by the resources owned by the firm
(c) The payment of wages by the firm
(d) The normal profit earned by a firm
Ans:- (c)

[MTP Nov 18]

104. Use Table 1 to answer question "Bozzo's burgers is a small restaurant and a price taker. The table below provides the data of Bozzo's output and costs in Rupee.

Qty	TC	FC	VC	A	ATC	MC
0	100					
10	210					
20	300					
30	400					
40	540					
50	790					
60	1060					

If burgers sell for Rs. 14 each, what is Bozzo's profit maximizing level of output?
(a) 10 burgers
(b) 40 burgers
(c) 50 burgers
(d) 60 burgers
Ans:- (b)

What is the total variable cost when 60 burgers are produced?
(a) Rs. 690
(b) Rs. 960
(c) Rs. 110
(d) Rs. 440
Ans:- (b)

What is average fixed cost when 20 burgers are produced?
(a) Rs.5
(b) Rs. 3.33
(c) Rs. 10
(d) Rs. 2.5
Ans:- (a)

Between 10 to 20 burgers, what is the marginal cost (per burger)?
(a) Rs. 11
(b) Rs. 13
(c) Rs. 14
(d) Rs. 9
Ans:- (d)

[MTP Nov 18, May 19]

105. Read the following paragraph and answer questions below
Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for Rs. 100 each. It costs Nicole Rs. 20,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested Rs. 1,00,000 in her factory and

	equipment: Rs. 50,000 from her savings and Rs. 50,000 borrowed at 10 percent. (Assume that she could have loaned her money out at 10 per cent too.) Nicole can work at a completing pottery factory for Rs. 40,000 per year. The accounting cost at Nicole's pottery factory is: (a) Rs.25,000 (b) Rs.50,000 (c) Rs.80,000 (d) Rs.75,000 Ans :- (a) The economic cost at Nicole's factory is: (a) Rs.75,000 (b) Rs.70,000 (c) Rs.80,000 (d) Rs.30,000 Ans:- (b) The accounting profit at Nicole's pottery factory is: (a) Rs.30,000 (b) Rs.50,000 (c) Rs.80,000 (d) Rs.75,000 Ans:- (d) The economic profit at Nicole's factory is: (a) Rs. 75,000 (b) Rs. 35,000 (c) Rs. 80000 (d) Rs. 30000 Ans:- (d) **[MTP Nov 18]**
106.	The cost of one thing in terms of the alternative given up is known as: (a) product cost (b) physical cost (c) real cost (d) opportunity cost Ans:- (d) **[MTP Nov 18]**
107.	The Law of variable proportions examines the Production function with: (a) One factor variable and only one factor fixed (b) One factor variable keeping quantities of other factors fixed (c) All factors variable (d) None of the above Ans:- (b) **[MTP May 19]**
108.	MC curve cuts AVC Curve (a) At its falling point (b) At its minimum Point (c) At its rising point (d) At different points Ans:- (b) **[MTP May 19]**
109.	Accounting profit is equal to: (a) Total Revenue – Total variable cost (b) Total Revenue – Total direct cost (c) Total Revenue – Total Cost (d) Total Revenue – Total Explicit cost and Total Implicit Cost. ANS :- (c) **[MTP May 19]**
110.	Which of the following statements is incorrect? (a) The services of doctors, lawyers, teachers etc. are termed as production (b) Man cannot create matter (c) Accumulation of capital does not depend solely on income (d) None of the above Ans:- (d) **[MTP May 19]**
111.	Which of the following is not the characteristic of Labour? (a) Labour is highly 'Perishable' in the sense that a day's labour lost cannot be completely recovered (b) Labour is inseparable from the labourer himself (c) Labour has a strong bargaining power (d) The supply of labour and wage rate are directly related in the initial stages Ans:- (c) **[MTP May 19]**
112.	Indicate which of the following is a variable cost? (a) Payment of rent on building (b) Cost of Machinery (c) Interest payment on Loan taken from bank (d) Cost of raw material Ans:- (d)

	[MTP May 18, May 19]
113.	Marginal costs are closely associated with: (a) Variable cost (b) Total fixed cost (c) Average cost (d) Total cost Ans:- (a) **[MTP May 19]**
114.	Economic cost means (a) Accounting cost + Implicit cost (b) Accounting cost + Marginal cost (c) Cash cost + Opportunity cost (d) Implicit cost Ans:- (a) **[MTP May 19]**
115.	When is average product at its maximum point? (a) When AP intersects MP (b) When AP intersects TP (c) When MP is highest (d) At the point of inflexion Ans:- (a) **[MTP May 19]**
116.	A firm has producing 7 units of output has an average total cost of Rs. 150 and has to pay Rs. 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable cost? (a) 200 (b) 50 (c) 300 (d) 100 Ans:- (d) **[MTP May 19]**
117.	When price is less than average variable cost at the profit maximizing level of output, a firm should : (a) Shut down, since it cannot recover its variable cost (b) Produce where MC = MR, if operating in short run (c) Produce where MC = MR, if operating in long run (d) None of the above Ans:- (a) **[MTP May 19]**
118.	If as a result of 90 percent increase in all inputs, the output increase by 75 percent this is a case of (a) Increasing return of a factor (b) Decreasing return to a factor (c) Diminishing return to scale (d) None of the above Ans:- (c) **[SM]**
119.	All of the following are U-shaped curves except the: (a) AVC curve (b) AFC curve (c) AC curve (d) MC curve Ans:- (b) **[MTP May 19]**
120.	In Law of negative returns (Third stage of Law of variable proportions) (a) Total Product declines, MP is positive (b) Total Product declines, MP is Zero (c) Total Product declines, MP is negative (d) Total Product in constant, MP is constant Ans:- (c) **[MTP May 19]**
121.	If firm's average cost curve is falling then marginal curve must be: (a) Falling (b) Rising (c) Below average cost curve (d) None of the above Ans:- (c) **[MTP May 19]**
122.	When is TP maximum (a) When AP becomes Zero (b) When MP becomes Zero (c) At the intersecting point of AP and MP (d) When MP is highest Ans:- (b) **[MTP May 19]**
123.	Variable cost includes the cost of (a) Buying land and building (b) Hire charges of machinery (c) Insurance premium (d) Material bought Ans:- (d) **[MTP May 19]**
124.	Which of the following is correct? (a) Marginal cost is always less than the average cost. (b) Marginal cost is always more than the average cost.

(c) Marginal cost is always equal to the average cost at its minimum point.
(d) Marginal cost is always equal to the average cost
Ans:- (c)
[MTP May 19]

125. When average cost curve is rising then, marginal cost
(a) Must be decreasing
(b) Must be above the average cost curve
(c) Must be constant
(d) Must be equal to average cost
Ans:- (b)
[MTP May 19]

126. A firm has variable cost of Rs. 1,000 at 5 units of output. If fixed cost are Rs. 400, what will be the average total cost at 5 units of output?
(a) 380
(b) 280
(c) 60
(d) 400
Ans:- (b)
[MTP May 19]

127. Which is not the function of an entrepreneur?
(a) Initiating a business enterprise and resource co-ordination
(b) Risk bearing or uncertainty bearing
(c) Innovation
(d) Mobilisation of savings
Ans:- (d)
[MTP May 19, Nov 22]

128. Which of the following is not included in the stages of capital formation?
(a) Savings
(b) Mobilisation of Income
(c) Mobilisation of saving
(d) Investment
Ans:- (b)
[MTP May 19]

129. A firm encounters its shut down point when:
(a) Average total cost equal price at the profit maximizing level of output
(b) Average variable cost equals price at the profit maximizing level of output
(c) Average fixed cost equals price at the profit maximizing level of output
(d) Marginal cost equals price at the profit maximizing level of output
Ans:- (b)
[MTP May 18, May 19, Nov 19, Nov 20]

130. An economy achieves "productive efficiency" when:
(a) The best quality goods are produced
(b) The highly skillful resources in the country are fully employed
(c) All resources are utilized and goods and services are produced at least cost
(d) None of the above
Ans:- (c)
[MTP May 19,Nov 20,Nov 22]

131. If the proportion of income spent on a goods decrease as income rises then income elasticity is:
(a) Greater than one
(b) Less than one
(c) One
(d) Zero
Ans:- (b)
[MTP May 19]

132.

Qty	VC	FC	TC	AVC	ATC	MC
0	0					
5	25					
10	470					
15	700					
20	980					
25	1350					
30	1850					
35	2520					
40	3400					
45	4530					
50	5950					

A firm operating in perfect competition sells as much as of its products as it chooses at a market price of Rs. 100 per unit. It Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table.
When production is 40 units, the average cost is:
(a) Rs. 4.40
(b) Rs. 7.50
(c) Rs. 85
(d) Rs. 92.50
Ans:- (d)

In the table, marginal cost per unit that corresponds to 40 units of production is:

	(a) Rs. 22 (b) Rs. 85 (c) Rs. 176 (d) Rs. 880 Ans:- (c) To maximize profit the firm should produce: (a) 15 units (b) 30 units (c) 35 units (d) 50 units Ans:- (b) If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be (a) Shut down (b) Produce 5 units (c) Produce 20 units (d) Continue to produce the same number of units as before the drop in price Ans:- (c) **[MTP May 19]**
133.	The LAC curve (a) Falls when the LMC curve falls (b) Rises when the LMC curve rises (c) Goes through the lowest point of the LMC curve (d) Falls when LMCLAC Ans:- (d) **[MTP May 19]**
134.	_____is an implicit cost of production (a) Wages of the labour (b) Charges for electricity (c) Interest on owned money capital (d) Payment for raw material Ans:- (c) **[MTP Nov 22,May 19,July 24]**
135.	If as a result of 80 percent increase in all inputs, the output increases by 25 percent, this is a case of: (a) Increasing return to scale (b) Decreasing return to factor (c) Decreasing returns to scale (d) Diminishing return to factor Ans:- (c) **[MTP May 19]**
136.	When marginal product is negative, then total product is: (a) Maximum (b) Decreasing (c) Constant (d) None of the above Ans:- (b) **[MTP May 19]**
137.	Suppose that an owner is earning total revenue of Rs. 1,00,000 and is increasing explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that: (a) -The firm is earning economic profit or Rs. 10,000 (b) The firm is earning accounting profit or Rs. 40,000 (c) The firm is earning economic profit of Rs. 40,000 (d) Both (a) and (b) Ans : (d) **[MTP May 18, May 19, Nov 20]**
138.	In the third phase of Law of variable proportions, MP becomes- (a) Zero (b) Negative (c) Positive (d) None of these Ans:- (b) **[MTP Nov 19]**
139.	When Marginal product is zero, then Total product is – (a) Zero (b) Falling (c) Rising (d) Maximum Ans:- (d) **[MTP Nov 19]**
140.	Long run production function related to- (a) Returns to a factor (b) Returns to scale (c) Both a and b (d) None of these Ans:- (b) **[MTP Nov 19]**
141.	Diminishing returns occur- (a) When units of a variable input are added to a fixed input and total product falls (b) When units of a variable input are added to a fixed input and marginal product falls (c) When the size of the plant is increased

	in the long run. (d) When the quantity of the fixed input is increased and returns to the variable input falls. Ans:- (b) **[MTP Nov 19]**
142.	In the production of wheat, all of the following are variable factors that are used by the farmer except- (a) The seed and fertilizer used when the crop is planted (b) The field that has been cleared of trees and in which the crop is planted (c) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley (d) The number of hours that the farmer spends in cultivating the wheat fields Ans:- (b) **[MTP Nov 19]**
143.	When total product is 200units and units of variable factor are 8, average product will be – (a) 25 (b) 1600 (c) 96 (d) 60 Ans:- (a) **[MTP Nov 19]**
144.	Economic costs includes- (a) Accounting costs (b) Implicit costs (c) Both a and b (d) None of above Ans:- (c) **[MTP Nov 19]**
145.	Which of the following cost curve is termed as a rectangular hyperbola- (a) TVC curve (b) AVC Curve (c) TFC curve (d) AFC curve Ans:- (d) **[MTP Nov 19]**
146.	The total cost of producing 30 units of output is Rs. 300. If average fixed cost at this level of output is Rs. 7, then the total variable cost will be – (a) Rs. 160 (b) Rs. 140 (c) Rs. 90 (d) Rs. 120 Ans:- (c) **[MTP Nov 19]**
147.	Total costs is the vertical summation of – (a) TFC and TVC (b) AFC and AVC (c) TVC and AVC (d) None of these Ans:- (a) **[MTP Nov 19]**
148.	Example of Fixed cost is- (a) Electricity bill (b) Interest on loans (c) Expenses on raw material (d) Wages of daily workers Ans:- (b) **[MTP Nov 19]**
149.	TVC can be calculate as- (a) AVC/Q (b) T C-TFC (c) AC-AFC (d) None of these Ans:- (b) **[MTP Nov 19]**
150.	The long run average cost curve is also called – (a) Envelope curve (b) Plant curve (c) Both a and b (d) None of these Ans:- (a) **[MTP Nov 19]**
151.	Economies of scale exist because as a firm increases its size in the long run- (a) Labour and management can specialize in their activities more (b) As a larger input buyer, the firm can get finance at lower cost and purchase inputs at a lower per unit cost. (c) The firm can afford to employ more sophisticated technology in production (d) All of these Ans:- (d) **[MTP Nov 19]**
152.	Example of variable cost is – (a) Salary of permanent staff (b) Rent of premises (c) License fees (d) Wages

	Ans:- (d) **[MTP Nov 19]**
153.	When average revenue is Rs.30 and output is equal to 50 units total revenue will be – (a) 2500 (b) 1500 (c) 1800 (d) 2000 Ans:- (b) **[MTP Nov 19]**
154.	The Average revenue and price are always equal under- (a) Monopoly (b) Monopolistic competition (c) Perfect competition (d) All market forms Ans:- (d) **[MTP Nov 19]**
155.	If total revenue of a firm increases by Rs 65025 due to an increase in sale of good X from 60 units to 75 units , then marginal revenue will be – (a) 3000 (b) 4335 (c) 4000 (d) 3335 Ans:- (b) **[MTP Nov 19]**
156.	"I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behavior in the short run is: (a) Rational, if the firm is covering its variable cost (b) Rational, if the firm is covering its fixed cost (c) Irrational, since plant closing is necessary to eliminate losses (d) Irrational, since fixed costs are eliminated if a firm shuts down Ans:- (a) **[MTP Nov 18, May 20]**
157.	In the long-run, some firms will exit the market if the price of the good offered for sale is less than: (a) marginal revenue. (b) marginal cost. (c) average total cost. (d) average revenue.
	Ans:- (c) **(MTP May 20, Nov 22, Nov 23)**
158.	If as a result of 50 per cent increase in all inputs, the output rises by 75 per cent, this is a case of: (a) increasing returns of a factor (b) increasing returns to scale (c) constant returns to a factor (d) constant returns to scale Ans:- (b) **(MTP May 20)**
159.	Which of the following statements does not apply to market economy? (a) Firms decide whom to hire and what to produce. (b) Firms aim at maximizing profits. (c) Households decide which firms to work for and what to buy with their incomes. (d) Government policies are the primary forces that guide the decisions of firms and households. Ans:- (d) **(MTP Nov 20)**
160.	Suppose that an owner is earning total revenue of Rs. 1, 00,000 and is increasing explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that: (a) The firm is earning economic profit or Rs. 10,000 (b) The firm is earning accounting profit or Rs. 40,000 (c) The firm is earning economic profit of Rs. 40,000 (d) Both (a) and (b) Ans:- (a) **[SM]**
161.	In the long run any firm will eventually leave the industry if: (a) Price does not at least cover average total cost. (b) Price does not equal marginal cost. (c) Economies of scale are being reaped. (d) Price is greater than long run average cost. Ans:- (a) **[MTP May 18, Nov 18, Nov 20]**
162.	If a firm's average variable cost curve is rising, its marginal cost curve must be – (a) Constant

	(b) Above the total cost curve (c) Above the average variable cost curve (d) All of the above Ans:- (c) **(MTP Nov 20)**
163.	Which of the following is considered production in Economics? (a) Teaching Economics to CA students in class. (b) Singing a song before friends (c) Flying kite for pleasure (d) Teaching concept of Economics to friends in a library. Ans:- (a) **[MTP May 19, Nov 20]**
164.	Law of Production does not include _ (a) least cost combination of factors (b) law of variable proportion (c) law of diminishing returns to a factor (d) return to scale Ans:- (a) **[MTP May 21, Nov 23, June 24]**
165.	Which of the following statement is correct concerning the relationship among the firm's cost function: (a) TC = TVC-TFC (b) TFC = TC- TVC (c) TC = TFC – TVC (d) TVC = TFC- TC Ans:- (b) **[MTP May 21]**
166.	In the Cobb Douglas function the change in output due to increase in one additional unit of an input is called? (a) elasticity (b) return to scale (c) total product (d) marginal revenue Ans:- (b) **[MTP May 21]**
167.	When the firm is in the long run equilibrium in perfect competition which of the following is true – (a) AC = MR (b) TR = TC (c) the firm are earning supernormal profit (d) None of these Ans:- (c) **[MTP May 21]**
168.	The opportunity cost of a good is: (a) loss of interest in using savings (b) time lost in finding it. (c) quality of other goods sacrificed to get another unit of that good. (d) none of these Ans:- (c) **[RTP Sep 24, MTP May 21]**
169.	The stages in law of variable proportion is: (a) 1 (b) 2 (c) 3 (d) 4 Ans:- (c) **[MTP June 24]**
170.	Certain benefit an Industry gets when it expands its scale of production is known as: (a) Internal economies (b) diseconomies (c) external economies (d) profit Ans:- (a) **[RTP Sep 24, MTP May 21]**
171.	The Interest on own capital is: (a) implict cost (b) future cost (c) explicit cost (d) past cost Ans:- (a) **[MTP May 21,August 24,Dec 23]**
172.	The distinction between selling cost and production cost was made by: (a) Chamberlin (b) Sweezy (c) Mrs Joan Robinson (d) None of these Ans:- (a) **[SM]**
173.	Long run average cost (LAC) is : (a) u shaped (b) is also called envelope curve (c) both a and b (d) none of these Ans:- (c) **[MTP May 21, MTP Jan 25]**
174.	When average cost is equal to average revenue of a firm, it gets . (a) sub normal profit (b) normal profit (c) abnormal profit

	(d) super profit Ans:- (b) **[MTP May 21]**
175.	The producer's demand for a factor of production is governed by the of that factor. (a) price (b) marginal productivity (c) availability (d) profitability Ans:- (b) **[MTP May 21]**
176.	In case of diminishing return to a factor: (a) marginal product diminishes (b) total product increase at increasing rate (c) total product increases at diminishing rate (d) both a and b Ans:- (d) **[MTP May 21]**
177.	Negative return sets in at the stage when: (a) MP is negative (b) MP is diminishing (c) MP is rising (d) none of these Ans:- (a) **[MTP May 21]**
178.	The Shape of TC Curve of the monopolist is (a) U Shape (b) S Shape (c) Inverse S Shape (d) None of these Ans:- (c) **[MTP May 21]**
179.	Innovation theory is propounded by : (a) Schumpeter (b) Nicholas Kaldor (c) Keynes (d) None of these Ans:- (a) **[MTP May 21, April 23]**
180.	Linear homogeneous function means: (a) Input and output increases by same proportions. (b) Input increases by some proportions and output increase more than proportionat ely (c) Input increase by some proportion and output less than the proportionately (d) None of these Ans:- (a) **[MTP May 21]**
181.	When output of a firm increases in the short run, its average fixed cost: (a) Decreases (b) Increases (c) Remain constant (d) First rises then decline Ans:- (b) **[MTP May 21]**
182.	If a very small factory were to expand its scale of operations in the long run it is likely that it would initially experience: (a) Constant returns to scale (b) Diseconomies of scale (c) Economies of scale (d) None of these Ans:- (c) **[MTP May 21]**
183.	The firm's Cost function is not a determinant of: (a) The price of the labour (b) The price of the firm's output (c) Taxes (d) The production functions Ans:- (b) **[MTP May 21]**
184.	Normal profit is part of : (a) Implicit Costs (b) Average Cost (c) Explicit Cost (d) None of these Ans:- (a) **[MTP May 21]**
185.	Suppose production function is given by: Q2 = 15 what type of return does is exhibit? (a) Constant return (b) Increasing return (c) Decreasing return (d) None of these Ans:- (a) **[MTP May 21]**
186.	Relative price of goods reflects their: (a) Opportunity Cost (b) Fixed Cost (c) Average Cost (d) None of these Ans:- (a)

	[MTP May 21]
187.	A mfg. company has TFC = 120 lakhs, TVC = 100 Q + 7Q2 + 0.25Q3 Calculate the MC? (a) 100 + 1.4 Q + 0.75Q2 (b) 120+7Q2 + 0.25Q3 (c) 100 + 7Q2 + 0.25Q3 (d) None of these Ans:- (a) **[MTP May 21]**
188.	Production function in short run is called: (a) Production possibility frontier (b) Return to Scale (c) Laws of variable (d) None of these Ans:- (c) **[MTP May 21]**
189.	Cinema Halls, Telephone bills etc are following (a) Differential Pricing (b) Full cost pricing (c) Marginal Cost Pricing (d) None of these Ans:- (a) **[MTP May 21]**
190.	Marginal Cost can be directly derived from (a) Total Variable Cost (b) Total Fixed Cost (c) Average Cost (d) Average Fixed Cost Ans:- (b) **[MTP Nov 21]**
191.	A firm normal profit earned are included in (a) Explicit Cost (b) Implicit Cost (c) Variable Cost (d) Fixed Cost Ans:- (b) **[RTP Jan 25, MTP Nov 21]**
192.	Curve which are intersected by marginal cost curve at their minimum points is (a) AVC and AFC (b) AC and AVC (c) AC and AFC (d) AC and TVC Ans:- (b) **[MTP Nov 21]**
193.	In case of Perfect Competition how much selling cost are incurred: (a) Negligible (b) Zero (c) Very high (d) Very less Ans:- (b) **[MTP Nov 21]**
194.	A Rational Producer operates in short run production in which stage? (a) First Stage (b) Second Stage (c) Third Stage (d) None of these Ans:- (b) **[MTP Nov 21]**
195.	Law of variable proportion is related to : (a) Long Run (b) Short Run (c) Both (a) and (b) (d) None of these Ans:- (b) **[MTP Nov 21,April 23,Nov 19]**
196.	If the Long Run Average Cost Curve falls as output expands is due to : (a) The law of diminishing return (b) Diseconomies of scale (c) Economies of scale (d) None of these Ans:- (c) **[MTP Nov 21]**
197.	What will be the situation if factor prices and factor quantities move in the same direction (a) A decreasing Cost Industry (b) Increasing Cost Industry (c) Constants Cost Industry (d) All of these Ans:- (b) **[MTP Nov 21]**
198.	Large number of goods would lead to higher production in future: (a) Capital Goods (b) Public Goods (c) Consumer Goods (d) None of these Ans:- (a) **[MTP Nov 21]**
199.	Production is the organized activity of transforming resource into finished products in the form of goods and services and the objective of production is to satisfy the demand of such transformed resources:

	(a) Jamed Bates and J.R Parteinson (b) Malthus (c) Walras (d) Lipsey Ans:- (a) **[MTP Nov 21]**
200.	What are the assumptions of Production Function: (a) Relationship between inputs and output exists for a specific period of time. (b) There is a given 'state of the art' in the production technology. (c) Both (a) and (b) (d) None of these Ans:- (c) **[MTP Nov 21]**
201.	Envelope curve is also called: (a) Long Run Average Cost curve (b) Short Run Average Cost curve (c) Average Fixed Cost (d) None of these Ans:- (a) **[RTP Jan 25, MTP Nov 21, May 24]**
202.	Diminishing marginal returns inputs: (a) Increasing Marginal Costs (b) Decreasing Marginal Costs (c) Decreasing Average Variable Costs (d) None of these Ans:- (a) **[MTP Nov 21]**
203.	Entrepreneur has its most important function as (a) Bear the sense of responsibility (b) Earn profit (c) Innovate (d) None of these Ans:- (c) **[MTP Nov 21,April 23]**
204.	Elasticity of substitution in cobb Douglas Function is: (a) Less than 1 (b) Equal to 1 (c) More than 1 (d) Infinity Ans:- (b) **[MTP Nov 21]**
205.	U Shaped Cost Curve is never represented as: (a) Average Fixed Cost Curve (b) Marginal Cost Curve (c) Average Cost Curve (d) Average Variable Cost Curve Ans:- (a) **[MTP Nov 21,Nov 23]**
206.	The shape of the Cost curve depends upon: (a) Cost function (b) Factor of Production (c) Outlay (d) None of these Ans:- (a) **[RTP Jan 25, MTP Nov 21]**
207.	When a = 3/5 and β = 2/5 the return to scale for Cobb Douglas Production function are: (a) Increasing (b) Decreasing (c) Constant (d) First decreasing and then increasing Ans:- (c) **[MTP Nov 21]**
208.	When the output increased by more than double if firm doubles it input is known as: (a) Constant return to scale (b) Economies to scale (c) Diseconomies of scale (d) Violation of the law of diminishing return Ans:- (b) **[MTP Nov 21]**
209.	Short run production function is explained by: (a) Returns to scale (b) Law of variable proportion (c) Law of demand (d) None of these Ans:- (b) **[MTP Nov 21]**
210.	Factor of Production which is active: (a) Labour (b) Land (c) Capital (d) None of these Ans:- (a) **[MTP Nov 21]**
211.	How do the TVC curve behaves when the law of diminishing return begins to operate- (a) Rise at a decreasing rate (b) Fall at an increasing rate (c) Fall at a decreasing rate (d) Rise at an increasing rate Ans:- (d)

	[MTP May 22]
212.	In the Short run level of output the firm at the optimum will be: (a) Minimizing total losses (b) Maximizing total profit (c) Either maximizing total profit or minimizing total losses (d) None of these Ans:- (c) **[MTP May 22]**
213.	If both factor prices and quantity moves in the same direction then it is called (a) Decreasing Cost Industry (b) Increasing Cost Industry (c) Constant Cost Industry (d) None of these Ans:- (c) **[MTP May 22]**
214.	Increasing return to scale applies to: (a) Long run (b) Short run (c) Either (a) or (b) (d) None of these Ans:- (a) **[MTP May 22]**
215.	Who describes production function as the relationship between the maximum amount of output can b e produced and the input required to make that output: (a) Samuelson (b) Malthas (c) Hicks (d) None of these Ans:- (a) **[MTP May 22]**
216.	The concept of marginal cost is closely related with- (a) Variable Cost (b) Fixed Cost (c) Opportunity Cost (d) Economic Cost Ans:- (d) **[MTP May 22]**
217.	When the average product of labour is maximized the marginal product of labour: (a) Equal zero (b) is maximized (c) Equal APL (d) None of these Ans:- (c)

	[MTP May 22]
218.	'Time' element in market was conceived by : (a) Alfred Marshall (b) Pigou (c) Allen (d) None of these Ans:- (a) **[MTP May 22]**
219.	What are the main assumption of Production Function: (a) Relationship between inputs and output exists for a specific period of time (b) There is a given state of the art in production Technology. (c) Input consideration Included in a particular function output resulting from their utilization is at the maximum level. (d) All the above Ans:- (d) **[MTP May 22]**
220.	A rational producer will always produce in which stage of law of variable proportion: (a) Stage I (b) Stage II (c) Stage III (d) None of these Ans:- (b) **[MTP May 22]**
221.	The rising part of the long run average cost curve is due to: (a) Increasing return (b) Diseconomies of scale (c) Increase in productivity due to Specialization (d) None of these Ans:- (c) **[MTP May 22]**
222.	Which of the following is not part of the opportunity cost of going on holiday? (a) The money you spent on a theatre show (b) The money you could have made if you had stayed at home and worked (c) The money you spent on airline tickets (d) The money you spent on food Ans:- (d) **[MTP May 22]**
223.	The law of variable proportions come into being when (a) There are only two variable factors

	(b) There is a fixed factor and a variable factor (c) All factors are variable (d) Variable factors yield less. Ans:- (b) **[MTP May 22]**
224.	The survival and success of any business depends on sound . (a) Mind (b) Environment (c) Decisions (d) None of these Ans:- (c) **[MTP May 22,July 24]**
225.	"Returns to a factor" refers to the effect on total output of changes in (a) One factor only (b) Various inputs separately (c) All the inputs simultaneously (d) None of the above Ans:- (a) **[MTP May 22,June 24,Nov 22]**
226.	A factor of production is said to be superior if its expenditure elasticity (a) is negative (b) lies in unit interval (c) exceeds unity (d) is zero Ans:- (c) **[MTP May 22]**
227.	Which of the following is correct regarding long run cost? 1. It is least cost of producing each level of output 2. LAC curve is envelope of SAC curves. 3. LAC is U-shaped (a) 1 & 2 only (b) 2 & 3 only (c) 1 & 3 only (d) 1, 2 & 3 Ans:- (d) **[MTP May 22]**
228.	The law of diminishing returns only applies in cases where (a) There is increasing scarcity of factors of production (b) The price of extra unit of a factor is increasing (c) There is atleast one fixed factor of production
	(d) Capital is a variable input Ans:- (c) **[MTP May 22]**
229.	Economies and diseconomies of scale explain why the (a) short run average fixed cost curve declines so long as output increases. (b) marginal cost curve must intersect the minimum point the firm's average variable cost curve. (c) long run average cost curve is typically U-shaped. (d) short run average total cost curve is U-shaped. Ans:- (c) **[MTP May 22]**
230.	Production function: Q = 4L1/2k2/3 exhibits- (a) increasing returns to scale (b) decreasing returns to scale (c) constant returns to scale (d) increasing returns to a factor Ans:- (a) **[MTP May 22]**
231.	Which of the following is correct regarding the slope of iso-cost line? Slope of iso cost line can change due to 1. Change in factor(s) price(s) 2. Change in total outlay or total cost. (a) 1 only (b) 2 only (c) 1 & 2 both (d) None of these Ans:- (c) **[MTP May 22]**
232.	Which one of the following is not an internal economies of scale? (a) Technical economies (b) Financial economies (c) Economies due to localization of industries (d) Marketing economies Ans:- (c) **[RTP May 25, MTP May 22, Nov 23, June 24]**
233.	Isoquant word is made up of two words i.e., Iso & Quant. Where Iso means equal then Quant means- (a) Quantity sold (b) Output

	(c) Quantity demanded (d) Quantity supplied Ans:- (b) **[MTP May 22]**
234.	Which one of the following cost curve is not in U-shape? (a) AC (b) MC (c) AFC (d) AVC Ans:- (c) **[MTP May 22,Nov 22]**
235.	Given TC = 2000 + 15Q – 6Q2 + Q3, How much is TFC at Q = 2000? (a) 2000 (b) 975 (c) 30,000 (d) Can't be determined Ans:- (a) **[MTP May 22,Nov 22]**
236.	In the Cobb-Douglas production function given as: Q = ALa k1-the share of labour in total production is (a) a (b) 1 - a (c) A (d) a L Ans:- (a) **[MTP Nov 22]**
237.	A point of 'Kink' in the kinked demand curve indicates I. Price rigidity II. Quantity rigidity III. Price flexibility IV. Quantity flexibility (a) I & II are correct (b) II & III are correct (c) III & IV are correct (d) I & IV are correct Ans:- (a) **[MTP Nov 22]**
238.	Value in exchange is also known as (a) Value in use (b) Economic value (c) Both (a) and (b) (d) None of these Ans:- (b) **[MTP Nov 22]**
239.	Consider the following statements about the relationship between cost and production- 1. When AP rises, AVC falls 2. When AP reaches at maximum, AVC is minimum 3. When AP falls, AVC rises Which of the above statements is correct? (a) 1 & 2 (b) 3 only (c) 1, 2 & 3 (d) 2 & 3 Ans:- (a) **[MTP Nov 22]**
240.	The producer is in equilibrium at a point where the cost line is: (a) above the isoquant (b) below the isoquant (c) cutting the isoquant (d) Tangent to isoquant Ans:- (b) **[MTP Nov 22,April 24]**
241.	At the point where a straight line from the origin is tangent to the TC curve, AC (a) is minimum (b) equals MC (c) equals AVC plus AFC (d) is all of the above. Ans:- (d) **[MTP Nov 22]**
242.	Cost incurred which has 'no relevance' to future planning is called (a) Marginal Cost (b) Sunk Cost (c) Book Cost (d) Average Cost Ans:- (b) **[MTP Nov 22]**
243.	Which of the following is incorrect formula? (a) TC = AC × Q (b) ∑MC = TC (c) ∑MC = TVC (d) ∑MC + TFC = TC Ans:- (b) **[MTP Nov 22,July 24]**
244.	U Shaped average cost curve is based on (a) Law of variance proportions (b) Law of increasing cost (c) Law of decreasing cost (d) None of these Ans:- (a) **[MTP Nov 22]**
245.	The reason behind the upward sloping

	portion of the long run cost curve is (a) economy of scale (b) diseconomy of scale (c) diminishing marginal rate of substation (d) None of these Ans:- (b) **[MTP Nov 22]**
246.	Short run marginal cost of the firm will be increasing when (a) average cost is decreasing (b) total fixed cost is increasing (c) Average fixed cost is decreasing (d) None of these Ans:- (b) **[MTP Nov 22]**
247.	Accounting costs are (a) Implicit cost (b) Explicit Costs (c) Economics Costs (d) None of these Ans:- (b) **[MTP Nov 22, April 23]**
248.	Which of the following is not the characteristic of land: (a) It is a passive factor (b) It has multiple uses (c) It's supply is fixed (d) It is a active factor Ans:- (d) **[MTP April 23]**
249.	The indifference curve of two substitute will be: (a) Straight line (b) U- Shaped (c) C Shaped (d) L shaped Ans:- (a) **[RTP Sep 24, MTP April 23]**
250.	In law of variable proportion how many stages are there: (a) 1 (b) 3 (c) 5 (d) None of these Ans:- (b) **[MTP April 23]**
251.	At the stage when Negative Return sets in : (a) MP is negative (b) MP is diminishing (c) Either a or b (d) none of these Ans:- (a) **[MTP April 23]**
252.	Unique supply curve is monopoly is not due to (a) P > MC (b) P < MC (c) P = MC (d) None of these Ans:- (a) **[MTP April 23]**
253.	Which of the following is a variable case for a firm? (a) Interest on Loan (b) Monthly rent (c) Insurance Premium (d) Wages to Employees Ans:- (d) **[MTP May 23]**
254.	A firm's average fixed cost (AFC) is Rs. 20 at Six Units of output. What will be AFC at four Units of Output? (a) Rs. 20 (b) Rs. 30 (c) Rs. 40 (d) Rs. 50 Ans:- (b) **[MTP May 23]**
255.	X,Y and Z are confused with the formula for defining TC (a) X Says : TC = TVC +TFC (b) Y Says: TC = AC X output (c) Z Says: TC = ZMC + TFC Identify who amongst them is correct (a) X (b) Y (c) Z (d) All of them Ans:- (d) **[MTP May 23]**
256.	Which two curves are intersected by MC Curve at their minimum points: (a) AC and AVC (b) AC and AFC (c) AC and TVE (d) AVC and AFC Ans:- (a) **[MTP May 23]**
257.	Interest on own capital is a ---- (a) Explicit Cost (b) Implicit Cost

(c) Future Cost
(d) None of these
Ans:- (b)
[MTP May 23,June 24]

258. The transformation of physical inputs into output is known as ----
(a) Supply
(b) Demand
(c) Cost
(d) Production
Ans:- (d)
[MTP May 23]

259. Which curve is not affected by fixed cost?
(a) MC Curve
(b) TC Curve
(c) AC Curve
(d) AFC Curve
Ans:- (a)
[MTP May 23]

260. Which of the following is an example of "Implicit cost"?
(a) Interest that could have been earned on retained earnings used by the firm to finance expansion
(b) Payment of Rent by the Firm
(c) Interest Payment made by the Firm for funds borrowed from a Bank
(d) Payment of Wages by the Firm
Ans:- (a)
[MTP May 23]

261. When the Output of the firm increases in the Short run , its average fixed cost :
(a) Decreases
(b) Increases
(c) First decline and then rise
(d) remains constant
Ans:- (a)
[MTP May 23]

262. The Cobb-Douglas homogeneous production function given as: Q = L1/2 k1/2 exhibits:
(a) Constant returns to scale
(b) Decreasing returns to scale
(c) Increasing returns to scale
(d) All of the above at various level of output
Ans:- (a)
[MTP Nov 23]

263. In the short run, total cost curve starts from:
(a) Origin
(b) Positive vertical intercept
(c) Positive horizontal intercept
(d) None of these
Ans:- (b)
[MTP Nov 23]

264. If a resource can be put only to a particular use, then opportunity cost is:
(a) Applicable and quantifiable
(b) Applicable but not quantifiable
(c) Not applicable at all
(d) None of these
Ans:- (c)
[MTP Nov 23]

265. Marginal Cost is closely related to:
(a) Opportunity Cost
(b) Variable Cost
(c) Economic Cost
(d) None of these
Ans:- (b)
[MTP Nov 23]

266. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
(a) always
(b) never
(c) often
(d) sometimes
Ans:- (a)
[MTP Dec 23,August 24]

267. Which of the following factors does NOT influence supply?
(a) Production costs
(b) Technological advancements
(c) Prices of inputs
(d) Consumer preferences
Ans:- (d)
[MTP Dec 23,August 24]

268. Which of the following is not a reason for operation of increasing returns to a factor?
(a) Better utilisation of fixed factor
(b) Limitation of fixed factor
(c) Increase in efficiency of variable factor
(d) Indivisibility of fixed factor
Ans:- (b)
[MTP Dec 23,August 24]

269. Cost function is a _____concept:
(a) Economical

	(b) Functional (c) Financial (d) Technical Ans:- (b) **[MTP Dec 23,August 24]**
270.	The cost curve, which is Inversely S-shaped is: (a) Average Cost Curve (b) Total Fixed Cost Curve (c) Total Variable Cost Curve (d) Marginal Cost Curve Ans:- (c) **[MTP Dec 23,August 24]**
271.	The cost which is never zero even when production is stopped is known as: (a) Supplementary Cost (b) Prime Cost (c) Explicit cost (d) None of these Ans:- (a) **[MTP Dec 23,August 24]**
272.	Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining. Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative. (a) (A) is true and (R) is false (b) Both (A) and (R) are true & (R) is the correct explanation of (A) (c) Both (A) and (R) are true & (R) is not the correct explanation of (A) (d) (A) is false and (R) is true Ans:- (b) **[MTP Dec 23,April 24,August 24]**
273.	Cost Incurred which has no relevance to future planning is called: (a) Marginal cost (b) Sunk cost (c) Average cost (d) None of these Ans:- (b) **[MTP Dec 23,August 24,June 24]**
274.	The concept of diminishing marginal returns implies that: (a) output cannot decrease as long as labour is substituted for capital (b) output decreases if either labour or capital is decreased (c) output increases but at a decreasing rate as the amount of labour is increased and the amount of capital remains fixed (d) if the capital stock is kept constant, output cannot increase even if more labour is available Ans:- (c) **[MTP April 24]**
275.	Given TC = 2000 + 15Q – 6Q2 + Q3. How much is TFC at Q = 2000? (a) 2000 (b) 975 (c) 30,000 (d) Can't be determined Ans:- (a) **[MTP April 24]**
276.	Which of the following is a factor income? (a) Profits (b) Transfer payments (c) Subsidies (d) Indirect taxes Ans:- (a) **[MTP April 24]**
277.	Under the law of variable proportion, stage I is known as the stage of increasing returns because: (a) Marginal product of the variable factor increases throughout this stage (b) Average product of the variable factor increases throughout this stage (c) Marginal product increases at increasing rate throughout this stage (d) Total increases at increasing rate throughout this stage Ans:- (b) **[MTP April 24]**
278.	A mathematical relationship showing the maximum output that can be produced by each and every combination of inputs is called _____. (a) Production equation (b) Production function (c) Production schedule (d) Production identity Ans:- (b) **[MTP April 24]**
279.	The IInd Stage in Law of Returns to Scale is : (a) Positive Returns

	(b) Constant Return (c) Negative return (d) None of these Ans:- (b) **[MTP August 24]**
280.	When the law of diminishing returns begins to operate, the TVC curve begins to: (a) Fall at an increasing rate (b) rise at a decreasing rate (c) fall at a decreasing rate (d) rise at an increasing rate Ans:- (d) **[MTP July 24,Dec 24]**
281.	Firm's supply curve is the _____ part of the _____ starting from above the point minimum AVC. (a) rising; AC curve (b) falling; AC curve (c) rising; MC curve (d) falling; MC curve Ans:- (d)
282.	The stages in law of variable proportion is : (a) 1 (b) 2 (c) 3 (d) 4 Ans:- (c) **[MTP May 21]**
283.	Unique supply curve in monopoly is not due to (a) P > MC (b) P < MC (c) P = MC (d) None of these Ans:- (a) **[MTP May 21]**
284.	Increasing return of scale is applied in (a) Long Run (b) Short Run (c) Both (a) and (b) (d) None of these Ans:- (a) **[MTP Nov 21]**
285.	The vertical difference between TVC and TC is (a) Total Fixed Cost (b) Marginal Cost (c) Average Variable Cost
	(d) None of these Ans:- (a) **[MTP May 19, May 22, April 23, Nov 23]**
286.	Decrease in input demand . (a) Doesn't affect inputs prices (b) Pushes inputs prices up (c) Pulls inputs prices down (d) Either (B) or (C) Ans:- (c) **[MTP May 22,Nov 22,April 24]**
287.	In the Cobb-Douglas production function given as: Q = A La k1-a the share of labour in total production is (a) a (b) 1 - a (c) A (d) a .L Ans:- (a) **[MTP May 23,MTP June 24]**
288.	Normal Profits earned by a firm are included in: (a) Implicit cost (b) Explicit cost (c) Fixed cost (d) Variable cost Ans:- (a) **[MTP Nov 23]**
289.	Which is not a characteristic of land: (a) land is a passive factor (b) It is immobile (c) It is heterogenous (d) All the above Ans:- (d) **[MTP Nov 23]**
290.	The negatively sloped part of the long run average total cost is due to which of the following: (a) Diminishing return (b) Diseconomies of scale (c) the difficulties encountered in coordinating the many activities of a large firm. (d) The increase in productivity that results from Specialization Ans:- (d) **[MTP Nov 23]**
291.	Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?

	(a) The prices of products responsible for pollution are too high. (b) The output of the commodity is too large. (c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap. (d) Too much pollution is produced. Ans:- (a) **[MTP April 24]**
292.	Production function: Q = 4L1/2k2/3 exhibits: (a) increasing returns to scale (b) decreasing returns to scale (c) constant returns to scale (d) increasing returns to a factor Ans:- (a) **[MTP April 24]**
293.	The tendency for managers to operate a firm in a way that maximizes their personal utility rather than the firm's profits is referred to as the: (a) consumer utility incentive. (b) principal–agent problem. (c) hidden agenda scenario. (d) Modigliani hypothesis. Ans:- (b) **[MTP May 24]**
294.	If marginal product of labour is below average product of labour, then: (a) average product of labour is flat. (b) average product of labour is increasing. (c) average product of labour is decreasing. (d) may be increasing, decreasing or flat Ans:- (c) **[MTP May 24]**
295.	Inputs that cannot be easily varied during the time period under consideration are called: (a) short run inputs. (b) long run inputs. (c) fixed inputs. (d) variable inputs. Ans:- (c) **[MTP May 24]**
296.	By using computers to design and manufacture products, firms are able to: (a) reduce production costs.
	(b) reduce the optimal lot size. (c) reduce the time required to introduce new products. (d) All of the above are correct. Ans:- (d) **[MTP May 24]**
297.	The law of diminishing returns begins at the level of output where: (a) marginal cost is at a minimum. (b) average variable cost is at a minimum. (c) average fixed cost is at a maximum. (d) None of the above is correct. Ans:- (a) **[MTP May 24]**
298.	If a firm has a downward-sloping long-run average cost curve, then: (a) it is experiencing decreasing returns to scale. (b) it is experiencing decreasing returns. (c) it is a natural monopoly. (d) marginal cost is greater than average cost. Ans:- (a) **[MTP May 24]**
299.	If the firm's total costs are INR 2,200,000 and total variable costs are INR 1,300,000, what are the total fixed costs? (a) 900,000 (b) 1,200,000 (c) 4,500,000 (d) None of the above. Ans:- (a) **[MTP May 24]**
300.	Which of the following is a zero-sum game? (a) Prisoners dilemma (b) Competition for market share (c) Pricing strategy (d) None of the above is correct. Ans:- (b) **[MTP May 24,MTP Dec 24]**
301.	The Producer is in equilibrium at a point there the cost line is: (a) above the isoquant (b) cutting the isoquant (c) Tangent to isoquant (d) None of these Ans:- (c) **[MTP May 24]**
302.	Break even points occurs when: (a) Y= S

	(b) S=0 (c) Y=C (d) both (b) and (c) Ans:- (d) **[MTP May 24]**
303.	Which of the following cost wherein curve 'u' shaped? (a) Average fixed cost curve (b) Average cost curve (c) Marginal cost curve (d) None of these Ans:- (a) **[MTP May 24]**
304.	The Characteristics of Production Possibility Curve: (a) Slopes downwards from left to right (b) PPC is concave to the origin (c) Both A and B (d) None of these Ans:- (c) **[MTP June 24]**
305.	When Total product is 100 and units of variable factor are 4, average product will be: (a) 400 (b) 25 (c) 104 (d) None of these Ans:- (b) **[MTP June 24]**
306.	When average cost (AC) is falling: (a) MC < AC (b) MC > AC (c) MC = AC (d) None of these Ans:- (a) **[MTP June 24]**
307.	X, Y and Z are confused with the formula for defining TC: (a) X Says: TC = TVC +TFC (b) Y Says: TC = AC X output (c) Z Says: TC = ZMC + TFC Identify who amongst them is correct. (a) X (b) Y (c) Z (d) All of them Ans:- (a) **[MTP June 24]**
308.	A production function with constant returns to scale for capital alone implies that: (a) there are increasing returns to scale for all factors of production taken together (b) if all inputs are doubled then output will more than double (c) smaller firms are more efficient than larger firms (d) both A) and B) Ans:- (d) **[MTP June 24]**
309.	The First Order Condition for the Profit of a firm to be maximum? (a) AC = MR (b) MC = MR (c) MR = AR (d) AC = AR Ans:- (b) **[MTP July 24]**
310.	Diminishing returns are due to and increasing returns are due to . (a) Internal diseconomies, Internal economies (b) Internal economies, Internal diseconomies (c) External diseconomies, Internal economies (d) Internal diseconomies, external economies Ans:- (a) **[MTP July 24]**
311.	A firm reaches a break-even point (normal profit position) where, (a) Marginal revenue curve cuts the horizontal axis. (b) Marginal cost curve intersects the average variable cost curve. (c) Total revenue equals total variable cost. (d) Total revenue and total cost are equal. Ans:- (d) **[MTP July 24]**
312.	Which of the following statements is false: (a) When MP rises, TVC increases at an increasing rate. (b) When MP rises, TVC increases at a diminishing rate. (c) When MP becomes constant, TVC increases at a constant rate. (d) When MP falls, TVC increases at a

	increasing rate. Ans:- (b) **[MTP July 24]**
313.	Firm's supply curve is the part of the starting from above the point minimum AVC. (a) rising; AC curve (b) falling; AC curve (c) rising; MC curve (d) falling; MC curve Ans:- (c) **[MTP July 24]**
314.	A chemical factory has full information regarding the risks of a product but continues to sell it. This is possible because of: (a) moral hazard (b) Free riding (c) asymmetric information (d) None of these Ans:- (c) **[MTP August 24]**
315.	Which of the following curve cannot be u-shaped? (a) Average total cost (b) Average variable cost (c) Average fixed cost (d) Marginal cost Ans:- (c) **[MTP Dec 24]**
316.	The point at which the total product curve begins to flatten out indicates: (a) The onset of diminishing marginal returns (b) Maximum efficiency in production (c) A decrease in fixed costs (d) The end of increasing returns to scale Ans:- (a) **[MTP Dec 24]**
317.	If only part of the labour force employed by a firm can be dismissed at any time and without pay, the total wages and salaries paid out by the firm must be considered: (a) a fixed cost (b) a variable cost (c) partly a fixed and partly a variable cost (d) any of the above. Ans:- (d) **[MTP Dec 24]**
318.	In the long run, all production costs are (a) Fixed (b) Sunk (c) Variable (d) Marginal Ans:- (c) **[MTP Dec 24]**
319.	Implicit cost is equal to: (a) business profit minus economic profit. (b) business profit plus economic profit. (c) economic profit minus business profit. (d) economic profit minus explicit cost. Ans:- (d) **[MTP Jan 25]**
320.	Short-run average variable cost is equal to: (a) total variable cost divided by output. (b) average total cost minus average fixed cost. (c) the cost per unit of the variable input divided by the average product of the variable input. (d) All of the above are correct. Ans:- (d) **[MTP Jan 25]**
321.	Which one of the following is not an assumption of law of variable proportion? (a) Technology of production remains unchanged. (b) Only physical inputs & output are considered. (c) All units of variable factors are different. (d) The must be some inputs whose quantity is kept fixed. Ans:- (c) **[MTP Jan 25]**
322.	In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called? (a) Elasticity (b) Return to scale (c) Total Product (d) Marginal Revenue Ans:- (b) **[MTP Jan 25]**
323.	Assume that corn and wheat are substitutes in production; that is, the same inputs can be used to produce either one of these two commodities. Also assume that the laws of supply and demand apply in both markets. If the demand for one of these commodities

	increases, what will likely happen in the other market? (a) The demand will increase. (b) The demand will decrease. (c) The supply will increase. (d) The supply will decrease. Ans:- (d) **[MTP Jan 25]**
324.	Why is the supply of eggs inelastic? (a) eggs cannot be stored (b) eggs are perishable (c) Both (A) and (B) (d) None of these Ans:- (c) **[MTP Jan 25]**
325.	If an input is owned and used by a firm, then its: (a) explicit cost is zero. (b) implicit cost is zero. (c) opportunity cost is zero (d) economic cost is zero. Ans:- (b) **[MTP Jan 25]**
326.	One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm to: (a) employ more specialized machinery. (b) obtain bulk purchase discounts. (c) employ a greater division of labour. (d) All of the above are correct. Ans:- (d) **[MTP Jan 25,May 24]**
327.	Economies of scope refers to the decrease in average total cost that can occur when a firm: (a) produces more than one product. (b) has monopoly power in world markets. (c) controls the raw materials used as inputs. (d) narrows the scope of its regional markets. Ans:- (a) **[MTP Jan 25]**
328.	Which of the following cost curve is never U Shaped? (a) Marginal cost curves (b) Average cost curve (c) Average fixed cost curve (d) None of these
	Ans:- (c) **[MTP Dec 24]**
329.	Marginal Product is the slope of: (a) Marginal product Curve (b) Average Product Curve (c) Total Product Curve (d) Implicit Product Curve Ans:- (c) **[RTP Sep 24, MTP May 21]**
330.	The difference between gross domestic investment and net domestic investment is equal to: (a) Unwanted inventory changes (b) The difference between NDP and national income (c) The difference between GDP and NDP (d) None of the above Ans:- (c) **[RTP Sep 24, MTP Jan 25]**
331.	Which of the following is an example of market failure? (a) Externalities (b) Low prices (c) Excess supply (d) Excludable and rival goods Ans:- (a) **[RTP Jan 25, MTP April 24]**
332.	You are given the following data: Table Output / Total Costs 0 / 0 1 / 15 2 / 30 3 / 45 4 / 60 5 / 75 The above data is an example of: (a) Constant returns to scale. (b) Decreasing returns to scale (c) Increasing returns to scale (d) Globalization Ans:- (a) **[MTP May 18, Nov 18]**
333.	Suppose that a sole proprietorship is earning total revenues of Rs. 100,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that: (a) The firm is incurring an economic loss of Rs. 5,000

	(b) Implicit costs are Rs. 25,000 (c) The total economic costs are Rs. 100,000 (d) The individual is earning an economic profit of Rs. 25,000 Ans:- (a) **[MTP Nov 18, May 20]**
334.	Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is Rs. 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid Rs. 50,000 for this land. (a) Nothing, since the land was inherited (b) Rs. 50,000 which his father paid (c) Rs. 90 lakh, since the amount Gopal is getting now if he sells it (d) Both (b) and (c) Ans:- (c) **[MTP May 18]**
335.	The law of diminishing returns:
	(a) States that beyond some level of a variable input, the average product of that variable input begins to increase steadily. (b) Assumes that there is technological improvement over time. (c) States that beyond some level of a variable input, the marginal product of that variable begins to decrease steadily. (d) Informs a firm whether or not to use a factor input. Ans:- (c) **[MTP Nov 18]**
336.	Implicit cost added in cost (a) Economic (b) Simple (c) Accounting (d) None of the above Ans:- (a) **[MTP July 24]**

Chapter 4: Price Determination in Different Markets

1. In the table below what will be equilibrium market price?

Price (Rs.)	Demand (Tonnes per annum)	Supply (Tonnes per annum)
1	1000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

(a) Rs. 2
(b) Rs. 3
(c) Rs. 4
(d) 5
Ans:- (c)
[SM]

2. Assume that when price is Rs. 20, the quantity demanded is 9 units, and when price is Rs. 19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.
(a) 20
(b) 19
(c) 10
(d) 1
Ans:- (c)
[SM]

3. Assume that when price is Rs. 20, the quantity demanded is 15 units, and when price is Rs. 18, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?
(a) 18
(b) 16
(c) -12
(d) 28
Ans:- (c)
[SM]

4. Suppose a firm is producing a level of output such that MR > MC, what should be firm do to maximize its profits?
(a) The firm should do nothing
(b) The firm should hire less labour.
(c) The firm should increase price.
(d) The firm should increase output.
Ans:- (d)
[SM,MTP May 20]

5. Marginal Revenue is equal to:
(a) The change in price divided by the change in output
(b) The change in quantity divided by the change in price
(c) The change in P x Q due to a one unit change in output
(d) rice, but only if the firm is a price searcher
Ans:- (c)
[SM]

6. Suppose that a sole proprietorship is earning total revenues of Rs. 1,00,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that :
(a) The firm is incurring an economic loss.
(b) Implicit costs are Rs. 25,000
(c) The total economic costs are Rs. 1,00,000
(d) The individual is earning an economic profit of Rs. 25,000
Ans:- (a)
[SM]

7. Which of the following is not an essential condition of pure competition?
(a) Large number of buyers and sellers
(b) Homogeneous product
(c) Freedom of entry
(d) Absence of transport cost
Ans:- (d)
[SM,MTP Nov 19, July 24]

8. What is the shape of the demand curve faced by a firm under perfect competition?
(a) Horizontal
(b) Vertical

	(c) Positively sloped (d) Negatively sloped Ans:- (a) **[SM]**
9.	Which is the first order condition for the profit of a firm to be maximum? (a) AC = MR (b) MC = MR (c) MR = AR (d) AC = AR Ans:- (b) **[SM]**
10.	Which of the following is not a characteristic of a "price-taker"? (a) TR = P x Q (b) AR = Price (c) Negatively – sloped demand curve (d) Marginal Revenue = Price Ans:- (c) **[SM]**
11.	Which of the following statements is false? (a) Economic costs include the opportunity costs of the resources owned by the firm. (b) Accounting costs include only explicit costs. (c) Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs. (d) Accounting profit is equal to total revenue less implicit costs Ans:- (d) **[SM]**
12.	With a given supply curve, a decrease in demand causes (a) an overall decrease in price but an increase in equilibrium quantity (b) an overall increase in price but a decrease in equilibrium quantity (c) an overall decrease in price and a decrease in equilibrium quantity (d) no change in overall price but a reduction in equilibrium quantity Ans:- (c) **[SM]**
13.	It is assumed in economic theory that (a) decision making within the firm is usually undertaken by managers, but never by the owners (b) the ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organization (c) as the firm's size increases, so do its goals (d) the basic decision making unit of any firm is its owners Ans:- (b) **[SM]**
14.	Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium: (a) price will increase. (b) price will decrease. (c) quantity will increase. (d) quantity will decrease. Ans:- (d) **[SM,MTP Nov 20]**
15.	If supply increases in a greater proportion than demand (a) The new equilibrium price and quantity will be greater than the original equilibrium price and quantity (b) The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher. (c) The new equilibrium price and quantity will be lower than the original equilibrium price and quantity (d) The new equilibrium price will be lower than the original equilibrium and the new equilibrium quantity will be higher Ans:- (d) **[SM]**
16.	Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be: (a) an increase in equilibrium price and quantity. (b) a decrease in equilibrium price and quantity (c) an increase in equilibrium quantity and uncertain effect on equilibrium price

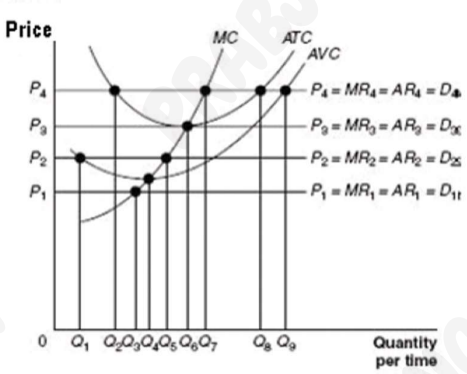
	(d) a decrease in equilibrium price and increase in equilibrium quantity. Ans:- (c) **[SM,MTP Nov 20]**
17.	Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity? (a) Price will increase; quantity cannot be determined (b) Price will decrease; quantity cannot be determined (c) Quantity will increase; price cannot be determined (d) Quantity will decrease; price cannot be determine Ans:- (c) **[SM,MTP Nov 20]**
18.	Which of the following is not a condition of perfect competition? (a) A large number of firms (b) Perfect mobility of factors (c) Informative advertising to ensure that consumers have good information. (d) Freedom of entry and exit into and out of the market Ans:- (c) **[SM]**
19.	Which of the following is not a characteristic of a perfectly competitive market? (a) Large number of firms in the industry (b) Outputs of the firms are perfect substitutes for one another (c) Firms face downward-sloping demand curves (d) Resources are very mobile Ans:- (c) **[SM]**
20.	Which of the following is not a characteristic of monopolistic competition? (a) Ease of entry into the industry (b) Product differentiation. (c) A relatively large number of sellers (d) A homogeneous product Ans:- (d) **[SM,MTP April 23]**
21.	Monopoly may arise in a product market because (a) A significantly important resource for the production of the commodity is owned by a single firm. (b) The government has given the firm patent right to produce the commodity. (c) The costs of production and economies of scale makes production by a single producer more efficient. (d) All the above. Ans:- (d) **[SM]**
22.	Oligopolistic industries are characterized by: (a) A few dominant firms and substantial barriers to entry. (b) a few large firms and no entry barriers (c) a large number of small firms and no entry barriers (d) one dominant firm and low entry barriers Ans:- (a) **[SM]**
23.	Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness? (a) The individual firm must have fewer than 10 employees (b) The individual firm faces a downward-sloping demand curve (c) The individual firm has assets of less than Rs. 20 lakhs (d) The individual firm is unable to affect market price through its output decisions Ans:- (d) **[SM,MTP Nov 18]**
24.	For a price-taking firm: (a) marginal revenue is less than price. (b) marginal revenue is equal to price. (c) marginal revenue is greater than price. (d) the relationship between marginal revenue and price is indeterminate. Ans:- (b) **[SM]**
25.	Monopolistic competition differs from perfect competition primarily because (a) in monopolistic competition, firms can

	differentiate their products. (b) in perfect competition, firms can differentiate their products. (c) in monopolistic competition, entry into the industry is blocked. (d) in monopolistic competition, there are relatively few barriers to entry. Ans:- (a) **[SM]**
26.	The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures (a) the efficient output level will be produced in the long run. (b) firms will be producing at minimum average cost. (c) firms will only earn a normal profit. (d) firms realise all economies of scale. Ans:- (c) **[SM]**
27.	Which of the following is the distinguishing characteristic of oligopolies? (a) A standardized product (b) The goal of profit maximization (c) The interdependence among firms (d) Downward-sloping demand curves faced by firms Ans:- (c) **[SM]**
28.	In which form of the market structure is the degree of control over the price of its product by a firm very large? (a) Monopoly (b) Imperfect Competition (c) Oligopoly (d) Perfect competition Ans:- (a) **[SM]**
29.	Average revenue curve is also known as: (a) Profit Curve (b) Demand Curve (c) Average Cost Curve (d) Indifference Curve Ans:- (b) **[SM,MTP Nov 23]**
30.	Under which of the following forms of market structure does a firm have no control over the price of its product? (a) Monopoly (b) Monopolistic competition (c) Oligopoly (d) Perfect competition Ans:- (d) **[SM]**
31.	Discriminating monopoly implies that the monopolist charges different prices for his commodity: (a) from different groups of consumers (b) for different use (c) for different uses (d) any of the above Ans:- (d) **[SM]**
32.	Price discrimination will be profitable only if the elasticity of demand in different sub-markets is: (a) uniform (b) different (c) less (d) zero Ans:- (b) **[SM]**
33.	In the context of oligopoly, the kinked demand hypothesis is designed to explain (a) Price and output determination (b) Price rigidity (c) Price leadership (d) Collusion among rivals Ans:- (b) **[SM,MTP Nov 19, Nov 20]**
34.	The firm in a perfectly competitive market is a price-taker. This designation as a price-taker is based on the assumption that (a) the firm has some, but not complete, control over its product price (b) there are so many buyers and sellers in the market that any individual firm cannot affect the market (c) each firm produces a homogeneous product (d) there is easy entry into or exit from the market place Ans:- (b) **[SM]**
35.	Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that

	(a) the firm operates in a perfectly competitive market (b) the firm can sell all that it wants to at the established market price (c) the XYZ Co. is not a price-taker in the market because it must lower price to sell additional units of output (d) the XYZ Co. will not be able to maximise profits because price and revenue are subject to change Ans:- (c) **[SM]**
36.	If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry? (a) Perfect competition. (b) Monopolistic competition. (c) Oligopoly. (d) Monopoly Ans:- (c) **[SM]**
37.	The kinked demand curve model of oligopoly assumes that (a) the response (of consumers) to a price increase is less than the response to a price decrease (b) the response (of consumers) to a price increase is more than the response to a price decrease. (c) the elasticity of demand is constant regardless of whether price increases or decreases (d) the elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases Ans:- (a) **[SM,MTP Nov 23]**
38.	A firm encounters its "shutdown point" when: (a) average total cost equals price at the profit-maximising level of output (b) average variable cost equals price at the profit-maximising level of output. (c) average fixed cost equals price at the profit-maximising level of output (d) marginal cost equals price at the profit-maximising level of output Ans:- (b) **[SM]**
39.	Suppose that, at the profit-maximizing level of output, a firm finds that market price is less than average total cost, but greater than average variable cost. Which of the following statements is correct? (a) The firm should shutdown in order to minimise its losses (b) The firm should raise its price enough to cover its losses. (c) The firm should move its resources to another industry (d) The firm should continue to operate in the short run in order to minimize its losses Ans:- (d) **[SM]**
40.	When price is less than average variable cost at the profit-maximising level of output, a firm should: (a) produce where marginal revenue equals marginal cost if it is operating in the short run. (b) produce where marginal revenue equals marginal cost if it is operating is the long run. (c) shut down, since it will lose nothing in that case. (d) shut down, since it cannot even cover its variable costs if it stays in business Ans:- (d) **[SM]**
41.	A purely competitive firm's supply schedule in the short run is determined by (a) its average revenue (b) its marginal revenue. (c) its marginal utility for money curve. (d) its marginal cost curve. Ans:- (d) **[SM]**
42.	One characteristic not typical of oligopolistic industry is (a) horizontal demand curve (b) too much importance to non-price competition (c) price leadership. (d) a small number of firms in the industry Ans:- (a) **[SM]**
43.	The structure of the toothpaste industry in India is best described as (a) perfectly competitive

	(b) monopolistic (c) monopolistically competitive. (d) oligopolistic Ans:- (c) **[SM]**
44.	The structure of the cold drink industry in India is best described as (a) perfectly competitive. (b) monopolistic (c) monopolistically competitive (d) oligopolistic. Ans:- (d) **[SM]**
45.	Which of the following statements is incorrect? (a) Even a monopolistic firm can have losses (b) Firms in a perfectly competitive market are price takers. (c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices (d) Kinked demand curve is related to an oligopolistic market Ans:- (c) **[SM]**
46.	Under perfect competition, in the long run, there will be no _ (a) normal profits (b) supernormal profits (c) production (d) costs Ans:- (b) **[SM]**
47.	When _____, we know that the firms are earning just normal profits. (a) AC = AR (b) MC = MR (c) MC = AC (d) AR = MR Ans:- (a) **[SM,MTP Nov 20]**
48.	When _____, we know that the firms under perfect competition must be producing at the minimum point of the average cost curve and so there will be productive efficiency. (a) AC = AR (b) MC = AC (c) MC = MR (d) AR = MR Ans:- (b) **[SM]**
49.	When _____ there will be allocative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price. (a) AC = MR (b) MC = AC (c) MC = AR (d) AR = MR Ans:- (c) **[SM]**
50.	Agricultural goods markets depict characteristics close to (a) perfect competition. (b) oligopoly. (c) monopoly (d) monopolistic competition. Ans:- (a) **[SM, MTP May 20,April 24]**
51.	Which of the following is not a characteristic of a competitive market? (a) There are many buyers and sellers in the market. (b) The goods offered for sales are largely the same (c) Firms generate small but positive supernormal profits in the long run (d) Firms can freely enter or exit the market Ans:- (c) **[SM]**
52.	Which of the following markets would most closely satisfy the requirements for a perfectly competitive market? (a) Electricity (b) Cable television (c) Cola (d) Milk Ans:- (d) **[SM]**
53.	Which of the following statements is accurate regarding a perfectly competitive firm? (a) Demand curve is downward sloping

	(b) The demand curve always lies above the marginal revenue curve (c) Average revenue need not be equal to price (d) Price is given and is determined by the equilibrium in the entire market Ans:- (d) **[SM]**
54.	The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as (a) Monopolistically competitive (b) a monopoly (c) an oligopoly (d) perfectly competitive Ans:- (c) **[SM]**
55.	A market structure in which many firms sell products that are similar but not identical is known as (a) monopolistic competition (b) monopoly (c) perfect competition (d) oligopoly Ans:- (a) **[SM,MTP Nov 18, Nov 19, Nov 23]**
56.	When an oligopolist individually chooses its level of production to maximize its profits, it charges a price that is (a) more than the price charged by either monopoly or a competitive market (b) less than the price charged by either monopoly or a competitive market (c) more than the price charged by a monopoly and less than the price charged by a competitive market (d) less than the price charged by a monopoly and more than the price charged by a competitive market. Ans:- (d) **[SM]**
57.	In the long-run equilibrium of a competitive market, firms operate at (a) the intersection of the marginal cost and marginal revenue (b) their efficient scale (c) zero economic profit (d) all of these answers are correct Ans:- (d)
	[SM]
58.	Which of the following is not a characteristic of a monopolistically competitive market? (a) Free entry and exit (b) Abnormal profits in the long run (c) Many sellers (d) Differentiated products Ans:- (b) **[SM]**
59.	In a very short period market: (a) the supply is fixed (b) the demand is fixed (c) demand and supply are fixed (d) none of the above Ans:- (a) **[SM]**
60.	Time element was conceived by (a) Adam Smith (b) Alfred Marshall (c) Pigou (d) Lionel Robinson Ans:- (b) **[SM, MTP Nov 23]**
61.	Total revenue = (a) price × quantity (b) price × income (c) income × quantity (d) none of the above Ans:- (a) **[SM]**
62.	Average revenue is the revenue earned (a) per unit of input (b) per unit of output (c) different units of input (d) different units of output Ans:- (b) **[SM]**
63.	AR can be symbolically written as: (a) MR / Q (b) Price × quantity (c) TR / Q (d) none of the above Ans:- (c) **[SM]**
64.	AR is also known as: (a) price (b) income (c) revenue (d) none of the above

	Ans:- (a) **[SM]**
65.	Marginal revenue can be defined as the change in total revenue resulting from the: (a) purchase of an additional unit of a commodity (b) sales of an additional unit of a commodity (c) sale of subsequent units of a product (d) none of the above Ans:- (b) **[SM]**
66.	When e > 1 then MR is (a) zero (b) negative (c) positive (d) one Ans:- (c) **[SM]**
67.	When e = 1 then MR is (a) positive (b) zero (c) one (d) negative Ans:- (b) **[SM,MTP May 20]**
68.	When e < 1 then MR is (a) negative (b) zero (c) positive (d) one Ans:- (a) **[SM,MTP May 20]**
69.	In Economics, the term 'market' refers to a: (a) place where buyer and seller bargain a product or service for a price (b) place where buyer does not bargain (c) place where seller does not bargain (d) none of the above Ans:- (a) **[SM]**
70.	Under perfect competition a firm is the (a) price-maker and not price-taker (b) price-taker and not price-maker (c) neither price-maker nor price-taker (d) none of the above Ans:- (b) **[SM]**
71.	A Monopolist is a (a) price-maker (b) price-taker (c) price-adjuster (d) none of the above Ans:- (a) **[SM]**
72.	Price discrimination is one of the features of _ (a) monopolistic competition (b) monopoly (c) perfect competition (d) oligopoly Ans:- (b) **[SM]**
73.	Under monopoly, the degree of control over price is: (a) none (b) some (c) very considerable (d) none of the above Ans:- (c) **[SM]**
74.	Generally, perishable goods like butter, eggs, milk, vegetables etc., will have (a) regional market (b) local market (c) national market (d) none of the above Ans:- (b) **[SM,MTP Nov 20]**
75.	At price P1, the firm in the figure would produce  (a) Zero output (b) Q3 (c) Q5. (d) Q6. Ans:- (a) **[SM]**

76. Secular period is also known as
(a) very short period
(b) short period
(c) very long period
(d) long period
Ans:- (c)
[SM,MTP May 20, May 23, Dec 23, June 24, August 24]

77. Stock exchange market is an example of
(a) unregulated market
(b) regulated market
(c) spot market
(d) none of the above
Ans:- (b)
[SM,MTP May 20]

78. The market for the ultimate consumers is known as
(a) whole sale market
(b) regulated market
(c) unregulated market
(d) retail market
Ans:- (d)
[SM]

79. The condition for pure competition is
(a) large number of buyer and seller, free entry and exist
(b) homogeneous product
(c) both (a) and (b)
(d) large number of buyer and seller, homogeneous product, perfect knowledge about the product
Ans:- (c)
[SM]

80. Pure oligopoly is based on the _____ products
(a) differentiated
(b) homogeneous
(c) unrelated
(d) none of the above
Ans:- (b)
[SM,MTP Nov 20]

81. In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group, Then it is called:
(a) full oligopoly
(b) collusive oligopoly
(c) partial oligopoly
(d) syndicated oligopoly
Ans:- (c)
[SM]

82. When the products are sold through a centralized body, oligopoly is known as
(a) organized oligopoly
(b) partial oligopoly
(c) competitive oligopoly
(d) syndicated oligopoly
Ans:- (d)
[SM,MTP Nov 20]

83. When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as
(a) first degree of price discrimination
(b) second degree of price discrimination
(c) third degree of price discrimination
(d) none of the above.
Ans:- (c)
[SM,MTP May 20]

84. Price discrimination is related to
(a) time
(b) size of the purchase
(c) income
(d) any of the above
Ans:- (d)
[SM]

85. The firm and the industry are one and the same in
(a) Perfect competition __
(b) Monopolistic competition
(c) Duopoly
(d) Monopoly
Ans:- (d)
[SM,MTP May 20]

86. The demand curve of a monopoly firm will be
(a) Upward sloping
(b) Downward sloping
(c) Horizontal
(d) Vertical
Ans:- (b)
[SM]

87. If the average cost is higher than the average revenue then the firm incurs ___ _
(a) Normal profit
(b) Abnormal profit
(c) Loss
(d) No profit, no loss
Ans:- (c)
[SM,MTP May 20]

88. Which of the following statements is correct?

	(a) Price rigidity is an important feature of monopoly. (b) Selling costs are possible under perfect competition. (c) Under perfect competition factors of production do not move freely as there are legal restrictions (d) An industry consists of many firms Ans:- (d) **[SM]**
89.	Which of the following statements is incorrect? (a) Under monopoly there is no difference between a firm and an industry. (b) A monopolist may restrict the output and raise the price (c) Commodities offered for sale under a perfect competition will be heterogeneous. (d) Product differentiation is peculiar to monopolistic competition Ans:- (c) **[SM,MTP Nov 20]**
90.	For market the essential condition is – (a) A particular geographical place (b) Control of the government (c) Close contact between buyers and sellers (d) None of these Ans:- (c) **[SM]**
91.	Assume that when Price is Rs. 10, the quantity demanded is 5 units and when Price is Rs. 12 the quantity demanded is 4 units. Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units. (a) Rs. 5 (b) Rs. 4 (c) Rs. 2 (d) Rs. 3 Ans:- (c) **[SM]**
92.	Average revenue is equal to. (a) The change in P & Q due to a one unit change in output (b) Nothing but price of one unit of output. (c) The change in quantity divided by change in price. (d) Graphically it denotes the firm's supply curve. Ans:- (b) **[SM]**
93.	Example of a commodity said to have an International Market. (a) Perishable Goods. (b) High Value and Small Bulk Commodities. (c) Product whose trading is restricted by government. (d) Bulky Articles. Ans:- (b) **[SM]**
94.	Weekly market is example of Market: (a) Regulated Market (b) Spot Market (c) Unregulated Market (d) Unregulated Market Ans:- (d) **[SM]**
95.	Conditions for equilibrium of a firm are: (a) MR = MC (b) MC should cut MR from below (c) MR = AR and MC should cut MR from below. (d) MR = MC and MC should have a positive slope. Ans:- (d) **[SM]**
96.	Natural Monopoly arises when (a) There is enormous goodwill enjoyed by a firm. (b) There are stringent legal and regulatory requirement. (c) There are very large Economies of Scale. (d) There are Business Combinations and Cartels. Ans:- (c) **[SM]**
97.	Price Discrimination cannot persist under the following market form: (a) Perfect Competition (b) Monopoly (c) Monopolistic (d) Oligopoly Ans:- (a) **[SM,MTP Nov 21,RTP Sep 24, MTP May 21,April 23]**

98. Sweezy's Model explains the concept of price rigidity relating to following market form:
(a) Oligopoly Market
(b) Perfect Competition Market
(c) Monopoly Market
(d) Monopolistic Market
Ans:- (a)
[SM]

99. Combination of Monopoly Market and Monopsony Market is called as:
(a) Duopoly Market
(b) Oligopoly Market
(c) Bilateral Monopoly Market
(d) Monopolistic Market
Ans:- (c)
[SM]

100. Price varies by attributes such as location or by Customer Segment is ___ degree of Price Discrimination.
(a) First
(b) Second
(c) Third
(d) Fourth
Ans:- (c)
[SM]

101. In a perfectly competitive firm, MC curve above AVC is the _____ Curve of the firm
(a) Average cost
(b) Marginal revenue
(c) Demand
(d) Supply
Ans:- (d)
[SM]

102. Price discrimination is not possible
(a) Under Monopoly
(b) Under Monopolistic competition
(c) Under perfect competition
(d) Under any market firm
Ans:- (c)
[MTP May 18]

103. Kinked demand curve in oligopoly market explains:
(a) Price and output determination
(b) Existence of very few firms in the market
(c) Price rigidity
(d) Price leadership
Ans:- (c)
[MTP May 18]

104. Shares traded in the stock market depict characteristics close to_____ .
(a) Perfect competition
(b) Oligopoly
(c) Monopolistic Competition
(d) Monopoly
Ans:- (a)
[MTP May 18]

105. The following Table provides cost and price information for a firm called Comfy Cushions (CC). The firm produces and sells cushions using a fixed amount of capital equipment but can change the level of inputs such a labour and materials. Read the Table and answer questions 6-12

(Q)	(P)	(TC)	(ATC)
0	250	500	
1	240	730	
2	230	870	
3	220	950	
4	210	1010	
5	200	1090	
6	190	1230	
7	180	1470	
8	170	1850	
9	160	2410	

What is the value of fixed cost incurred by CC?
(a) Rs. 252
(b) Rs. 730
(c) Rs. 500
(d) cannot be determined
Ans:- (c)
[MTP May 18]

106. What is the average total cost when 5 units are produced?
(a) Rs. 218
(b) Rs. 1090
(c) Rs. 730
(d) Rs. 210
Ans:- (a)

	[MTP May 18]
107.	What is the marginal revenue (per unit) when production increase from 7 units to 8 units? (a) 160 (b) 140 (c) 120 (d) 100 Ans:- (d) **[MTP May 18]**
108.	What is the marginal cost when production increase from 3 to 4 units? (a) 140 (b) 80 (c) 60 (d) 240 Ans:- (c) **[MTP May 18]**
109.	To maximize its profit or minimize its loss, what level of production should CC choose? (a) 7 units (b) 6 units (c) 4 units (d) 8 units Ans:- (b) **[MTP May 18]**
110.	At the profit maximizing level, what price should be charged? (a) Rs. 190 (b) Rs. 200 (c) Rs. 210 (d) Rs. 220 Ans:- (a) **[MTP May 18]**
111.	Calculate CC's maximum profit or minimum loss. (a) Loss of Rs. 100 (b) Loss of Rs. 60 (c) Profit of Rs. 90 (d) Loss of Rs. 90 Ans:- (d) **[MTP May 18]**
112.	In monopolistic competition, a firm is in long run equilibrium_____ . (a) At the minimum point of the LAC curve (b) In the declining segment of the LAC curve (c) In the rising segment of the LAC curve (d) When price is equal to marginal cost Ans:- (b) **[MTP Nov 18]**
113.	The sale of branded articles is common in a situation of_____ (a) Excess capacity (b) Monopolistic competition (c) Monopoly (d) Pure competition Ans:- (b) **[MTP Nov 18]**
114.	The cost that firm incurs in hiring or purchasing any factor of production is referred to as . (a) Explicit cost (b) Implicit cost (c) Variable cost (d) Fixed cost Ans:- (a) **[MTP Nov 18, May 19]**
115.	Which of the following market situations explains marginal cost equal to price for attaining equilibrium? (a) Perfect competition (b) Monopoly (c) Oligopoly (d) Monopolistic competition Ans:- (a) **[MTP Nov 18]**
116.	A monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he (a) Sells below costs of production in both markets (b) Practices price discrimination. (c) Equates the volume of sales in both markets. (d) Equates marginal costs with marginal revenue in one market only. Ans:- (b) **[MTP Nov 18]**

117. Which of the following situation does not lead to an increase in equilibrium price?
(a) An increase in demand, without a change in supply
(b) A decrease in supply accompanied by an increase in demand
(c) A decrease in supply without a change in demand
(d) An increase in supply accompanied by a decrease in demand
Ans:- (d)
[MTP Nov 18]

118. If a competitive firm doubles its output, its total revenue:
(a) Doubles.
(b) More than doubles.
(c) Less than doubles.
(d) Cannot be determined because the price of the good may rise or fall.
Ans:- (a)
[MTP Nov 18]

119. In which of the following market system, there, are few sellers in the market in the market selling similar or differentiated product?
(a) Perfect Competition
(b) Monopoly
(c) Oligopoly
(d) Monopsony
Ans:- (c)
[MTP Nov 18]

120. Which of the following statements about price and marginal cost in competitive and monopolized markets is true?
(a) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
(b) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
(c) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
(d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.
Ans:- (a)
[MTP Nov 18]

121. Which of the following statement is incorrect?
(a) Even monopolist can earn losses
(b) Firms in a perfectly competitive market are price takers.
(c) It is always beneficial for a firm in the perfectly competitive market to discriminate prices
(d) Economic laws are exact than the laws of physical sciences
Ans:- (c)
[MTP Nov 18]

122. Which is the other name that is given to the demand curve?
(a) Profit curve
(b) Average Revenue curve
(c) Average Cost Curve
(d) Indifference Curve
Ans:- (b)
[MTP Nov 18]

123. Price taker firms:
(a) Advertise to increase the demand for their products
(b) Do not advertise because most advertising is harmful for the society.
(c) Do not advertise because they can sell as much as they want at the current price
(d) Who advertise will get more profits than those who do not.
Ans:- (c)
[MTP Nov 18, Nov 20]

124. The AR curve and industry demand curve are same:
(a) In the case of monopoly
(b) In the case of oligopoly
(c) In the case of perfect competition.
(d) None of the above
Ans:- (a)
[MTP Nov 18]

125. Which one of the following is the best example of agreement between oligopolists?
(a) GATT
(b) OPEC
(c) WTO
(d) UNIDO
Ans:- (b)
[MTP Nov 18]

126. Excess capacity is not found under_____.
(a) Monopoly

	(b) Monopolistic Competition (c) Perfect Competition (d) Oligopoly. Ans:- (c) **[RTP May 25, MTP Nov 18, May 20, Nov 22, Nov 23]**
127.	Marginal revenue will be negative if elasticity of demand is_____ . (a) Less than one (b) More than one. (c) Equal to one (d) Equal to zero Ans:- (a) **[MTP Nov 18, Nov 20]**
128.	Which of the following is not a characteristic of a "price taker"? (a) TR=P × Q (b) AR = Price (c) Negatively – sloped demand (d) Marginal Revenue = Price Ans:- (c) **[MTP Nov 18]**
129.	When the perfectly competitive firm and industry are in long run equilibrium then: (a) P=MR=SAC=LAC (b) D=MR=SMC=LMC (c) P=MR=Lowest point on the LAC curve (d) All of the above Ans:- (d) **[MTP May 18, Nov 18, Nov 21, April 24]**
130.	In monopoly, the relationship between average and marginal revenue curves is as follows: (a) AR curve lies above the MR curve (b) AR curve coincides with the MR curve (c) AR curve lies below the MR curve (d) AR curve is parallel to the MR curve Ans:- (a) **[MTP Nov 18]**
131.	In the short run if a perfectly competitive firm finds itself operating at a loss, it will: (a) Reduce the size of its plant to lower fixed costs. (b) Raise the price of its product (c) Shut down (d) Continue to operate as long as it covers its variable cost Ans:- (d)

	[MTP Nov 18]
132.	A competitive firm maximizes profit at the output level where: (a) Price equals marginal cost. (b) The slope of the firm's profit function is equal to zero. (c) Marginal revenue equals marginal cost. (d) All of the above. Ans:- (d) **[MTP Nov 18]**
133.	Which of the following is correct? (a) If marginal revenue is positive and falling, total revenue will rise at a decreasing rate. (b) Total revenue is equal to price times the quantity sold. (c) Under perfect competition, total revenue is equal to marginal revenue t imes the quantity sold. (d) All of the above. Ans:- (d) **[MTP Nov 18]**
134.	A drought in India leads to unusually low level of wheat production. This would lead to a rise in price of wheat and fall in the quantity of wheat demanded due to: (a) excess demand at the original price. (b) excess supply at the original price. (c) the supply curve shifting to the right. (d) the demand curve shifting to the left. Ans:- (a) **[MTP Nov 18]**
135.	Which of the following is correct? (a) Firms that earn accounting profits are economically profitable. (b) Opportunity cost plus accounting cost equals economic cost. (c) When a firm's demand curve slopes down marginal revenue will rise an output rises. (d) Firms increase profits by selling more output than their rivals. Ans:- (b) **[MTP Nov 18]**
136.	If marginal revenue exceeds marginal cost, a monopolist should . (a) increase output. (b) decrease output. (c) keep output the same because profits

	are maximized when marginal revenue exceeds marginal cost. (d) raise the price. Ans:- (a) **[MTP Nov 18]**
137.	The structure of the cold drink industry in India is best described as: (a) Perfectly competitive (b) Monopolistic (c) Oligopolistic (d) Monopolistically competitive Ans:- (c) **[MTP Nov 18]**
138.	If a seller realizes Rs. 10,000 after selling 100 units and Rs. 14,000 after selling 120 units. What is the marginal revenue here? (a) Rs. 400 (b) Rs. 450 (c) Rs. 200 (d) Rs. 100 Ans:- (c) **[MTP Nov 18]**
139.	Under which market condition, though the firms earn normal profits in the long run, there is always excess capacity with them (a) Perfect competition (b) Monopoly (c) Oligopoly (d) Monopolistic competition Ans:- (d) **[MTP Nov 18]**
140.	Price discrimination is profitable when: (a) the elasticity of the product in different markets is same (b) the elasticity of the product in different market is different (c) the elasticity of the product in different market is zero. (d) None of the above. Ans:- (b) **[MTP Nov 18]**
141.	A firm under perfect competition will be making minimum losses (in the short run) at a point where: (a) MC > MR (b) MR> MC (c) MC = MR (d) AC = AR Ans:- (c) **[MTP May 19]**
142.	In perfect competition utilization of resources is (a) Partial (b) Moderate (c) Full (d) Over Ans:- (c) **[MTP May 19]**
143.	Price discrimination occurs when: (a) Producer sells a specific commodity or service to different buyers for the same price (b) Producer sells specific commodity or service to different buyers at two or more different prices due to difference in cost (c) Producer sells a specific commodity or service to different buyers at two or more different prices for reasons not associate with difference in cost (d) Producer under perfect competition sells different goods to consumers at different prices Ans:- (c) **[MTP May 19]**
144.	MR curve under Monopoly lies between AR and Y – axis because, the rate of decline of the MR is (a) Just half of the rate of decline of AR (b) Just equal to the rate of decline of AR (c) Just triple the rate of decline of the average revenue (d) Just double the rate of decline of the average revenue Ans:- (d) **[MTP May 19]**
145.	Which of the following statements is correct? (a) Monopolist can earn only profits (b) Firms in a perfectly competitive market are price maker (c) Industry in a perfectly competitive market is a price taker (d) AR curve and demand curve are same Ans:- (d) **[MTP May 19]**
146.	Soap industry is an example of: (a) Oligopoly (b) Perfect competition

	(c) Monopolistic competition (d) Monopoly Ans:- (c) **[MTP May 19]**
147.	For the Price taking firm: (a) Marginal Revenue is less than price (b) Marginal revenue is greater than price (c) The relationship between marginal revenue and price is not clear (d) Marginal revenue is equal to average revenue Ans:- (d) **[MTP May 19]**
148.	At shut down point: (a) Price is equal to AVC (b) Total revenue is equal to TVC (c) Total loss of the firm is equal to TFC (d) All of the above Ans:- (d) **[MTP May 19]**
149.	Excess Capacity is the essential characteristic of the firm in the market form of: (a) Monopoly (b) Perfect competition (c) Monopolistic competition (d) Oligopoly Ans:- (c) **[MTP May 19]**
150.	A condition needed for a perfectly competitive industry to exist is that: (a) Buyers are able to influence the price of the commodity (b) Any units of commodity are considered by buyers to be different (c) Buyer discriminates in their purchases based on non-price factors. (d) There are no obstacles to the free mobility of resources Ans:- (d) **[MTP May 19]**
151.	Assume that when price is Rs. 40 quantity demanded is 9 units, and when price is Rs. 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units? (a) Rs. 20
	(b) Rs. 40 (c) Rs.38 (d) Rs. 1 Ans:- (a) **[MTP May 18, May 19]**
152.	In the long run under which competition a firm may earn super normal profits? (a) Monopolistic competition (b) Perfect competition (c) Oligopoly (d) Monopoly Ans:- (d) **[MTP May 19]**
153.	An expansion in the supply of a good is caused by a: (a) Rise in the price of good (b) Fall in the prices of other goods (c) Fall in the prices of factors of production (d) All of the above Ans:- (a) **[MTP May 19]**
154.	For the prices- taking firm: (a) Marginal revenue is less than price (b) Marginal revenue is equal to price (c) Marginal revenue is greater than price (d) The relationship between marginal revenue and price is indeterminate Ans:- (b) **[MTP May 19]**
155.	In Imperfect competition: (a) Excess capacity always exists (b) Excess capacity never exists (c) Excess capacity may or may not exist (d) None of the above Ans:- (a) **[MTP May 19]**
156.	Product differentiation is the most important feature of: (a) Monopolistic Competition (b) Monopoly (c) Oligopoly (d) Perfect Competition Ans:- (a) **[MTP May 19]**
157.	Relationship between AR, MR and Price elasticity of demand is (a) MR = AR + [e-1/e] (b) MR = AR × [e-1/e]

	(c) AR = MR × [e-1/e] (d) MR = AR × [e/e – 1] Ans:- (b) **[MTP May 19, May 21, Nov 22, June 24]**
158.	In perfect competition in the long run there will be_____ (a) Normal Profits (b) Super Normal Profit (c) Less production (d) Cost will be falling Ans:- (a) **[MTP May 19]**
159.	In which form of the market structure is the degree of control over the price of its product by a firm is very large? (a) Imperfect competition (b) Monopoly (c) Oligopoly (d) Perfect competition Ans:- (b) **[MTP May 18, May 19]**
160.	Under which market structure, the control of firm over price is nil? (a) Perfect competition (b) Monopoly (c) Oligopoly (d) Monopolistic Competition Ans:- (a) **[MTP May 19]**
161.	Administered prices refer to- (a) Price determined by forces of demand and supply (b) Price determined by sellers in the market (c) Prices determined by an external authority which is usually the government (d) None of the above Ans:- (c) **[MTP Nov 19, May 20]**
162.	Product differentiation is a key feature of- (a) Perfect competition (b) Oligopoly (c) Monopoly (d) Monopolistic competition Ans:- (d) **[MTP Nov 19]**
163.	A market induces cartel is – (a) Perfect competition (b) Monopoly (c) Oligopoly (d) None of these Ans:- (c) **[MTP Nov 19]**
164.	A combination of monopoly market and a monopsony market is known as- (a) Duopoly (b) Monopsony (c) Oligopsony (d) Bilateral monopoly Ans:- (d) **[MTP Nov 19]**
165.	A firm encounters its "shutdown point" when- (a) Average total cost equals price at the profit-maximising level of output (b) Average variable cost equals price at the profit-maximising level of output (c) Average fixed cost equals price at the profit-maximising level of output (d) Marginal cost equals price at the profit-maximising level of output Ans:- (c)
166.	Homogeneous product are sold under- (a) Collusive oligopoly (b) Non-collusive oligopoly (c) Perfect oligopoly (d) Imperfect oligopoly Ans:- (c) **[MTP Nov 19]**
167.	In a very short period market- (a) The supply is fixed (b) The demand is fixed (c) Demand and supply are fixed (d) None of the above Ans:- (a) **[MTP Nov 19]**
168.	A monopolist is a- (a) Price maker (b) Price –taker (c) Price adjuster (d) None of the above Ans:- (a) **[MTP Nov 19]**
169.	Monopolies are allocatively inefficient because: (a) They restrict the output to keep the price higher than under perfect

competition.
(b) They charge a price higher than the marginal cost.
(c) Both (a) and (b) are correct.
(d) Both (a) and (b) are incorrect.
Ans:- (c)
[MTP Nov 18, May 20, Nov 22]

170. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
(a) uniform
(b) different
(c) less
(d) zero
Ans:- (b)
(MTP May 20, Nov 22, May 23, Nov 23, April 24, June 24)

171. Assume that when price is Rs. 20, the quantity demanded is 15 units, and when price is Rs. 18, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?
(a) Rs. 18
(b) Rs. 16
(c) Rs. 12
(d) Rs. 28
Ans:- (c)
(MTP May 20)

172. Use the following data to answer questions 76-78

Quantity(Q)	1	2
Price (P)	40	30

The total revenue of third unit is –
(a) 35
(b) 40
(c) 60
(d) 30
Ans:- (c)
The average revenue of second unit is-
(a) 40
(b) 45
(c) 20
(d) 30
Ans:- (d)
The marginal revenue of fourth unit is-
(a) 20
(b) 25
(c) 30
(d) 40
Ans:- (a)
(MTP May 20)

173. A Monopolistic Competitive firm advertises:
(a) Because it has no control over price of its product.
(b) To lower its cost of production
(c) To increase its sales and profits
(d) Because it cannot raise price of its product.
Ans:- (c)
(MTP May 20)

174. New firms are barred from entering the market in
(a) Perfect competition
(b) Oligopoly
(c) Monopolistic competition
(d) Monopoly
Ans:- (d)
(MTP Nov 20)

175. Full capacity is utilized only when there is
(a) Perfect Competition
(b) Oligopoly
(c) Monopoly
(d) Monopolistic Competition
Ans:- (a)
(MTP Nov 20)

176. The condition for pure competition to be fulfilled are –
(a) large numbers of buyers and sellers
(b) products are homogeneous
(c) firms are free from entry and exit from the market
(d) all the above
Ans:- (d)
[MTP May 21, June 24]

177. Which is not the characteristics of monopolistic competition:
(a) large number of sellers
(b) homogeneous Product
(c) freedom of entry and exit
(d) non price discrimination
Ans:- (b)
[MTP May 21]

178. The concept of price rigidity in Sweezy's

	model is related to which market form: (a) oligopoly market (b) perfect competition market (c) monopoly market (d) monopolistic market Ans:- (a) **[MTP May 21, June 24]**
179.	Which of the following statement is incorrect ? (a) there is no difference between a firm and an Industry (b) monopolist may raise the price and restrict the output (c) heterogeneous product are offered for sale in perfect competition (d) in monopolistic competition product differentiation is peculiar. Ans:- (c) **[MTP May 21]**
180.	Foreign Exchange market is an example of – (a) perfect competition (b) oligopoly (c) monopoly (d) monopolistic competition Ans:- (a) **[MTP May 21]**
181.	The Price elasticity for Monopolistic Firm is : (a) e>1 (b) e < 1 (c) e =1 (d) none of these Ans:- (a) **[MTP May 21]**
182.	Dynamic fare charged by Indian railways is an example of : (a) pure monopoly (b) discriminating monopoly (c) perfect competition (d) none of these Ans:- (b) **[MTP May 21,Dec 23,August 24]**
183.	Price discrimination is possible when (a) seller should have some control over the supply of the Product (b) price elasticity of the product should be different in different submarket (c) seller should be able to divide his market into two or more submarket (d) none of these Ans:- (b) **[MTP Jan 25, May 21]**
184.	The shape of TR curve of the monopolist is : (a) u shaped (b) inverted u shaped (c) downward sloping (d) none of these. Ans:- (b) **[MTP May 21]**
185.	The firm and industry are same in : (a) duopoly (b) monopoly (c) perfect competition (d) none of these Ans:- (b) **[MTP May 21]**
186.	Under perfect competition the supply curve is derived from : (a) MC curve (b) AC curve (c) TC Curve (d) none of these. Ans:- (a) **[MTP May 21]**
187.	A rise in supply and demand in equal proportion will result in (a) increase in equilibrium price and decrease in equilibrium quantity (b) decrease in equilibrium price and increase in equilibrium quantity (c) no change in equilibrium price and increase in equilibrium quantity (d) increase in equilibrium price and no change in equilibrium quantity Ans:- (c) **[MTP May 21]**
188.	When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is (a) 20 (b) 10 (c) 15 (d) none of these Ans:- (b) **[MTP May 21]**
189.	Break even point indicate which of the following ? (a) TR = TC

	(b) TR>TC (c) TR= TVC (d) none of these Ans:- (a) **[MTP May 21]**
190.	Average revenue curve is more elastic under monopolistic competition than monopoly due to (a) low degree of governmental control (b) lack of close substitute (c) availability of close substitute (d) none of these Ans:- (c) **[MTP May 21]**
191.	Shampoo manufactures is an example of : (a) Perfect Competition (b) Monopolistic Competition (c) Monopoly (d) None of these Ans:- (b) **[MTP May 21]**
192.	Reliance Jio can be described as part of which form to market structure: (a) Oligopoly (b) Monopoly (c) Duopoly (d) Perfect Competition Ans:- (a) **[MTP May 21]**
193.	Price Discrimination cannot be implemented? (a) When there is perfect competition in the market. (b) Elasticity of demand must be different in both the market. (c) Two or more market which can be separated and can be kept separate. (d) All the above Ans:- (d) **[MTP May 21]**
194.	Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure: (a) Monopoly (b) Perfect Competition (c) Monopolistic Competition (d) Oligopoly Ans:- (b)

	[MTP May 21]
195.	AR is different from MR under: (a) Monopoly (b) Monopolistic competition (c) Perfect Competition (d) Both a and b Ans:- (d) **[MTP May 21]**
196.	Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition: (a) Price will remain constant (b) Price will decrease (c) Price will decrease (d) None of these Ans:- (a) **[MTP May 21]**
197.	Cross elasticity of Product in Monopoly is: (a) Zero (b) High (c) Infinity (d) None of these Ans:- (a) **[MTP May 21]**
198.	The dilemma faced by a Monopolistic is setting . (a) Price (b) Output (c) Both a and b (d) Either a or b Ans:- (d) **[MTP May 21]**
199.	Cartels can be formed in which form of market: (a) Perfect competition (b) Monopoly (c) Oligopoly (d) None of these Ans:- (c) **[MTP May 21]**
200.	Entry of firms is barred in which form of market structure: (a) Oligopoly (b) Monopoly (c) Perfect Competition (d) Monopolistic Competition Ans:- (b) **[MTP May 21]**
201.	In the absence of competition the

	monopolist: (a) The monopolist need not produce at the optimal level (b) Produce at the optimal level (c) Either a or b (d) None of these Ans:- (a) **[MTP May 21]**
202.	Monopoly market and Monopsony market when in combination caused: (a) Monopolistic market (b) Oligopoly market (c) Bilateral Monopoly market (d) Duopoly market. Ans:- (c) **[MTP May 21]**
203.	Which of the following statement is correct? (a) An industry consists of many firms. (b) Price rigidity is an important feature of monopoly. (c) Under perfect competition factors of production do not move freely (d) Selling cost are possible under perfect competition. Ans:- (a) **[MTP May 21]**
204.	Monopolistic Competition theory architect was : (a) Roden (b) Marx (c) J R Hicks (d) Chamberlin Ans:- (d) **[MTP May 21, April 23]**
205.	Which markets form has features or selling cost : (a) Oligopoly (b) Monopolistic Competition (c) Monopoly (d) None of these Ans:- (b) **[MTP May 21]**
206.	After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps : (a) Promotion (b) Population (c) Place (d) Produce Ans:- (b) **[MTP Nov 21]**
207.	The kinked demand curve of Oligopoly is useful in explaining (a) The process by which oligopolistic merge (b) How the collusion work (c) Price and output are sensitive to charge in marginal cost. (d) Why oligopolistic price might charge only infrequently Ans:- (d) **[MTP Nov 21]**
208.	Long Run Period normal price for a competitive firm will be : (a) Equal MC of Production only (b) Equal TC of Production only (c) Equal AC and MC of Production (d) None of these Ans:- (c) **[MTP Nov 21]**
209.	Monopolistic Competition has features of (a) Monopoly and competition with features of monopoly predominating (b) Monopoly and competition with feature of Competition predominating (c) Monopoly but not competition (d) None of these Ans:- (b) **[MTP Nov 21]**
210.	Marginal revenue is equal to price in which form of market: (a) Perfect competition (b) Monopoly (c) Oligopoly (d) Monopolistic Competition Ans:- (a) **[MTP Nov 21]**
211.	In Oligopoly the demand curve is : (a) Indeterminate (b) Highly Elastic (c) Less Elastic (d) Perfectly Elastic Ans:- (a) **[MTP Nov 21]**
212.	Price elasticity of demand under monopoly is_____ (a) Infinity

	(b) Equal to one (c) Less than one (d) None of these Ans:- (c) **[MTP Nov 21]**
213.	There is an inverse relation between price and demand for the products of a firm under: (a) Monopoly only (b) Monopolistic Competition only (c) Both Monopoly and Monopolistic Competition (d) Perfect competition Ans:- (c) **[MTP Nov 21]**
214.	The market price cannot be influenced by a seller under : (a) Monopolistic Competition (b) Monopoly (c) Perfect Competition (d) All the above Ans:- (c) **[MTP Nov 21,April 23]**
215.	Entry of new firm is monopoly is : (a) Possible only in the long run (b) Possible only in the Short run (c) Restricted at all times (d) Both (a) and (b) Ans:- (c) **[MTP Nov 21]**
216.	During recession what will be the market demand for new cars? (a) Demand Curve will shift to the right (b) Demand curve will shift 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 Ans:- (b) **[MTP Nov 21]**
217.	Time elements was conceived by : (a) Paul Sweezy (b) Hicks (c) Marshall (d) Simon Kuznets Ans:- (c) **[MTP Nov 21,April 23]**
218.	Will there be any change in price charged by the monopolistic if elasticity of demand

	- 2 : (a) Yes (b) No (c) Neutral (d) None of these Ans:- (a) **[MTP Nov 21]**
219.	Price discrimination is desirable as : (a) It promotes equity (b) It makes production feasible (c) Both (a) and (b) (d) None of these Ans:- (c) **[MTP Nov 21]**
220.	Which of the following can be classified as Oligopoly Market : (a) Wheat Farming (b) Clothing Industry (c) Restaurant Industry (d) Long distance Telephone Service Ans:- (d) **[MTP Nov 21]**
221.	Marginal Revenue Curve lies its demand curve in monopolistic competition due to (a) Below ; Product differentiation (b) Above - ; Barriers to entry (c) Above ; Product – differentiation (d) None of these Ans:- (a) **[MTP Nov 21]**
222.	A firm maximizes profit in the short run in Perfect Competition by deciding : (a) What Price to charge (b) How much output to produce (c) To enter a market or not (d) None of these Ans:- (b) **[MTP Nov 21]**
223.	The Pure monopolist in the long run can make pure profit due to : (a) High Selling Price (b) Advertising (c) Low LAC Cost (d) Blocked entry Ans:- (d) **[MTP Nov 21,April 23, MTP June 24,MTP Jan 25]**
224.	In kinked demand curve model the Oligopolist :

	(a) Do not collude (b) Recognise their independence (c) Tend to keep price constant (d) All the above Ans:- (d) **[MTP Nov 21]**
225.	Perfect Competition is closely represented by: (a) Stock Market (b) Wheat Market (c) Soft Drinks Market (d) None of these Ans:- (b) **[MTP Nov 21]**
226.	When will a firm decides to exit the industry: (a) Total curve starts rising (b) Marginal cost starts rising (c) Average cost starts rising (d) Price is less than LAC Ans:- (d) **[MTP Nov 21]**
227.	If e < 1 the marginal reverse will be: (a) Positive (b) Negative (c) Zero (d) None of these Ans:- (b) **[MTP Nov 21]**
228.	If ATC > AR the monopolist will be incurring (a) Losses (b) Profit (c) Neutral (d) None of these Ans:- (a) **[MTP Nov 21]**
229.	Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to : (a) Price Discrimination (b) Perfect Competition (c) Monopolistic Competition (d) None of these Ans:- (a) **[RTP Jan 25, MTP Nov 21]**
230.	Pears, Liril & Dove are example of (a) Perfect Competition (b) Monopoly (c) Monopolistic Competition (d) None of these Ans:- (c) **[MTP Nov 21,April 23]**
231.	Which of the following is not the characteristic of Oligopoly market: (a) Strategic Independence (b) Importance of advertising and selling cost (c) Group behaviour (d) Regional Market Ans:- (d) **[MTP Nov 21]**
232.	The element of market are: (a) Buyers and Sellers (b) A Product or Service (c) Geographical Area (d) Bargaining for a price Ans:- (c) **[MTP Nov 21]**
233.	For a Price taking firm: (a) Marginal revenue is less than Price (b) Marginal revenue is equal to Price (c) The relationship between behavior marginal revenue and Price is indeterminate (d) Marginal revenue is greater than price Ans:- (b) **[MTP Nov 21,May 22,April 24]**
234.	Monopolist Charges different price for his commodity in discriminating monopoly implies: (a) At different places (b) For different uses (c) From different group of consumers (d) Any of the above Ans:- (d) **[MTP Nov 21,April 23]**
235.	Full capacity is utilized only when there is: (a) Perfect Competition (b) Monopoly (c) Monopolistic Competition (d) Price discrimination Ans:- (a) **(MTP Nov 21)**
236.	'Competition among the few' is also referred as: (a) Oligopoly (b) Monopoly (c) Monopolistic Competition (d) None of these

	Ans:- (a) **[MTP Nov 21]**
237.	The Product under Pure Monopoly Is: (a) Homogenous (b) Differentiated (c) Unrelated (d) None of these Ans:- (a) **[MTP Nov 21,May 23]**
238.	Perfectly Competitive firm and industry are both in long run equilibrium when: (a) P = MR = SMC = LMC (b) P = MR = Lowest point on the LAC (c) P = MR = SAC = LAC (d) All of the above Ans:- (d) **[SM]**
239.	A market refers to_____ (a) Meeting place of buyer and seller (b) Does not necessarily refer to meeting place between buyer and seller (c) Extends over a city (d) Extends over the entire nation. Ans:- (b) **[MTP Nov 21]**
240.	An economic profit is earned by a perfectly competitive firm when: (a) MR < MC (b) P < ATC (c) P > AVC (d) P > ATC Ans:- (d) **[MTP Nov 21,Nov 23]**
241.	In monopoly and monopolistic Competition: (a) Average Revenue > Marginal Revenue (b) Average Revenue < Marginal Revenue (c) Average Revenue = Marginal Revenue (d) None of these Ans:- (a) **[MTP Nov 21]**
242.	If the monopolist incur losses in the short run then in the long run: (a) It will stay in the business (b) Go out of business (c) Will break even (d) Any of the above is possible Ans:- (d) **[MTP May 22,June 24]**
243.	A cartel which is market sharing will reach the monopoly situation : (a) Always when the product is homogenous (b) Always when the product is differentiated (c) Sometime (d) None of these Ans:- (c) **[MTP May 22]**
244.	Cross elasticity of demand for the monopolist's product or any other product is_____ (a) Zero (b) Very small (c) High (d) Either (a) or (b) Ans:- (d) **[MTP May 22]**
245.	In a monopolistically competitive market: (a) Firm face a perfectly elastic demand for its product (b) Does not face a perfectly elastic demand for its product (c) Cannot be determined (d) None of these Ans:- (b) **[MTP May 22]**
246.	Price discrimination to be profitable elasticity of demand in different sub market will be (a) Different (b) Uniform (c) Zero (d) None of these Ans:- (a) **[MTP May 22]**
247.	Supply Schedule in a purely competitive firm in the short run is determined by : (a) Marginal revenue (b) Average revenue (c) Marginal cost curve (d) None of these Ans:- (c) **[MTP May 22]**
248.	The Concept of Price rigidity in market is explained in which form of market: (a) Monopolistic Market (b) Perfect Competition (c) Oligopoly

	(d) Monopoly Ans:- (c) **[MTP May 22]**
249.	The price elasticity for demand for monopolist's product is : (a) <1 (b) >1 (c) =0 (d) None of these Ans:- (a) **[MTP May 22]**
250.	Full Capacity is utilized in the which market condition (a) Perfect Competition (b) Monopoly (c) Oligopoly (d) None of these Ans:- (a) **[SM]**
251.	Marginal Revenue of a monopoly firm is less than the price because (a) Demand curve has a positive slope. (b) Demand curve has a negative slope. (c) Monopolist incurs losses. (d) Monopolist is in equilibrium. Ans:- (b) **[MTP May 22]**
252.	Consider the following statements and select the correct answer from the given options. Assertion (A): Although a monopolist can charge any price he likes, but does not charge a higher price than his equilibrium price. Reason (R): Higher price means fall in total revenue. (a) Both (A) and (R) are true and (R) is the correct explanation of (A) (b) Both (A) and (R) are true and (R) is not the correct explanation of (A) (c) (A) is true but (R) is false (d) (A) is false but (R) is true Ans:- (a)
253.	Oligopolistic industries (a) are characterized by a relatively large number of small firms. (b) may produce either standardized or differentiated products. (c) always produce differentiated products. (d) always produce stan products. Ans:- (b)

	[MTP May 22]
254.	When total revenue is increasing (a) Marginal revenue may be either positive or negative. (b) The demand curve is relatively inelastic. (c) Marginal revenue is positive. (d) Marginal revenue is negative. Ans:- (c) **[MTP May 22,Nov 22]**
255.	Total revenue along with Total cost helps to determine (a) Profit maximizing output (b) Profit/unit (c) Price/unit (d) Total revenue Ans:- (a) **[MTP May 22]**
256.	In economics, we are concerned with (a) Value in use only (b) Exchange value only (c) Both value in use and exchange value (d) None of the above Ans:- (b) **[MTP May 22]**
257.	Exchange value is determined in (a) the monopoly market (b) the oligopoly market (c) in the market where exchange of goods and services takes place (d) None of these Ans:- (c) **[MTP May 22]**
258.	In economics, generally the classification of the markets is made on the basis of (a) Time (b) Geographic area (c) Volume of business (d) All of these Ans:- (d) **[RTP Sep 24, MTP May 22, May 23, April 24, June 24, July 24]**
259.	If a firm's total revenue is not enough to make good even the , it is better for firm to shut down. (a) Total fixed cost (b) Marginal cost (c) Average fixed cost (d) Total variable cost Ans:- (d)

	[MTP May 22,Nov 22]
260.	Price of goods express their (a) Value in use (b) Exchange value (c) Economic value (d) Both (B) and (C) Ans:- (d) **[MTP May 22]**
261.	Marginal revenue is equal to the price under (a) Monopoly market structure (b) Oligopoly form of market (c) Monopolistically competitive market (d) Perfect competition Ans:- (d) **[MTP May 22]**
262.	The short run supply curve of a perfectly competitive firm is equal to (a) That portion of the short run marginal cost curve that is above the average variable cost curve (b) That portion of the short run marginal cost curve that is above the average total cost cu rve (c) That portion of the short run average total cost curve that is above the average variable cost curve (d) None of the above is correct Ans:- (a) **[MTP May 22]**
263.	The market demand curve for a perfectly competitive industry is: Qd = 12 – 2P and the market supply curve is: Qs = 3 + P. The market will be in equilibrium if (a) P =6 and Q = 9 (b) P =5 and Q = 2 (c) P =4 and Q = 4 (d) P =3 and Q = 6 Ans:- (d) **[MTP May 22]**
264.	If the market demand curve for a commodity has a negative slope then the market structure must be: (a) Perfect competition (b) Monopoly (c) Imperfect competition (d) The market structure cannot be determined as the information is insufficient
	Ans:- (d)
265.	Which of the following is a differentiated product? (a) A hamburger (b) A shirt (c) An automobile (d) All of the above Ans:- (d) **[MTP May 22,Nov 22]**
266.	Which one of the following features of the term market is incorrect? (a) Market is the collection of buyers and sellers with the potential to trade. (b) A market need not be a formal. (c) A market need not to be held in a particular place. (d) A market must be formal or to be held in a particular place. Ans:- (d) **[MTP Nov 22]**
267.	A monopolized market is in long run equilibrium when (a) Zero economic profit is earned by the monopolist (b) Production takes place where price is equal to long run MC and AC (c) Production takes place where long run MC is equal to MR and price is not below the long run average cost. (d) All of the above are correct Ans:- (c) **[MTP Nov 22]**
268.	If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long run resource mobility, then the firm is (a) A monopolist (b) An oligopolist (c) A perfect competitor (d) A monopolistic competitor Ans:- (b) **[MTP Nov 22]**
269.	An industry comprised of a very large number of sellers producing a standardized product is known as (a) Monopolistic competition (b) Oligopoly (c) Pure monopoly (d) Pure competition

	Ans:- (d) **[MTP Nov 22,Dec 23,August 24]**
270.	The monopolistically competitive seller's demand curve will become more elastic, the (a) more significant the barriers to entering the industry. (b) greater the degree of product differentiation. (c) larger the number of competitors. (d) smaller the number of competitors Ans:- (c) **[MTP Nov 22]**
271.	All the following are the features of monopoly except (a) There is a single seller (b) The firm is a price taker (c) The firm produces a unique product (d) The existence of some advertising Ans:- (b) **[MTP Nov 22]**
272.	At the best, or optimum, short-run level of output, the firm will be (a) maximizing total profits (b) minimizing total losses (c) either maximizing total profits or minimizing total losses (d) maximizing profits per unit Ans:- (c) **[MTP Nov 22]**
273.	In the short run, the monopolist (a) breaks even, (b) incurs a loss, (c) makes a profit (d) any of the above. Ans:- (d) **[MTP Nov 22]**
274.	In long-run equilibrium, the pure monopolist (as opposed to the perfectly competitive firm) can make pure profits because of (a) blocked entry (b) high selling prices (c) low LAC costs (d) advertising. Ans:- (a) **[MTP Nov 22]**
275.	When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve, (a) always (b) never (c) sometimes (d) cannot say. Ans:- (b) **[MTP Nov 22]**
276.	In the kinked demand curve models, the oligopolists (a) recognize their interdependence (b) do not collude (c) tend to keep prices constant (d) all of the above Ans:- (d) **[MTP Nov 22]**
277.	After identifying the market, the enterprise has to make decision regarding 4 Ps. Which one of the following is not one of these 4 Ps. (a) Promotion (b) Place (c) People (d) Product Ans:- (c) **[MTP Nov 22]**
278.	Which of the following is true at equilibrium in monopolistic competition? (a) Price is greater than marginal cost (b) Price is greater than marginal revenue (c) Both (A) and (B) (d) Price is equal to marginal revenue Ans:- (c) **[MTP Nov 22]**
279.	A purely competitive seller's average revenue curve coincides with (a) its marginal revenue curve only (b) its demand curve only (c) both its demand & marginal revenue curves (d) Neither demand nor marginal revenue curve. Ans:- (c) **[MTP Nov 22]**
280.	Telecom Industry is an example of (a) Monopoly (b) Perfect Competition (c) Oligopoly (d) Monopolistic competition Ans:- (c) **[MTP Nov 22]**
281.	On the basis of native of transaction the

	market is classified into (a) Regulated and Unregulated market (b) Wholesale and Retail market (c) Spot and future Market (d) None of these Ans:- (c) **[MTP Nov 22]**
282.	Total Revenue is maximise when total revenue is (a) 1 (b) 0 (c) High (d) None of these Ans:- (a) **[MTP Nov 22]**
283.	Third degree Price discrimination can be explained through example of (a) dumping (b) Charging different Prices for domestic and commerced use (c) Lower Price in ratioing for senior citizen (d) All of the above. Ans:- (d) **[MTP Nov 22]**
284.	The classification of market is made on the basis of : (a) Geographical Area (b) Time (c) Volume of business (d) All the above Ans:- (d) **[MTP April 23]**
285.	How do monopoly arises: (a) Strategic Control over scarce resources (b) Governments granting exclusive rights to produce and sell a good or a service (c) Stringent legal and regulatory requirements effectively discourages entry of new firms without being specifically prohibited (d) All of the above Ans:- (d) **[MTP April 23]**
286.	Sweezy's Model is related to which market form : (a) Oligopoly market (b) Perfect Competition market (c) Monopoly market (d) None of these Ans:- (a) **[MTP April 23]**
287.	Minimum assured price to the farmers to purchase their output by the government is called: (a) Market Price (b) Equilibrium Price (c) Support Price (d) Ceiling Price Ans:- (c) **[MTP April 23]**
288.	AR is different from MR under which form of market : (a) Monopoly (b) Monopolistic competition (c) Perfect Competition (d) Both a and b Ans:- (d) **[MTP April 23]**
289.	In Monopoly Cross elasticity of Product is : (a) Zero (b) High (c) Infinity (d) None of these Ans:- (a) **[MTP April 23,Nov 23]**
290.	In which form of market Cartels can be formed: (a) Perfect competition (b) Monopoly (c) Oligopoly (d) None of these Ans:- (c) **[MTP April 23]**
291.	If the monopolist incurs losses in the short run then in the long run: (a) It will stay in the business (b) Go out of business (c) Will break even (d) Any of the above is possible Ans:- (d) **[MTP April 23]**
292.	Monopsony market and monopoly market when combined is called: (a) Oligopoly market

	(b) Monopolistic market (c) Duopoly market (d) Bilateral Money Market Ans:- (d) **[MTP April 23]**
293.	Which is the feature of monopolistic Competition: (a) Large number of sellers (b) Product differentiation (c) Freedom of entry and exit (d) All of the above Ans:- (d) **[MTP April 23]**
294.	Stock Exchange is an example of (a) Forward market (b) Regulated market (c) Spot market (d) None of these Ans:- (b) **[MTP April 23]**
295.	Two Suppliers and may buyers are in ---------- market. (a) Duopoly (b) Monopoly (c) Perfect Competition (d) Oligopoly Ans:- (a) **[MTP May 23]**
296.	Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-axis. It happens because: (a) Selling costs are zero (b) There is freedom of entry and exit (c) Firm is a price-taker (d) None of these Ans;- (c) **[MTP May 23,Dec 23,August 24]**
297.	Under which market form, the demand curve is steeper as compared to monopolistic competition? (a) Monopoly (b) Oligopoly (c) Perfect Competition (d) None of these Ans:- (a) **[RTP Sep 24, MTP May 23]**
298.	Firms cooperate with each other in determining price or output or both. It is a feature of: (a) Pure Oligopoly (b) Non-Collusive Oligopoly (c) Imperfect Oligopoly (d) Collusive Oligopoly Ans:- (d) **[MTP May 23]**
299.	Consumers get maximum variety of goods under: (a) Perfect Competition (b) Monopolistic Competition (c) Monopoly (d) Pure Competition Ans:- (b) **[MTP May 23,April 24,June 24]**
300.	'A few big sellers' is a characteristics of: (a) Perfect Competition (b) Monopolistic Competition (c) Oligopoly (d) None of the above Ans:- (c) **[MTP May 23,Dec23]**
301.	Which of the following statement is incorrect? (a) Kinked Demand Curve is related to Oligopolistic market (b) Even a monopolistic firm can incur losses (c) Firms are price takers in perfectly competitive market (d) It is always beneficial for a firm in a perfectly competitive market to discriminate prices Ans:- (c) **[MTP May 23]**
302.	Fluctuation in economic activities according to Keynes are due to : (a) Innovations (b) changes in money supply (c) Fluctuation in aggregate effective demand (d) Fluctuation in government spending Ans:- (c) **[MTP May 23]**
303.	Price Rigidity explained by Sweezy's model is related to which market form: (a) Monopoly (b) Oligopoly (c) Monopolistic competition (d) None of these Ans:- (b) **[MTP May 23,April 24]**

304. Which of the following is correct about Cartel?
(a) There are few firms
(b) All of which are similar in size
(c) Most Cartels have only a Subset of producers
(d) All of the above
Ans:- (d)
[MTP May 23]

305. Price discrimination will be profitable only if the elasticity of demand in different sub market is :
(a) different
(b) uniform
(c) zero
(d) less
Ans:- (a)
[SM]

306. When e > 1 the MR is
(a) One
(b) Negative
(c) Positive
(d) Zero
Ans:- (d)
[MTP May 23]

307. Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:
(a) Huge Selling Costs
(b) Freedom of Entry and Exit
(c) Presence of Close Substitutes
(d) Large Number of Firms
Ans:- (c)
[MTP Nov 23,May 24]

308. If the firms are not working to full capacity the supply will be:
(a) inelastic
(b) elastic
(c) constant
(d) None of these
Ans:- (b)
[MTP Nov 23]

309. Example of Third-Degree Price Discrimination:
(a) Dumping
(b) charging different prices for domestic and commercial uses
(c) lower prices in railways for senior citizen
(d) All of the above
Ans:- (d)
[RTP May 25, MTP Nov 23]

310. The market structure in which many firms sell products that are similar but not identical is known as:
(a) Oligopoly
(b) Monopoly
(c) Monopolistic Competition
(d) None of these
Ans:- (c)
[SM]

311. In Monopoly entry of new firms:
(a) is restricted at all the times
(b) is possible only in the long run
(c) is possible in the short run
(d) Both (b) and (c)
Ans:- (a)
[MTP Nov 23]

312. Theory of Group Behavior is related to:
(a) Monopoly
(b) Monopolistic Competition
(c) Oligopoly
(d) Perfect Competition
Ans:- (c)
[MTP Nov 23]

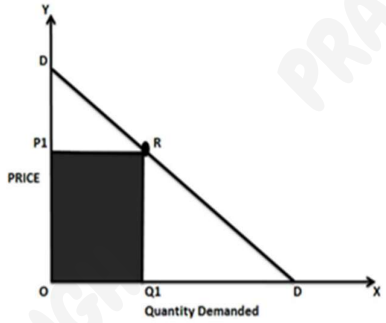
313. If the market demand curve for a commodity has a negative slope, then the market structure must be:
(a) Perfect competition
(b) Monopoly
(c) Imperfect competition
(d) The market structure cannot be determined as the information is insufficient
Ans:- (d)
[RTP Sep 24, MTP May 22, Nov 23, Jan 25]

314. Huge selling costs are incurred in which form of market?
(a) Monopolistic competition
(b) Perfect competition
(c) Monopoly
(d) None of these
Ans:- (a)
[MTP Nov 23,August 24]

315. In the long run, some firms will exit the market if the price of the good offered for sale is less than:

	(a) marginal revenue. (b) marginal cost. (c) average total cost. (d) average revenue Ans:- (c) **[SM]**
316.	Agricultural goods market depict characteristic close to: (a) Oligopoly (b) Monopoly (c) Perfect Competition (d) Monopolistic Competition Ans:- (c) **[MTP Nov 23]**
317.	If the MRTSLK equals 2, then the MPK/MPL is: (a) 2 (b) 1 (c) 2 (d) 4 Ans:- (c) **[MTP Dec 23,August 24]**
318.	At the shut-down point: (a) P = AVC (b) TR = TVC (c) the total losses of the firm equal TFC (d) all of the above. Ans:- (d) **[MTP Dec 23,Dec 24,August 24,June 24]**
319.	If the monopolist incurs losses in the short run, then in the long run: (a) the monopolist will go out of business (b) the monopolist will stay in business (c) the monopolist will break even (d) any of the above Ans:- (d) **[MTP Dec 23,August 24]**
320.	In monopolistic competition, we have: (a) few firms selling a differentiated product (b) many firms selling a homogeneous product (c) few firms selling a homogeneous product (d) many firms selling a differentiated product Ans:- (d) **[MTP Dec 23,August 24]**
321.	In both the Chamberlin and the kinked demand curve models, the oligopolists: (a) recognize their interdependence (b) do not collude (c) tend to keep prices constant (d) all of the above. Ans:- (d) **[MTP Dec 23,Dec 24,August 24]**
322.	Who gave the theory of price discrimination? (a) Marshall (b) Pigou (c) Cournot (d) Simon Ans:- (b) **[MTP Dec 23,August 24]**
323.	At the Point of Inflexion: (a) Total Product is maximum (b) Average Product is maximum (c) Marginal Product is maximum (d) Marginal Product is zero Ans:- (c) **[SM]**
324.	Demand curve under Oligopoly is: (a) Less elastic (b) Perfectly elastic (c) Highly elastic (d) Indeterminate Ans:- (d) **[MTP Dec 23,August 24]**
325.	In a commodity market, excess demand exists when: (a) market price is greater than equilibrium price (b) equilibrium price is greater than market price (c) equilibrium price is not equal to market price (d) government fixes the price Ans:- (b) **[MTP Dec 23,August 24]**
326.	Successful business firms spend considerable time, energy, and efforts in analysing the for their products. (a) Supply (b) Price (c) Demand (d) None of these Ans:- (c) **[MTP Dec 23]**
327.	In the below figure, if DD is the demand

curve and R is a given point on it then the area of shaded portion OP1RQ1 is_____ .



(a) Total Revenue (TR)
(b) Marginal Revenue (MR)
(c) Total Cost (TC)
(d) None of these
Ans:- (a)
[MTP Dec 23,April 24 ,August 24]

328. Price discrimination is related to:
(a) Income
(b) Time
(c) Size of the purchase
(d) Any of the above
Ans:- (d)
[MTP Dec 23]

329. Which of the following is true of an imperfect market structure?
(a) Participants in the market have little or no control over outcome in the market.
(b) Consumer surplus is maximized.
(c) The maximization of producer surplus may lead to a loss of net benefit for society.
(d) Imperfect market structures include monopolies but not cartels.
Ans:- (a)
[MTP April 24]

330. Marginal revenue of a firm is constant throughout under:
(a) Perfect Competition
(b) Monopolistic Competition
(c) Oligopoly
(d) All the above
Ans:- (a)
[MTP April 24]

331. Monopolistic competition constitutes:
(a) Single firm producing close substitutes
(b) Many firms producing close substitutes
(c) Many firms producing differentiated substitutes
(d) Few firms producing differentiated substitutes
Ans:- (c)
[MTP April 24]

332. 'Interdependence Between Firms' is a feature of which type of market form:
(a) Oligopoly
(b) Monopolistic Competition
(c) Monopoly
(d) Perfect Competition
Ans:- (a)
[MTP April 24]

333. Which of the following is a FALSE statement?
(a) The very long run focuses on the growth of productive capacity
(b) In the very long run, the productive capacity is assumed to be given
(c) In the very short run, shifts in aggregate demand determine how much output is produced
(d) Fluctuations in the rates of inflation and unemployment are important long-run issues
Ans:- (d)
[MTP April 24,May 24]

334. A monopolist is able to maximize his profits when:
(a) his output is maximum
(b) he charges a high price
(c) his average cost is minimum
(d) his marginal cost is equal to marginal revenue
Ans:- (d)
[SM]

335. Kinked demand was propounded by?
(a) Paup K. Sweezy
(b) Marshall
(c) Adam Smith
(d) None of these.
Ans:- (a)
[MTP August 24]

336. Characteristic of Oligopoly market is ----
(a) Strategic Independence

	(b) Importance of Advertising and selling costs (c) Group Behaviour (d) All of above Ans:- (d) **[MTP August 24]**
337.	When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be: (a) 30 (b) 20 (c) 15 (d) None of these. Ans:- (c) **[MTP August 24]**
338.	What is 'price ceiling? (a) Minimum price that can be charged for a good (b) Maximum price that can be charged for a good (c) Minimum support price (d) Both (a) and (b) Ans:- (b) **[MTP Nov 23, August 24]**
339.	The First Order Condition for the Profit of a firm to be maximum? (a) AC = MR (b) MC = MR (c) MR = AR (d) AC = AR Ans:- (b) **[SM]**
340.	Under Monopoly, selling costs are incurred for: (a) Persuading customers for not buying competitor's product (b) Informative purpose (c) Promoting sales of the product (d) None of these Ans:- (b) **[SM]**
341.	The kinked demand curve theory explains that even when the demand conditions_____ the price_____ . (a) Change, changes (b) Change, remains stable (c) Remain stable, changes (d) Remain stable, falls Ans:- (b) **[SM]**
342.	A firm reaches a break-even point (normal profit position) where, (a) Marginal revenue curve cuts the horizontal axis. (b) Marginal cost curve intersects the average variable cost curve. (c) Total revenue equals total variable cost. (d) Total revenue and total cost are equal. Ans:- (d) **[SM]**
343.	The degree of monopoly power is measured in terms of difference between: (a) Marginal cost and the price (b) Average cost and average revenue (c) Marginal cost and average cost (d) Marginal revenue and average cost Ans:- (a) **[SM]**
344.	Under monopoly condition, the firm is able to sell more units of output . (a) at the same price (b) at higher price (c) at constant price (d) at constant price Ans:- (d) **[SM]**
345.	Under monopoly condition, the firm is able to sell more units of output_____ . (a) at the same price (b) at higher price (c) at constant price (d) at lower price Ans:- (d) **[SM]**
346.	"A firm can earn only normal profits in long the run." It is an implication of following feature. (a) Large number of buyers & sellers. (b) Free entry and exit (c) Availability of substitutes (d) Full or partial control over price Ans:- (b) **[SM]**
347.	Imposition of GST, shifts the supply curve: (a) to the left (b) to the right (c) to the right as well as the left (d) None of these Ans:- (a)

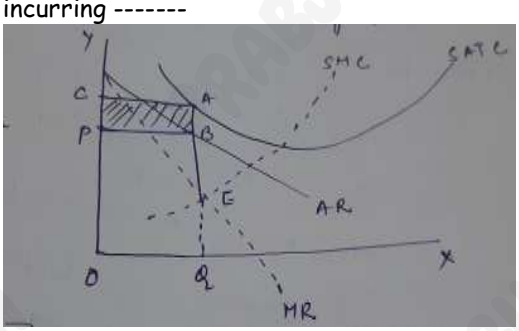
	[SM]
348.	Price discrimination is a situation when a producer: (a) Charge same price (b) Charges may prices (c) Charges different prices in different market (d) None of these. Ans:- (c) **[MTP May 24]**
349.	Which type of market structure does not typically have a negatively sloped market demand curve? (a) Monopoly (b) Perfect competition (c) Oligopoly (d) All of the above typically have negatively sloped market demand curves. Ans:- (d) **(MTP May 24,Jan 25)**
350.	The restaurant industry has a market structure that comes closest to: (a) monopolistic competition. (b) oligopoly. (c) perfect competition. (d) monopoly. Ans:- (a) **[MTP May 24,Jan 25]**
351.	Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure? (a) The stock market (b) The market for agricultural commodities such as wheat or corn (c) The market for petroleum and natural gas (d) All of the above come close to satisfying the assumptions of perfect competition. Ans:- (d) **[MTP May 24]**
352.	Which of the following industries is most likely to be monopolistically competitive? (a) The automobile industry (b) The steel industry (c) The car repair industry (d) The electrical generating industry Ans:- (c)

	[MTP May 24]
353.	Some economists have suggested that oligopolists tend to maintain stable prices when there are changes in the demand for their products or in their costs of production. Which of the following models provides an explanation for this type of behavior? (a) Price leadership (b) Centralized cartel (c) Prisoners' dilemma (d) Kinked demand curve Ans:- (d) **[MTP May 24]**
354.	A seller cannot influence the market price under: (a) Perfect Competition (b) Monopoly (c) Monopolistic Competition (d) All of the above Ans:- (a) **[MTP May 24]**
355.	Railways is an example of: (a) Perfect Competition (b) Monopolistic Competition (c) Monopoly (d) Oligopoly Ans:- (c) **[MTP May 24]**
356.	The Government offer minimum assured price to the farmers to purchase their Output is called (a) Market Price (b) Support Price (c) Equilibrium Price (d) Ceiling Price Ans:- (b) **[RTP May 25, MTP May 21, June 24]**
357.	The Price in Collusive Oligopoly is decided by : (a) The Firm (b) Price leader (c) The Industry (d) None of these Ans:- (b) **[RTP May 25, MTP May 21, June 24]**
358.	The Distinction between Selling Cost and Production cost was made by : (a) Chamberlin

	(b) Sweezy (c) Mrs. Joan Robinson (d) None of these Ans:- (a) **[RTP May 25, MTP May 21, May 24]**
359.	Price Elasticity of demand of a firm is infinite in (a) Monopoly (b) Perfect Competition (c) Oligopoly (d) Monopolistic Competition Ans:- (b) **[MTP May 21]**
360.	Monopoly Market and Monopsony market combination is called : (a) Duopoly Market (b) Oligopoly Market (c) Bilateral Monopoly Market (d) Monopolistic Market Ans:- (c) **[MTP Nov 21]**
361.	Will there be any change in price charged by the monopolistic if elasticity of demand – 2 : (a) Yes (b) No (c) Neutral (d) None of these Ans:- (a) **[MTP Nov 21]**
362.	The Firm and Industry are same in: (a) Duopoly (b) Monopoly (c) Oligopoly (d) None of these Ans:- (b) **[MTP Dec 23,August 24,June 24]**
363.	When rent control is imposed above the current market price it will: (a) increase the quantity of rental housing demanded. (b) reduce the quality of rental housing. (c) create a shortage of rental housing. (d) create no impact on the market. Ans:- (c) **[MTP May 24]**
364.	Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of: (a) Moral Hazard (b) Asymmetric Information (c) Free Riding (d) None of the above Ans:- (b) **[MTP May 24]**
365.	Which of the following is not true regarding The Minimum Support Price (MSP) mechanism in India? (a) MSP works on the principle of Price Ceiling (b) MSP works on the principle of Price Flooring (c) At the price fixed, there exists excess supply (d) Govt. procures the excess supply of farmers. Ans:- (a) **[MTP July 24]**
366.	Under Monopoly, selling costs are incurred for: (a) Persuading customers for not buying competitor's product (b) Informative purpose (c) Promoting sales of the product (d) None of these Ans:- (b) **[MTP July 24]**
367.	The kinked demand curve theory explains that even when the demand conditions the price . (a) Change, changes (b) Change, remains stable (c) Remain stable, changes (d) Remain stable, falls Ans:- (b) **[MTP July 24]**
368.	Firms cooperate with each other in determining price or output or both.It is a feature of: (a) Pure Oligopoly (b) Non-Collusive Oligopoly (c) Imperfect Oligopoly (d) Collusive Oligopoly Ans:- (d) **[MTP July 24]**
369.	In both the Chamberlin and kinked demand curve models, the oligopolists

	(a) recognize their independence (b) do not collude (c) tend to keep prices constant (d) all the above Ans:- (d) **[MTP July 24]**
370.	"A firm can earn only normal profits in long the run." It is an implication of following feature. (a) Large number of buyers & sellers. (b) Free entry and exit (c) Availability of substitutes (d) Full or partial control over price Ans:- (b) **[MTP July 24]**
371.	The degree of monopoly power is measured in terms of difference between: (a) Marginal cost and the price (b) Average cost and average revenue (c) Marginal cost and average cost (d) Marginal revenue and average cost Ans: (a) **[MTP July 24]**
372.	Under monopoly condition, the firm is able to sell more units of output . (a) at the same price (b) at higher price (c) at constant price (d) at constant price Ans:- (d) **[MTP July 24]**
373.	Under monopoly condition, the firm is able to sell more units of output . (a) at the same price (b) at higher price (c) at constant price (d) at lower price Ans:- (d) **[MTP July 24]**
374.	A few Big sellers is a Characteristics of: (a) Perfect Competition (b) Monopolistic Competition (c) Oligopoly (d) None of the above Ans:- (c) **[MTP August 24]**
375.	Which of the following assumptions is correct in connection with oligopoly? 1. If an oligopolist increases his price his rivals will follow. 2. If an oligopolist increases his price his rivals will not follow. 3. If an oligopolist increases his price his rivals will lower their prices. 4. If an oligopolist decreases his price his rivals will not react. (a) 1 only (b) 2 only (c) 1 & 3 only (d) 4 only Ans:- (b) **[MTP Dec 24]**
376.	Assertion (A): Sunk costs are not relevant in economic decisions. Reason (R): The opportunity cost of such resources is zero. Codes: (a) Both A and R are true, and R is the correct explanation of A (b) Both A and R are true, but R is not the correct explanation of A (c) A is true but R is false (d) A is false but R is true Ans:- (b) **[MTP Dec 24]**
377.	In an oligopoly, price determination is often influenced by: (a) The actions of a single firm (b) The collective behavior of a few dominant firms (c) Government-imposed price floors (d) The elasticity of supply alone Ans:- (b) **[MTP Dec 24]**
378.	In a monopoly, the lack of close substitutes for the product typically results in: (a) Perfect elasticity of demand (b) A downward-sloping demand curve for the monopolist (c) Constant returns to scale (d) The ability to practice price discrimination Ans:- (b) **[MTP Dec 24]**
379.	When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve: (a) Always, (b) never,

	(c) sometimes, (d) cannot say. Ans:- (b) **[MTP Dec 24]**
380.	If the demand curve for a firm's output is perfectly elastic, then the firm is: (a) a monopolist. (b) perfectly competitive. (c) an oligopolist. (d) monopolistically competitive. Ans:- (b) **[MTP Jan 25]**
381.	The type of industry organization that is characterized by recognized interdependence and nonprice competition among firms is called: (a) monopoly (b) perfect competition. (c) oligopoly. (d) monopolistic competition. Ans:- (c) **[MTP Jan 25]**
382.	The management of firm A observed that every time there is an increase in the price charged by firm B, the level of sales of firm A declines. But when firm C increases its price, the level of sales of firm A increases. From this we can conclude that: (a) firms A and B produce substitutes in consumption. (b) firms A and C produce substitutes in consumption. (c) firms A and B produce unrelated in consumption products. (d) firms A and C produce unrelated in consumption products Ans:- (b) **[MTP Jan 25]**
383.	A cartel which is market sharing will reach the monopoly situation: (a) Always when the product is homogenous (b) Always when the product is differentiated (c) Sometime (d) None of these Ans:- (c) **[MTP Jan 25]**
384.	Firms in an industry that produces a differentiated product: (a) are either monopolists or oligopolists. (b) are either monopolistically competitive or perfectly competitive. (c) are either monopolistically competitive or oligopolists (d) are either perfectly competitive or oligopolists. Ans:- (c) **[MTP Jan 25]**
385.	If a firm sells its output on a market that is characterized by many sellers and buyers, a homogeneous product, unlimited long-run resource mobility, and perfect knowledge, then the firm is: (a) a monopolist. (b) an oligopolist. (c) a perfect competitor. (d) a monopolistic competitor. Ans:- (c) **[MTP Jan 25]**
386.	If a firm sells its output on a market that is characterized by many sellers and buyers, a differentiated product, and unlimited long-run resource mobility, then the firm is : (a) a monopolist. (b) an oligopolist. (c) a perfect competitor. (d) a monopolistic competitor. Ans:- (d) **[MTP Jan 25]**
387.	Which of the following is not a barrier to entry that typically results in monopoly? (a) The firm controls the entire supply of a raw material. (b) Production of the industry's product is subject to economies of scale over a broad range of output. (c) Production of the industry's product requires a large initial capital investment. (d) The firm holds an exclusive government franchise. Ans:- (b) **[MTP Jan 25]**
388.	Which of the following is not a barrier to entry that typically results in monopoly? (a) The firm controls the entire supply of a raw material. (b) Production of the industry's product is subject to economies of scale over a broad range of output.

	(c) Production of the industry's product requires a large initial capital investment. (d) The firm holds an exclusive government franchise. Ans:- (b) **[MTP Jan 25]**
389.	Game theory is oligopoly was developed by: (a) Von Neumann and Oskar Morgenstern (b) Maltas (c) Adam Smith (d) Robinson Ans:- (a) **[MTP Dec 24]**
390.	If an oligopolist incur losses in the short run then in the long run: (a) The oligopolist will go out of the business (b) The oligopolist will stay in business (c) The Oligopolist will break even (d) any of the above is possible Ans:- (d) **[MTP Dec 24]**
391.	Find nominal GDP if real GDP = 450 and price index = 120 (a) 500 (b) 450 (c) 540 (d) None of these Ans:- (c) **[RTP May 25]**
392.	In Oligopoly the firms may collude in order to: (a) Increase Competition (b) Prisoner dilemma for buyers (c) To raise the price of the good they offer (d) None of these Ans:- (c) **[RTP Jan 25, MTP Nov 21, Dec 23, August 24]**
393.	In a perfectly competitive firm, MC curve above AVC is the _____ Curve of the firm (a) Average cost (b) Marginal revenue (c) Demand (d) Supply Ans:- (d) **[MTP May 18, May 19]**
394.	A monopolist is able to maximize his profit when: (a) His output is maximum (b) He charges a higher price (c) His average cost is minimum (d) His marginal cost is equal to marginal revenue Ans:- (d) **[MTP May 18, May 19, April 24]**
395.	In the following diagram the Monopolist is incurring -------  (a) Losses (b) Profit (c) Super normal profit (d) None of these Ans:- (a) **[MTP May 21]**
396.	Macro- economic stability is said to exist when: (a) When inflation is low and stable (b) The economy's total spending matches its total output (c) The economy's labour resources are fully exposed (d) All the above Ans:- (d) **[MTP August 24]**

Chapter 5: Business Cycles

1.	The term business cycle refers to (a) the ups and downs in production of commodities (b) the fluctuating levels of economic activity over a period of time (c) decline in economic activities over prolonged period of time (d) increasing unemployment rate and diminishing rate of savings Ans:- (b) **[SM,MTP Nov 19, Nov 20]**
2.	A significant decline in general economic activity extending over a period of time is (a) business cycle (b) contraction phase (c) recession (d) recovery Ans:- (c) **[SM,MTP May 18, May 20]**
3.	The trough of a business cycle occurs when hits its lowest point. (a) inflation in the economy (b) the money supply (c) aggregate economic activity (d) the unemployment rate Ans:- (c) **[SM]**
4.	The lowest point in the business cycle is referred to as the (a) Expansion. (b) Boom. (c) Peak. (d) Trough. Ans:- (d) **[SM, MTP Nov 19, May 20]**
5.	Which of the following does not occur during an expansion? (a) Consumer purchases of all types of goods tend to increase. (b) Employment increases as demand for labour rises. (c) Business profits and business confidence tend to increase (d) None of the above. Ans:- (d) **[SM,MTP Nov 20]**
6.	Which of the following best describes a typical business cycle? (a) Economic expansions are followed by economic contractions. (b) Inflation is followed by rising income and unemployment. (c) Economic expansions are followed by economic growth and development. (d) Stagflation is followed by inflationary economic growth. Ans:- (a) **[SM]**
7.	During recession, the unemployment rate and output . (a) Rises; falls (b) Rises; rises (c) Falls; rises (d) Falls; falls Ans:- (a) **[SM]**
8.	The four phases of the business cycle are (a) expansion, peak, contraction and trough (b) contraction, expansion, trough and boom (c) expansion contraction, peak, and trough (d) peak, depression, bust, and boom Ans:- (a) **[SM]**
9.	Peaks and troughs of the business cycle are known collectively as (a) Volatility. (b) Turning points (c) Equilibrium points. (d) Real business cycle events. Ans:- (b) **[SM, MTP May 19, Nov 20]**
10.	Economic recession shares all of these characteristics except. (a) Fall in the levels of investment, employment (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services (c) Investor confidence is adversely affected and new investments may not

	be forthcoming (d) Increase in the price of inputs due to increased demand for inputs Ans:- (d) **[SM,MTP May 18, May 20]**
11.	When aggregate economic activity is increasing, the economy is said to be in (a) Expansion (b) Contraction (c) Peak (d) A turning point. Ans:- (a) **[SM, MTP Nov 18, May 19]**
12.	When aggregate economic activity is declining, the economy is said to be in- (a) Contraction (b) An Expansion (c) Trough (d) Turning point Ans:- (a) **[MTP Nov 19]**
13.	Which of the following describe a typical business cycle? (a) economic expansions are followed by contractions. (b) inflation is followed by rising income and unemployment. (c) economic expansion are followed by economic growth and development. (d) stagflation is followed by Inflationary growth. Ans:- (a) **[MTP May 21, June 24]**
14.	During expansion phase of business cycle which of the following does not occur: (a) Business profits and business confidence tend to increase (b) Demand for labour increases as employment increases. (c) Purchase of all types of goods is increased by consumer. (d) None of these Ans:- (c) **[MTP May 21]**
15.	Phase of business cycle are (a) Expansion, peak, contraction, and trough (b) Contraction, expansion, trough, and boom. (c) Expansion, contraction, peak and trough (d) Peak, depression, bust and boom Ans:- (a) **[MTP May 21]**
16.	Cost of living increase when business cycle is operating at its (a) Lowest point (b) Peak (c) Contracting (d) Expanding Ans:- (d) **[MTP Nov 21,April 23]**
17.	Collectively peaks and troughs together is known as: (a) Turning Points (b) Contraction (c) Expansion (d) A trough Ans:- (a) **[MTP Nov 21,May 24,MTP Dec 23,August 24]**
18.	Peak is the_____ stage of expansion. (a) Later (b) Earlier (c) Either (A) or (B) (d) None of the above Ans:- (a)
19.	During business cycles the opposite of a peak is_____ . (a) an inflation (b) a hyperinflation (c) a trend (d) a trough Ans:- (d)
20.	Peak is the_____ stage of expansion. (a) Later (b) Earlier (c) Either (A) or (B) (d) None of the above Ans:- (a)
21.	In business cycle peaks and troughs are collectively known as: (a) Turning Points (b) Equilibrium Points' (c) Real business cycle events' (d) None of these Ans:- (a) **[MTP May 23]**
22.	During a recession, the economy experiences:

	(a) A decrease in prices and inflation (b) High levels of economic growth and expansion (c) A decline in employment and economic activity (d) Increased business investments and consumer spending Ans:- (c) **[MTP Dec 23,August 24]**
23.	Peak is the_____ stage of expansion. (a) Later (b) Earlier (c) Either (A) or (B) (d) None of the above Ans:- (a)
24.	Peak is the ____ stage of expansion. (a) Later (b) Earlier (c) Either (A) or (B) (d) None of the above Ans:- (a) **[MTP May 22,June 24,May 23]**
25.	During business cycles the opposite of a peak is . (a) an inflation (b) a hyperinflation (c) a trend (d) a trough Ans:- (d) **[MTP May 22,Nov 23]**
26.	A recession is a decline in: (a) The unemployment rate that lasts six months or longer (b) Real GDP that lasts six months or longer (c) Potential GDP that lasts six months or longer (d) The inflation rate that lasts six months or longer Ans:- (b) **[MTP May 24]**
27.	During an expansion phase of the business cycle, which of the following is likely to occur? (a) Decrease in consumer spending. (b) Increase in business bankruptcies. (c) Increase in job opportunities. (d) Decrease in government spending. Ans:- (c)

	[MTP July 24]
28.	Which of the following phases of the business cycle is characterized by increasing economic activity, rising employment, and growing consumer spending? (a) Expansion. (b) Recession. (c) Trough. (d) Recovery. Ans:- (a) **[MTP July 24]**
29.	Which of the following marks the beginning of a contraction in the business cycle: (a) Peak (b) Expansion (c) Recession (d) Trough Ans:- (a) **[MTP Jan 25]**
30.	A recession can manifest itself with: (a) a decrease in industrial production. (b) a decrease in consumer spending. (c) a lengthy period of falling GDP. (d) all the above. Ans:- (d) **[MTP Jan 25]**
31.	In a business cycle, a period from peak to trough may be referred to as: (a) an expansion. (b) a recurrence. (c) a contraction. (d) a stagflation. Ans:- (c) **[MTP Jan 25]**
32.	Economic indicator of contraction and expansionary phase by measuring real GDP is: (a) Business cycle (b) Technical indicator (c) Leading indicator (d) Lagging indicator Ans:- (a) **[MTP Jan 25]**
33.	A period of expansion and contraction measured by real GDP is called: (a) Business cycle (b) Expansion (c) Recession (d) Contraction

	Ans:- (a) **[MTP Dec 24]**
34.	The four phases of the business cycle are: (a) Peak, recession, trough and boom (b) Peak, depression, trough and boom (c) Peak, recession, trough and recovery (d) Peak, depression, bust and boom. Ans:- (c) **[RTP Sep 24, MTP May 19, Nov 22]**
35.	Industries that are extremely sensitive to the business cycle are the (a) Durable goods and service sectors. (b) Non-durable goods and service sectors. (c) Capital goods and non-durable goods sectors. (d) Capital goods and durable goods sectors Ans:- (d) **[SM,MTP May 20]**
36.	Which of the following is not a characteristic of business cycles? (a) Business cycles have serious consequences on the well-being of the society. (b) Business cycles occur periodically, although they do not exhibit the same regularity. (c) Business cycles have uniform characteristics and causes. (d) Business cycles are contagious and unpredictable. Ans:- (c) **[SM]**
37.	The different phases of a business cycle (a) do not have the same length and severity (b) expansion phase always last more than ten years (c) last many years and are difficult to get over in short periods (d) none of the above Ans:- (a) **[SM]**
38.	Business cycle generally originates in free market economies, what is a free market economy? (a) The economy where government is in possession of major assets (b) The economy where private firms control major assets (c) The economy where decisions of productions are taken by public sector undertakings (d) The economy where price is controlled by government. Ans:- (b) **[SM]**
39.	Which of the following statements is correct? (a) The business cycle largely affects the agricultural sector (b) The business cycle largely affects small employees (c) The business cycle generally affects all sectors of economy but business sector in particular. (d) The business cycle affects low wages workers Ans:- (c) **[SM]**
40.	Which of the following statements is false with respect to Business Cycles: (a) They occur periodically. (b) They generally originate in free market economies. (c) They are international in character. (d) They do not affect capitalist economies. Ans:- (d) **[MTP May 18]**
41.	Which of the following statements is correct? (a) Business cycles occur periodically although they do not exhibit the same regularity. (b) Business cycles have distinct phases of expansion, peak, contraction and trough. (c) Business cycles generally originate in free market economies (d) All of the above Ans:- (d) **(MTP Nov 20)**
42.	Which is more prone to the adverse effects of the business cycle (a) Services (b) Industries (c) Agriculture (d) None of these

	Ans:- (b) **[MTP Nov 21]**
43.	Businesses whose fortunes are closely linked to the rate of economic growth is referred to as : (a) Cyclical (b) Counter Cyclical (c) Fiscal Policy (d) None of these Ans:- (a) **[MTP May 22]**
44.	Different business cycles in duration and intensity. (a) differ (b) similar (c) consistent (d) Can't say Ans:- (a) **[MTP May 22,Nov 22,April 24]**
45.	Repercussions of business cycles get felt on nearly all economic variables. (a) alternatively (b) simultaneously (c) one by one (d) All of the above Ans:- (b) **[MTP May 22]**
46.	Which of the following statements is correct regarding business cycles? (a) Business cycles are contagious and international in character. (b) Business cycles begin in one country and spread to other countries through trade relations. (c) Business cycles have serious consequences on well being of the societies. (d) All of the above Ans:- (d) **[MTP May 22,June 24]**
47.	Business cycle emerge in_____ . (a) Socialist economy (b) Free market economy (c) Mixed economic system (d) None of the above Ans:- (b)
48.	Business cycle emerge in . (a) Socialist economy (b) Free market economy (c) Mixed economic system (d) None of the above Ans: (b) **[MTP Nov 23.Dec 24]**
49.	Which of the following is the cause of business cycles? (a) Fluctuations in aggregate effective demand (b) Fluctuations in investments (c) Fluctuations in government spending (d) All of the above Ans:- (d) **[SM]**
50.	Which of the following may be considered a cause of business cycle? (a) Fluctuations in effective demand. (b) Fluctuations in investment. (c) Variations in government spending. (d) All of the above. Ans:- (d) **[MTP Nov 18]**
51.	A decrease in government spending would cause (a) the aggregate demand curve to shift to the right. (b) the aggregate demand curve to shift to the left. (c) a movement down and to the right along the aggregate demand curve. (d) a movement up and to the left along the aggregate demand curve. Ans:- (b) **[SM]**
52.	The most probable outcome of an increase in the money supply is (a) interest rates to rise, investment spending to rise, and aggregate demand to rise (b) interest rates to rise, investment spending to fall, and aggregate demand to fall (c) interest rates to fall, investment spending to rise, and aggregate demand to rise (d) interest rates to fall, investment spending to fall, and aggregate demand to fall Ans:- (c) **[SM,MTP Nov 20]**
53.	According to trade cycles occur due to onset of innovations.

	(a) Hawtrey (b) Adam Smith (c) J M Keynes (d) Schumpeter Ans:- (d) **[SM]**
54.	According to Keynes, fluctuations in Economic activities are due to-. (a) Fluctuation in aggregate effective demand. (b) Innovations (c) Changes in money supply (d) Fluctuation in agricultural output Ans:- (a) **[SM]**
55.	The cobweb theory was propounded by (a) Hawtrey (b) Adam Smit (c) J M Keynes (d) Nicholas Kaldor Ans:- (d) **[SM,MTP August 24]**
56.	Who expressed the view that fluctuations in investments are the prime cause of business cycles? (a) Hawtrey (b) Pigou (c) Schumpeter (d) Keynes Ans:- (d) **[MTP May 18]**
57.	According to Schumpeter (a) Trade cycle is purely monetary phenomenon. (b) Trade cycles occur as a result of innovations which take place in system. (c) Trade cycles result due to faulty business decisions of USA. (d) None of the above. Ans:- (b) **(MTP May 18)**
58.	"Trade cycle is a purely monetary phenomenon", according to- (a) Pigou (b) Hawtrey (c) Keynes (d) Schumpeter Ans:- (b) **[MTP Nov 19]**
59.	If demand for goods and services is more than their supply, the resultant inflation is : (a) Cost push inflation. (b) stagflation (c) deflation. (d) demand pull inflation. Ans:- (d) **(MTP May 20)**
60.	According to_____ trade cycles occur due to onset of innovations. (a) Hawtrey (b) Adam Smith (c) J M Keynes (d) Schumpeter Ans:- (d)
61.	According to_____ trade cycle is purely monetary phenomenon. (a) Hawtrey (b) Adam Smith (c) J M Keynes (d) Schumpeter Ans:- (a) **(MTP Nov 20)**
62.	What are the internal causes of business cycle? (a) fluctuations in effective demand. (b) macroeconomic policies (c) money Supply (d) All the above Ans:- (d) **[MTP May 21, May 24]**
63.	Fluctuations in Economic activities are due to: (a) Aggregate demand (b) Aggregate effective demand (c) Effective demand (d) None of these Ans:- (b) **[MTP May 21]**
64.	Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism: (a) Pigou (b) Schumpeter (c) Hawtrey (d) Keynes Ans:- (a) **[MTP May 21,May 22]**
65.	To influence spending the monetary policy is directed at directly influencing in the short

	run : (a) Interest Rate (b) Unemployment (c) Inflation Rate (d) Growth Rate Ans:- (a)
66.	Which of the following is not an external causes of Business Cycle: (a) Technology Shock (b) Fluctuations in Investment (c) Natural Factors (d) Population Growth Ans:- (b) **[MTP Nov 21]**
67.	According to whom fluctuations in economic activities are due to fluctuations in aggregate effective demand: (a) ScIumpeter (b) Pigou (c) Keynes (d) Hawtrey Ans:- (c) **[MTP Nov 21]**
68.	Fluctuation in Economic activities are due to : (a) Change in money supply (b) Profitability (c) Fluctuation in aggregate demand (d) None of these Ans:- (c) **[MTP May 22]**
69.	Nicholas Kaldor propounded_____ (a) Nocholas theory (b) Kaldor Theory (c) Cobweb theory (d) Cobb-douglas theory Ans:- (c)
70.	Decrease in input demand_____ . (a) Doesn't affect inputs prices (b) Pushes inputs prices up (c) Pulls inputs prices down (d) Either (B) or (C) Ans:- (c)
71.	In order to influence spending on the goods and services in the short run_____, is directed at directly influencing interest rate. (a) fiscal policy (b) budgetary policy (c) monetary policy (d) economic policy Ans:- (c)
72.	According to British economist J. M. Keynes was the main cause of massive decline in income and employment during Great Depression of 1930. (a) Lower aggregate expenditure in the economy. (b) Banking crises and low money supply. (c) Overdebtness. (d) Lower profits & pessimism Ans:- (a) **[MTP Nov 22,Dec 24]**
73.	Fluctuations in Economic Activities according to keynes due to (a) Innovation (b) Changes in Money supply (c) Fluctuation in aggregate effective demand (d) None of these Ans:- (c) **[MTP Nov 22]**
74.	Which is not the External Causes of business cycle: (a) Technology shock (b) Population Growth (c) Money Supply (d) Technology Shock Ans:- (c)
75.	Internal causes of business cycle: (a) Money Supply (b) Psychological factors (c) Macroeconomic Policies (d) All of the above Ans:- (d) **[MTP Nov 23]**
76.	Which of the following policy measures is typically used by central banks to manage the business cycle? (a) Fiscal policy (b) Monetary policy (c) Trade policy (d) Industrial policy Ans:- (b) **[MTP Dec 23,August 24,April 24]**
77.	According to Hawtrey trade cycle is a

	(a) Monetary phenomenon (b) Unplanned phenomenon (c) Fiscal phenomenon (d) All the above Ans:- (a) **[MTP May 21, Dec 23, May 24, August 24, Jan 25]**
78.	According to _____ trade cycles occur due to onset of innovations. (a) Hawtrey (b) Adam Smith (c) J M Keynes (d) Schumpeter Ans:- (d) **[MTP May 20]**
79.	Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment? (a) Pump Priming (b) Deficit Financing (c) Compensatory Spending (d) Public Spending Ans:- (a) **[MTP May 24,Dec 24,July 24]**
80.	According to Keynes, inflationary gap is caused by (a) excess supply (b) excess demand (c) deficiency of demand (d) deficiency of supply Ans:- (b) **[RTP May 25]**
81.	Which is not the External Causes of business cycle: (a) Post War Reconstruction (b) Technology Shocks (c) Population Growth (d) Money Supply Ans:- (d) **[RTP Sep 24, MTP April 23, June 24]**
82.	In explaining the level of unemployment, Keynes emphasized: (a) Change in Technology (b) Aggregate demand (c) Inflationary expectations (d) Lending by financial institutions Ans:- (b) **[RTP Jan 25]**
83.	If the growth rate of population is higher than the rate of economic growth, there will be in the economy. (a) more savings (b) no effect on savings (c) lesser savings (d) none of these Ans:- (c) **[SM,MTP Dec 24]**
84.	Which of the following is the external cause of Business Cycles? (a) Fluctuations in Effective Demand (b) Fluctuations in Investment (c) Variations in government spending (d) War Ans:- (d) **(MTP Nov 20)**
85.	External causes of business Cycle are: (a) Money Supply (b) Fluctuations in Investment (c) Technological Shock (d) None of these Ans:- (c) **[MTP May 21]**
86.	Which one of the following is not an internal cause of business cycles? (a) Money supply (b) Technology shocks (c) Psychological factors (d) Fluctuations in investment Ans:- (b) **[MTP May 22]**
87.	Post war reconstruction (a) will push the economy to slow down because of excess external debts. (b) will cause pickup in economic activities as the reconstruction pushes up effective demand & i n turn employment and income. (c) can cause boom or recession depending upon the policies for reconstruction adopted by govt. (d) None of these Ans:- (b) **[MTP Nov 22,July 24]**
88.	The growth rate of population is higher than the rate of economic growth there will be in the economy. (a) Lesser savings (b) More savings

	(c) No effect on savings (d) None of these Ans:- (a) **[MTP August 24]**
89.	A leading indicator is (a) a variable that tends to move along with the level of economic activity (b) a variable that tends to move in advance of aggregate economic activity (c) a variable that tends to move consequent on the level of aggregate economic activity (d) None of the above Ans:- (b) **[SM]**
90.	A variable that tends to move later than aggregate economic activity is called (a) a leading variable. (b) a coincident variable. (c) a lagging variable. (d) a cyclical variable. Ans:- (c) **[SM,MTP May 20]**
91.	Leading economic indicators (a) are used to forecast probable shifts in economic policies (b) are generally used to forecast economic fluctuations (c) are indicators of stock prices existing in an economy (d) are indicators of probable recession and depression Ans:- (b) **[SM]**
92.	Which of the following is not an example of coincident indicator? (a) Industrial production (b) Inflation (c) Retail sales (d) New orders for plant and equipment Ans:- (d) **(MTP Dec 23, Nov 20, Nov 18)**
93.	Economic indicators are – (a) A one stroke solution to check the phase of economy (b) Indicators showing the movement of economy (c) Some activities which predict the direction of economy
	(d) Just an illusion Ans:- (c) **[SM]**
94.	Which economic indicator is required to predict the turning point of business cycle? (a) Leading indicator (b) Lagging indicator (c) Coincident (d) All of the above Ans:- (d) **[SM]**
95.	Which of the following is not a variable in the index of leading indicators? (a) New consumer goods order (b) Delayed deliveries (c) New building permits (d) Prime rate Ans:- (d) **[MTP May 19,May 24]**
96.	A indicator which occur simultaneously with the business cycle movements is- (a) Lagging indicator (b) Coincident indicator (c) Leading indicator (d) None of these Ans:- (b) **[MTP Nov 19]**
97.	Example of Lagging indicator is- (a) Corporate profits (b) Interest rates (c) Consumer price index (d) All of these Ans:- (d) **[MTP Nov 19]**
98.	Economists use changes in a variety of activities to measure the business cycle and to predict where the economy is headed towards.is called- (a) Leading indicators (b) Indicators (c) Lagging Indicators (d) None of these Ans:- (b) **(SM, MTP May 20)**
99.	The Delphi process is a technique of: (a) Budget Analysis (b) Demand forecasting (c) Cost Analysis (d) None of these

	Ans:- (b) **[MTP May 21]**
100.	The Turning point of business cycle is practiced by : (a) Leading Indicator (b) Coincident (c) Lagging indicator (d) All the above Ans:- (d) **[MTP May 21]**
101.	Economic indicator required to predict the turning point of business cycle is : (a) Leading indicator (b) Lagging indicator (c) Coincident (d) All of the above Ans:- (d) **[MTP Nov 21,April 23]**
102.	Coincident indicator is not indicated as: (a) Inflation (b) Industrial Production (c) Retail Sales (d) New order for Plant and equipment Ans:- (d) **[RTP Jan 25, MTP Nov 21, Nov 23, April 24]**
103.	Variables that change before the real output changes are called: (a) Lagging indicator (b) Leading Indicator (c) Concurrent Indicator (d) None of these Ans:- (b) **[MTP Nov 21,April 23]**
104.	Economy's historical performance was reflected by: (a) Lagging indicating (b) Leading indicating (c) Either (a) or (b) (d) None of these Ans:- (a) **[MTP Nov 21,April 23,Dec 23,April 24,August 24]**
105.	Variable that change after real output change are: (a) Leading Indicator (b) Lagging Indicator (c) Concurrent Indicator (d) None of these Ans:- (b)
	[MTP May 22]
106.	The turning point of business cycle is produced by when economic indicates (a) Coincident (b) Lagging indicate (c) leading Indicate (d) All of the above Ans:- (d) **[MTP Nov 22]**
107.	The heavy advance order for Capital goods is an example of (a) Lagging Indicator (b) Leading Indicator (c) Coincidental Indicator (d) None of these Ans:- (b) **[MTP May 23]**
108.	Coincident economic indicators are also called_____ . (a) Concurrent indicators (b) Compound indicators (c) Coexist indicators (d) Random indicators Ans:- (a) **[MTP May 23]**
109.	Lagging Indicators are: (a) unemployment (b) Corporate Profits (c) Interest rate (d) All of the above Ans:- (d) **[MTP Nov 23]**
110.	Which of the following is a lagging economic indicator? (a) Consumer confidence index (b) Stock market performance (c) Unemployment rate (d) New housing starts Ans:- (c) **[MTP Dec 23,August 24,May 24]**
111.	Which economic indicator is required to predict the turning point of business cycle? (a) Leading Indicator (b) Lagging Indicator (c) Coincident (d) All of the above Ans:- (d)
112.	The Turning point of business cycle is predicted by : (a) Lagging Indictor

	(b) Leading Indicator (c) Coincident (d) All of the above Ans:- (b) **[MTP May 22]**
113.	Which economic indicator is required to predict the turning point of business cycle? (a) Leading Indicator (b) Lagging Indicator (c) Coincident (d) All of the above Ans:- (d) **[MTP July 24]**
114.	If the growth rate of population is higher than the rate of economic growth, there will be in the economy. (a) more savings (b) no effect on savings (c) lesser savings (d) none of these ANS :- (c) **[SM,MTP Dec 24]**
115.	Which of the following is the external cause of Business Cycles? (a) Fluctuations in Effective Demand (b) Fluctuations in Investment (c) Variations in government spending (d) War Ans:- (d) **(MTP Nov 20)**
116.	External causes of business Cycle are: (a) Money Supply (b) Fluctuations in Investment (c) Technological Shock (d) None of these Ans:- (c) **[MTP May 21]**
117.	Which one of the following is not an internal cause of business cycles? (a) Money supply (b) Technology shocks (c) Psychological factors (d) Fluctuations in investment Ans:- (b) **[MTP May 22]**
118.	Post war reconstruction (a) will push the economy to slow down because of excess external debts. (b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income. (c) can cause boom or recession depending upon the policies for reconstruction adopted by govt. (d) None of these Ans:- (b) **[MTP Nov 22,July 24]**
119.	The growth rate of population is higher than the rate of economic growth there will be in the economy. (a) Lesser savings (b) More savings (c) No effect on savings (d) None of these Ans:- (a) **[MTP August 24]**
120.	During 1920s, UK saw rapid growth in GDP, production levels and living standards. The economic growth also caused an unprecedented rise in stock market values. This is an example of: (a) Boom (b) Recession (c) Contraction (d) Trough Ans:- (a) **[MTP May 18]**
121.	Which of the following is not an example of business cycle? (a) During 1920s, UK saw rapid growth in gross domestic Product, production levels and living standards. (b) Due to bursting of Information Technology bubble stock markets crashed and countries began feeling of down turn in their economies. (c) The Sub-prime crisis led to chain effect and it had worldwide impact. (d) The cycle business has seen a slowdown in growth over a period of time. Ans:- (d) **[MTP Nov 18]**
122.	Great Depression of 1930's is an example of: (a) Business cycle (b) Consumer sovereignty (c) Freedom of choice (d) None of these Ans:- (a) **[MTP May 21]**

123. Information Technology bubble burst of 2000 is an example of :
(a) Business Cycle
(b) Consumer Sovereignty
(c) Freedom of choice
(d) None of these
Ans:- (a)
[RTP May 25, Sep 24, MTP April 23]

124. What is the similarity between the Subprime Crisis and Greece Crisis?
(a) High Financial Leverage
(b) Low-Interest Rate
(c) Credit Expansion
(d) All of the above
Ans:- (d)
[RTP Sep 24]

125. Nuclear Power represents which type of market structure :
(a) Government Monopoly
(b) Perfect Competition
(c) Monopolistic Competition
(d) Oligopoly
Ans:- (a)
[MTP Nov 21]

126. Globalization indicate rapid_____ between Countries :
(a) Competition
(b) Investment
(c) Integration
(d) None of these
Ans:- (c)

127. Net domestic expenditure is consumption expenditure plus
(a) Net foreign investment
(b) Net foreign investment plus net domestic investment
(c) Net domestic investment
(d) Replacement expenditure
Ans:- (c)
[MTP May 22,Dec 24]

128. The 'communist Manifesto' was published in:
(a) 1848
(b) 1905
(c) 1952
(d) None of these.
Ans:- (a)
[MTP May 23]

129. On the basis of volume of Business the market can be classified as:
(a) Wholesale Market
(b) Retail Market
(c) Both a & b
(d) None of these
Ans:- (c)
[MTP May 24]

130. In the very long-run AD-AS model, if the AD-curve shifts to the left, then:
(a) prices and output will both decrease
(b) prices and output will both increase
(c) prices will decrease but output will remain the same
(d) output will decrease but prices will remain the same
Ans:- (c)
[MTP April 24]

131. Inflation occurs whenever:
(a) aggregate demand rises.
(b) the price of any given commodity rises.
(c) the average price of most goods and services rises.
(d) the tax rate is lower than the government spending rate.
Ans:- (c)
[MTP April 24]

132. Which organization is accountable for calculating the Gross Domestic Product of India?
(a) Indian Statistical Institute
(b) Reserve Bank of India
(c) National Statistical Office
(d) Ministry of Commerce and Industry
Ans:- (c)
[MTP July 24]

133. When Investment in an economy increases from ` 10000 crores to ` 14000 crores and as a result of this national income rises ` 80000 to ` 92000 crores, Investment Multiplier will be:
(a) 5
(b) 3
(c) 2
(d) None of these
Ans:- (b)
[MTP July 24]

134. Calculate National Income from the following data:

Consumption	1000
Investment	500
Government Purchases	200
Exports	200

	Imports 400 (a) 1500 (b) 1800 (c) 600 (d) None of these Ans:- (a) **[MTP July 24]**
135.	The share of concessional debt in total external debt of India has: (a) remained the same (b) doubled (c) reduced (d) increased Ans:- (c) **[MTP July 24]**
136.	The Indian industry faced the process of retrogression and deceleration because of: (a) unsatisfactory performance of agriculture (b) slackening of real investment in public sector (c) narrow market for industrial goods, especially in rural areas (d) all the above. Ans:- (d) **[MTP July 24]**
137.	Export led growth strategy does not include: (a) outward oriented growth (b) export promotion (c) import restrictions (d) emphasising comparative advantage Ans:- (c) **[MTP July 24]**
138.	Budgetary deficit can be expressed as: (a) the excess of public expenditure over public revenue (b) the sum of deficit on revenue account and deficit on capital account (c) that portion of government expenditure which is financed through the sale of 91 days Treasury Bills and drawing down of cash balances (d) all the above Ans:- (d) **[MTP July 24]**
139.	The most important aim of fiscal policy in a developing country is : (a) economic stability (b) economic development (c) regional balance (d) None of these Ans:- (b) **[MTP July 24]**
140.	Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India? (a) Likely to increase (b) Likely to fall (c) No impact (d) None of these Ans:- (a) **[MTP August 24]**
141.	Which of the following does not cause inflation: (a) Easy finance facility (b) Growth of Black Money (c) Decrease in public i.e. government expenditure (d) High growth rate of population Ans:- (c) **[MTP August 24]**
142.	The effects of inflation on the price competitiveness of a country's products may be offset by: (a) An appreciation of the currency (b) A revaluation of the currency (c) A depreciation of the currency (d) None of the above Ans:- (c) **[RTP May 25]**
143.	What is the primary purpose of an import quota? (a) To encourage domestic production. (b) To reduce government spending. (c) To limit the quantity of imports. (d) To increase the trade deficit. Ans:- (c) **[RTP Sep 24]**
144.	Which exchange rate regime is adopted by highest no of IMF members (a) Hard Peg (b) Floating (c) Free Floating (d) Soft Peg Ans:- (d) **[RTP Sep 24]**

Chapter 6: Determination of National Income

1.	The concept of 'resident unit' involved in the definition of GDP denotes (a) A business enterprise which belongs to a citizen of India with production units solely situated in India (b) The unit having predominant economic interest in the economic territory of the country for one year or more irrespective of the nationality or legal status (c) A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India (d) Households and business enterprises composed of citizens of India alone living in India during the accounting year Ans:- (b) **[SM]**
2.	Read the following statements and answer the following question. I. Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, II. Intermediate consumption excludes fixed assets whose consumption is recorded as consumption of fixed capital. (a) Only I is true (b) Both I and II are true (c) Only II is true (d) Neither I nor II is true Ans:- (b) **[SM]**
3.	Gross Domestic Product (GDP) of any nation (a) excludes capital consumption and intermediate consumption (b) is inclusive of capital consumption or depreciation (c) is inclusive of indirect taxes but excludes subsidies (d) None of the above Ans:- (b) **[SM]**
4.	Read the following statements I. 'Value added' refers to the difference between value of output and purchase of intermediate goods. II. 'Value added' represents the contribution of labour and capital to the production process. (a) Statements I and II are incorrect (b) Statements I and II are correct (c) Statement I is correct and II is incorrect (d) Statement II is correct and I is incorrect Ans:- (b) **[SM]**
5.	Non-economic activities are (a) those activities whose value is excluded from national income calculation as it will involve double counting (b) those which produce goods and services, but since these are not exchanged in a market transaction they do not command any market value (c) those which do not involve production of goods and services as they are meant to provide hobbies and leisure time activities (d) those which result in production for self consumption and therefore not included in national income calculation Ans:- (b) **[SM]**
6.	Which of the following does not enter into the calculation of national income? (a) Exchange of previously produced goods (b) Exchange of second hand goods (c) Exchange of stocks and bonds (d) All the above Ans: (d) **[SM, MTP Dec 24]**
7.	Which of the following enters into the calculation of national income? (a) The value of the services that accompany the sale (b) Additions to inventory stocks of final goods and materials (c) Stocks and bonds sold during eth current year

	(d) (a) and (b) above Ans:- (d) **[SM]**
8.	Gross National Product at market prices GNP MP is (a) GDP MP + Net Factor Income from Abroad (b) GDP MP - Net Factor Income from Abroad (c) GDP MP - Depreciation (d) GDP MP + Net Indirect Taxes Ans:- (a) **[SM]**
9.	Choose the correct statement: (a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these (b) NNPFC = National Income = FID (factor income earned in domestic territory) – NFIA. (c) Capital goods and inventory investment are excluded from computation of GDP (d) NDPMP = GDPMP + Depreciation Ans:- (a) **[SM]**
10.	The basis of distinction between market price and factor cost is (a) net factor income from abroad (b) net indirect taxes (i.e., Indirect taxes - Subsidies) (c) net indirect taxes (i.e., Indirect taxes + Subsidies) (d) depreciation (consumption of fixed capital) Ans:- (b) **[SM]**
11.	If net factor income from abroad is positive, then (a) national income will be greater than domestic factor incomes. (b) national income will be less than domestic factor incomes. (c) net exports will be negative (d) domestic factor incomes will be greater than national income Ans:- (a) **[SM]**
12.	The GDP per capita is (a) a measure of a country's economic output per person (b) actual current income receipts of persons (c) national income divided by population (d) (a) and (c) above Ans:- (d) **[SM]**
13.	Which of the following is an example of transfer payment? (a) Old age pensions and family pensions (b) Scholarships given to deserving diligent students. (c) Compensation given for loss of property due to floods (d) All the above Ans:- (d) **[SM]**
14.	Mixed income of the self -employed means (a) net profits received by self -employed people (b) outside wages received by self-employed people (c) combined factor payments which are not distinguishable, (d) wages due to non- economic activities Ans:- (c) **[SM]**
15.	Which of the following is added to national income while calculating personal income? (a) Transfer payments to individuals (b) Undistributed profits of corporate (c) Transfer payments made to foreigners (d) Mixed income of self employed Ans:- (a) **[SM]**
16.	Which of the following is a limitation of using GDP as a measure of economic well-being? (a) It includes only monetary transactions. (b) It does not account for income distribution. (c) It considers both market and non-market activities. (d) It is not affected by inflation. Ans: (b) **[MTP April 24]**
17.	If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country: (a) Is a net exporter.

	(b) Is a net importer. (c) Has a trade surplus (d) Has a trade deficit Ans: (d) **[MTP April 24]**
18.	Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true? (a) consumption and government purchases went up since you bought a used car and government bonds (b) consumption and investment went up since you bought a used car and government bonds (c) investment and government purchases went up since you built a new house and bought government bonds (d) investment went up since you built a new house Ans: (d) **[MTP April 24]**
19.	What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach? (a) GDP = Consumption + Investment + Government Spending (b) GDP = Consumption + Investment + Government Spending + Net Exports (c) GDP = Consumption + Investment (d) GDP = Consumption + Net Exports Ans: (b) **[MTP April 24]**
20.	Which component of National Income represents the income earned by individuals and businesses before taxes and other deductions? (a) Personal Income (b) Disposable Income (c) Gross National Product (GNP) (d) Gross Domestic Product (GDP) Ans: (a) **[MTP April 24]**
21.	Which of the following is NOT an example of a transfer payment in the sense of the national income accounts? (a) Government family allowances (b) Public unemployment insurance benefits (c) Dividends paid by corporations to stockholders

	(d) Disability pensions paid from the social insurance system Ans: (c) **[MTP May 24]**
22.	The difference between real and nominal GDP is... (a) Nominal GDP only accounts for citizens. (b) Nominal GDP uses price-levels of some base year. (c) Nominal GDP uses actual price-levels. (d) Real GDP also includes services, whereas nominal GDP only takes goods into account. Ans: (c) **[MTP May 24]**
23.	A nation's gross domestic product (GDP): (a) can be found by summing C + I + G + Xn. (b) is the dollar value of the total output produced by its citizens, regardless of where they are living. (c) can be found by summing C + S + G + Xn. (d) is always some amount less than its NDP. Ans: (a) **[MTP May 24]**
24.	Gross investment refers to: (a) private investment minus public investment. (b) net investment plus replacement investment. (c) net investment after it has been "inflated" for changes in the price level. (d) net investment plus net exports. Ans: (b) **[MTP May 24,Dec 24]**
25.	The amount of after-tax income received by households is measured by: (a) discretionary income. (b) national income. (c) disposable income. (d) personal income. Ans: (c) **[MTP May 24]**
26.	Which one is a component of profit? (a) Dividend (b) Undistributed Profit (c) Corporate Profit Tax (d) All of these Ans: (d)

	[MTP May 24,Jan 25]
27.	A firm makes an investment in unrelated business then it is called: (a) Horizonal investment (b) Vertical investment (c) Conglomerate (d) None of these Ans: (c) **[MTP May 24]**
28.	Gross value method is employed in India: (a) To avoid double counting. (b) To avoid the impact of inflation. (c) To capture the consumption levels. (d) To calculate the exports. Ans: (a) **[MTP May 24]**
29.	GDP includes: (a) neither intermediate nor final goods. (b) both intermediate and final goods. (c) intermediate, but not final, goods. (d) final, but not intermediate, goods. Ans: (d) **[MTP June 24]**
30.	Which of the following is a final good or service? (a) diesel fuel bought for a delivery truck (b) fertilizer purchased by a farm supplier (c) a haircut (d) Chevrolet windows purchased by a General Motors assembly plant Ans: (c) **[MTP June 24]**
31.	Transfer payments are: (a) excluded when calculating GDP because they only reflect inflation. (b) excluded when calculating GDP because they do not reflect current production. (c) included when calculating GDP because they are a category of investment spending. (d) included when calculating GDP because they increase the spending of recipients. Ans: (b) **[MTP June 24]**
32.	Value added refers to: (a) any increase in GDP that has been adjusted for adverse environmental effects. (b) the excess of gross investment over net investment. (c) the difference between the value of a firm's output and the value of the inputs it has purchased from others. (d) the portion of any increase in GDP that is caused by inflation as opposed to an increase in real output. Ans: (c) **[MTP June 24]**
33.	Personal income is most likely to exceed national income: (a) when gross and net investment are equal. (b) during a period of recession or depression. (c) when gross investment exceeds net investment. (d) during a period of extended inflation. Ans: (b) **[MTP June 24]**
34.	If a farmer sells wheat to miller for ` 600 and miller sells flour to baker for ` 800. The baker sells bread to consumer for ` 1300, then the total value added in the process is: (a) ` 600 (b) ` 800 (c) ` 700 (d) ` 1200 Ans: (c) **[MTP July 24]**
35.	The Value of National Income adjusted for inflation is called? (a) Disposable income (b) Per capita income (c) Inflation adjusted income. (d) Real national Income Ans: (d) **[MTP July 24]**
36.	The nominal and real GDP respectively of a country in a particular year are ` 3000 cr. and ` 4500 cr respectively. The GDP deflator will be: (a) 55.55 (b) 66.66 (c) 44.45 (d) None of these. Ans: (b) **[MTP August 24]**
37.	Who are the normal residents of the country?

(a) A resident who has own house in that country
(b) A resident with a bank account in that country
(c) Ordinary residents with economic interest lying in that country
(d) None of these
Ans: (c)
[MTP August 24]

38. National income accountants can avoid multiple counting by:
(a) Counting both intermediate and final goods.
(b) Only counting final goods.
(c) Only counting intermediate goods.
(d) Including transfers in their calculations.
Ans: (b)
[MTP Jan 25,Dec 24]

39. Which of the following refers to the study of the total or aggregate level of output, income, employment, consumption, investment, and prices for the economy viewed as a whole?
(a) Managerial economics
(b) Microeconomics
(c) Macroeconomics
(d) Econometrics
Ans: (c)
[MTP Jan 25]

40. Which of the following statements is true?
(a) NDP is greater than GDP if prices are falling
(b) NDP is greater than GDP if prices are rising
(c) NDP can be greater than GDP but only if the economy is growing
(d) NDP cannot be greater than GDP
Ans: (d)
[MTP Jan 25]

41. Increases in unwanted business inventories are counted as:
(a) a decrease in the capital stock
(b) an increase in consumption
(c) an increase in investment
(d) an increase in depreciation
Ans: (c)
[MTP Jan 25]

42. Which of the following is NOT included in the calculation of GDP using the expenditure approach?
(a) Consumption expenditure
(b) Government purchases
(c) Business investment
(d) Transfer payments
Ans: (d)
[MTP Dec 24]

43. In India agricultural income is calculated by :
(a) Income method
(b) Output method
(c) Expenditure method
(d) None of them.
Ans: (b)
[MTP Dec 24]

44. Which of the following is an intermediate good?
(a) The Purchase of gasoline for a ski trip to Colorado
(b) The Purchase of Pizza by a college student
(c) The Purchase of baseball uniform by a professional baseball team
(d) The Purchase of Jogging Shoes by a Professor
Ans: (c)
[MTP Dec 24]

45. From the following data, calculate "Gross value added at factor cost".

S. No.	Particulars	` In Crore
1.	Sale	180
2.	Rent	5
3.	Subsidy	10
4.	Change in Stock	15
5.	Purchase of Raw Material	100
6.	Profits	25

(a) 105
(b) 210
(c) 185
(d) None of these
Ans: (a)
[MTP Dec 24]

46. Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?
(a) Consumption will increase

	(b) Net exports will increase (c) Government purchases will increase (d) Investment will increase Ans: (a) **[RTP Sep 24]**
47.	In the Keynesian model, equilibrium aggregate output is determined by (a) aggregate demand (b) consumption function (c) the national demand for labor (d) the price level Ans:- (a) **[SM]**
48.	Keynes believed that an economy may attain equilibrium level of output (a) only at the full-employment level of output (b) below the full-employment level of output (c) only if prices were inflexible (d) a) and c) above Ans:- (b) **[SM]**
49.	According to Keynes, consumption expenditure is determined by (a) the level of interest rates (b) extent of government taxes and subsidies (c) disposable income (d) autonomous investment expenditure Ans:- (c) **[SM]**
50.	The marginal propensity to consume (MPC) can be defined as (a) a change in spending due to a change in income (b) a change in income that is saved after consumption (c) part of income that is spent on consumption. (d) part of income that is not saved. Ans:- (a) **[SM]**
51.	If the consumption function is expressed as $C = a + bY$ then b represents (a) autonomous consumer expenditure when income is zero (b) the marginal propensity to consume. (c) the expenditure multiplier when consumption is increased (d) part of disposable income Ans:- (b) **[SM]**
52.	If the consumption function is expressed as $C = a + bY$ then a represents (a) autonomous consumer expenditure. (b) the marginal propensity to consume. (c) the consumption income relationship (d) Non- linear consumption function Ans:- (a) **[SM]**
53.	If the consumption function is $C = 20 + 0.5Yd$, then an increase in disposable income by Rs. 100 will result in an increase in consumer expenditure by Rs. ---------- (a) 25 (b) 70 (c) 50 (d) 100 Ans:- (c) **[SM]**
54.	If the autonomous consumption equals Rs. 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals Rs. 10,000, then total consumption will be Rs. _____ (a) 8,000 (b) 6,000 (c) 10,000 (d) None of the above Ans:- (c) **[SM]**
55.	In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the (a) level of full employment income. (b) less than full employment level of income. (c) equilibrium level of income which may or may not be full employment level of income (d) autonomous level of income which may not be full employment level of income Ans:- (c) **[SM, MTP June 24, Dec 24]**
56.	In a closed economy, aggregate demand is the sum of (a) consumer expenditure, demand for exports and government spending. (b) consumer expenditure, planned

	investment spending and government spending. (c) consumer expenditure, actual investment spending, government spending and net exports. (d) consumer expenditure, planned investment spending, government spending, and net exports. Ans:- (b) **[SM]**
57.	Under equation C= a+by, b=0.8, what is the value of 2 sector expenditure multiplier? (a) 4 (b) 2 (c) 5 (d) 1 Ans:- (c) **[SM]**
58.	Countries with higher saving rates may have higher equilibrium growth rates since: (a) people who save more also are more industrious (b) higher income allows for more savings (c) a higher saving rate allows for more investment in human capital which ultimately enhances economic growth (d) having more capital equipment is more important than having better capital equipment Ans: (c) **[MTP April 24]**
59.	The expenditure multiplier is used to calculate the change in: (a) spending caused by a change in income (b) equilibrium income caused by a change in autonomous spending (c) intended spending caused by a change in consumption (d) disposable income caused by a change in saving Ans: (b) **[MTP April 24]**
60.	The concept of the "multiplier effect" in Keynesian economics refers to: (a) The impact of interest rates on investment (b) The magnification of an initial change in spending throughout the economy (c) The impact of taxes on consumer spending (d) The role of exports in economic growth Ans: (b) **[MTP April 24]**
61.	According to Keynes, what can cause involuntary unemployment in an economy? (a) High interest rates (b) Insufficient aggregate demand (c) Government intervention (d) Excessive savings Ans: (b) **[MTP April 24]**
62.	The concept of "animal spirits" in Keynesian theory refers to: (a) The unpredictable behavior of financial markets (b) Psychological factors influencing economic decisions (c) Government regulations affecting business confidence (d) The impact of interest rates on investment Ans: (b) **[MTP April 24,May 24]**
63.	If the GDP gap is positive, then: (a) The inflation rate is falling (b) Actual GDP is greater than potential GDP (c) Potential GDP is greater than actual GDP (d) The unemployment rate is rising Ans: (b) **[MTP May 24]**
64.	Personal income is most likely to exceed national income: (a) when gross and net investment are equal. (b) during a period of recession or depression. (c) when gross investment exceeds net investment. (d) during a period of extended inflation. Ans: (b) **[MTP June 24]**
65.	Deficient demand leads to: (a) inflationary gap (b) deflationary gap (c) both (a) and (b) (d) None of these Ans: (b) **[MTP May 24]**

66. Which investment is made without any reference to level of income or profits?
(a) Induced
(b) Autonomous
(c) Inventory
(d) Gross
Ans: (b)
[MTP July 24]

67. What is the value of Investment Multiplier when saving function is represented as S = -60 + 0.2Y?
(a) 2
(b) 5
(c) 4
(d) 0.2
Ans: (b)
[MTP July 24]

68. "What could be the cause of the increase in Aggregate Demand within an economy?"
(a) Increase in Imports
(b) Decrease in Govt. Expenditure
(c) Rise in Investment Expenditure
(d) Decrease in Exports
Ans: (c)
[MTP July 24]

69. Which of the following will cause a leakage in the National Income of an economy?
(a) Decrease in Expenditure
(b) Decrease in Taxation
(c) Increase in Imports
(d) Both a & c
Ans: (d)
[MTP July 24]

70. The per capita income in country Y increased from ` 50,000 to ` 65,000 while the per capita consumption increased from ` 37,500 to ` 48,750. Calculate the spending multiplier for this economy.
(a) 5
(b) 4
(c) 2.5
(d) 8
Ans: (b)
[MTP July 24]

71. An increase in investment by 600 cr leads to increase in national income by 1800 cr. The MPC will be –
(a) 3
(b) 4
(c) 5
(d) None of these
Ans: (a)
[MTP August 24]

72. Consumption expenditure according to Keynes is determined by:
(a) Disposable income
(b) Level of interest rate
(c) Extent of government taxes and subsides
(d) None of these
Ans: (a)
[MTP August 24]

73. Suppose in a country investment increases by ` 100 crores and consumption is given by C= 10 +0.6Y. How much increase will there take place in income?
(a) 250
(b) 200
(c) 150
(d) None of these
Ans: (c)
[MTP August 24]

74. Which of the economists below most likely advocated activist government policies?
(a) Milton Friedman
(b) John Maynard Keynes
(c) Robert Lucas
(d) Thomas Sargent
Ans: (b)
[MTP Jan 25]

75. A consumption function of the form C = Co + c YD has a positive vertical intercept Co, which indicates that:
(a) some consumption is unaffected by changes in disposable income
(b) the MPC will increase as disposable income increases
(c) the APC will always increase as disposable income increases
(d) the APC will always be less than the MPC
Ans: (a)
[MTP Jan 25]

76. Savings represent
(a) An injection to the circular flow of income
(b) A withdrawal into the circular flow
(c) Both an injection and a withdrawal
(d) None of the above.
Ans: (b)

	[MTP Dec 24]
77.	Macroeconomic stabilization may be achieved through: (a) Free market economy (b) Fiscal Policy (c) Monetary Policy (d) Both (b) & (c) Ans: (d) **[MTP Dec 24]**
78.	Which of the following policies is likely to shift the economy's aggregate demand curve to the right? (a) Increase in government spending (b) Increase in taxes (c) A tax cut along with increase in public expenditure (d) All the above Ans: (d) **[MTP Dec 24]**
79.	Inflationary gap: (a) raises the level of output (b) does not impact the level of output (c) raises the general price level (d) both (b) and (c) Ans: (d) **[MTP Dec 24]**
80.	Given Consumption Function is $C = 300 + 0.75Y$; Investment = ₹ 800; Net Imports = ₹ 100. The equilibrium level of output is: (a) 4000 (b) 5000 (c) 8000 (d) None of these Ans: (a) **[MTP Dec 24]**
81.	What is the value of Investment Multiplier when saving function is represented as $S = -60 + 0.2Y$? (a) 2 (b) 5 (c) 4 (d) 0.2 Ans: (b) **[MTP Dec 24]**
82.	When Investment in an economy increases from Rs. 10000 crores to Rs. 14000 crores and as a result of this national income rises Rs. 80000 to Rs. 92000 crores, compute Investment Multiplier. (a) 3 (b) 4 (c) 5 (d) None of these Ans: (a) **[RTP Jan 25]**

Chapter 7: Public Finance

1.	Redistribution policies are likely to have efficiency costs because (a) They will reduce the efficiency of governments (b) They may create disincentives to work and save (c) Governments have to forego taxes (d) They are likely to make the poor people dependent on the rich Ans:- (b) **[SM]**
2.	Macroeconomic stabilization may be achieved through (a) Free market economy (b) Fiscal policy (c) Monetary policy (d) (b) and (c) above Ans:- (d) **[SM]**
3.	Which of the following policies of the government fulfils the redistribution function (a) Parking the army on the northern borders of the country (b) Supply of food grains at subsidized prices to the poor people (c) Controlling the supply of money through monetary policy (d) All of the above Ans:- (b) **[SM]**
4.	Choose the correct statement (a) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of price and profit controls. (b) Fiscal policy involves the use of price and profit controls; while monetary policy involves the use of taxation and government spending. (c) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of changes in the supply of money and interest rates. (d) Fiscal policy involves the use of changes in the supply of money and interest rates; while monetary policy involves the use of changes in taxation and government spending. Ans:- (c) **[SM]**
5.	The justification for government intervention is best described by (a) The need to prevent recession and inflation in the economy (b) The need to modify the outcomes of private market actions (c) The need to bring in justice in distribution of income and wealth (d) All the above Ans:- (d) **[SM]**
6.	Read the following statements: 1. The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy 2. Market failures can at all times be corrected through government intervention 3. Public goods will not be produced in sufficient quantities in a market economy Of the three statements above (a) 1,2 and 3 are correct (b) 1 and 3 are correct (c) 2 and 3 are correct (d) 3 alone is correct Ans:- (b) **[SM]**
7.	When a government offers unemployment benefits and also resorts to progressive taxation which function does it seem to fulfill? (a) It is trying to establish stability in an economy (b) It is trying to redistribute income and wealth (c) It is trying to allocate resources to their most efficient use (d) It is creating a source of market failure Ans:- (b) **[SM]**
8.	Government of Emeline Land decides to provide most modern road infrastructure

	throughout the nation. This can be classified as (a) Distribution function (b) Allocation function (c) Stabilization function (d) None of the above Ans:- (b) **[SM]**
9.	Which function does the government perform when it provides transfer payments to offer support to the underprivileged (a) Allocation (b) Efficiency (c) Distribution (d) None of the above Ans:- (c) **[SM]**
10.	Which of the following is true in respect of centre and state government finances? (a) The centre can tax agricultural income and mineral rights (b) Finance commission recommends distribution of taxes between the centre and states (c) GST subsumes majority of direct taxes and a few indirect taxes (d) IGST is collected by the state governments Ans:- (b) **[SM]**
11.	GST compensation is given to (a) to the industries which have made losses due to the introduction of GST (b) to compensate for the lower rates of GST on essential items (c) to the states to compensate for the loss of revenue due to the introduction of GST (d) to compensate for the loss of input tax credit in manufacturing Ans:- (c) **[SM]**
12.	Which of the following is true in respect of the role of Finance Commissions in India? I. The distribution between the union and the states of the net proceeds of taxes II. Allocation between the states of the respective shares of such proceeds. III. Make Recommendations on integrated GST on inter-state movement of goods and services IV. To recommend expenditure decentralization among different states (a) I and II are correct (b) II and III are correct (c) I, II and III are correct (d) All the above are correct Ans:- (a) **[SM]**
13.	In a federal set up, the stabilization function can be effectively performed by (a) Respective state governments (b) Ministry of taxes (c) The government at the centre (d) None of the above Ans:- (c) **[SM]**
14.	Which of the following is concerned with division of economic responsibilities between the central and state Government of India? (a) NITI Aayog (b) central bank (c) Finance Commission (d) Parliament Ans:- (c) **[SM]**
15.	Fiscal Federalism refers to . (a) Organizing and implementing development plans (b) Sharing of political power between centers and states (c) The management of fiscal policy by a nation (d) Division of economic functions and resources among different layers of the government Ans:- (d) **[SM]**
16.	Which one of the following taxes is levied by the state government only? (a) Corporation tax (b) Wealth tax (c) Income tax (d) None of the above Ans:- (d) **[SM]**
17.	The percentage of share of states in central taxes for the period 2021-26 recommended by the Fifteenth Finance Commission is (a) 38 percent

	(b) 41 percent (c) 42 percent (d) The commission has not submitted its report Ans:- (b) **[SM]**
18.	Which of the following is not a criterion for determining distribution of central taxes among states for 2021-26 period (a) Demographic performance (b) Forest and ecology (c) Infrastructure performance (d) Tax and fiscal efforts Ans:- (c) **[SM]**
19.	As per the supreme court verdict in May 2022 (a) The union has greater powers than the states for enacting GST laws (b) The union and state legislatures have "equal, simultaneous powers "to make laws on Goods and Services Tax (c) The union legislature's enactments will prevail in case of a conflict between those of union and states (d) The state legislatures can make rules only with the permission of central government Ans:- (b) **[SM]**
20.	Providing social sector services such as health and education (a) the responsibility of the central government (b) the responsibility of the respective state governments (c) the responsibility of local administrative bodies (d) none of the above Ans:- (b) **[SM]**
21.	Fiscal federalism primarily deals with: (a) Distribution of financial resources among different levels of government (b) Distribution of power between Legislature and Executive (c) Relationship between Judiciary and Legislature (d) Conduct of elections in a federal country
	Ans: (a) **[RTP May 25]**
22.	Which of the following is NOT a function of NITI Aayog? (a) Policy formulation and coordination (b) Allocation of financial resources to states (c) Promoting cooperative federalism (d) Serving as a think tank for the government Ans: (b) **[RTP May 25]**
23.	'Who gave 'The Theory of Public Finance (1959)? (a) Adam Smith (b) Richard Musgrave (c) A.C. Pigou (d) Alfred Marshall Ans: (b) **[MTP April 24]**
24.	The stabilization function is concerned with the performance of the aggregate economy in the term of- (a) Overall output & income (b) General price level (c) Balance of international payments (d) All of these Ans: (d) **[MTP April 24,June 24]**
25.	A good taxation system should be used to: (a) finance public services (b) follow higher taxation (c) no taxation (d) finance private services Ans: (a) **[MTP May 24]**
26.	The Government adopting Progressive taxation system to tax people on the level of their income is an example of which function of public finance? (a) Redistribution Function (b) Allocation Function (c) Normative Function (d) Stabilization Ans: (a) **[MTP July 24]**
27.	What is the primary purpose of the Finance Commission in India? (a) To formulate monetary policy (b) To allocate central taxes to state

	governments (c) To recommend measures for economic planning (d) To audit the accounts of the government Ans: (b) **[MTP Dec 24]**
28.	Which of the following is NOT a function of public finance? (a) Allocation of resources for public goods (b) Income redistribution to achieve social equity (c) Providing tax relief to corporates to boost economic growth (d) Stabilization of the economy through fiscal measures Ans: (c) **[MTP Jan 25]**
29.	Which of the following is a tool of expansionary fiscal policy? (a) Increasing taxes (b) Cutting government spending (c) Reducing subsidies on essential goods (d) Increasing government spending to stimulate demand Ans: (d) **[MTP Jan 25]**
30.	'Market failure' is a situation which occurs when (a) private goods are not sufficiently provided by the market (b) public goods are not sufficiently provided by public sector (c) The market fail to form or they allocate resources efficiently (d) (b) and (c) above Ans:- (c) **[SM]**
31.	Which of the following is an example of market failure? (a) Prices of goods tend to rise because of shortages (b) Merit goods are not sufficiently produced and supplied (c) Prices fall leading to fall in profits and closure of firms (d) None of the above Ans:- (b) **[SM]**
32.	Which of the following is an outcome of market power? (a) makes price equal to marginal cost and produce a positive external benefit on others (b) can cause markets to be efficient due to reduction in costs (c) makes the firms price makers and restrict output so as to make allocation inefficient (d) (b) and(c) above Ans:- (c) **[SM]**
33.	Markets do not exist (a) for goods which have positive externalities (b) for pure public goods (c) for goods which have negative externalities (d) none of the above Ans:- (b) **[SM]**
34.	Which of the following is the right argument for provision of public good by government? (a) Governments have huge resources at their disposal (b) Public goods will never cause any type of externality (c) Markets are unlikely to produce sufficient quantity of public goods (d) Provision of public goods are very profitable for any government Ans:- (c) **[SM]**
35.	Adequate amount of a pure public good will not be provided by the private market because of (a) the possibility of free riding (b) the existence of very low prices and low profits (c) governments would any way produce them, so there will be overproduction (d) there are restrictions as well as taxes on production of public goods Ans:- (a) **[SM]**
36.	The free rider problem arises because of (a) ability of participants to produce goods at zero marginal cost (b) marginal benefit cannot be calculated due to externalities present

	(c) the good or service is non excludable (d) general poverty and unemployment of people Ans:- (c) **[SM]**
37.	A chemical factory has full information regarding the risks of a product, but continues to sell it. This is possible because of (a) asymmetric information (b) moral hazard (c) free riding (d) (a) and (c) above Ans:- (a) **[SM]**
38.	If an individual tends to drive his car in a dangerously high speed because he has a comprehensive insurance cover, it is a case of (a) free riding (b) moral hazard (c) poor upbringing (d) Inefficiency Ans:- (b) **[SM]**
39.	Smoking in public is a case of (a) Negative consumption externality (b) Negative production externality (c) Internalising externality (d) None of the above Ans:- (a) **[SM]**
40.	Read the following statements I The market-based approaches to control externalities operate through price mechanism II. When externalities are present, the welfare loss would be eliminated III. The key is to internalizing an externality is to ensure that those who create the externalities include them while making decisions Of the above statements (a) II and III are correct (b) I only is correct (c) II only is correct (d) I and III are correct Ans:- (d) **[SM]**
41.	Which of the following statements is false? (a) Tradable permits provide incentive to innovate and reduce negative externalities (b) A subsidy on a good which has substantial positive externalities would reduce its cost and consequently its price would be lower (c) Substantial negative externalities are involved in the consumption of merit goods. (d) Merit goods are likely to be under-produced and under consumed through the market mechanism Ans:- (c) **[SM]**
42.	Which one of the following would you suggest for reducing negative externality? (a) Production subsidies (b) Excise duty (c) Pigouvian taxes (d) All of the above Ans:- (c) **[SM]**
43.	A Pigouvian subsidy (a) cannot be present when externalities are present (b) is a good solution for negative externality as prices will increase (c) is not measurable in terms of money and therefore not practical (d) may help production to be socially optimal when positive externalities are present Ans:- (d) **[SM]**
44.	If governments make it compulsory to avail insurance protection, it is because (a) Insurance companies need to be running profitably (b) Insurance will generate moral hazard and adverse selection (c) Insurance is a merit good and government wants people to consume it (d) None of the above Ans:- (c) **[SM]**
45.	The Competition Act, 2002 aims to - (a) protect monopoly positions of firms that have developed unique innovations (b) to promote and sustain competition in markets

	(c) to determine pricing under natural monopoly (d) None of the above Ans:- (b) **[SM]**
46.	Rules regarding product labelling (a) Seeks to correct market failure due to externalities (b) Is a method of solving the problem of public good (c) May help solve market failure due to information failure (d) Reduce the problem of monopolies in the product market Ans:- (c) **[SM]**
47.	Identify the incorrect statement (a) A minimum support price for agricultural goods is a market intervention method to guarantee steady and assured incomes to farmers. (b) An externality is internalised if the ones that generated the externality incorporate them into their private cost- benefit analysis (c) The production and consumption of demerit goods are likely to be less than optimal under free markets (d) Compared to pollution taxes, the cap and trade method is administratively cheap and simple to implement and ensures that pollution is minimised in the most cost-effective way. Ans:- (c) **[SM]**
48.	The incentive to let other people pay for a good or service, the benefits of which are enjoyed by an individual (a) Is a case of negative externality (b) Is a case of market efficiency (c) Is a case of free riding (d) Is inappropriate and warrant action Ans:- (c) **[SM]**
49.	A government subsidy (a) is a market-based policy (b) involves the government paying part of the cost to the firms in order to promote the production of goods having positive externalities

	(c) is generally provided for merit goods (d) all the above Ans:- (d) **[SM]**
50.	The production and consumption of demerit goods are (a) likely to be more than optimal under free markets. (b) likely to be less than optimal under free markets (c) likely to be subjected to price intervention by government (d) (a) and (c) above Ans:- (d) **[SM]**
51.	The argument for education subsidy is based on (a) Education is costly (b) the ground that education is merit good (c) education creates positive externalities (d) (b) and (c) above Ans:- (d) **[SM]**
52.	Read the following statements I. Social costs are the total costs incurred by the society when a good is consumed or produced. II The external costs are not included in firms' income statements or consumers' decisions III. Each firm's cost which is considered for determining output would be only private cost or direct cost of production which does not include external costs IV. Production and consumption decisions are efficient only when private costs are considered Of the above (a) Statements I and III are correct (b) Statements I,II and III are correct (c) Statement I only is correct (d) All the above are correct Ans:- (b) **[SM]**
53.	Government failure occurs when (a) Government fails to implement its election promises on policies (b) A government is unable to get reelected (c) Government intervention is ineffective and produces fresh and more serious problems

	(d) None of the above Ans:- (c) **[SM, MTP August 24]**
54.	The government makes the provision of which goods those cannot be provided through the market: (a) private and public goods (b) public and merit goods (c) public and necessary goods (d) Giffen and merit goods Ans: (b) **[MTP May 24]**
55.	Public goods are characterized by: (a) Excludability and rivalry (b) Excludability and non-rivalry (c) Non-excludability and rivalry (d) Non-excludability and non-rivalry Ans: (d) **[MTP April 24]**
56.	Which of the following is a common solution to the problem of common resources being overused? (a) Government regulation (b) Privatization (c) Subsidies (d) Free-market competition Ans: (a) **[MTP April 24]**
57.	The increase in cost of food, fuel and fertilizers in countries due to production of weapons in the war between Russia & Ukraine results in which type of externality? (a) Positive Production Externality (b) Negative Production Externality (c) Positive Consumption Externality (d) Negative Consumption Externality Ans: (b) **[MTP July 24]**
58.	Mr. Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of: (a) Moral Hazard (b) Asymmetric Information (c) Free Riding (d) None of the above Ans: (b) **[MTP July 24]**
59.	The argument for education subsidy is based on: (a) Education is costly (b) The ground that education is merit good (c) Education creates positive externalities (d) (b) & (c) Ans: (d) **[MTP Dec 24]**
60.	Which of the following is an example of market failure? (a) Perfect competition in the economy (b) Non-exclusion in public goods (c) All firms making profits in a perfectly competitive market (d) Optimal allocation of resources by private individuals Ans: (b) **[MTP Jan 25]**
61.	When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called: (a) Monopoly (b) Externalities (c) Public Goods (d) Market Equilibrium Ans: (b) **[MTP Jan 25]**
62.	Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance? (a) The government maximizes profits by privatizing public goods. (b) The government ensures the efficient distribution of resources in competitive markets. (c) The government allocates resources to public goods like defense and infrastructure. (d) The government avoids intervening in resource allocation to maintain market efficiency. Ans: (c) **[MTP Jan 25]**
63.	Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession? (a) Increasing taxes and reducing government spending (b) Cutting taxes and increasing

	government expenditure (c) Reducing the public debt by increasing savings (d) Avoiding changes in taxes and government spending Ans: (b) **[MTP Jan 25]**
64.	Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities? (a) Implementing taxes on consumption of the good (b) Subsidizing the production of the good (c) Imposing strict regulations on production (d) Reducing government spending on the good Ans: (b) **[MTP Jan 25]**
65.	The argument for education subsidy is based on (a) Education is costly (b) Budget deficit (c) Primary deficit (d) None of the above Ans:- (c) **[SM]**
66.	The following hypothetical figures relate to Country A Rs. In crores Revenue Receipts 20,000 Recovery of Loans 1,500 Borrowing 15,000 Other Receipts 5,000 Expenditure on revenue account 24,500 Expenditure on capital account 26,000 Interest Payments 2,000 The revenue deficit for country A is (a) 5,000 (b) 24,000 (c) 4,500 (d) None of the above Ans:- (c) Fiscal deficit of country A is
	(a) 14,000 (b) 24,000 (c) 23,500 (d) None of the above Ans:- B Primary deficit of Country A is (a) 26,000 (b) 26,500 (c) 22,000 (d) 24,500 Ans:- (c)
67.	In NITI Aayog, NITI stands for (a) National Initiative for Transforming India (b) National Institution for Transforming India (c) National Institute for Technology and Innovation (d) None of the above Ans:- (b) **[SM]**
68.	The Appropriation Bill is intended to (a) reduce unnecessary expenditure on the part of the government (b) give authority to government to incur expenditure from and out of the Consolidated Fund of India (c) give authority to government to incur expenditure from the revenue receipts only (d) be passed before the budget is taken for discussion Ans:- (b) **[SM]**
69.	Public debt management aims at (a) An efficient budgetary policy to avail of domestic debt facilities (b) Raising loans from international agencies at lower rates of interest (c) Raising the required amount of funding at the desired risk and cost levels (d) Management of public expenditure to reduce public debt Ans:- (c) **[SM]**
70.	The railway budget is (a) Part of the general budget, but is presented by the railway minister

	(b) establishes a direct link between budgetary allocations and performance targets measured through output and outcome indicators (c) Part of the general budget from the budget for financial year 2021 -22 (d) Part of the general budget but presented on the next day of the general budget Ans:- (b) **[SM]**
71.	Outcome budgeting (a) shares information about the money allocated for various purposes in a budget (b) establishes a direct link between budgetary allocations and performance targets measured through output and outcome indicators (c) establishes a direct link between budgetary performance targets and public account disbursals (d) shares information about public policies and programmes under the budget Ans:- (b) **[SM]**
72.	Corporate tax (a) is collected by the union government and can be a capital receipt or revenue receipt (b) may be collected by the respective states and fall under revenue receipts (c) may be collected either by the centre or states and fall under revenue receipts (d) is collected by the union government and is a revenue receipt Ans:- (d) **[SM]**
73.	Government borrowings from foreign governments and institutions (a) Capital receipt (b) Revenue receipt (c) Accounts for fiscal deficit (d) Any of the above depending on the purpose of borrowing Ans:- (a) **[SM]**
74.	The following table relates to the revenue and expenditure figures of a hypothetical economy.

(i)		In Lakh Crores
(ii)	Recovery of loans	5.1
(iii)	Salaries of Government Servants	41.1
(iv)	Capital Expenditure	45.0
(v)	Interest Payments	1.3
(vi)	Payment towards Subsidies	3.2
(vii)	Other receipts (mainly from disinvestment)	11.6
(viii	Tax revenue (net of State's share)	26.3
(ix)	Non-tax revenue	12.3
(x)	Borrowings and other liabilities	6.8
(xi)	State's share in tax revenue	11.9

The capital receipts are
(a) 23.5
(b) 19.7
(c) 11.3
(d) None of the above
Ans:- (a)

Revenue deficit is
(a) 23.6
(b) 13.0
(c) 7.0
(d) 2.6
Ans:- (c)

The non-debt capital receipts of this country is
(a) 45.1
(b) 16.7
(c) 15.8
(d) None of the above
Ans:- (b)

[SM]

75.	A budget is said to be unbalanced when (a) when government's revenue exceeds government's expenditure (b) when government's expenditure exceeds government's revenue (c) either budget surplus of budget deficit occurs

	(d) All the above Ans:- (d) **[SM]**
76.	Fiscal deficit refers to (a) the excess of government's revenue expenditure over revenue receipts (b) The excess of total expenditure over total receipts excluding borrowings (c) Primary deficit - interest payments (d) Primary deficit - interest payments Ans:- (d) **[SM]**
77.	Budget of the government generally impacts (a) the resource allocation in the economy (b) redistribution of income and enhance equity (c) stability in the economy by measures to control price fluctuations (d) all the above Ans:- (d) **[SM]**
78.	Which of the following is a statement submitted along with the budget as a requirement of FRBM Act (a) Annual Financial Statement (b) Macro -Economic Framework Statement (c) Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement (d) (b) and (c) above Ans:- (d) **[SM]**
79.	Government borrowing is treated as capital receipt because (a) It is mainly used for creating assets by government (b) It creates a liability for the government (c) Both a) and b) above are correct (d) None of the above is correct Ans:- (b) **[SM]**
80.	'Retail Direct 'scheme is (a) Initiated by the Reserve Bank of India (b) facilitate investment in government securities by individual investors (c) Direct sale of goods and services by government departments (d) Both (a) and (b) are correct Ans:- (d) **[SM]**
81.	Non-debt capital receipts (a) do not add to the assets of the government and therefore not treated as capital receipts (b) are those that do not create any future repayment burden for the government (c) are those that create future liabilities for the government (d) facilitate capital investments at low cost Ans:- (b) **[SM]**
82.	Which of the following is a capital receipt? (a) Licence fee received (b) Sale proceeds from disinvestment (c) Assistance from Japan for covid vaccine (d) Dividend from a public sector enterprise Ans:- (b) **[SM]**
83.	Grants given by the central government to state governments is (a) A revenue expenditure as it is meant to meet the current expenditure of the states (b) A revenue expenditure as it does neither creates any asset, nor reduces any liability of the government (c) A capital expenditure because it increase the capital base of the states (d) It is a grant and so does not come under revenue expenditure or capital expenditure. Ans:- (b) **[SM]**
84.	Short-term credit from the Reserve Bank to state governments to bridge temporary mismatches in cash flows is known as (a) RBI credit to states (b) Commercial credit of RBI (c) Ways and Means Advances (WMA) (d) Short term facility Ans:- (c) **[SM]**
85.	Under Article 112, the Annual Financial Statement is presented in which house of Parliament first? (a) Lok Sabha (b) Rajya Sabha (c) Joint Session of Parliament

	(d) Finance Committee Ans: (a) **[RTP May 25]**
86.	Which of the following represents the total amount of money the government owes to external creditors and domestic lenders? (a) National debt (b) Budget surplus (c) Fiscal deficit (d) Revenue deficit Ans: (a) **[MTP April 24,May 24]**
87.	Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government: (a) Non-tax expenses (b) Tax expenses (c) Non-tax revenue (d) Tax revenue Ans: (c) **[MTP May 24]**
88.	Primary deficit is obtained by deducting interest payments from the: (a) Fiscal deficit (b) Revenue deficit (c) Budgetary deficit (d) Monetized deficit Ans: (a) **[MTP May 24]**
89.	Which of the following are capital receipts of the government? (a) Recovery of loans (b) Disinvestment (c) Borrowing (d) All of the above Ans: (d) **[MTP May 24]**
90.	Interest on national debt is treated as: (a) Transfer payment (b) Domestic payment (c) Govt. payment (d) None of these Ans: (a) **[MTP July 24]**
91.	The Government accounts are maintained namely in : (a) Consolidated fund of India (b) Contingency fund of India (c) Public Account (d) All of these Ans: (d) **[MTP July 24]**
92.	By convention in an election year the budget may be presented: (a) Twice (b) Once (c) Thrice (d) Quarterly Ans: (a) **[MTP July 24]**
93.	Primary deficit means: (a) Fiscal deficit -- interest payment (b) Fiscal deficit + revenue deficit (c) Budgetary deficit (d) Revenue deficit -- interest payments Ans: (a) **[MTP July 24]**
94.	Which of the following is not a classification of public expenditure? (a) Functional classification (b) Revenue and Capital (c) Voted and Charged (d) Plan and Non Plan Ans: (d) **[MTP Dec 24]**
95.	If government wants to contribute to capital formation, then revenue surplus should be : (a) Negative (b) Positive (c) Zero (d) None of the above Ans: (b) **[MTP Dec 24]**
96.	What is the purpose of a debt-to-GDP ratio in public debt management? (a) To measure the government's annual revenue (b) To evaluate the proportion of debt relative to the country's economic output (c) To assess the level of inflation in the economy (d) To determine the amount of currency in circulation Ans: (b) **[MTP Dec 24]**
97.	Public financial management system in the central government and matters connected with state finance is managed by: (a) The department of expenditure

	(b) The department of financial services (c) The department of economic affairs (d) None of these Ans: (a) **[MTP Dec 24]**
98.	In the budget-making process, what is the term used to describe the government's planned expenditure exceeding its expected revenue? (a) Budget surplus (b) Budget deficit (c) Balanced budget (d) National Debt Ans: (b) **[MTP Jan 25]**
99.	Which of the following is the correct sequence of stages in the budget-making process? (a) Presentation, Drafting, Execution, Approval (b) Drafting, Presentation, Approval, Execution (c) Execution, Presentation, Approval, drafting (d) Presentation, Approval, Execution, drafting Ans: (b) **[MTP Jan 25]**
100.	Fiscal policy refers to the (a) use of government spending, taxation and borrowing to influence the level of economic activity (b) government activities related to use of government spending for supply of essential goods (c) use of government spending, taxation and borrowing for reducing the fiscal deficits (d) (a) and (b) above Ans:- (a) **[SM]**
101.	If real GDP is continuously declining and the rate of unemployment in the economy is increasing, the appropriate policy should be to (a) Increase taxes and decrease government spending (b) Decrease both taxes and government spending (c) Decrease taxes and increase government spending (d) Either (a) or (c) Ans:- (c) **[SM]**
102.	Which of the following are likely to occur when an economy is in an expansionary phase of a business cycle? (A) Rising unemployment rate (B) Falling unemployment rate (C) Rising inflation rate (D) Deflation (E) Falling or stagnant wage for workers (F) Increasing tax revenue (G) Falling tax revenue (a) A, B and F are most likely to occur (b) B, C and F are most likely to occur (c) D, E and F are most likely to occur (d) A, E and G are most likely to occur Ans:- (b) **[SM]**
103.	During recession the fiscal policy of the government should be directed towards (a) Increasing the taxes and reducing the aggregate demand (b) Decreasing taxes to ensure higher disposable income (c) Increasing government expenditure and increasing taxes (d) None of the above Ans:- (b) **[SM]**
104.	According to Keynesian economics, when we have inflation an effective fiscal policy should not include (a) increase corporate taxes. (b) decrease aggregate demand (c) Increase government purchases (d) None of the above is correct Ans:- (c) **[SM]**
105.	Keynesian economists believe that (a) fiscal policy can have very powerful effects in altering aggregate demand, employment and output in an economy (b) when the economy is operating at less than full employment levels and when there is a need to offer stimulus to demand fiscal policy is of great use (c) Wages are flexible and therefore business fluctuations would be

	automatically adjusted (d) (a) and (b) above Ans:- (d) **[SM]**
106.	Which of the following may ensure a decrease in aggregate demand during inflation? (a) decrease in all types of government spending and/ or an increase in taxes (b) increase in government spending and/ or a decrease in taxes (c) decrease in government spending and/ or a decrease in taxes (d) All the above Ans:- (a) **[SM]**
107.	A recession is characterized by (a) Declining prices and rising employment (b) Declining unemployment and rising prices (c) Declining real income and rising unemployment. (d) Rising real income and rising prices Ans:- (c) **[SM]**
108.	Which one of the following is an example of fiscal policy? (a) A tax cut aimed at increasing the disposable income and spending (b) A reduction in government expenditure to contain inflation (c) An increase in taxes and decrease in government expenditure to control inflation (d) All the above Ans:- (d) **[SM]**
109.	Which of the following would illustrate a recognition lag? (a) The time required to identify the appropriate policy (b) The time required to identify to pass a legislation (c) The time required to identify the need for a policy change (d) The time required to establish the outcomes of fiscal policy Ans:- (c) **[SM]**
110.	An expansionary fiscal policy, taking everything else constant, would in the short-run have the effect of (a) a relative large increase in GDP and a smaller increase in price (b) a relative large increase in price, a relatively smaller increase in GDP (c) both GDP and price will be increasing in the same proportion (d) both GDP and price will be increasing in a smaller proportion Ans:- (a) **[SM]**
111.	Which statement (s) is (are) correct about crowding out? I. A decline in private spending may be partially or completely offset by the expansion of demand resulting from an increase in government expenditure. II. Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector. III When spending by government in an economy increases government spending would be crowded out. IV. Private investments, especially the ones which are interest –sensitive, will be reduced if interest rates rise due to increased spending by government (a) I and III only (b) I, II, and III (c) I, II, and IV (d) I, II, and IV (e) III only Ans:- (c) **[SM]**
112.	Which of the following policies is likely to shift an economy's aggregate demand curve to the right? (a) Increase in government spending (b) Decrease in taxes (c) A tax cut along with increase in public expenditure (d) All the above Ans:- (d) **[SM]**
113.	Identify the incorrect statement (a) A progressive direct tax system ensures economic growth with stability because it distributes the burden of

	taxes unequally (b) A carefully planned policy of public expenditure helps in redistributing income from the rich to the poorer sections of the society. (c) There are possible conflicts between different objectives of fiscal policy such that a policy designed to achieve one goal may adversely affect another (d) An increase in the size of government spending during recessions may possibly 'crowd-out' private spending in an economy. Ans:- (a) **[SM]**
114.	Read the following statements I. Fiscal policy is said to be contractionary when revenue is higher than spending i.e., the government budget is in surplus II. Other things constant, a fiscal expansion will raise interest rates and "crowd out" some private investment III. During inflation new taxes can be levied and the rates of existing taxes are raised to reduce disposable incomes IV. Classical economists advocated contractionary fiscal policy to solve the problem of inflation Of the above statements (a) I and II are correct (b) I, II and III are correct (c) Only III is correct (d) All are correct Ans:- (b) **[SM]**
115.	While resorting to expansionary fiscal policy (a) the government may possibly have a budget surplus as increased expenditure will bring more output and more tax revenue (b) the government may run into budget deficits because tax cuts reduce government income and the government expenditures exceed tax revenues in a given year (c) it is important to have a balanced budget to avoid inflation and bring in stability (d) None of the above will happen Ans:- (b)

	[SM]
116.	Contractionary fiscal policy (a) is resorted to when government expenditure is greater than tax revenues of any particular year (b) increase the aggregate demand to sustain the economy (c) to increase the disposable income of people through tax cuts and to enable greater demand (d) is designed to restrain the levels of economic activity of the economy during an inflationary phase Ans:- (d) **[SM]**
117.	When government spending is deliberately reduced to bring in stability (a) the government is resorting to contractionary fiscal policy (b) the government is resorting to expansionary fiscal policy (c) trying to limit aggregate demand to sustainable levels (d) (a) and (c) above Ans:- (d) **[SM]**
118.	An increase in personal income taxes (a) reduces disposable incomes leading to fall in consumption spending and aggregate demand (b) is desirable during inflation or when there is excessive levels of aggregate demand (c) is to compensate the deficiency in effective demand by boosting aggregate spending (d) both a) and b) are correct Ans:- (d) **[SM]**
119.	While the government resorts to deliberate fiscal policy it may not attempt to manipulate (a) Government expenditures on public works (b) The rates of personal income taxes and corporate taxes (c) Government expenditures on goods and services purchased by government (d) The rate of interest prevailing in the economy Ans:- (d)

	[SM]
120.	Which of the following fiscal remedy would you advice when an economy is facing recession (a) the government may cut interest rates to encourage consumption and investment (b) the government may cut taxes to increase aggregate demand (c) the government may follow a policy of balanced the budget. (d) None of the above will work Ans:- (b) **[SM]**
121.	While if governments compete with the private sector to borrow money for securing resources for expansionary fiscal policy (a) it is likely that interest rates will go up and firms may not be willing to invest (b) it is likely that interest rates will go up and the individuals too may be reluctant to borrow and spend (c) it is likely that interest rates will go up and the desired increase in aggregate demand may not be realized (d) All the above are possible. Ans:- (d) **[SM]**
122.	What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003? (a) Achieve Fiscal Surplus (b) Stop Money Laundering (c) Eliminate Fiscal Deficit (d) Eliminate Revenue deficit Ans: (c) **[MTP April 24,Jan 25]**
123.	Contractionary fiscal policy can involve: (a) Increasing consumption and investment and taxes. (b) Decreasing government spending and increasing taxes. (c) Increasing government spending and increasing taxes. (d) None of the above. Ans: (b) **[MTP April 24]**
124.	What is the primary goal of countercyclical fiscal policy in budgeting? (a) Maximizing government revenue. (b) Stabilizing the economy during economic downturns. (c) Minimizing government intervention. (d) Reducing public debt. Ans: (b) **[MTP April 24,May 24]**
125.	The particular level of AD which is equal to AS is called . (a) equilibrium demand (b) effective demand (c) derived demand (d) None of the above Ans: (b) **[MTP May 24]**
126.	Consumer Price Index is calculated: (a) Once in 45 days (b) Once in 3 months (c) Once in fortnight (d) Once in a month Ans: (d) **[MTP May 24]**
127.	Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand? (a) Reduction in Taxes (b) Increase in Govt. Expenditure (c) Reduction in Public Debt (d) All of these Ans: (d) **[MTP July 24]**
128.	Which of the following is used to counter recession as part of Expansionary Fiscal Policy? (a) Increase in interest rate. (b) Decrease in Taxes (c) Deficit Financing (d) Both b & c Ans: (d) **[MTP July 24]**
129.	Are fiscal & monetary policies opposite of each other? (a) Yes, they are opposite to each other (b) Fiscal policy is superior to monetary policy. (c) No, these policies are complementary to each other. (d) None of these Ans: (c) **[MTP July 24]**
130.	Deficit financing includes:

	(a) Borrowing from the central bank (b) Issues of new currency by the Government (c) Withdrawal of past accumulated cash balance by the Government (d) All the above Ans: (d) **[MTP July 24]**
131.	Fiscal deficit can be remedied by: (a) Borrowing money (b) Printing Currency (c) Both (a) and (b) (d) Neither (a) nor (b) Ans: (c) **[MTP August 24]**
132.	Which of the following is not the mandatory Statement under FRBM Act 2003? (a) Macro Economic Framework Statement (b) Medium Term Fiscal Policy Statement (c) Debt Statement (d) None of these Ans: (d) **[MTP August 24]**
133.	Which of the following measures of meeting deficit in a budget, leads to an increase in money supply in the economy. (a) Disinvestment (b) Loan from World Bank (c) Deficit Financing (d) All of these Ans: (d) **[MTP Dec 24]**
134.	Which one is not a tool of Fiscal Policy: (a) Taxation (b) Public Expenditure (c) Interest Rate (d) Public Debt Ans: (c) **[MTP August 24]**
135.	When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called: (a) Monopoly (b) Externalities (c) Public Goods (d) Market Equilibrium Ans: (b) **[MTP Jan 25]**
136.	Which of the following situations best demonstrates a market failure due to asymmetric information? (a) A monopolist exploiting market power by reducing supply (b) Consumers buying substandard products because they lack information about quality (c) The government providing public goods like street lighting (d) A natural monopoly were economies of scale drive market concentration Ans: (b) **[MTP Jan 25]**
137.	Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending? (a) Balanced budget (b) Expansionary budget (c) Contractionary budget (d) Surplus budget Ans: (c) **[MTP Jan 25]**
138.	The major reason for market failure: (a) Market Power (b) Externalities (c) Public Good (d) All the above Ans: (d) **[MTP Dec 24]**
139.	Assertion (A). New Economic Policy is to expand the economic wings of the country. Reason (R) : Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes (a) Both Assertion and Reason(R) are true, and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason(R) are true, and Reason(R) is not the correct explanation of Assertion (A). (c) Assertion (A) is true, but Reason (R) is false. (d) Assertion (A) is false but Reason(R) are is true. Ans: (a) **[MTP Dec 24]**
140.	Which of the following is an example of an automatic stabilizer in the budget?

	(a) Discretionary spending (b) Progressive taxation (c) Infrastructure investment

	(d) Unemployment benefits Ans: (d) **[RTP Jan 25, MTP April 24]**

Chapter 8: Money Market

1.	Choose the incorrect statement (a) Anything that would act as a medium of exchange is money (b) Money has generalized purchasing power and is generally acceptable in settlement of all transactions (c) Money is a totally liquid asset and provides us with means to access goods and services (d) Currency which represents money does not necessarily have intrinsic value. Ans:- (a) **[SM]**
2.	Money performs all of the three functions mentioned below, namely (a) medium of exchange, price control, store of value (b) unit of account, store of value , provide yields (c) medium of exchange, unit of account, store of value (d) medium of exchange, unit of account, income distribution Ans:- (c) **[SM]**
3.	Demand for money is (a) Derived demand (b) Direct demand (c) Real income demand (d) Inverse demand Ans:- (a) **[SM]**
4.	Higher the _____, higher would be of holding cash and lower will be the _____ (a) demand for money, opportunity cost, interest rate (b) price level , opportunity cost, interest rate (c) real income , opportunity cost, demand for money (d) interest rate, opportunity cost, demand for money Ans:- (d) **[SM]**
5.	The quantity theory of money holds that (a) changes in the general level of commodity prices are caused by changes in the quantity of money (b) there is strong relationship between money and price level and the quantity of money is the main determinant of the price (c) changes in the value of money or purchasing power of money are determined first and foremost by changes in the quantity of money in circulation (d) All the above Ans:- (d) **[SM]**
6.	The Cambridge approach to quantity theory is also known as (a) Cash balance approach (b) Fisher's theory of money (c) Classical approach (d) Keynesian Approach Ans:- (a) **[SM]**
7.	Fisher's approach and the Cambridge approach to demand for money consider (a) money's role in acting as a store of value and therefore, demand for money is for storing value temporarily. (b) money as a means of exchange and therefore demand for money is termed as for liquidity preference (c) money as a means of transactions and therefore, demand for money is only transaction demand for money. (d) None of the above Ans:- (c) **[SM]**
8.	Real money is (a) nominal money adjusted to the price level (b) real national income (c) money demanded at given rate of interest (d) nominal GNP divided by price level Ans:- (a) **[SM]**

9.	The precautionary money balances people want to hold (a) as income elastic and not very sensitive to rate of interest (b) as income inelastic and very sensitive to rate of interest (c) are determined primarily by the level of transactions they expect to make in the future. (d) are determined primarily by the current level of transactions Ans:- (a) **[SM]**
10.	Speculative demand for money (a) is not determined by interest rates (b) is positively related to interest rates (c) is negatively related to interest rates (d) is determined by general price level Ans:- (c) **[SM]**
11.	According to Keynes, if the current interest rate is high (a) people will demand more money because the capital gain on bonds would be less than return on money (b) people will expect the interest rate to rise and bond price to fall in the future. (c) people will expect the interest rate to fall and bond price to rise in the future. (d) Either a) or b) will happen Ans:- (c) **[SM]**
12.	The inventory-theoretic approach to the transactions demand for money (a) explains the negative relationship between money demand and the interest rate. (b) explains the positive relationship between money demand and the interest rate. (c) explains the positive relationship between money demand and general price level (d) explains the nature of expectations of people with respect to interest rates and bond prices Ans:- (a) **[SM]**
13.	According to Baumol and Tobin's approach to demand for money, the optimal average money holding is: (a) a positive function of income Y and the price level P (b) a positive function of transactions costs c, (c) a negative function of the nominal interest rate i (d) All the above Ans:- (d) **[SM]**
14.	_____ considered demand for money is as an application of a more general theory of demand for capital assets (a) Baumol (b) James Tobin (c) J M Keynes (d) Milton Friedman Ans:- (d) **[SM]**
15.	The nominal demand for money rises if (a) the opportunity costs of money holdings – i.e. bonds and stock returns, rB and rE , respectively- decline and vice versa (b) the opportunity costs of money holdings – i.e. bonds and stock returns, rB and rE , respectively- rises and vice versa (c) the opportunity costs of money holdings – i.e. bonds and stock returns, rB and rE , respectively remain constant (d) and c) above Ans:- (a) **[SM]**
16.	In modern fiat money systems, the value of money is primarily based on: (a) Gold reserves (b) Government authority and public trust (c) Exchange rates (d) Digital transactions Ans: (b) **[MTP April 24]**
17.	What is the "liquidity trap" in Keynesian theory? (a) A situation where interest rates are very high. (b) A situation where interest rates are

	very low, and savings are hoarded. (c) A situation of hyperinflation (d) A situation of excessive government spending Ans: (b) **[MTP April 24]**
18.	For a person to keep his real income steady at a certain level from one year to the next, his nominal income must: (a) Stay the same as the price index rises (b) Rise as fast as the price index (c) Fall if the price index rises (d) Rise if the price index falls Ans: (b) **[MTP May 24]**
19.	According to Cambridge equation, the value of money depends upon: (a) Demand for money (b) Supply of money (c) Demand for goods and services (d) All of the above Ans: (a) **[MTP May 24,June 24]**
20.	Mr. A, who is self-employed decided to keep more money in his savings account, considering the prevailing economic & political conditions. What is the motive for such a move by A? (a) Transactions Motive (b) Speculative Motive (c) Precautionary Motive (d) Conservative Motive Ans: (c) **[MTP July 24]**
21.	Which of the following is true with regards to Liquidity Trap? (a) Speculative Demand is parallel to X-Axis. (b) Desire to hold bond is infinity. (c) Ineffective Monetary Policy (d) Both a & c Ans: (d) **[MTP July 24]**
22.	According to whom, rational behaviour induces individuals to hold an optimally structured wealth portfolio which is comprised of both bonds and money? (a) Tobin (b) Baumol (c) Keynes (d) Alfred Marshall Ans: (a) **[MTP July 24]**
23.	Among the following identified by Friedman, which one is not one of the four determinants of demand for money? (a) Average return on five asset classes (b) Price level in the economy (c) Inflation Rate (d) Forex Trade Ans: (d) **[MTP July 24]**
24.	_____ considered demand for money is an application of a more general theory of demand for capital assets. (a) Baumol (b) Milton Friedman (c) J M Keynes (d) None of these Ans: (b) **[MTP August 24,Dec 24]**
25.	The Cambridge approach to quantity theory is also known as: (a) Classical approach (b) Cash balance approach (c) Fisher's theory of money (d) None of these Ans: (b) **[MTP August 24]**
26.	Which of the following factors does NOT directly affect the demand for money? (a) Interest rates (b) The level of income or output (c) The price level in the economy (d) The government's fiscal deficit Ans: (d) **[MTP Jan 25]**
27.	The transaction motive for holding money implies that money is held to: (a) Make speculative investments in financial markets (b) Provide liquidity for daily transactions and purchases (c) Protect wealth against inflationary risks (d) Save for future investment in assets Ans: (b) **[MTP Jan 25]**
28.	According to the Quantity Theory of Money, if the money supply increases while the

	velocity of money and output remain constant, the general price level will: (a) Decrease (b) Increase proportionately (c) Stay the same (d) Increase, but unpredictably Ans: (b) **[MTP Jan 25]**
29.	In the Cambridge equation for money demand, what does "k" represent? (a) The velocity of money (b) The money supply (c) The income elasticity of money demand (d) The proportion of income held as money Ans: (d) **[MTP Dec 24]**
30.	The Liquidity Trap is the extreme effect of: (a) Monetary Policy (b) Fiscal Policy (c) Either (a) or (b) (d) None of these Ans: (a) **[MTP Dec 24]**
31.	According to Cambridge equation, the value of money depends upon : (a) Demand for money (b) Supply of money (c) Demand for goods and services (d) All of the above Ans: (a) **[MTP Dec 24]**
32.	Which characteristic of money refers to its ability to hold value over time? (a) Divisibility (b) Durability (c) Portability (d) Store of value Ans: (d) **[RTP Sep 24]**
33.	Which of the following is true with regards to Liquidity Trap? (a) Speculative Demand is parallel to X-Axis. (b) Desire to hold bond is infinity. (c) Ineffective Monetary Policy (d) Both a & c Ans: (d) **[MTP July 24]**
34.	Reserve money is also known as (a) central bank money (b) base money (c) high powered money (d) all the above Ans:- (d) **[SM]**
35.	Choose the correct statement from the following (a) Money is deemed as something held by the public and therefore only currency held by the public is included in money supply (b) Money is deemed as something held by the public and therefore inter-bank deposits are included in money supply. (c) Since inter-bank deposits are not held by the public, therefore inter-bank deposits are excluded from the measure of money supply. (d) Both (a) and (c) above. Ans:- (c) **[SM]**
36.	Reserve Money is composed of (a) currency in circulation + demand deposits of banks (Current and Saving accounts) + Other deposits with the RBI. (b) currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI. (c) currency in circulation + demand deposits of banks + Other deposits with the RBI. (d) currency in circulation + demand and time deposits of banks + Other deposits with the RBI. Ans:- (b) **[SM]**
37.	M1 is the sum of (a) currency and coins with the people + demand deposits of banks (Current and Saving accounts) + other deposits of the RBI. (b) currency and coins with the people + demand and time deposits of banks (Current and Saving accounts) + other deposits of the RBI. (c) currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI (d) none of the above

	Ans:- (a) **[SM]**
38.	Under the' minimum reserve system' the central bank is (a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities. (b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities. (c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities. (d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of Rs. 350 crores Ans:- (b) **[SM]**
39.	The primary source of money supply in all countries is (a) the Reserve Bank of India (b) the Central bank of the country (c) the Bank of England (d) the Federal Reserve Ans:- (b) **[SM]**
40.	The supply of money in an economy depends on (a) the decision of the central bank based on the authority conferred on it. (b) the decision of the central bank and the supply responses of the commercial banking system. (c) the decision of the central bank in respect of high powered money. (d) both a) and c) above. Ans:- (b) **[SM]**
41.	Banks in the country are required to maintain deposits with the central bank (a) to provide the necessary reserves for the functioning of the central bank (b) to meet the demand for money by the banking system (c) to meet the central bank prescribed reserve requirements and to meet settlement obligations. (d) to meet the money needs for the day to day working of the commercial banks Ans:- (c) **[SM]**
42.	If the behaviour of the public and the commercial banks is constant, then (a) the total supply of nominal money in the economy will vary directly with the supply of the nominal high-powered money issued by the central bank (b) the total supply of nominal money in the economy will vary directly with the rate of interest and inversely with reserve money (c) the total supply of nominal money in the economy will vary inversely with the supply of high powered money (d) all the above are possible Ans:- (a) **[SM]**
43.	Under the fractional reserve system (a) the money supply is an increasing function of reserve money (or high powered money) and the money multiplier. (b) the money supply is an decreasing function of reserve money (or high powered money) and the money multiplier. (c) the money supply is an increasing function of reserve money (or high powered money) and a decreasing function of money multiplier. (d) none of the above as the determinants of money supply are different Ans:- (a) **[SM]**
44.	The money multiplier and the money supply are (a) positively related to the excess reserves ratio e. (b) negatively related to the excess reserves ratio e. (c) not related to the excess reserves ratio e. (d) proportional to the excess reserves ratio e. Ans:- (b) **[SM]**

45.	The currency ratio represents (a) the behaviour of central bank in the issue of currency. (b) the behaviour of central bank in respect cash reserve ratio. (c) the behaviour of the public. (d) the behaviour of commercial banks in the country Ans:- (c) **[SM]**
46.	The size of the money multiplier is determined by (a) the currency ratio (c) of the public, (b) the required reserve ratio (r) at the central bank, and (c) the excess reserve ratio (e) of commercial banks. (d) all the above Ans:- (d) **[SM]**
47.	_____ tells us how much new money will be created by the banking system for a given increase in the high-powered money. (a) The currency ratio (b) The excess reserve ratio € (c) The credit multiplier (d) The currency ratio Ans:- (c) **[SM]**
48.	The money multiplier will be large (a) for higher currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio € (b) for constant currency ratio (c), higher required reserve ratio (r) and lower excess reserve ratio € (c) for lower currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio € (d) None of the above Ans:- (c) **[SM]**
49.	The ratio that relates the change in the money supply to a given change in the monetary base is called the (a) required reserve ratio. (b) money multiplier. (c) deposit ratio. (d) discount rate. Ans:- (b)
	[SM]
50.	For a given level of the monetary base, an increase in the required reserve ratio will denote (a) a decrease in the money supply. (b) an increase in the money supply (c) an increase in demand deposits. (d) Nothing precise can be said Ans:- (a) **[SM]**
51.	For a given level of the monetary base, an increase in the currency ratio causes the money multiplier to _ and the money supply to _. (a) decrease; increase (b) increase; decrease (c) decrease; decrease (d) increase; increase Ans:- (c) **[SM]**
52.	If commercial banks reduce their holdings of excess reserves (a) the monetary base increases. (b) the monetary base falls. (c) the money supply increases. (d) the money supply falls. Ans:- (c) **[SM]**
53.	If the reserve requirement is 20%, what is the potential maximum expansion of the money supply when a new deposit of $1,000 is made? (a) $5,000 (b) $2,000 (c) $1,000 (d) $500 Ans: (a) **[MTP April 24]**
54.	What will be the value of Credit Multiplier when the Required Reserve ratio is 50%? (a) 4 (b) 2 (c) 3 (d) 1 Ans: (b) **[MTP May 24,Dec 24]**
55.	Money Supply is directly proportional to: (a) Cash reserve ratio (r) (b) Monetary base (H) (c) currency deposit ratio (k)

	(d) Money Multiplier (m) Ans: (b) **[MTP May 24,Dec 24]**
56.	Reserve money is supplied by: (a) RBI (b) Government (c) Commercial banks (d) World bank Ans: (a) **[MTP May 24]**
57.	If commercial banks reduce their holdings of excess reserves: (a) The money supply increases (b) The money base falls (c) The money supply falls (d) None of these Ans: (a) **[MTP August 24]**
58.	Which of the following is NOT a part of the money supply in an economy? (a) Currency held by the central bank (b) Demand deposits in commercial banks (c) Saving accounts in commercial banks (d) Time deposits in commercial banks Ans: (a) **[MTP Jan 25]**
59.	If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be: (a) A decrease in the money supply (b) An increase in the money supply (c) No change in the money supply (d) A reduction in interest rates without affecting money supply Ans: (b) **[MTP Jan 25]**
60.	In an economy, a change in the reserve ratio will directly affect the: (a) Level of interest rates in the market (b) Supply of money in circulation (c) Demand for money at different income levels (d) Government's budgetary balance Ans: (b) **[MTP Jan 25]**
61.	Which measure of the money supply includes M1 and all other forms of near money that are less liquid than M1? (a) M3 (b) M2 (c) L (d) M0 Ans: (b) **[MTP Dec 24]**
62.	The ratio that relates the change in the money supply to a given change in the monetary base is called the: (a) required reserve ratio (b) money multiplier (c) Deposit ratio (d) None of these Ans: (b) **[MTP Dec 24]**
63.	If a bank has deposits of INR 50,00,000 and a reserve requirement of 10%, what is its excess reserves? (a) INR 55,00,000 (b) INR 30,00,000 (c) INR 45,00,000 (d) INR 5,00,000 Ans: (b) **[MTP Dec 24]**
64.	If the required reserve ratio is 20 percent, currency in circulation is ` 800 billion, demand deposits are ` 2000 billion, and excess reserves total ` 2 billion, find the value of money multiplier (a) 2.50 (b) 2.90 (c) 2.60 (d) 2.40 Ans: (a) **[MTP Dec 24]**
65.	Calculate M1 from the following money aggregates: Information / Amount in crores Currency with Public / 5,02,738 Other deposits with the RBI / 7016 Banker's deposits with the RBI / 202,508 Demand deposits / 423,120 Time deposits / 23,73636 (a) 9,32,874 Cr (b) 3,306,510 Cr (c) 9,25,858 Cr (d) 7,05,246Cr

	Ans: (b) **[MTP July 24]**
66.	refers to that portion of total deposits that a commercial bank is required to keep with RBI in the forms of reserves. (a) Compulsory Reserve Ratio (b) Statutory Liquid Ratio (c) Legal Reserve Ratio (d) Cash Reserve Ratio Ans: (d) **[MTP July 24]**
67.	Which among the following shows a correct descending order of liquidity of M1, M2, M3? (a) M1 □ M2, □ M3 (b) M2 □ M1 □ M3 (c) M3 □ M2 □ M1 (d) M1 □ M3 □ M2 Ans: (a) **[MTP July 24]**
68.	Which of the following is not a money market instrument? (a) Treasury bills (b) Commercial Paper (c) Certificate of Deposit (d) Equity Share Ans: (d) **[MTP July 24]**
69.	Banks earn a profit on the difference between: (a) Interest charged to depositors and interest offered to borrowers. (b) Interest charged on loans and interest paid on deposits. (c) Deposit and loan balances (d) Liabilities and deposits Ans: (b) **[MTP July 24]**
70.	Which of the following is included in M2, a broader measure of money supply compared to M1? (a) Currency in circulation (b) Savings deposits (c) Demand deposits (d) Traveler's checks Ans: (b) **[RTP Sep 24, Jan 25, MTP April 24]**
71.	An important money market is instrument by the government to bridge the deficit between the revenue and expenditure in the budget. (a) T-bills (b) Bonds (c) CDs (d) CPs Ans: (a) **[RTP Jan 25]**
72.	Which of the statements gives a true picture of the effect of lowering the cash reserve ratio by the central bank of a country? (a) The lending capacity of commercial banks will increase (b) The lending capacity of commercial banks will decrease (c) The lending capacity of commercial banks may increase or decrease (d) None of these Ans: (a) **[RTP Jan 25]**
73.	Which agency regulates the money supply in India? (a) The Government of India (b) Commercial banks (c) Reserve Bank of India (d) None of the above Ans: (c) **[RTP Jan 25]**
74.	Which of the following is the function of monetary policy? (a) regulate the exchange rate and keep it stable (b) regulate the movement of credit to the corporate sector (c) regulate the level of production and prices (d) regulate the availability, cost and use of money and credit Ans:- (d) **[SM]**
75.	The main objective of monetary policy in India is _____: (a) reduce food shortages to achieve stability (b) economic growth with price stability (c) overall monetary stability in the banking system (d) reduction of poverty and unemployment Ans:- (b) **[SM]**

76.	The monetary transmission mechanism refers to (a) how money gets circulated in different sectors of the economy post monetary policy (b) the ratio of nominal interest and real interest rates consequent on a monetary policy (c) the process or channels through which the evolution of monetary aggregates affects the level of product and prices (d) none of the above Ans:- (c) **[SM]**
77.	A contractionary monetary policy-induced increase in interest rates (a) increases the cost of capital and the real cost of borrowing for firms (b) increases the cost of capital and the real cost of borrowing for firms and households (c) decreases the cost of capital and the real cost of borrowing for firms (d) has no interest rate effect on firms and households Ans:- (b) **[SM]**
78.	During deflation (a) the RBI reduces the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy (b) the RBI increases the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy (c) the RBI reduces the CRR in order to enable the banks to contract credit and increase the supply of money available in the economy (d) the RBI reduces the CRR but increase SLR in order to enable the banks to contract credit and increase the supply of money available in the economy Ans:- (a) **[SM]**
79.	Which of the following statements is correct? (a) The governor of the RBI in consultation with the Ministry of Finance decides the policy rate and implements the same (b) While CRR has to be maintained by banks as cash with the RBI, the SLR requires holding of approved assets by the bank itself (c) When repo rates increase, it means that banks can now borrow money through open market operations (OMO) (d) None of the above Ans:- (b) **[SM]**
80.	RBI provides financial accommodation to the commercial banks through repos/reverse repos under (a) Market Stabilisation Scheme (MSS) (b) The Marginal Standing Facility (MSF) (c) Liquidity Adjustment Facility (LAF). (d) Statutory Liquidity Ratio (SLR) Ans:- (c) **[SM]**
81.	_____is a money market instrument, which enables collateralised short term borrowing and lending through sale/purchase operations in debt instruments. (a) OMO (b) CRR (c) SLR (d) Repo Ans:- (d) **[SM]**
82.	In India, the term 'Policy rate' refers to (a) The bank rate prescribed by the RBI in its half yearly monetary policy statement (b) The CRR and SLR prescribed by RBI in its monetary policy statement (c) the fixed repo rate quoted for sovereign securities in the overnight segment of Liquidity Adjustment Facility (LAF) (d) the fixed repo rate quoted for sovereign securities in the overnight segment of Marginal Standing Facility (MSF) Ans: (c) **[SM]**

83.	Reverse repo operation takes place when (a) RBI borrows money from banks by giving them securities (b) banks borrow money from RBI by giving them securities (c) banks borrow money in the overnight segment of the money market (d) RBI borrows money from the central government Ans:- (a) **[SM]**
84.	The Monetary Policy Framework Agreement is on (a) the maximum repo rate that RBI can charge from government (b) the maximum tolerable inflation rate that RBI should target to achieve price stability. (c) the maximum repo rate that RBI can charge from the commercial banks (d) the maximum reverse repo rate that RBI can charge from the commercial banks Ans:- (b) **[SM]**
85.	An open market operation is an instrument of monetary policy which involves buying or selling of from or to the public and banks (a) bonds and bills of exchange (b) debentures and shares (c) government securities (d) none of these Ans:- (c) **[SM]**
86.	Which statement (s) is (are) true about Monetary Policy Committee? I. The Reserve Bank of India (RBI) Act, 1934 was amended on June 27, 2016, for giving a statutory backing to the Monetary Policy Framework Agreement and for setting up a Monetary Policy Committee II. The Monetary Policy Committee shall determine the policy rate through debate and majority vote by a panel of experts required to achieve the inflation target. III. The Monetary Policy Committee shall determine the policy rate through consensus from the governor of RBI IV. The Monetary Policy Committee shall determine the policy rate through debate and majority vote by a panel of bankers chosen for eth purpose (a) I only (b) I and II only (c) III and IV (d) III only Ans:- (b) **[SM]**
87.	If the central bank conducts an open market purchase of government securities, what is the likely impact on the money supply? (a) Increase (b) Decrease (c) No change (d) Variable, depending on other factors. Ans: (a) **[MTP April 24]**
88.	A central bank that wants to stabilize the economy in the short run should try to: (a) establish a clear inflation target and stick to it no matter what (b) affect aggregate supply through open market operations (c) affect aggregate demand through open market operations (d) concentrate only on long-run goals Ans: (c) **[MTP April 24]**
89.	Which of the following is not an instrument of selective credit control? (a) Margin requirements (b) Open market operation (c) Credit rationing. (d) None of the above Ans: (b) **[MTP May 24]**
90.	The Reverse repo rate is: (a) RBI borrows from the government. (b) Commercial banks lends money to RBI (c) Commercial banks rediscount the bills of exchange with RBI (d) None of these Ans: (b) **[MTP May 24]**
91.	When the Central Bank intends to expand the credit, it should: (a) Raise the margin requirements (b) Raise the variable reserve ratio (c) Lower the bank rate

	(d) Purchase government securities in the open market Ans: (d) **[MTP May 24]**
92.	Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India? (a) Bank rate (b) Discount window. (c) Marginal Standing facility (d) Overnight rate Ans: (a) **[MTP May 24]**
93.	Which of the following monetary instruments are indirect instruments of Monetary Policy? (a) Cash Reserve Ratio (b) Open Market Operations (c) Repo Rate (d) Both (b) & (c) Ans: (d) **[MTP July 24]**
94.	The central bank of a country is concerned about the high level of household debt and its potential impact on the economy. Which of the following actions can it take to address the issue? (a) Increase the reserve requirement ratio to reduce lending. (b) Decrease the reserve requirement ratio to increase lending. (c) Increase the interest rate on loans to discourage borrowing. (d) Decrease the interest rate on loans to encourage borrowing. Ans: (a) **[MTP July 24]**
95.	RBI provides financial accommodation to the commercial banks through repos/ reverse repos under: (a) Statutory Liquidity Ratio (SLR) (b) Market stabilisation scheme (MSC) (c) Liquidity adjustment facility (LAF) (d) None of these Ans: (c) **[MTP August 24]**
96.	Which of the following Policy instruments RBI normally resorts to for managing inflation in the economy (a) Bank Rate (b) Cash Reserve Ratio (c) Statutory liquidity Ratio (d) Repo rate Ans: (d) **[MTP August 24]**
97.	Which of the following is NOT a typical tool of monetary policy used by a central bank? (a) Open market operations (b) Changing the reserve requirements of commercial banks (c) Adjusting the tax rates in the economy (d) Changing the discount rate Ans: (c) **[MTP Jan 25]**
98.	Which of the following is the most effective monetary policy tool for managing short-term fluctuations in the economy? (a) Open market operations (b) Changing tax rates (c) Changing government expenditure (d) Price control measures Ans: (a) **[MTP Jan 25]**
99.	Which of the following is the primary objective of monetary policy in a country? (a) To reduce government expenditure (b) To regulate the money supply to achieve macroeconomic goals like controlling inflation (c) To provide interest-free loans to the private sector (d) To balance the national budget Ans: (b) **[MTP Jan 25]**
100.	Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy? (a) Decrease the interest rate (b) Increase the money supply (c) Raise the reserve ratio for commercial banks (d) Lower the statutory liquidity ratio Ans: (c) **[MTP Jan 25]**
101.	If the central bank wants to decrease the money supply, which of the following tools of monetary policy is most likely to be used? (a) Lowering the discount rate (b) Conducting open market purchases of

	government bonds (c) Increasing the reserve requirement for commercial banks (d) Reducing taxes to increase consumer spending Ans: (c) **[MTP Jan 25]**
102.	Which of the following is a primary objective of India's monetary policy? (a) To reduce the overall level of taxation in the economy (b) To control the money supply and curb inflation (c) To promote export-led growth through currency devaluation (d) To ensure a balanced budget for the government Ans: (b) **[MTP Jan 25]**
103.	Which of the following component of monetary policy can be adopted to correct excess demand? (a) Increase in repo rate (b) Increase in CRR (c) Increase in margin requirement (d) All of these Ans: (d) **[MTP Dec 24]**
104.	Reverse repo rate: (a) generate interest income (b) is increased to curb inflation (c) is not a policy rate (d) both (a) & (b) Ans: (d)
	[MTP Dec 24]
105.	The RBI is mandated to Publish a monetary policy report every: (a) Six months (b) Three months (c) Twelve months (d) None of these Ans: (a) **[MTP Dec 24]**
106.	Interest Rate Policy is a part of: (a) Fiscal Policy (b) Industrial Policy (c) Monetary Policy (d) None of the above Ans: (c) **[MTP July 24]**
107.	Quantitative casing is the common name for? (a) Asset selling by a Central Bank (b) Asset purchasing by a Central Bank (c) Lowering at the interest rate for commercial bank lending (d) None of these Ans: (b) **[MTP July 24]**
108.	To influence spending the monetary policy is directed at directly influencing in the short run: (a) Interest Rate (b) Unemployment (c) Inflation Rate (d) Growth Rate Ans: (a) **[RTP Jan 25, MTP Nov 21]**

Chapter 9: International Trade

1. Which of the following does not represent a difference between internal trade and international trade?
   (a) transactions in multiple currencies
   (b) homogeneity of customers and currencies
   (c) differences in legal systems
   (d) none of the above
   Ans: (b)
   [SM]

2. The theory of absolute advantage states that
   (a) national wealth and power are best served by increasing exports and decreasing imports
   (b) nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else.
   (c) that the value or price of a commodity depends exclusively on the amount of labour going into its production and therefore factor prices will be the same
   (d) differences in absolute advantage explains differences in factor endowments in different countries
   Ans: (b)
   [SM]

3. Which of the following theories advocates that countries should produce those goods for which it has the greatest relative advantage?
   (a) Modern theory of international trade
   (b) The factor endowment theory
   (c) The Heckscher-Ohlin Theory
   (d) None of the above
   Ans: (d)
   [SM]

4. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports
   (a) Capitalism
   (b) Socialism
   (c) Mercantilism
   (d) Laissez faire
   Ans: (c)
   [SM]

5. Given the number of labour hours to produce cloth and grain in two countries, which country should produce grain?
   Labour cost (Hours) for production of one unit

	Country A	Country B
Cloth	40	80
Grain	80	40

   (a) Country A
   (b) Country B
   (c) Neither A nor B
   (d) Both A and B
   Ans: (b)
   [SM]

6. According to the theory of comparative advantage
   (a) trade is a zero-sum game so that the net change in wealth or benefits among the participants is zero.
   (b) trade is not a zero-sum game so that the net change in wealth or benefits among the participants is positive
   (c) nothing definite can be said about the gains from trade
   (d) gains from trade depends upon factor endowment and utilization
   Ans: (b)
   [SM]

7. Given the number of labour hours to produce wheat and rice in two countries and that these countries specialise and engage in trade at a relative price of 1:1 what will be the gain of country X?
   Labour Cost (Hours) for production of one unit

	Wheat	Rice
Country X	10	20
Country Y	80	40

   (a) 20 labour hours
   (b) 10 labour hours
   (c) 30 labour hours
   (d) Does not gain anything
   Ans: (b)

	[SM]
8.	Assume India and Bangladesh have the unit labour requirements for producing tables and mats shown in the table below. It follows that: Labour cost (Hours) for production of one unit <table><tr><td></td><td>India</td><td>Bangladesh</td></tr><tr><td>Tables</td><td>3</td><td>8</td></tr><tr><td>Mat</td><td>2</td><td>1</td></tr></table> (a) Bangladesh has a comparative advantage in mats (b) India has a comparative advantage in tables (c) Bangladesh has an absolute advantage in mats (d) All the above are true Ans: (d) **[SM]**
9.	Comparative advantage refers to (a) a country's ability to produce some good or service at the lowest possible cost compared to other countries (b) a country's ability to produce some good or service at a lower opportunity cost than other countries. (c) Choosing a productive method which uses minimum of the abundant factor (d) (a) and (b) above Ans: (b) **[SM]**
10.	Ricardo explained the law of comparative advantage on the basis of (a) opportunity costs (b) the law of diminishing returns (c) economies of scale (d) the labour theory of value Ans: (d) **[SM,MTP June 24,August 24]**
11.	Theory of Mercantilism propagates: (a) Encourage exports and imports (b) Encourage exports and discourage imports (c) Discourage exports and imports (d) Discourage exports and encourage imports Ans: (b) **[MTP April 24,June 24]**
12.	Comparative advantage is determined by: (a) the amount of resources needed to produce a good (b) the money cost of producing any good (c) The opportunity cost of producing any good (d) Absolute advantage and production possibilities combined. Ans: (c) **[MTP May 24]**
13.	Terms of trade in developing countries are generally unfavorable because: (a) They export manufacturing products. (b) They export primary products. (c) They export few goods. (d) Both A and C Ans: (b) **[MTP May 24]**
14.	Which of the following is not one of the features of New Trade Theory by Paul Krugman? (a) Countries which trade in similar goods are natural trade partners (b) It is based on labour theory of value (c) Network effect as means of engaging in international trade (d) It focuses more on economies of scale Ans: (b) **[MTP May 24,July 24]**
15.	Money cost is considered by: (a) Modern theory of trade (b) Comparative cost advantage (c) New Trade theory (d) None of these Ans: (a) **[MTP May 24]**
16.	First mover advantage theory is related to: (a) Absolute advantage theory (b) Comparative cost advantage theory. (c) New trade theory (d) None of these Ans: (c) **[MTP May 24]**
17.	Which of the following is a disadvantage of international trade? (a) Increased choice for consumers (b) Risk of dependence on imports (c) Increased specialization (d) None of the above Ans: (b) **[MTP July 24]**

18.	In Heckscher Ohlin theory factors of production are---in number. (a) one (b) two (c) three (d) four Ans: (b) **[MTP Dec 24]**
19.	According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that: (a) Require labour-intensive techniques if the country has a surplus of capital. (b) Utilize abundant factors of production that the country has in large supply. (c) Require advanced technology in which the country is technologically superior. (d) Require high labour costs in a country with low wages. Ans: (b) **[MTP Jan 25]**
20.	Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage? (a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade. (b) Resources are immobile between countries but mobile within a country. (c) Trade occurs only due to differences in technology between countries. (d) Both countries in trade can benefit even if one country is less efficient in producing both goods. Ans: (c) **[MTP Jan 25]**
21.	Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports: (a) Capitalism (b) Socialism (c) Mercantilism (d) None of these Ans: (b) **[MTP Dec 24]**
22.	Who Propounded the Price Equalization Theorem? (a) Paul Samuelson (b) Alfred Marshall (c) Irving Fisher (d) Marx Ans: (a) **[MTP July 24]**
23.	Globalization indicate rapid _____ between countries: (a) Competition (b) Investment (c) Integration (d) None of these Ans: (c) **[RTP Sep 24, MTP May 22, April 23, June 24]**
24.	A specific tariff is (a) a tax on a set of specified imported good (b) an import tax that is common to all goods imported during a given period (c) a specified fraction of the economic value of an imported good (d) a tax on imports defined as an amount of currency per unit of the good Ans: (d) **[SM]**
25.	A tariff on imports is beneficial to domestic producers of the imported good because (a) they get a part of the tariff revenue (b) it raises the price for which they can sell their product in the domestic market (c) it determines the quantity that can be imported to the country (d) it reduces their producer surplus, making them more efficient Ans: (b) **[SM]**
26.	A tax applied as a percentage of the value of an imported good is known as (a) preferential tariff (b) ad valorem tariff (c) specific tariff (d) mixed or compound tariff Ans: (b) **[SM]**
27.	Escalated tariff refers to (a) nominal tariff rates on raw materials which are greater than tariffs on manufactured products (b) nominal tariff rates on manufactured products which are greater than tariffs on raw materials

	(c) a tariff which is escalated to prohibit imports of a particular good to protect domestic industries (d) none of the above Ans: (b) **[SM]**
28.	Voluntary export restraints involve: (a) an importing country voluntarily restraining the quantity of goods that can be exported into the country during a specified period of time (b) domestic firms agreeing to limit the quantity foreign products sold in their domestic markets (c) an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time (d) quantitative restrictions imposed by the importing country's government. Ans: (c) **[SM]**
29.	Anti-dumping duties are (a) additional import duties so as to offset the effects of exporting firm's unfair charging of prices in the foreign market which are lower than production costs. (b) additional import duties so as to offset the effects of exporting firm's increased competitiveness due to subsidies by government (c) additional import duties so as to offset the effects of exporting firm's unfair charging of lower prices in the foreign market (d) Both (a) and (c) above Ans: (d) **[SM]**
30.	A countervailing duty is (a) a tariff that aim to offset artificially low prices charged by exporters who enjoy export subsidies and tax concessions in their home country (b) charged by importing countries to ensure fair and market-oriented pricing of imported products (c) charged by importing countries to protect domestic industries and firms from unfair price advantage arising from subsidies (d) All the above Ans: (d) **[SM]**
31.	Which of the following is an outcome of tariff? (a) create obstacles to trade and increase the volume of imports and exports (b) domestic consumers enjoy consumer surplus because consumers must now pay only a lower price for the good (c) discourage domestic consumers from consuming imported foreign goods and encourage consumption of domestically produced import substitutes (d) increase government revenues of the importing country by more than value of the total tariff it charges Ans: (c) **[SM]**
32.	SPS measures and TBTs are (a) permissible under WTO to protect the interests of countries (b) may result in loss of competitive advantage of developing countries (c) increases the costs of compliance to the exporting countries (d) All the above Ans: (d) **[SM]**
33.	Which of the following is not a non-tariff barrier. (a) Complex documentation requirements (b) Import quotas on specific goods (c) Countervailing duties charged by importing country (d) Pre shipment product inspection and certification requirements Ans: (c) **[SM]**
34.	Under tariff rate quota (a) countries promise to impose tariffs on imports from members other than those who are part of a preferential trade agreement (b) a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate (c) lower tariff is charged from goods

	imported from a country which is given preferential treatment (d) none of the above Ans: (b) **[SM]**
35.	Non -tariff barriers (NTBs) include all of the following except: (a) import quotas (b) tariffs (c) export subsidies (d) technical standards of products Ans: (b) **[SM]**
36.	What is the purpose of a voluntary export restraint (VER)? (a) To limit the quantity of exports. (b) To encourage foreign producers to export more (c) To reduce the cost of imports. (d) To comply with international trade agreements. Ans: (a) **[MTP April 24]**
37.	Quantitative restrictions refer to limits set by countries to curb: (a) Imports (b) Exports (c) Imports & exports (d) None of the above Ans: (c) **[MTP April 24]**
38.	The process of selling of the products at a price less than on going price in the market is known as: (a) Quota (b) Tariff (c) Subsidies (d) Dumping Ans: (d) **[MTP May 24]**
39.	Which trade policy tool is designed to directly support domestic producers by reducing the cost of exporting goods? (a) Export subsidy (b) Import quota (c) Voluntary export restraint (d) Export tariff Ans: (a) **[MTP April 24]**
40.	A lumps sum tax per unit on imports is known as: (a) A specific tariff (b) An effective tariff (c) An effective quota (d) A specific quota Ans: (a) **[MTP May 24]**
41.	Countervailing duty shall not be levied unless it is determined that: (a) The subsidy relates to export performance. (b) The subsidy relates to the use of domestic goods over imported goods in the export article (c) The subsidy has been conferred on a limited number of persons engaged in the manufacture, production or export of articles. (d) All the above Ans: (d) **[MTP May 24]**
42.	Central Government can impose the safeguard duty if it is satisfied that: (a) Any article is imported into India in increased quantities (b) Such increased importation is causing or threatening to cause serious injury to domestic industry (c) Either A or B (d) Both A & B Ans: (d) **[MTP May 24]**
43.	Most tariffs have: (a) only revenue effects (b) only protective effects (c) both protective and revenue effects (d) neither protective or revenue effects Ans: (c) **[MTP May 24,June 24]**
44.	Which of the following measures involve total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period? (a) Import Quotas (b) Anti-Dumping Duties (c) Escalated Tariffs (d) Embargos Ans: (d) **[MTP May 24,July 24]**

45.	Which of the following tariff is charged on imports on most-favoured nation (MFN) basis: (a) bound tariff (b) applied tariff (c) prohibitive tariff (d) None of these Ans: (b) **[MTP May 24]**
46.	Which of the following is an example of a local content requirement? (a) A limit on the quantity of imports (b) A subsidy for domestic producers (c) A requirement that a certain percentage of a product be produced domestically. (d) All of these Ans: (c) **[MTP July 24]**
47.	One of the reasons mentioned below doesn't justify imposition of tariffs: (a) It will enhance consumer sovereignty (b) It helps in curbing BoP deficit. (c) It raises government revenue. (d) It is used to protect domestic industry from subsidized imports. Ans: (a) **[MTP July 24]**
48.	Escalated tariffs refer to: (a) Nominal tariff rate on raw materials which are greater than tariffs on mfg. product (b) A tariff which is escalated to prohibit imports of a particular good to protect domestic Industries (c) Normal tariff rate on mfg. products which are greater than tariffs on raw material (d) None of these Ans: (c) **[MTP August 24]**
49.	Which of the following is not a non-tariff barrier: (a) Complex documentation requirement (b) Countervailing duties charged by importing country (c) Pre -Shipment product inspection and certification on requirements (d) None of these Ans: (b)
	[MTP Dec 24]
50.	Dumping refers to: (a) Reducing tariffs (b) Sale of goods abroad at a lower price, below their cost and price in their home market (c) Buying goods at low prices abroad and selling at higher prices locally (d) None of these Ans: (b) **[RTP Jan 25, MTP July 24]**
51.	Which of the following culminated in the establishment of the World Trade Organization? (a) The Doha Round (b) The Tokyo Round (c) The Uruguay Round (d) The Kennedy Round Ans: (c) **[SM]**
52.	Choose the correct statement (a) The GATT was meant to prevent exploitation of poor countries by richer countries (b) The GATT dealt with trade in goods only, while, the WTO covers services as well as intellectual property. (c) All members of the World Trade Organization are required to avoid tariffs of all types (d) All the above Ans: (b) **[SM]**
53.	The 'National treatment' principle stands for (a) the procedures within the WTO for resolving disagreements about trade policy among countries (b) the principle that imported products are to be treated no worse in the domestic market than the local ones (c) exported products are to be treated no worse in the domestic market than the local ones (d) imported products should have the same tariff, no matter where they are imported from Ans: (b) **[SM]**
54.	'Bound tariff' refers to

	(a) clubbing of tariffs of different commodities into one common measure (b) the lower limit of the tariff below which a nation cannot be taxing its imports (c) the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO. (d) the limit within which the country's export duty should fall so that there are cheaper exports Ans: (c) **[SM]**
55.	The essence of 'MFN principle' is (a) equality of treatment of all member countries of WTO in respect of matters related to trade (b) favour one, country, you need to favour all in the same manner (c) every WTO member will treat all its trading partners equally without any prejudice and discrimination (d) all the above Ans: (d) **[SM]**
56.	The World Trade Organization (WTO) (a) has now been replaced by the GATT (b) has an inbuilt mechanism to settle disputes among members (c) was established to ensure free and fair trade internationally (d) and c) above Ans: (d) **[SM]**
57.	The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments (a) on increasing agricultural productivity and rural development (b) market access and agricultural credit support (c) market access, domestic support and export subsidies (d) market access, import subsidies and export subsidies Ans: (c) **[SM]**
58.	The Agreement on Textiles and Clothing (a) provides that textile trade should be deregulated gradually and the tariffs should be increased (b) replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974 (c) granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries (d) stipulated that tariffs in all countries should be the same Ans: (b) **[SM]**
59.	The Agreement on Trade-Related Aspects of Intellectual Property Rights (a) stipulates to administer a system of enforcement of intellectual property rights. (b) provides for most-favoured-nation treatment and national treatment for intellectual properties (c) mandates to maintain high levels of intellectual property protection by all members (d) all the above Ans: (d) **[SM]**
60.	The most controversial topic in the yet to conclude Doha Agenda is (a) trade in manufactured goods (b) trade in intellectual property rights-based goods (c) trade in agricultural goods (d) market access to goods from developed countries Ans: (c) **[SM]**
61.	The WTO commitments (a) affect developed countries adversely because they have comparatively less agricultural goods (b) affect developing countries more because they need to make radical adjustments (c) affect both developed and developing countries equally (d) affect none as they increase world trade and ensure prosperity to all Ans: (b) **[SM]**
62.	Which international organization is

	responsible for facilitating trade negotiations and resolving trade disputes among member countries? (a) World Health Organization (WHO) (b) International Monetary Fund (IMF) (c) World Trade Organization (WTO) (d) United Nations Educational, Scientific and Cultural Organization (UNESCO) Ans: (c) **[MTP April 24]**
63.	Under which union they have or follow a common monetary policy and fiscal policy: (a) Economic Union (b) Custom Union (c) Common market (d) None of these Ans: (a) **[MTP May 24, June 24 July 24]**
64.	The WTO comprises majorly: (a) developed countries (b) under developed countries (c) developing countries (d) None of these. Ans: (c) **[MTP May 24]**
65.	The most controversial topic in the yet to conclude Doha Agenda is: (a) Trade in agricultural goods (b) Trade in manufactured goods (c) market access to goods from developed countries (d) None of these Ans: (a) **[MTP August 24]**
66.	Most Favoured Nation (MFN) clause was introduced by: (a) WTO (b) GATT (c) ADB (d) IBRD Ans: (b) **[MTP Dec 24]**
67.	In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks? (a) To increase tariffs and protect domestic industries (b) To reduce trade barriers and promote free trade (c) To restrict foreign competition through quotas (d) To enhance domestic subsidies for agricultural sectors Ans: (b) **[MTP Jan 25]**
68.	Which of the following is an example of a multilateral trade agreement? (a) North American Free Trade Agreement (NAFTA) (b) European Union (EU) Trade Policies (c) World Trade Organization (WTO) agreements (d) Bilateral Trade Agreement between two countries Ans: (c) **[MTP Jan 25]**
69.	Which of the following is the primary objective of bilateral trade agreements? (a) To create trade barriers between the two countries involved (b) To establish free trade between two countries by eliminating tariffs and restrictions (c) To focus on mutual military cooperation between the countries (d) To standardize monetary policies between two countries Ans: (b) **[MTP Jan 25]**
70.	A group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries: (a) Free trade area (b) Custom union (c) Trade bloc (d) Regional preferential trade agreements Ans: (c) **[MTP Dec 24]**
71.	The Word Trade Organization (WTO) was established to implement the final act of round agreement of GATT. (a) Geneva (b) Uruguay (c) Tokyo (d) None of these Ans: (b)

	[MTP July 24]
72.	The WTO was established to implement the final act of Uruguay round agreement of: (a) MFA (b) GATT (c) TRIP (d) MNC Ans: (b) **[RTP Jan 25]**
73.	National Treatment Principle (NTP) says : (a) Imported goods and domestic goods should be treated equally (b) Exported goods and imported goods should be treated equally. (c) Imported goods and domestic goods should be treated differently (d) Internal trade is more important than international trade Ans: (a) **[MTP Dec 24]**
74.	In the context of trade negotiations, the term "Most-Favoured-Nation (MFN)" status refers to: (a) A preferential treatment granted to one country over others in trade agreements. (b) The obligation to trade exclusively with a particular country. (c) A policy that allows countries to impose tariffs on imports from specific nations. (d) A requirement to offer the same trade terms to all trading partners. Ans: (d) **[MTP Jan 25]**
75.	Based on the supply and demand model of determination of exchange rate, which of the following ought to cause the domestic currency of Country X to appreciate against dollar? (a) The US decides not to import from Country X (b) An increase in remittances from the employees who are employed abroad to their families in the home country (c) Increased imports by consumers of Country X (d) Repayment of foreign debts by Country X Ans: (b)

	[SM]
76.	All else equal, which of the following is true if consumers of India develop taste for imported commodities and decide to buy more from the US? (a) The demand curve for dollars shifts to the right and Indian Rupee appreciates (b) The supply of US dollars shrinks and, therefore, import prices decrease (c) The demand curve for dollars shifts to the right and Indian Rupee depreciates (d) The demand curve for dollars shifts to the left and leads to an increase in exchange rate Ans: (c) **[SM]**
77.	'The nominal exchange rate is expressed in units of one currency per unit of the other currency. A real exchange rate adjusts this for changes in price levels'. The statements are (a) wholly correct (b) partially correct (c) wholly incorrect (d) None of the above Ans: (a) **[SM]**
78.	Match the following by choosing the term which has the same meaning i) floating exchange rate ii) pegged exchange rate iii) devaluation iv) appreciation a. fixed exchange rate b. depreciation c. revaluation d. flexible exchange rate (a) (i c); (ii d); (iii b); (iv a)) (b) (i b); (ii a); (iii d); (iv c) (c) (i a); (ii d) ; (iii b); (iv c) (d) (i d); (ii a); (iii b); (iv c) Ans: (d) **[SM]**
79.	Choose the correct statement (a) An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency (b) the fixed exchange rate regime is said to be efficient and highly transparent. (c) A direct quote is the number of units

	of a local currency exchangeable for one unit of a foreign currency (d) Exchange rates are generally fixed by the central bank of the country Ans: (c) **[SM]**
80.	Which of the following statements is true? (a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency (b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency (c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable. (d) All the above Ans: (d) **[SM]**
81.	An increase in the supply of foreign exchange (a) shifts the supply curve to the right and as a consequence, the exchange rate declines (a) shifts the supply curve to the right and as a consequence, the exchange rate increases (b) more units of domestic currency are required to buy a unit of foreign exchange (c) the domestic currency depreciates and the foreign currency appreciates Ans: (a) **[SM]**
82.	Currency devaluation (a) may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries (b) may reduce export prices and increase the international competitiveness of domestic industries (c) may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services (d) (a) and (c) above Ans: (b) **[SM]**
83.	At any point of time, all markets tend to have the same exchange rate for a given currency due to (a) Hedging (b) Speculation (c) Arbitrage (d) Currency futures Ans: (c) **[SM, MTP Dec 24]**
84.	'Vehicle Currency' refers to (a) a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties (b) a currency that is traded internationally and, therefore, is in high demand (c) a type of currency used in euro area for synchronization of exchange rates (d) a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties Ans: (d) **[SM, MTP August 24]**
85.	The quantity of dollars supplied will decrease if: (a) imports into the United States increase. (b) the expected future exchange rate falls. (c) the interest rate in the United States falls. (d) fewer U.S. residents travel abroad. Ans: (d) **[MTP April 24,June 24]**
86.	A key effect of devaluation is that it: (a) Makes the domestic currency cheaper relative to other currencies (b) Makes the domestic currency dearer relative to other currencies (c) Makes the foreign currency Cheaper relative to other currencies (d) Leaves the relative value unchanged Ans: (a)

	[MTP May 24,June 24]
87.	Any act of interference by a Central Bank like the RBI in influencing the exchange rate is referred to as which of the following in India? (a) Dirty Floats (b) Managed Floats (c) Fixed Floats (d) Market Stabilization Floats Ans: (b) **[MTP May 24,Dec 24]**
88.	Dirty Floating is related to: (a) Flexible system of exchange rate (b) fixed system of exchange rate (c) Either of these (d) None of these Ans: (a) **[MTP May 24]**
89.	What is hedging? (a) Protection against extreme weather condition (b) Protection against risk related to variation in Price movement in an asset. (c) When exchange rate is unlocked for future supplies of foreign exchange (d) None of these Ans: (b) **[MTP July 24]**
90.	Which of the following would be an effect of a revaluation of a country's currency? (a) Increased demand for the country's exports (b) A decrease in the cost of imports for consumers (c) Increased competitiveness of the country's exports in the global market (d) A higher cost of living for consumers due to decreased purchasing power Ans: (b) **[MTP Jan 25]**
91.	If a country's currency is depreciating, it means that: (a) The domestic currency is increasing in value relative to foreign currencies. (b) The country's exports will become more expensive to foreign buyers. (c) The country's exports become cheaper for foreign buyers, potentially boosting trade. (d) The central bank is actively increasing the supply of money. Ans: (c) **[MTP Jan 25]**
92.	The terms revaluation is applied to: (a) Flexible exchange rate (b) Fixed exchange rate (c) Gold (d) ECB Ans: (b) **[MTP Dec 24]**
93.	Which of the following statements is incorrect? (a) Direct investments are real investments in factories, assets, land, inventories etc. and involve foreign ownership of production facilities. (b) Foreign portfolio investments involve flow of 'financial capital'. (c) Foreign direct investment (FDI) is not concerned with either manufacture of goods or with provision of services. (d) Portfolio capital moves to a recipient country which has revealed its potential for higher returns and profitability Ans: (c) **[SM]**
94.	Which of the following is a component of foreign capital? (a) Direct inter government loans (b) Loans from international institutions (e.g. World Bank, IMF, ADB) (c) Soft loans for e.g. from affiliates of World Bank such as IDA (d) All the above Ans: (d) **[SM]**
95.	Which of the following would be an example of foreign direct investment from Country X? (a) A firm in Country X buys bonds issued by a Chinese computer manufacturer. (b) A computer firm in Country X enters into a contract with a Malaysian firm for the latter to make and sell to it processors (c) Mr. Z a citizen of Country X buys a controlling share in an Italian electronics firm (d) None of the above

	Ans: (c) **[SM]**
96.	Which of the following types of FDI includes creation of fresh assets and production facilities in the host country? (a) Brownfield investment (b) Merger and acquisition (c) Greenfield investment (d) Strategic alliances Ans: (c) **[SM]**
97.	Which is the leading country in respect of inflow of FDI to India? (a) Mauritius (b) USA (c) Japan (d) USA Ans: (a) **[SM]**
98.	An argument in favour of direct foreign investment is that it tends to (a) promote rural development (b) increase access to modern technology (c) protect domestic industries (d) keep inflation under control Ans: (b) **[SM]**
99.	Which of the following is a reason for foreign direct investment? (a) secure access to minerals or raw materials (b) desire to capture of large and rapidly growing emerging markets (c) desire to influence home country industries (d) (a) and (b) above Ans: (d) **[SM]**
100.	A foreign direct investor (a) May enter India only through automatic route (a) May enter India only through government route (b) May enter India only through equity in domestic enterprises (c) Any of the above Ans: (d) **[SM]**
101.	Foreign investments are prohibited in (a) Power generation and distribution (b) Highways and waterways (c) Chit funds and Nidhi company (d) Airports and air transport Ans: (c) **[SM]**
102.	Which of the following statement is false in respect of FPI? (a) portfolio capital in general, moves to investment in financial stocks, bonds and other financial instruments (b) is effected largely by individuals and institutions through the mechanism of capital market (c) is difficult to recover as it involves purely long-term investments and the investors have controlling interest (d) investors also do not have any intention of exercising voting power or controlling or managing the affairs of the company. Ans: (c) **[SM]**
103.	Which of the following is more sensitive to short-term changes in economic conditions? (a) FDI (b) FPI (c) Both FDI and FPI (d) Neither FDI nor FPI Ans: (b) **[MTP April 24]**
104.	Which type of investment is more influenced by government regulations and policies? (a) FDI (b) FPI (c) Both FDI and FPI equally (d) Neither FDI nor FPI Ans: (a) **[MTP April 24]**
105.	Which of the following statements is/are correct regarding FDI under automatic route? a. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India. b. Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office

	before the issue of shares to foreign investors. (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Ans: (c) **[MTP May 24]**
106.	What is a Global Depository Receipt? (a) It is a receipt issued by multinational banks on deposit of money. (b) It is a receipt issued by stock exchange to bank clearing mechanism. (c) It is a receipt issued by an overseas bank is lieu of shares of a domestic company. (d) It is a receipt issued by stock exchange on investment by foreign portfolio investor. Ans: (c) **[MTP May 24]**
107.	Which type of investment is more susceptible to capital flight during times of economic instability? (a) FDI (b) FPI (c) Both FDI and FPI equally (d) Neither FDI nor FPI Ans: (b) **[MTP May 24]**
108.	The Three component of FDI is: (a) equity capital (b) reinvested earnings (c) Intra company loans (d) All the above Ans: (d) **[MTP May 24]**
109.	ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it? (a) Joint Venture (b) Brownfield Investment (c) Greenfield Investment (d) Licensing Ans: (c) **[MTP July 24]**
110.	Creation of fresh assets and production are included in which type of FDI: (a) Strategic Alliance (b) Merger and Acquisition (c) Brownfield Investment (d) Greenfield Investment Ans: (d) **[MTP August 24]**
111.	Which term describes the movement of capital from one country to another to exploit investment opportunities? (a) Foreign Direct Investment (FDI) (b) Foreign Portfolio Investment (FPI) (c) Exchange Rate Speculation (d) Capital Flight Ans: (b) **[MTP Dec 24]**
112.	Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)? (a) To reduce foreign competition in domestic markets (b) To gain access to new markets and resources (c) To avoid taxes in the home country (d) To lower labour costs by outsourcing to developing countries Ans: (b) **[MTP Jan 25]**
113.	Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country? (a) Increased inflation due to higher government expenditure (b) Reduction in technological transfer to local industries (c) Creation of employment opportunities and skill development (d) Increased dependence on foreign companies for resources Ans: (c) **[MTP Jan 25]**
114.	Which of the following theories suggests that firms seek to penetrate new markets over time? (a) Theory of comparative advantage (b) Product Market theory (c) Imperfect Market theory (d) None of these Ans: (d) **[MTP July 24]**
115.	_____ are also known as International Bank

	for Reconstruction and Development. (a) IMF (b) ADB (c) World Bank (d) ECM Ans: (c) **[RTP Jan 25]**
116.	FDI in telecom sector is raised to: (a) 49% (b) 51% (c) 100% (d) None of these Ans: (c) **[RTP Jan 25]**

Chapter 10: Indian Economy

1.	The Indian industry stagnated under the colonial rule because (a) Indians were keen on building huge structures and monuments only (b) Deterioration was caused by high prices of inputs due to draught (c) The Indian manufactures could not compete with the imports of cheap machine made goods (d) None of the above Ans: (c) **[SM]**
2.	The first wave of liberalization starts in India (a) In 1951 (b) In 1980's (c) In 1990 (d) In 1966 Ans: (b) **[SM]**
3.	The 'Hindu growth rate' is a term used to refer to - (a) the high rate of growth achieved after the new economic policy of 1991 (b) the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year (c) the low growth of the economy during British period marked by an average of 3.5 percent (d) the growth rate of the country because India is referred to as 'Hindustan' Ans: (b) **[SM]**
4.	The sequence of growth and structural change in Indian economy is characterized by (a) The historical pattern of prominence of sectors as agriculture, industry, services (b) The historical pattern of prominence of sectors as industry, services, agriculture (c) Unique experience of the sequence as agriculture, services, industry (d) All the above are correct Ans: (c) **[SM]**
5.	We can say Indian agriculture has become modern since: (a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc. (b) there has been noticeable positive change in the attitude of farmers towards new techniques of production (c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management (d) all of the above. Ans: (d) **[MTP May 24]**
6.	Merchandise Exports from India Scheme was replaced by - (a) Remission of Duties and Taxes on Export Products (RoDTEP) in 2021 (b) National Logistics Policy (NLP) in 2020 (c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019 (d) None of the above Ans: (a) **[SM]**
7.	The Foreign Investment Promotion Board (FIPB) (a) a government entity through which inward investment proposals were routed to obtain required government approvals (b) no more exists as the same is replaced by a new regime namely Foreign Investment Facilitation Portal (c) no more exists as all inward investments are through automatic route and need no approval (d) is the body which connects different ministries in respect of foreign portfolio investments Ans: (b) **[SM]**

8. FAME-India Scheme aims to
(a) Enhance faster industrialization through private participation
(b) to promote manufacturing of electric and hybrid vehicle technology
(c) to spread India's fame among its trading partners
(d) None of the above
Ans: (b)
[SM]

9. In terms of Ease of Doing Business in 2020 India ranks
(a) 63
(b) 77
(c) 45
(d) None of the above
Ans: (a)
[SM, MTP May 24]

10. Which of the following is not a policy reform included in the new economic policy of 1991 -
(a) removing licensing requirements for all industries
(b) Foreign investment was liberalized
(c) Liberalisation of international trade
(d) The disinvestment of government holdings of equity share capital of public sector enterprises
Ans: (a)
[SM]

11. Imports of foreign goods and entry of foreign investments were restricted in India because -
(a) The government wanted people to follow the policy of' Be Indian; Buy Indian'
(b) Because foreign goods were costly and meant loss of precious foreign exchange
(c) Government policy was directed towards protection of domestic industries from foreign competition
(d) Government wanted to preserve Indian culture and to avoid influence of foreign culture
Ans: (c)
[SM]

12. In the context of the new economic policy of 1991, the term 'disinvestment' stands for -
(a) A policy whereby government investments are reduced to correct fiscal deficit
(b) The policy of sale of portion of the government shareholding of a public sector enterprise
(c) The policy of public partnership in private enterprise
(d) A policy of opening up government monopoly to the privates sector
Ans: (b)
[SM]

13. The objective of introducing Monopolies and Restrictive Trade Practices Act 1969 was -
(a) to ensure that the operation of the economic system does not result in the concentration of economic power in hands of a few
(b) to provide for the control of monopolies
(c) to prohibit monopolistic and restrictive trade practice
(d) all the above
Ans: (d)
[SM]

14. The new economic policy of 1991 manifest in -
(a) State led industrialization and import substitution
(b) Rethinking the role of markets versus the state
(c) Emphasized the role of good governance
(d) Bringing about reduction in poverty and redistributive justice
Ans: (b)
[SM, RTP Jan 25]

15. The post-independence economic policy was rooted in -
(a) A capitalist mode of production with heavy industrialization
(b) social and economic redistribution and industrialization directed by the state
(c) social and economic redistribution through private sector initiatives
(d) Industrialization led by private entrepreneurs and redistribution by state
Ans: (b)
[SM]

16. New Industrial Policy was announced on ___.
(a) 24th July 1991
(b) 15th August 1990
(c) 10th January 1995
(d) None of these
Ans: (a)
[MTP July 24]

17. Measure of fiscal reforms includes:
(a) Ensuring better tax compliance
(b) Encouraging private sector participation
(c) Reduction in subsidies and abolition of unnecessary subsidies
(d) All of these
Ans: (d)
[MTP July 24]

18. Which of the following sectors saw the highest growth rate after the economic reforms of 1991 in India?
(a) Agriculture
(b) Industrial Sector
(c) Services Sector
(d) Mining and Quarrying
Ans: (c)
[MTP Jan 25]

19. Niti Aayog will work towards the objective:
(a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states
(b) To foster cooperative federalism
(c) To develop mechanisms to formulate credible plans at the village level
(d) All the above
Ans: (d)
[MTP May 24]

20. What is the expansion of the term NITI in NITI Aayog?
(a) National Institution for Transforming India
(b) National Institution for Total Improvement
(c) National Institution for Technological Improvement
(d) None of these
Ans: (a)
[MTP July 24]

21. Which of the following is NOT a function of NITI Aayog?
(a) Formulating five-year plans
(b) Promoting sustainable development
(c) Facilitating cooperative federalism
(d) Providing policy and technical advice to the central and state governments
Ans: (a)
[MTP Dec 24]

22. Atal Tinkering lab is an initiative by which of the following institution ?
(a) Niti Aayog
(b) CBSE
(c) National Ayush Mission
(d) Reserve bank of India
Ans: (a)
[MTP Dec 24]

23. E-NAM is -
(a) An electronic name card given to citizens of India
(b) National Agriculture Market with the objective of creating a unified national market for agricultural commodities.
(c) a pan-India electronic trading portal which networks the existing APMC mandis
(d) b) and c) above
Ans: (d)
[SM, RTP Jan 25]

24. Which one of the following is a feature of green revolution
(a) use of soil friendly green manure to preserve fertility of soil
(b) grow more crops by redistributing land to landless people
(c) High yielding varieties of seeds and scientific cultivation
(d) Diversification to horticulture
Ans: (c)
[SM]

25. The strategy of agricultural development in India before green revolution was -
(a) High yielding varieties of seeds and chemical fertilizers to boost productivity
(b) Institutional reforms such as land reforms
(c) Technological up gradation of agriculture
(d) All the above
Ans: (b)
[SM]

26. The industrial sector depends on the

	agricultural sector because: (a) the agricultural sector provides food and other products for the consumption purposes of industrial sector (b) the agricultural sector provides raw materials for the development of agro-based industries of the economy (c) the agricultural sector provides market for the industrial products (d) all of the above Ans: (d) **[MTP April 24]**
27.	Which of the following is considered a major challenge to the Indian agricultural sector? (a) Over-reliance on capital-intensive machinery (b) Low level of technological adoption and irrigation facilities (c) Excessive imports of agricultural products (d) Lack of foreign investments in the sector Ans: (b) **[MTP Jan 25]**
28.	The Industrial Policy Resolution (1948) aimed at - (a) Market oriented economic reforms and opening up of economy (b) A shift from state led industrialization to private sector led industrialisation (c) an expanded role for the public sector and licensing to the private sector (d) an expanded role of private sector a limited role of public sector Ans: (c) **[SM]**
29.	Agrarian reforms in Agriculture brought: (a) Institutional reforms (b) Technical reforms (c) Land reforms (d) All the three mentioned Ans: (d) **[MTP July 24]**
30.	As per the economic survey 2023-24 the contribution of service sector is (a) 55% (b) 60% (c) 45% (d) None of these Ans: (a) **[MTP July 24]**
31.	Which of the following is not an example of a policy designed to encourage competition? (a) Deregulation (b) Trade liberalization (c) Reducing income tax (d) Anti-monopoly regulations Ans: (c) **[MTP April 24,Jan 25]**
32.	What is the primary objective of the Indian government's "Make in India" initiative? (a) To increase imports from other countries (b) To promote local manufacturing and attract foreign investment (c) To reduce domestic production costs (d) To expand the agricultural sector Ans: (b) **[MTP Dec 24]**
33.	The Indian government's policy of "Import Substitution Industrialization" (ISI) primarily aimed to: (a) Increase imports to stimulate economic growth (b) Reduce dependence on foreign goods by promoting domestic industries (c) Encourage foreign investment in local industries (d) Expand the agricultural sector for export Ans: (b) **[MTP Dec 24]**
34.	E – NAM is – (a) a pan -India electronic trading portal which networks the existing APMC mandis (b) with the objective of creating a unified national market for agricultural commodities (c) Both a & b (d) None of these Ans: (c) **[MTP May 24]**
35.	Which of the following is the most important source of India's foreign exchange earnings? (a) Industrial exports (b) Remittances from Indians working abroad

	(c) Tourism (d) Services exports, especially IT and software Ans: (d) **[MTP Jan 25]**
36.	What activity is termed as activity of tertiary sector? (a) Wheat production (b) Mobile production (c) Construction of a dam (d) Fishing Ans: (c) **[RTP May 25]**
37.	What is meant by the "institutional framework" of an economy? (a) The maximum capacity of the economy in the production process (b) The level of investment in human capital (c) The system of formal laws, regulations and procedures that shape economic activity in the economy (d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy Ans: (c) **[MTP May 24]**
38.	SEBI was given statutory recognition in: (a) 1985 (b) 1990 (c) 1992 (d) None of these Ans: (c) **[MTP May 24]**
39.	Indian financial system is skewed towards Commercial Banks with no interdependence on NBFCs: (a) Yes (b) No (c) Partly Right (d) None of the above Ans: (b) **[MTP June 24]**
40.	Macro-Prudential Policy Measures can help to overcome: (a) Systemic Risk (b) Credit Risk (c) Inflation risk (d) None of these Ans: (a)
	[MTP June 24]
41.	Foreign Portfolio Investment (FPI) involves: (a) Investment in tangible assets in a foreign country (b) Investment in financial assets such as stocks and bonds of foreign companies (c) Establishing subsidiaries or acquiring stakes in foreign companies (d) Long-term commitment to a foreign market Ans: (b) **[MTP June 24]**
42.	Which of the following is/are the components of the Fiscal Deficit? 1. Budgetary Deficit 2. Market Borrowings 3. Expenditure made from Pradhan Mantri Rahat Kosh (a) Only 1 (b) Only 2 (c) Only 3 (d) All 1, 2 and 3 Ans: (d) **[MTP June 24]**
43.	Which of the following is key operational target in a Budget? (a) Fiscal Deficit (b) Revenue Deficit (c) The General Government Debt (d) The Central Government Debt Ans: (a) **[MTP June 24,Dec 24]**
44.	If a Ministry falls short of approved budget in a scheme, what is the process to get additional budget through Parliament? (a) Supplementary (b) Re-appropriation (c) Transfer of balances (d) Vote on account Ans: (a) **[MTP June 24]**
45.	Budget of the government generally impacts. (a) The resource allocation in the economy (b) Redistribution of income and enhance equity. (c) Stability in the economy by measures to control price fluctuations. (d) All of the above Ans: (d)

	[MTP June 24]
46.	Short -term credit from the Reserve bank to state government: (a) RBI credit to states (b) Commercial credit of RBI (c) Ways and Means Advances (d) Short term facility Ans: (c) **[MTP June 24]**
47.	Which of the following is/are the components of Public Debt? 1. Market Loans 2. External Loans 3. Outstanding against saving schemes/ provident funds (a) only 1 (b) only 2 (c) Both 1 and 2 (d) only 3 Ans: (c) **[MTP June 24]**
48.	The External Debt has been shown at the exchange rate applicable at the time of: (a) Contracting the debt. (b) Expanding the debt. (c) Both a & b (d) None of the above Ans: (a) **[MTP June 24,Dec 24]**
49.	Which of the followings is not an element of good public expenditure management? (a) Elasticity (b) Economy (c) Productivity (d) Deficit Ans: (d) **[MTP June 24]**
50.	The share of agriculture in India's national income has over the years. (a) Remained constant. (b) Decreased. (c) Increased. (d) First decreased and then increased. Ans: (b) **[MTP June 24]**
51.	FEMA stands for: (a) Foreign Exchange Management Act. (b) Founds Exchange Management Act. (c) Finance Enhancement Monetary Act. (d) Future Exchange Management Act.
	Ans: (a) **[MTP June 24]**
52.	Broad money refers to: (a) M1 (b) M2 (c) M3 (d) M4 Ans: (c) **[MTP June 24]**
53.	The effect of increase CRR will be reduced or nullified if: (a) Bank rate is reduced. (b) Securities are sold in the open market. (c) SLR is increased. (d) People do not borrow from non-banking institutions. Ans: (a) **[MTP June 24]**
54.	The pre-condition for privatization to be successful requires: (a) Liberalization and de-regulation of the economy. (b) Capital markets should be sufficiently developed. (c) None of the above. (d) (a) & (b) both. Ans: (d) **[MTP June 24]**
55.	During depression, it is advisable to: (a) Lower Bank Rate and purchase securities in the market. (b) Increase Bank Rate and purchase securities in the open market. (c) Decrease Bank Rate and sell securities in the open market. (d) Increase Bank Rate and sell securities in the open market. Ans: (a) **[MTP June 24]**
56.	Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect? (a) Lowering national debt (b) Cause a budget surplus (c) Increase employment rates in that sector and improve the current account balance (d) Increase employment rates in that sector and worsen the current account

	balance Ans: (c) **[MTP June 24,Jan 25]**
57.	Open Market Operations imply: (a) Buying and selling securities by RBI (b) Buying and selling securities by commercial banks (c) Buying and selling securities by Investors (d) Buying and selling securities by government Ans: (a) **[MTP June 24]**
58.	What is economic planning? (a) It refers to Central planning authority. (b) It refers the planning of agricultural production. (c) It means development in the seller's market. (d) A process through which targets are being achieved as per need & means of the economy Ans: (d) **[MTP July 24]**
59.	Parallel economy emerges because of what? (a) Tax Estimation (b) Tax Compliance (c) Tax Avoidance (d) Tax Evasion Ans: (d) **[MTP July 24]**
60.	Which one makes GDP an improper index of welfare? (a) Non-monetary transaction (b) Externalities (c) Composition &distribution of GDP (d) All of these Ans: (d) **[MTP July 24]**
61.	Statutory Grants in aid form the Union to certain states is based on the constitutional provisions as: (a) Article 275 (b) Article 282 (c) Article 293 (d) Article 270 Ans: (a) **[MTP August 24]**
62.	The Institution responsible for management of external debt is: (a) RBI (b) Ministry of Finance (c) SEBI (d) All of above. Ans: (a) **[MTP August 24]**
63.	Which of the following is not a criterion for determining distribution of Central taxes among the states for 2021-2026 period: (a) Infrastructure performance (b) Forest and ecology (c) Tax and fiscal efforts (d) Demographic performance Ans: (c) **[MTP August 24]**
64.	PSUs are mainly driven by: (a) Profit (b) Industrialization (c) Social welfare (d) None of these Ans: (c) **[MTP August 24]**
65.	Which economic indicator is commonly used to measure inflation in India? (a) Gross Domestic Product (GDP) (b) Consumer Price Index (CPI) (c) Producer Price Index (PPI) (d) Index of Industrial Production (IIP) Ans: (b) **[MTP Dec 24]**
66.	In a mixed economy resources are used as a result of: (a) The decisions of consumers (b) The decisions of firms only (c) The decisions of consumers and firms (d) The decisions of consumers and firms and government Ans: (d) **[MTP Dec 24]**
67.	Who maintains a buffer stock of foodgrains in India? (a) FCI (b) NAFED (c) Ministry of Agriculture (b) None of these Ans: (a) **[MTP Dec 24]**
68.	The minimum support price is declared by : (a) Ministry of Agriculture (b) Ministry of Finance

	(c) The Cabinet Committee on economic affairs (d) None of these Ans: (c) **[MTP Dec 24]**
69.	Which of the following are the major taxes in India? (a) Corporation Tax (b) Stamp Duty and Registration (c) Customs duty (d) None of these Ans: (b) **[MTP Dec 24]**
70.	Fiscal Policy is formulated by in India? (a) Finance Ministry (b) RBI (c) Different Banks (d) None of these Ans: (b) **[MTP Dec 24]**
71.	A Substantial increase in capital expenditure or revenue expenditure leads to (a) Fiscal deficit (b) Budgetary deficit (c) Primary deficit (d) None of these Ans: (a) **[MTP Dec 24]**
72.	Tax reforms are concerned with the reforms in the government taxation and public expenditure policies which are collectively known as its (a) Financial reform (b) Fiscal Policy (c) Financial Policy (d) None of these Ans: (b) **[MTP Dec 24]**
73.	Goods and services tax (GST) was enacted by parliament vide Constitutional Amendments Act 2016. (a) 103rd (b) 105th (c) 101 (d) None of these Ans: (c) **[MTP Dec 24]**
74.	Fiscal Federalism refers to: (a) Organising and Implementing development plan (b) The management of Fiscal Policy by a nation (c) Division of economic functions and resources among different layers of the government (d) None of these Ans: (c) **[MTP Dec 24]**
75.	The Public debt management cell was created in: (a) 2016 (b) 2015 (c) 2020 (d) 1995 Ans: (a) **[MTP Dec 24]**
76.	Which of the following is a primary objective of India's Five-Year Plans? (a) To regulate and control foreign trade (b) To promote balanced economic growth across all regions (c) To discourage the private sector in favour of public enterprises (d) To ensure foreign aid and capital inflows into the country Ans: (b) **[MTP Jan 25]**
77.	The Green Revolution in India focused primarily on increasing the production of: (a) Oilseeds (b) Food grains, especially wheat and rice (c) Fruits and vegetables (d) Cash crops like cotton and sugarcane Ans: (b) **[MTP Jan 25]**
78.	Which of the following policies has the Indian government adopted to promote small-scale industries? (a) Granting subsidies to large multinational corporations (b) Providing financial and technical assistance to small businesses (c) Encouraging imports of capital goods for industrial use (d) Abolishing labour laws to increase industrial output Ans: (b) **[MTP Jan 25]**
79.	The current account deficit (CAD) in India refers to the excess of:

	(a) Imports over exports (b) Exports over imports (c) Total investment over savings (d) Government expenditure over revenue Ans: (a) **[MTP Jan 25]**
80.	Which of the following is a correct measure of unemployment in India? (a) Labour force participation rate (b) Gross Domestic Product per capita (c) Inflation rate (d) Poverty headcount ratio Ans: (a) **[MTP Jan 25]**
81.	Which of the following is the primary objective of India's fiscal policy? (a) To regulate foreign exchange rates (b) To control inflation through market mechanisms (c) To manage government expenditure and tax collection to influence the economy (d) To encourage high savings rates among citizens Ans: (c) **[MTP Jan 25]**
82.	Which of the following is a major issue associated with the fiscal deficit in India? (a) Increased foreign exchange reserves (b) Higher government borrowing leading to inflation (c) Reduced taxation leading to a decrease in government revenue (d) Increase in foreign direct investments Ans: (b) **[MTP Jan 25]**
83.	Which of the following is the most accurate reason for the persistence of poverty in India despite economic growth? (a) Low level of foreign investment in rural areas (b) High inequality in the distribution of income and resources (c) Limited development in urban sectors (d) Lack of a social security system for the working population Ans: (b) **[MTP Jan 25]**
84.	Which of the following is not a merit of socialist economy? (a) It provides equal access to health care and education (b) Workers are no longer exploited because they own the means of production (c) Profits are not spread equitably among all workers according to their individual contributions. (d) Natural resources are preserved for the good of the whole. Ans: (c) **[MTP Jan 25]**
85.	Which organization is primarily responsible for compiling and publishing regional accounts data in India? (a) Reserve Bank of India (RBI) (b) National Sample Survey Organization (NSSO) (c) Central Statistical Office (CSO) (d) Ministry of Finance Ans: (c) **[MTP Dec 24]**
86.	Which of the following components is used to assess the regional economic performance in India? (a) Poverty Ratio (b) Employment Rate (c) Per Capita Income (d) All of the above Ans: (d) **[MTP Dec 24]**
87.	FII helps to improve: (a) Capital market (b) How of equity capital (c) Financial innovation and development (d) All the above Ans: (d) **[RTP May 25]**
88.	Devaluation of Indian Rupee in terms of US Dollar was in the year. (a) 2019 (b) 2000 (c) 1981 (d) 1991 Ans: (d) **[RTP May 25]**
89.	Which of the following statements is true about the Indian monetary system? (a) The Indian monetary system is based on the gold standard (b) The Indian monetary system is based

	on the credit money standard (c) The Indian monetary system is based on the paper standard

	(a) None of these Ans: (c) **[RTP May 25]**