

MIRCHI QUESTIONS

JUNE 2024

CA FOUNDATION

BUSINESS ECONOMICS

CH 2 DEMAND & SUPPLY

By

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NOTE / ATTENTION:

**THE QUESTION SET IS PREPARED LOOKING
AT MTP OF ICAI JUNE 2024.**

**ONCE YOU ARE DONE WITH ICAI MODULE QUESTIONS & CLASS
NOTES OF YOUR RESPECTED TEACHERS**

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**YOU FIND SOME TIME TO ATTEMPT THIS THEN ONLY TRY TO
SOLVE THIS QUESTION SET.**

DEMAND & SUPPLY

1. *Which of the following is not a determinant of a consumer's demand for a commodity?*

- a. Income
 - b. Population
 - c. Prices of related good
 - d. Tastes
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2. *The law of demand refers to the*

- a. inverse relationship between the price of a commodity and the quantity demanded of the commodity per time period.
 - b. direct relationship between the desire a consumer has for a commodity and the amount of the commodity that the consumer demands.
 - c. inverse relationship between a consumer's income and the amount of a commodity that the consumer demands.
 - d. direct relationship between population and the market demand for a commodity.
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3. *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.
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4. *If consumer income declines, then the demand for*

- a. normal goods will increase.
 - b. inferior goods will increase.
 - c. substitute goods will increase.
 - d. complementary goods will increase.
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5. *Which of the following will cause a decrease in quantity demanded while leaving demand unchanged?*

- a. An increase in the price of a complementary good.
- b. An increase in income when the good is inferior.

- c. A decrease in the price of a substitute good.
 - d. An increase in the price of the good.
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6. *Which of the following will not decrease the demand for a commodity?*

- a. The price of a substitute decreases
 - b. Income falls and the good is normal
 - c. The price of a complement increases
 - d. The commodity's price increases
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7. *Demand curves have a negative slope because*

- a. firms tend to produce less of a good that is more costly to produce.
 - b. the substitution effect always leads consumers to substitute higher quality goods for lower quality goods.
 - c. the substitution effect always causes consumers try to substitute away from the consumption of a commodity when the commodity's price rises.
 - d. an increase in price reduces real income and the income effect always causes consumers to reduce consumption of a commodity when income falls.
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8. *If a good is normal, then a decrease in price will cause a substitution effect that is*

- a. positive and an income effect that is positive.
 - b. positive and an income effect that is negative.
 - c. negative and an income effect that is positive.
 - d. negative and an income effect that is negative.
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9. *If the consumption decisions of individual consumers are independent, then*

- a. the market demand curve will be flatter because of the bandwagon effect.
 - b. the market demand curve will be steeper because of the snob effect.
 - c. the market demand curve will not be equal to the horizontal summation of the demand curves of individual consumers.
 - d. none of the above is correct.
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10. *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.

11. *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.
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12. *The type of industry organization that is characterized by recognized interdependence and non-price competition among firms is called*

- a. monopoly.
 - b. perfect competition.
 - c. oligopoly.
 - d. monopolistic competition.
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13. *The demand by a firm for inputs used in the production of a commodity that the firm offers for sale*

- a. is called a derived demand.
 - b. is directly related to the demand for the commodity.
 - c. is negatively sloped.
 - d. is all of the above.
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14. *If the price elasticity of demand for a firm's output is elastic, then the firm's marginal revenue is*

- a. positive, and an increase in price will cause total revenue to increase.
 - b. positive, and an increase in price will cause total revenue to decrease.
 - c. negative, and an increase in price will cause total revenue to increase.
 - d. negative, and an increase in price will cause total revenue to decrease.
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15. *If a firm that produces carrots operates in a perfectly competitive industry, then*

- a. the demand for the firm's carrots must be horizontal.
 - b. the demand by individual consumers for carrots must be horizontal.
 - c. the market demand for carrots must be horizontal.
 - d. all of the above must be true.
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16. *If a firm raises its price by 10% and total revenue remains constant, then*

- a. the price elasticity of demand for its output is unitary.
- b. marginal revenue is equal to zero.

- c. quantity demanded has decreased by 10%.
 - d. all of the above are correct.
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17. *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 are true.
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18. *If a good is inferior, then*

- a. the income elasticity of demand will be negative.
 - b. the income elasticity of demand will be zero
 - c. the income elasticity of demand will be positive.
 - d. a decrease in income will cause demand to decrease.
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19. *If two goods are complements, then*

- a. the cross-price elasticity of demand will be negative.
 - b. the cross-price elasticity of demand will be zero.
 - c. the cross-price elasticity of demand will be positive.
 - d. an increase in the price of one good will increase demand for the other.
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20. *The cross-price elasticity of demand between two differentiated goods produced by firms in the same industry will be*

- a. negative and large.
 - b. negative and small.
 - c. positive and large.
 - d. positive and small.
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21. *Which of the following is viewed by firms as an advantage of electronic commerce over traditional commerce?*

- a. Consumers have the ability to easily compare product prices.
 - b. The cost of executing a transaction is much lower.
 - c. Firms have the ability to gather useful information about buyers.
 - d. Firms can reduce their reaction times to changing market conditions and increase their sales reach.
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22. *Electronic commerce is a significant market channel for the sale of*

- a. travel services.
- b. books.
- c. computer products.
- d. All of the above.

1	B	6	D	11	C	16	D	21	A
2	A	7	C	12	C	17	D	22	D
3	C	8	A	13	D	18	A		
4	B	9	D	14	B	19	A		
5	D	10	B	15	A	20	C		