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By:- CA Sanchit Grover



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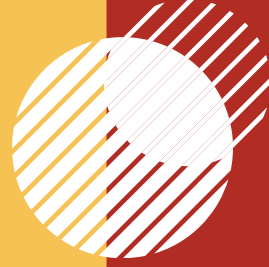
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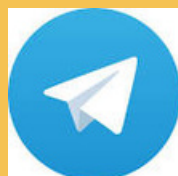
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CHAPTER - 1

NATURE & SCOPE OF BUSINESS ECONOMICS

- Q1)** Applied economics includes _____
(June 2019)
- a) Regression analysis and mathematical linear programming
 (b) Capital budgeting
 (c) Both a and b
 (d) None
- Q2)** Macroeconomics include _____
(June 2019)
- (a) Product pricing
 (b) Consumer Behaviour
 (c) External value of money
 (d) Location of industry
- Q3)** Socialism Ensures _____
(June 2019)
- (a) Rapid growth and balanced development
 (b) Right to work
 (c) Incentives for efficient economic decisions
 (d) Both a and b
- Q4)** A capitalist economy consists of _____
(June 2019)
- (a) Central planning authority
 (b) A mechanism to decide as what, how and for whom to produce
 (c) Both a & b
 (d) None of the above
- Q5)** Freedom of choice is the advantage of _____
(June 2019, MTP March 2022)
- (a) Socialism
 (b) Capitalism
 (c) Mixed Economy
 (d) None of the above
- Q6)** Socialist economy is _____
(June 2019)
- (a) Self regulating
 (b) Profit oriented
 (c) Command economy
 (d) Allocation of resources as per market requirements
- Q7)** Exploitation and inequality will be more in _____
(June 2019)
- (a) Socialism
 (b) Capitalism
 (c) Mixed
 (d) All of the above
- Q8)** Business Economics is _____
(June 2019)
- (a) Normative in nature
 (b) Interdisciplinary in nature
 (c) Both
 (d) None
- Q9)** Economic goods are considered as scarce resources because _____
(June 2019)
- (a) Inadequate quantity to satisfy the needs of the society
 (b) Not Possible to increase in quantity
 (c) Limited hands to make goods
 (d) Primary importance in satisfying social requirements
- Q10)** The economy which makes use of both markets and government _____
(Nov 2018)
- (a) Mixed economy
 (b) Socialistic economy
 (c) Capitalistic economy
 (d) None of the above
- Q11)** The practical application of economic theory in business decisions is called _____
(Nov 2018)
- (a) Macro economics
 (b) Micro economics
 (c) Business economics
 (d) Normative Economics

Q12) Price mechanism is a feature of..... .
(Nov 2018)

- (a) Capitalism
- (b) Socialism
- (c) Mixed economy
- (d) All of the above

Q13) Micro economic theory deals with the issues
...
(Nov 2018)

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

Q14) Nature of business economics is:
(Nov 2018)

- (a) Theory of markets and private enterprises
- (b) Normative in nature
- (c) Incorporates elements of macro analysis
- (d) All of the above.

Q15) Issues requiring decision making in the context of business are:
(Nov 2018)

- (a) How much should be the optimum output at what price should the firm sell?
- (b) How will the product be placed in the market?
- (c) How to combat the risks and uncertainties involved?
- (d) All of the above

Q16) Consider the following statement about Capitalism:
(Nov 2018)

- (i) It works through price mechanism
- (ii) It increase human welfare
- (iii) It operates on profit motive

- (a) (i) & (ii)
- (b) (i) & (iii)
- (c) (ii) & (iii)
- (d) None of the above

Q17) Business economics uses elements of:
(Nov 2018)

- (a) Micro economics
- (b) Macro economics
- (c) Both micro & macro economics
- (d) None of the above

Q18) The capitalist Economy uses _____ as principle means of allocation of resources. (Nov 2019)

- (a) Price
- (b) Demand
- (c) Supply
- (d) None of the above

Q19) Consumer sovereignty is found in which economy?
(Nov 2019)

- (a) Capitalist Economy
- (b) Socialist Economy
- (c) Mixed Economy
- (d) Communist Economy

Q20) Large production of goods would lead to higher production in future.

(Nov 2019, MTP Nov 21)

- (a) Consumer Goods
- (b) Capital Goods
- (c) Agricultural Goods
- (d) Public Goods

Q21) Factors of production are owned by _____ in market economies.
(NOV 2019)

- (a) Govt.
- (b) Investors
- (c) Privately
- (d) None

Q22) Which book of economics is known as first book of modern economics?
(Nov 2019)

- (a) An Inquiry into nation
- (b) An inquiry into wealth of nation
- (c) An inquiry into wealth
- (d) Wealth of nation

Q23) In Economics, we use "scarcity" the term to mean:
(Nov 2019)

- (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

Q24) Which of the following is not within the scope of Business Economics?

(Nov 2019, MTP Mar 2018,)

- (a) Capital Budgeting
- (b) Risk Analysis
- (c) Business Cycles
- (d) Accounting Standards

Q25) _____ economics explain economics phenomenon according to their causes and effects
(Dec 2020)

- (a) Normative
- (b) Empirical
- (c) Positive
- (d) Applied

Q26) In capitalistic economy _____ and _____ will be more
(Dec 2020)

- (a) Inequalities, exploitation
- (b) Exploitation, equalities
- (c) Equalities, non-exploitation
- (d) Non exploitation, inequalities

Q27) The study of behaviour of different individuals, organizations with in an economic system is known as
(Dec2020)

- (a) Micro Economics
- (b) Macro economics
- (c) Welfare economics
- (d) None

Q28) The nature of business economics is
(Dec 2020)

- (a) Positive in nature
- (b) Pragmatic
- (c) Pure science
- (d) Independent

Q29) _____ are responsible for all economic problems
(Dec 2020)

- (a) Unlimited wants
- (b) Alternative resources
- (c) Scarcity of resources

(d) Outside Forces

Q30) In mixed economy the feature include existence of
(MTP Oct 21)

- (a) Private Sector
- (b) Public Sector
- (c) Combined Sector
- (d) All of these

Q31) Which of the following is demerit of Capitalism:
(MTP Oct 21)

- (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

Q32) The industrialization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of _____
(MTP Oct 21)

- (a) Capitalism and Laissez Faire
- (b) Mixed Economic Structure
- (c) Socialism and Planned Structure
- (d) None of these

Q33) In the beginning economics was named as
(MTP Oct 21)

- (a) Political Economy
- (b) Welfare Economics
- (c) Economies of Wealth
- (d) None of these

Q34) Normative economics can be explained through :
(MTP Oct 21)

- (a) Fairness to tax
- (b) Incidence to tax
- (c) Effect of tax on incentives to work
- (d) None of these

Q35) Which of the following is not a characteristics of capitalist economy:
(MTP Nov 21)

- (a) Right to Private Property
- (b) Freedom of Enterprise
- (c) Consumer Sovereignty
- (d) Combined Sector

Q36) Which are the areas that do not come under Macro economics ____ **(MTP Nov 21)**

- (a) External Value of currency
- (b) The general price level and interest rate
- (c) Location of the industry
- (d) National Income and National Output

Q37) Business Economics is a : **(MTP Nov 21)**

- (a) Normative Science
- (b) Interdisciplinary
- (c) Pragmatic
- (d) All of these

Q38) Scarcity of resource has to be dealt in: **(MTP Nov 21)**

- (a) Capitalist Economy
- (b) Socialist Economy
- (c) Mixed Economy
- (d) All of these

Q39) Allocation of resources is dealt in: **(MTP Nov 21)**

- (a) Macro Economic
- (b) Micro Economics
- (c) Public Finance
- (d) None of these

Q40) How to Produce is related to: **(MTP Nov 21)**

- (a) Product's Choice
- (b) Choice of technique
- (c) Either (a) or (b)
- (d) None of these

Q41) Which of the following statements is incorrect? **(MTP Oct 2020)**

- (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.

Q42) The definition "Science which deals with wealth of Nation" was given by: **(MTP Oct 2020)**

- (a) Alfred Marshall
- (b) A C Pigou
- (c) Adam Smith
- (d) J B Say

Q43) Which of the following is not one of the features of capitalist economy? **(MTP Oct 2020)**

- (a) Right of private property
- (b) Freedom of choice by the consumers
- (c) No profit, No Loss motive
- (d) Competition

Q44) When we study why saving rates are high or low, we are studying : **(MTP Mar 2018)**

- (a) Macro Economics
- (b) Micro Economics
- (c) Econometrics
- (d) Both (a) and (b)

Q45) Economic goods are goods which: **(MTP Mar 2019)**

- (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.

Q46) Which economy is now a myth only, as no country in the world is having that type of economy? **(MTP Mar 2019)**

- (a) Capitalist Economy
- (b) Socialist Economy
- (c) Mixed Economy
- (d) None of the above

Q47) Macroeconomics is the study of: **(MTP Mar 2019)**

- (a) Inflation
- (b) Unemployment
- (c) Growth
- (d) All of the above

Q48) Questions like what should be the level of national income, what should be the wage rate fall within the scope of: **(MTP Apr 2019)**

- (a) Positive Science

- (b) Normative Science
- (c) Both (a) and (b)
- (d) None of the above

Q49) We mainly study the following in Micro Economics: **(MTP Apr 2019)**

- (a) Location of a Industry
- (b) Study of firms
- (c) Factor pricing
- (d) All of the above

Q50) Choice is created by the- **(MTP May 2020)**

- (a) Abundance of resources
- (b) Scarcity of resources
- (c) Urgency of needs
- (d) Non-Availability of resources

Q51) Which of the following statements would you consider to be a normative one? **(MTP May 2020, MTP Aug2018)**

- (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.

Q52) The Nature of Business Economics: **(MTP March 2021)**

- (a) Business Economics is a Science
- (b) Incorporate elements of Macro Analysis
- (c) Interdisciplinary in Nature
- (d) All the above

Q53) The problem what to produce relates to: **(MTP March 2021)**

- (a) choice of goods and services
- (b) distribution of Income
- (c) choice of technique
- (d) market value of goods and services

Q54) Which of the following is a normative statement? **(MTP April 2021)**

- (a) Health care basic facilities ought 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

Q55) Which of the following is not a demerit of Capitalism? **(MTP April 2021)**

- (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

Q56) Socialist economy does have: **(MTP April 2021)**

- (a) Right to work and minimum standard to living
- (b) Absence of competition
- (c) Right to private property
- (d) Both a and

Q57) Which of the following is correct? **(MTP Aug 2018)**

- (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)

Q58) Which of the following involve a trade – off? **(MTP Aug 2018)**

- (a) Taking a nap
- (b) Watching a football game on Saturday afternoon
- (c) Going to university
- (d) All of these answers involve trade-offs.

Q59) Which of the following statements is incorrect? **(MTP Oct 2018)**

(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.

Q60) Adam Smith published his masterpiece "An enquiry into the nature and causes of wealth or nation" in the year:

(a) 1776

(b) 1786

(c) 1756

(d) 1766

Q61) Which of the following is an example of positive science:

(a) India is an over populated country

(b) When price rises demand falls

(c) Air is a mixture of gases

(d) All of these

Q62) The meaning of the word 'Economic' is most closely connected with the word –

(a) Extravagant

(b) Scarce

(c) Unlimited

(d) Restricted

Q63) Normative Science explains–

(a) "What was"

(b) "What is"

(c) "What ought to be"

(d) "What will"

Q64) An economy which uses all its resources on production of Goods only, cannot provide for future growth prospects.

(a) Capital Goods only

(b) Consumer Goods only

(c) Both (a) and (b)

(d) Neither (a) nor (b)

Q65) Distribution and Sharing of National Product relates to the problem of–

(a) What to Produce

(b) How to Produce

(c) For whom to Produce

(d) How to provide for growth

Q66) Which of the following is not feature of capitalistic economy?

(a) Right to private property

(b) Restriction on Consumer's right to choose

(c) Profit motive

(d) Freedom of enterprise

Q67) In Capitalist Economics, the answer the fundamental questions – what, how, and for whom to produce, are obtained by –

(a) Market Forces of Demand and Supply

(b) Government Regulations

(c) Cost Benefit Analysis

(d) All of the above

Q68) Micro economics covers the study of–

(i) Consumer's behaviour

(ii) Producer's equilibrium

(iii) Fiscal system of an economy

(iv) Factor pricing

(a) i and iii

(b) ii and iv

(c) i, ii and iii

(d) i, ii and iv

Q69) 'A government deficit will reduce unemployment and cause an increase in prices.' This statement is–

(a) Positive

(b) Normative

(c) Incomplete

(d) None of these

Q70) Social insurance, sickness benefits, old age pension, etc are some social benefits provided

by–

(a) State in capitalist economy

(b) State in socialist economy

(c) State in mixed economy

(d) Both (b) and (c)

Q71) Price-mechanism is an important feature of –

(i) Market economy

(ii) Regulated economy

(iii) Mixed economy

(iv) Capitalist economy

(a) i and ii only

(b) iii and iv only

(c) i and iii only

(d) i and iv only

Q72) Which of the following statement is incorrect?

(a) Business economics is a normative in nature

(b) Business economics is closely related with statistics

(c) Business economics only considers micro variables

(d) Business economics is also called Managerial economics

Q73) Concept of socialism was provided by whom and in which year?

(a) Pigou, Marshall, 1948

(b) Karl Marx, Fredric Engels, 1848

(c) Karl Mart Frederic Engels, 1948

(d) Pigou, Marshall, 1848

Q74) “A society would not like to use all its scarce resources for current consumption only” This deals in–

(a) What to produce?

(b) How to produce?

(c) For Whom to produce?

(d) What provision should be made for Economic Growth?

SOLUTIONS OF CHAPTER NO. 1

(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)
C	C	D	B	B	C	B	C	A	A
(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)	(Q18)	(Q19)	(Q20)
C	A	D	D	D	B	C	A	A	B
(Q21)	(Q22)	(Q23)	(Q24)	(Q25)	(Q26)	(Q27)	(Q28)	(Q29)	(Q30)
C	B	B	D	C	A	A	B	C	D
(Q31)	(Q32)	(Q33)	(Q34)	(Q35)	(Q36)	(Q37)	(Q38)	(Q39)	(Q40)
A	A	A	A	D	C	D	D	B	B
(Q41)	(Q42)	(Q43)	(Q44)	(Q45)	(Q46)	(Q47)	(Q48)	(Q49)	(Q50)
C	C	C	A	C	B	D	B	D	B
(Q51)	(Q52)	(Q53)	(Q54)	(Q55)	(Q56)	(Q57)	(Q58)	(Q59)	(Q60)
B	D	A	A	C	D	D	D	C	A
(Q61)	(Q62)	(Q63)	(Q64)	(Q65)	(Q66)	(Q67)	(Q68)	(Q69)	(Q70)
D	B	C	B	C	B	A	D	A	D
(Q71)	(Q72)	(Q73)	(Q74)						
D	C	B	D						

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CHAPTER - 2

THEORY OF CONSUMER BEHAVIOUR, CONCEPT OF DEMAND AND CONCEPT OF SUPPLY

Q1) During recession what will be the market demand for new cars? **(MTP Oct 21)**

- (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

Q2) Which of the following is correct? **(June 2019)**

- (a) Elasticity on lower segment of demand curve is greater than unity
- (b) Elasticity on upper segment of demand curve is lesser than unity
- (c) Elasticity at the middle of demand curve is equal to unity
- (d) Elasticity decreases as one move from lower part of demand curve to upper part.

Q3) If maize has -0.30 as income elasticity of demand, then maize will be considered as _____

(June 2019)

- (a) Necessity
- (b) Inferior good
- (c) Superior good
- (d) None

Q4) Contraction of supply implies _____ **(June 2019)**

- (a) Decrease in cost of production
- (b) Decrease in price of the good concerned
- (c) Decrease in price of related good
- (d) Increase in price of the good concerned

Q5) Perishable commodities will have _____ **(June 2019)**

- (a) Perfectly elastic Supply curve
- (b) Perfectly inelastic Supply curve
- (c) Elastic Supply Curve
- (d) Inelastic Supply Curve

Q6) Which of the following statement is correct? **(June 2019)**

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

Q7) In case of _____ goods, there is an inverse relationship between income and demand for a product. **(June 2019)**

- (a) substitute goods
- (b) Complementary Goods
- (c) Giffen Goods
- (d) None of the above

Q8) Which of the following will affect the demand for non-durable goods? **(June 2019)**

- (a) Disposable Income
- (b) Price
- (c) Demography
- (d) All of the above

Q9) When the price of tea decreases, people reduces the consumption of coffee. Then the goods are **(June 2019)**

- (a) Complementaries
- (b) Substitutes
- (c) Inferior goods
- (d) Normal goods

Q10) The price elasticity of demand at the midpoint of the straight line demand curve under point method is _____ **(June 2019)**

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

Q11) Which of the following relation is true with MU? **(June 2019)**

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

Q12) When the supply of a product is perfectly inelastic then the curve will be **(June 2019)**

- (a) Parallel to y – axis
- (b) parallel to x – axis
- (c) At the angle of 45°
- (d) Sloping upwards

Q13) The consumer is in equilibrium when the following condition is satisfied: **(June 2019)**

- (a) Budget line is the tangent to the IC Curve

(b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z}$

- (c) Both a & B
- (d) None of the above

Q14) Which of the following is not the property of indifference curve? **(June 2019)**

- (a) Slopes downwards to the right
- (b) Always convex to the origin
- (c) Intersects each other
- (d) Will not touch either of the axis

Q15) Marginal average and total product of a firm in the short run will not comprise with _____ **(June 2019)**

- (a) When marginal product is at a maximum, average product is equal to marginal product, and total product is rising
- (b) When average product is maximum,. Average product is equal to marginal product, and total product is rising
- (c) When marginal product is negative, total product and average product are falling.
- (d) When total product is increasing, average product and marginal product may be either rising or falling.

Q16) When price is Rs. 20, Quantity demand is 10 units and price is decreased by 5% then quantity demand increased by 10% then Marginal revenue is _____ **(June 2019)**

- (a) Rs. 10
- (b) Rs. 11
- (c) Rs. 9
- (d) Rs. 20

Q17) Consumer surplus in case of necessary commodities: **(Nov 2018)**

- (a) Zero

- (b) One
(c) Infinite
(d) None of these

Q18) When price increases from Rs. 200 to Rs. 300 and supply increases from 2000 units to 5000 units, then calculate elasticity of supply? **(Nov 2018)**

- (a) 3
(b) 0.3
(c) 4
(d) 0.4

Q19) The consumer is in equilibrium when the following condition is satisfied: **(Nov 2018)**

(a) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$

(b) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$

(c) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$

- (d) None of these

Q20) In an indifference curve analysis, the consumer attains equilibrium at a point where the marginal rate of substitution _____ the price ratio $\frac{P_x}{P_y}$ **(Nov 2018)**

- (a) greater than
(b) less than
(c) equal to
(d) Not related to

Q21) Which of the following statement is not true? **(Nov 2018)**

- (a) MU is the slope of TU curve
(b) MU is the rate of change of TU
(c) MU cannot be negative
(d) MU can become zero

Q22) Which of the following statements about indifference curve is not true? **(Nov 2018)**

- (a) Indifference curve shows price of 2 commodities

- (b) Indifference curve is convex to origin
(c) Indifference curve can't touch either of the axis
(d) Two indifference curves can't touch each other

Q23) An indifference curve shows _____ marginal rate of substitution between two commodities **(Nov 2018)**

- (a) increasing
(b) decreasing
(c) constant

Q24) Forecasting of demand is the art and science of predicting the **(Nov 2018)**

- (a) Actual demand for a product at some future date
(b) Probable demand for a product at some future date
(c) Total demand for a product at some future date
(d) None of these

Q25) Which one of the following is not a method of demand forecasting? **(Nov 2018)**

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

Q26) In case of inferior commodity, the rise in income will result _____ shift in demand curve: **(Nov 2018)**

- (a) Upward
(b) Downward
(c) No change
(d) Initially downward but ultimately upward

Q27) Demand curve of a normal commodity usually slopes _____:

(Nov 2018)

- (a) Downwards from left to right
- (b) Upwards from left to right
- (c) parallel to y -axis
- (d) parallel to x – axis

Q28) Indifference curve slopes downwards as one product increase and another decreases because they give.

(Nov 2019)

- (a) Equal satisfaction
- (b) Greater Satisfaction
- (c) Lesser Satisfaction
- (d) None

Q29) Supply of land is :

(Nov 2019)

- (a) Elastic
- (b) Perfectly Elastic
- (c) Perfectly Inelastic
- (d) Inelastic

Q30) Income elasticity of luxury goods

(Nov 2019)

- (a) Zero
- (b) Positive and greater than one
- (c) Positive and lesser than one
- (d) Negative and greater than – 1

Q31) Elasticity of demand under perfect competition is.

(Nov 2019)

- (a) One
- (b) Two
- (c) Zero
- (d) Infinite

Q32) Which of the following is a property of an indifference curve?

(Nov 2019)

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

Q33) Which of the following statements is correct?

(Nov 2019)

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

Q34) Budget line is otherwise called as

(Nov 2019)

- (a) Money line
- (b) Preference line
- (c) Income line
- (d) Price line

Q35) When price of apple is Rs. 120 per kg. Ram buys one kg of apples at that price. Now, other things remain the same, the price of apples falls to Rs. 90 per kg. Now Ram buys 2kg of apples. It is called as

(Dec 2020)

- (a) Contraction of demand
- (b) Expansion of demand
- (c) Market demand
- (d) Demand schedule

Q36) The price elasticity of demand for X is 1 and the original quantity demand of X is 90 units. If the price of X decreases from Rs. 300 to Rs. 180 per unit, calculate the new quantity demand of X.

(Dec 2020)

- (a) 126 units
- (b) 36 units
- (c) 144 units
- (d) 120 units

Q37) If indifference curve is L shaped, it means two goods will be **(Dec 2020)**

- (a) Perfect Complementary Goods
- (b) Perfect Substitute goods
- (c) Perfect inferior goods
- (d) Perfect superior goods

Q38) Lets assume that at OY-axis we have good A and at OX-axis good B. If the price of good B increases by Rs. 1 but the price of good A remains constant and income also remains unchanged, the budget line will shift **(Dec 2020)**

- (a) Right on OY axis
- (b) Right on OX axis
- (c) Left on OY axis
- (d) Left on OX axis

Q39) Purushotam wanted to buy laptop by paying Rs. 60,000 but the actual price is Rs. 55,000, then consumer surplus is **(Dec 2020)**

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

Q40) Demand forecasting by means of asking customer what they are going to buy comes under **(Dec 2020)**

- (a) Survey of buyers' intention
- (b) Statistical method
- (c) Grass roots method
- (d) Experts opinion method

Q41) Which of the following are the determinant of price elasticity of demand: **(MTP Oct 21)**

- (a) Availability of substitutes
- (b) Time period
- (c) Tied demand
- (d) All of these

Q42) If the cross elasticity is only slightly below zero which of the following is correct? **(MTP Oct 21)**

- (a) They are weak complements
- (b) Negative and very high they are strong complements
- (c) Both (a) and (b)
- (d) None of these

Q43) The rate at which the consumer is prepared to exchange-good x and y is : **(MTP Oct 21)**

- (a) Marginal rate of substitution
- (b) Elasticity of Substitution
- (c) Diminishing Marginal Utility
- (d) None of these

Q44) If the price of a commodity raised by 12% and Ed is (-) 0.63 the expenditure made on the commodity by the consumer will ____ **(MTP Oct 21)**

- (a) Remain the same
- (b) Decrease

(c) Increase

(d) Can't say

Q45) 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 _____ **(MTP Oct 21)**

(a) Same; Elastic Demand

(b) Same; Inelastic Demand

(c) Less; Elastic Demand

(d) More; Inelastic Demand

Q46) Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased **(MTP Oct 21)**

(a) falls

(b) rises

(c) remain unchanged

(d) None of these

Q47) For Giffen good the angle Curve is : **(MTP Oct 21)**

(a) Vertical

(b) Horizontal

(c) Negatively Sloped

(d) Positively Sloped

Q48) Comforts lies between **(MTP Oct 21)**

(a) Luxuries and Inferior goods

(b) Inferior goods and necessities

(c) Necessaries and Luxuries

(d) None of these

Q49) In case of Inferior goods: **(MTP Nov 21)**

(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

Q50) Rationale of the law of demand is:

(MTP Nov 21)

(a) Price effect of a fall in price

(b) Different uses

(c) Arrival of new consumers

(d) All of these

Q51) The cross elasticity between two Complementary goods will be: **(MTP Nov 21)**

(a) Positive

(b) Negative

(c) Either (a) or (b)

(d) None of these

Q52) Demand for complementary goods are: **(MTP Nov 21)**

(a) Derived Demand

(b) Autonomous demand

(c) Aggregate Demand

(d) None of these

Q53) Methods of demand forecasting are: **(MTP Nov 21)**

(a) Survey of Buyer's intension

(b) Collective opinion Method

(c) Both (a) and (b)

(d) None of these

Q54) A Vertical supply curve parallel to Y axis implies that the elasticity of supply is: **(MTP Nov 21)**

(a) Infinity

(b) Equal to One

(c) Zero

(d) Greater than one but less than Infinity

Q55) When total demand for a commodity whose price has fallen increases it is due to: **(MTP Nov 21)**

(a) Price effect

(b) Income effect

(c) Substitution effect

(d) Complementary effect

Q56) The slope of budget line is: **(MTP Nov 21)**

(a) P_x/P_y

(b) P_y/P_x

(c) $P_x.P_y$

(d) None of these

Q57) Indifference Curve analysis is superior to cardinal utility analysis: **(MTP Nov 21)**

(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

Q58) For Substitute products the demand is: **(MTP Nov 21)**

(a) Downward sloping

(b) Horizontal

(c) Upward Sloping

(d) None of these

Q59) Delphi technique was developed by: **(MTP Nov 21)**

(a) Robinson

(b) Olaf Helmer

(c) Amartya Sen

(d) None of these

Q60) In the case of Giffin goods, the demand curve will be –

(MTP Aug 2018, MTP Oct 2020, MTP Mar 19)

(a) Horizontal

(b) Downward sloping to the right

(c) Upward sloping to the right

(d) Vertical

Q61) Conspicuous goods are also known as **(MTP Oct 2020)**

(a) Prestige goods

(b) Snob goods

(c) Veblen goods

(d) All of the above

Q62) Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will

(MTP Oct 2020)

(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.

Q63) A decrease in the demand for mobiles, other things remaining the same will **(MTP Oct 2020)**

- (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

Q64) Which of the following statements about inferior goods is/are false? **(MTP Oct 2020)**

- 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.

Q65) The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is ₹15.

(MTP Oct 2020)

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

Q66) 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

(MTP Oct 2020)

- (a) Zero

(b) Greater than zero but less than one

(c) One

(d) Greater than one

Q67) If price of good A increases relative to the price of its substitutes B and C, then demand for

(MTP Oct 2020)

- (a) B will decrease
- (b) C will decrease
- (c) B and C will increase
- (d) B and C will decrease

Q68) Which is not the assumption of Indifference curve Analysis? **(MTP Mar 2018)**

- (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.

Q69) In case of necessities the marginal utilities of the earlier units are very large. In such cases the consumer surplus will be:

(MTP Mar 2018, MTP Mar 19)

- (a) Infinite
- (b) zero
- (c) Marginally positive
- (d) Marginally Negative

Q70) 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.

(MTP Mar 2018)

- (a) Infinity
- (b) 1
- (c) 5
- (d) Zero

Q71) If the goods are perfect substitutes for each other then cross elasticity is

(MTP Mar 2018, MTP Mar 19)

- (a) Infinite
- (b) One
- (c) Zero
- (d) None of the above

Q72) The income of a household rises by 20 per cent, the demand for computer rises by 50%, this means computer is a/an: **(MTP Mar 2018)**

- (a) Inferior good
- (b) Luxury good
- (c) Necessity
- (d) None of the above

Q73) 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)

(MTP Mar 2018)

- (a) .7
- (b) -.67
- (c) .65
- (d) .77

Q74) If demand for a good is elastic, an increase in its price will cause total expenditure of the consumer of the good to: **(MTP Mar 2018)**

- (a) Increase
- (b) Decrease

- (c) Remain the same
- (d) None of the above

Q75) Which of the following statements is false? **(MTP Mar 2018, MTP Apr 2019)**

- (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 indifference curve
- (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.

Q76) Law of diminishing marginal utility may not apply to: **(MTP Mar 2018)**

- (a) Money
- (b) Butter
- (c) Pepsi, Coke etc.
- (d) Ice cream

Q77) When the price of a substitute of X commodity falls, the demand for X _____. **(MTP Mar 2018)**

- (a) Rises
- (b) Falls
- (c) Remains unchanged
- (d) Any of the above.

Q78) Giffen goods are those goods **(MTP Mar 2018)**

- (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

Q79) When two goods are perfect substitutes of each other then **(MTP Mar 2019)**

- (a) MRS is falling
- (b) MRS is rising
- (c) MRS is constant
- (d) None of the above

Q80) The consumer surplus concept is derived from:
(MTP Mar 2019)

- (a) Law of demand
- (b) Indifference curve analysis
- (c) Law of diminishing marginal utility
- (d) All of above

Q81) _____ depicts complete picture of consumer tastes and preferences. (MTP Mar 2019)

- (a) Budget line
- (b) Average cost curve
- (c) Indifference map
- (d) Marginal revenue curve

Q82) Effective Demand depends on:

(MTP Mar 2019)

- (a) Desire
- (b) Means to purchase
- (c) Willingness to use those means
- (d) All of the above

Q83) Quantity demanded is a: (MTP Mar 2019)

- (a) Flow Concept
- (b) Stock Concept
- (c) Both (a) and (b)
- (d) None of the above

Q84) A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:

(MTP Mar 2019, MTP Oct 2018)

- (a) Infinite
- (b) Zero
- (c) Equal to one
- (d) Greater than zero but less than one

Q85) If the price of petrol rises by 25% and demand for car falls by 40% then, cross elasticity between petrol and car is: (MTP Mar 2019)

- (a) -1.6
- (b) 1.6
- (c) -2.6
- (d) 2.6

Q86) Which of the following has the lowest price elasticity of supply? (MTP Apr 2019)

- (a) Luxury
- (b) Necessities
- (c) Salt
- (d) Perishable goods

Q87) Indifference curve is convex to the origin due to: (MTP Apr 2019)

- (a) Falling MRS
- (b) Rising MRS
- (c) Constant MRS
- (d) None of the above

Q88) If the proportion of income spent on a goods decrease as income rises then income elasticity is: (MTP Apr 2019)

- (a) Greater than one
- (b) Less than one
- (c) One
- (d) Zero

Q89) If two goods are totally unrelated, then cross elasticity between them is: **(MTP Apr 2019)**

- (a) Zero
- (b) One
- (c) Infinite
- (d) None of the above

Q90) Normal goods have: **(MTP Apr 2019)**

- (a) Positive income elasticity
- (b) Negative income elasticity
- (c) Fluctuating income elasticity
- (d) Zero income elasticity

Q91) Which of the following statements is correct? **(MTP May 2020)**

- (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

Q92) If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of: **(MTP May 2020)**

- (a) Zero
- (b) Greater than zero but less than one
- (c) One
- (d) Greater than one

Q93) What will happen in the rice market if buyers are expecting higher rice prices in the near future? **(MTP May 2020)**

- (a) The demand for rice will increase.

- (b) The demand for rice will decrease.
- (c) The demand for rice will be unaffected.
- (d) None of the above

Q94) Suppose potatoes have (-) 0.4 as income elasticity. We can say from the data given that:

(MTP May 2020)

- (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

Q95) In a very short period, the supply **(MTP May 2020)**

- (a) can be changed.
- (b) cannot be changed.
- (c) can be increased.
- (d) none of the above

Q96) Suppose the income elasticity of education in private school in India is 1.8. What does this indicate: **(MTP May 2020)**

- (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

Read the below table and answer Questions number 97-99

	%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

Q97) Refer the above table and find the value of x.
(MTP May 2020, MTP Oct 2018)

- (a) -20
- (b) -0.05
- (c) -1
- (d) Can not be determined

Q98) Refer the above table and find the value of y.
(MTP May 2020, MTP Oct 2018)

- (a) -5
- (b) 15
- (c) -45
- (d) -3

Q99) Refer the above and find the value of z.
(MTP May 2020, MTP Oct 2018)

- (a) 14
- (b) 1
- (c) 0.07
- (d) 5

Q100) 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?
(MTP May 2020)

- (a) 1.4
- (b) 0.66
- (c) 0.75

(d) 2.0

Q101) Rational decision making requires that:
(MTP March 2021)

- (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.

Q102) The substitution effect will be stronger when:
(MTP March 2021)

- (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

Q103) A rise in price will – (MTP March 2021)

- (a) increase in consumer surplus
- (b) decrease in consumer surplus
- (c) no change in consumer surplus
- (d) none of these

Q104) For luxuries goods the income elasticity is :
(MTP March 2021)

- (a) $e > 1$
- (b) $e < 1$
- (c) $e = 0$
- (d) none of these

Q105) When goods are perfect complementary the indifference curve is :
(MTP March 2021)

- (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

Q106) The Consumer is in equilibrium when:

(MTP March 2021)

(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

Q107) Demand for factor of production is

(MTP March 2021)

(a) supplementary demand

(b) intermediate goods

(c) derived demand

(d) complementary demand

Q108) When violation of law of demand occurs:

(MTP March 2021)

(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

Q109) The marginal utility from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y-

(MTP March 2021)

(a) 5

(b) 10

(c) 40

(d) None of these

Q110) If $MU_x = 30$, $P_x = 5$ $MU_y = 40$ the value of

P_y will be

(MTP April 2021)

(a) 10

(b) 15

(c) 6

(d) None of these

Q111) A rise in sale of which type of good is expected in the case of recession: **(MTP April 2021)**

(a) Luxury

(b) Necessity

(c) Inferior

(d) Normal

Q112) If price of both goods fall how would the budget line is affected? **(MTP April 2021)**

(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 shift to right and will have the same slope as the original so long as the price of both goods change in the same proposition.

Q113) When price of a good rises from Rs. 20 to Rs. 30 the producer supplier 20 percent more the Price elasticity of supply is **(MTP April 2021)**

(a) 0.5

(b) 0.4

(c) 1

(d) None of these

Q114) From the following demand curve determine the elasticity at the given price $Q = 1200 - 10P$
When $P = 5$, $dQ/dP = 10$ **(MTP April 2021)**

- (a) Elastic
- (b) Inelastic
- (c) Unitary elastic
- (d) None of these

Q115) The Delphi process is a technique of: **(MTP April 2021)**

- (a) Budget Analysis
- (b) Demand forecasting
- (c) Cost Analysis
- (d) None of these

Q116) Marketing Planning is based on: **(MTP April 2021)**

- (a) Demand forecasting
- (b) Demand function
- (c) Demand estimation
- (d) Demand Analysis

Q117) Suppose we are drawing a supply curve of a farmer which of the following will not be held constant : **(MTP March 2022)**

- (a) Price of Inputs
- (b) Weather Conditions
- (c) Technology
- (d) The price of the Commodity under consideration

Q118) The Coefficient of Price elasticity of demand between two points on a demand curve is ____ **(MTP March 2022)**

- (a) Arc elasticity
- (b) Point elasticity

- (c) Price elasticity
- (d) None of these

Q119) 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: **(MTP March 2022)**

- (a) Remain unchanged
- (b) Increase
- (c) Decrease
- (d) Any of the above

Q120) A movement along a curve rather than a shift in the curve can be measured by:-

(MTP March 2022)

- (a) Cross elasticity of demand
- (b) Income elasticity of demand
- (c) Price elasticity of demand & Price elasticity of Supply
- (d) None of these

Q121) According to Hicks and Allen the demand curve slope downwards due to ____

(MTP March 2022)

- (a) Law of diminishing marginal utility
- (b) Income effect and substitution effect
- (c) Either (a) or (b)
- (d) None of these

Q122) When two goods are perfect substitute for each other: **(MTP March 2022)**

- (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)

Q123) 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;

(MTP March 2022)

(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

Q124) After reaching the saturation point, consumption of additional units of the commodity cause:

(MTP March 2022)

(a) Total utility to fall and marginal utility to increase

(b) Total utility and marginal utility both to increase

(c) Total utility to fall and marginal utility to become negative

(d) Total utility to become negative and marginal utility to fall

Q125) Demand for electricity is elastic because

(MTP March 2022)

(a) It is very expensive

(b) It has a number of close substitutes

(c) It has alternative uses

(d) None of the above

Q126) A downward movement along a demand curve indicate-

(MTP Oct 2019)

(a) Increase in demand

(b) Decrease in demand

(c) Contraction of demand

(d) Expansion of Demand

Q127) The supply curve for perishable commodities is-

(MTP Oct 2019)

(a) elastic

(b) inelastic

(c) perfectly elastic

(d) perfectly inelastic

Q128) The slope of consumer's budget line is –

(MTP Oct 2019)

(a) Positive and constant

(b) Negative and decreasing

(c) Negative and constant

(d) Positive and increasing

Q129) Demand for water is – **(MTP Oct 2019)**

(a) Elastic

(b) Inelastic

(c) Perfectly elastic

(d) Relatively elastic

Q130) Suppose income elasticity of bread is 0.25, its means that bread is-

(MTP Oct 2019)

(a) Inferior goods

(b) Luxury goods

(c) Normal goods

(d) Can't say

Q131) The supply curve shifts to the right because of-

(MTP Oct 2019)

(a) Improved technology

(b) Increased price of factors of production

(c) Increased excise duty

(d) All of the above

Q132) Which of the following goods has inelastic demand- **(MTP Oct 2019)**

- (a) Salt
- (b) Food grains
- (c) Medicines
- (d) All of the above

Q133) 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- **(MTP Oct 2019)**

- (a) 30 utils
- (b) 20 utils
- (c) 60 utils
- (d) 6 utils

Q134) Consumer surplus is highest in the case of : **(MTP Aug 2018)**

- (a) Necessities
- (b) Luxuries
- (c) Comforts
- (d) Conventional necessities

Q135) _____ pair of commodities is an example of substitutes. **(MTP Aug 2018)**

- (a) Coffee and milk
- (b) Diamond and cow
- (c) Pen and ink
- (d) Mustard oil and coconut oil

Q136) Which of the following is incorrect? **(MTP Aug 2018)**

- (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 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

Q137) 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 _____ **(MTP Aug 2018)**

- (a) Complements.
- (b) Inferior goods
- (c) Normal goods.
- (d) Substitutes.

Q138) 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 **(MTP Aug 2018)**

- (a) Zero
- (b) Infinite
- (c) One
- (d) Unable to determine

Q139) If R point bisects the demand curve in two equal part, then elasticity at R equals _____ **(MTP Oct 2018)**

- (a) Zero
- (b) Five
- (c) Two
- (d) One

Read the following data and answer Questions number 140-143

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: **(MTP Oct 2018)**

- 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

Q140) The price elasticity of demand when gel pen's price increases from Rs.10 per pen to Rs.15 per pen is equal to: (Use Arc Elasticity Method)
(MTP Oct 2018)

- (a) 2.5
- (b) 1.0
- (c) 1.66
- (d) 2.66

Q141) The cross elasticity of monthly demand for refills when the price of gel pen increase from Rs. 10 to Rs. 15 is equal to: (Use arc method)
(MTP Oct 2018)

- (a) -0.71
- (b) + 0.25
- (c) -0.1
- (d) + 0.38

Q142) 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: (Use arc method)

(MTP Oct 2018)

- (a) + 1.66
- (b) -1.05
- (c) -2.09
- (d) + 2.09

Q143) What can be said about the price elasticity of demand for pen?
(MTP Oct 2018)

- (a) It is perfectly elastic
- (b) It is elastic
- (c) It is perfectly inelastic
- (d) It is inelastic

Q144) 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? **(MTP Oct 2018)**

- (a) 0.4
- (b) 0.6
- (c) 1.25
- (d) 1.50

Q145) We can say that gel pen in economics sense is a/an. **(MTP Oct 2018)**

- (a) Luxury good
- (b) inferior good
- (c) Normal good
- (d) Nothing can be said.

Q146) If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect? **(MTP Oct 2018)**

- (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.

Q147) The demand for a factor of production is said to be a derived demand because :

- (a) It is a function of the profitability of an enterprise

- (b) It depends on the supply of complementary factors
- (c) It stems from the demand for the final product
- (d) It arises out of means being scarce in relation to wants

Q148) The most direct method to forecast demand in short run is_

- (a) Survey of buyers intention
- (b) Collection opinion method
- (c) Expert opinion method
- (d) All of above

Q149) The supply function is given $Q = - 50 + 10P$. Find elasticity of supply using point elasticity when price is ` 30:

- (a) 1.2
- (b) - 1.2
- (c) 3
- (d) - 3

Q150) A college of bachelor degree raised the fees by Rs. 500 in order to increase their total revenues. But actually their total revenue had fallen. Then the demand for bachelor degree is.....

- (a) Relatively elastic
- (b) Relatively in elastic
- (c) Unit elastic
- (d) Perfectly elastic

Q151) Which method of demand forecasting is known as Delphi technique:

- (a) Controlled Experiments
- (b) Collective opinion
- (c) Expert opinion method
- (d) Statistical Method

Q152) Sir Robert Giffen conducted his experiments on _____:

- (a) British workers
- (b) American workers
- (c) Indian workers
- (d) Italian workers

Q153) Which one is not the Assumption of Ordinal Approach-

- (a) Consumer is rational
- (b) Consumer has consistent consumption pattern
- (c) Consumer is capable of ranking all conceivable combinations of goods
- (d) Hypothesis of independent utility

Q154) Advertising Elasticity is generally

- (a) Positive
- (b) Negative
- (c) Zero
- (d) None of the above

Q155) The demand for a product which is independent of the demand for other goods is called-

- (a) Independent Demand
- (b) Derived Demand
- (c) Autonomous Demand
- (d) Company Demand

Q156) The Survey method where all potential customers are interviewed about their future purchase plans

- (a) Complete Enumeration Method
- (b) Sample Survey Method
- (c) End-Use Method

(d) None of the above

Q157) Which of the following factors is not a determinant of Supply?

- (a) Government's industrial and foreign policies
- (b) Market Structure
- (c) State of Technology
- (d) Income Levels of Consumers

Q158) A firm planning capacity expansion and diversification will go in for-

- (a) Short term demand forecasting
- (b) Medium term demand forecasting
- (c) Long term demand forecasting
- (d) Current demand forecasting

Q159) _____ is considered as a 'naive' approach to demand forecasting.

- (a) Trend Projection Method
- (b) Expert Opinion Method
- (c) Collective Opinion Method
- (d) Regression Analysis

Q160) All but one are correct about demand forecasting. Which one is not correct?

- (a) Demand forecasting is the art and science of predicting probable demand of a product in future
- (b) Demand forecasting is a simple guesses
- (c) It considers past behaviour pattern and prevailing trends in the present
- (d) Demand forecasting plays an important role in planning and decision making

Q161) Collective opinion method of demand forecasting is useful for _____ forecasting.

(a) short run

(b) long run

(c) secular period

(d) none of the above

Q162) _____ method of forecasting is useful in use of capital goods.

- (a) Collective opinion
- (b) Expert Opinion
- (c) Barometric
- (d) Survey of buyer's intention

Refer the following supply function to answer 0. Nos.324 to 327

$$Q_s = -10 + 2p$$

Q163) How much quantity is supplied at a price of 10?

- (a) 10 units
- (b) 8 units
- (c) 12 units
- (d) 6 units

Q164) At which price, the supply would be zero?

- (a) ` 1
- (b) ` 3
- (c) ` 4
- (d) ` 5

Q165) Calculate the price at which, the firm is willing to supply 100 units

- (a) ` 55
- (b) ` 50
- (c) ` 45
- (d) ` 40

Q166) Method of measuring Price Ed between two points is _____ and at particular point is _____

- (a) Arc, Point
- (b) Point, Arc
- (c) Arc, Total outlay
- (d) Total outlay, Arc

Q167) Which method is especially used is, forecasting demand for inputs-

- (a) Complete Enumeration Method
- (b) Sample Survey Method
- (c) End use Method
- (d) All of the above

Q168) Market experimentation method can be on the basis of:

- (a) Price of commodity
- (b) Advertisement
- (c) Packaging
- (d) Any of the above

Q169) Controlled experiments method of demand forecasting is basically framed for _____:

- (a) Existing Product
- (b) New Product
- (c) Either of the above
- (d) None of the above

Q170) To find out turning points in economy ups and downs, which method of demand forecasting can be used:

- (a) Statistical Method
- (b) Consumer survey Method
- (c) Barometric Method

(d) Delphi Method

Q171) The reason of right ward shiftment of demand curve

- (a) Fall in the price of complement
- (b) An increase in the Number of Buyers
- (c) Rise in the price of substitute goods
- (d) All of the above.

Q172) Which is not the reason of left ward shiftment of demand curve?

- (a) Rise in the price of complement
- (b) A change in taste against the commodity
- (c) Rise in the income of consumer (Normal Goods)
- (d) All the three

Q173) When more quantity is supplied at the same price or same quantity is supplied at lower prices. It is consider as-

- (a) Contraction of supply
- (b) Decrease in supply
- (c) Expansion of supply
- (d) Increase in supply

Q174) Expectation of substantial rise in price in future will -

- (a) Make the sellers respond higher sales in current
- (b) Make the seller respond lower sales in current
- (c) Make the seller respond lower in future.
- (d) Does not respond seller at all

CHAPTER - 2

THEORY OF CONSUMER BEHAVIOUR, CONCEPT OF DEMAND AND CONCEPT OF SUPPLY

SOLUTIONS OF CHAPTER NO. 2

(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)
B	C	B	B	B	A	C	D	B	B
(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)	(Q18)	(Q19)	(Q20)
D	A	C	C	A	A	C	A	C	C
(Q21)	(Q22)	(Q23)	(Q24)	(Q25)	(Q26)	(Q27)	(Q28)	(Q29)	(Q30)
C	A	B	B	A	B	A	A	C	B
(Q31)	(Q32)	(Q33)	(Q34)	(Q35)	(Q36)	(Q37)	(Q38)	(Q39)	(Q40)
D	A	B	D	B	A	A	D	C	A
(Q41)	(Q42)	(Q43)	(Q44)	(Q45)	(Q46)	(Q47)	(Q48)	(Q49)	(Q50)
D	A	A	C	B	B	C	C	B	D
(Q51)	(Q52)	(Q53)	(Q54)	(Q55)	(Q56)	(Q57)	(Q58)	(Q59)	(Q60)
B	A	C	C	A	A	D	C	B	C
(Q61)	(Q62)	(Q63)	(Q64)	(Q65)	(Q66)	(Q67)	(Q68)	(Q69)	(Q70)
D	B	D	A	D	B	C	B	A	D
(Q71)	(Q72)	(Q73)	(Q74)	(Q75)	(Q76)	(Q77)	(Q78)	(Q79)	(Q80)
A	B	D	B	A	A	B	A	C	C
(Q81)	(Q82)	(Q83)	(Q84)	(Q85)	(Q86)	(Q87)	(Q88)	(Q89)	(Q90)
C	D	A	A	A	D	A	B	A	A
(Q91)	(Q92)	(Q93)	(Q94)	(Q95)	(Q96)	(Q97)	(Q98)	(Q99)	(Q100)
B	B	A	A	B	A	B	C	A	A
(Q101)	(Q102)	(Q103)	(Q104)	(Q105)	(Q106)	(Q107)	(Q108)	(Q109)	(Q110)
D	D	B	A	C	C	C	D	A	A
(Q111)	(Q112)	(Q113)	(Q114)	(Q115)	(Q116)	(Q117)	(Q118)	(Q119)	(Q120)
C	D	B	B	B	A	D	A	A	C
(Q121)	(Q122)	(Q123)	(Q124)	(Q125)	(Q126)	(Q127)	(Q128)	(Q129)	(Q130)
B	D	D	C	C	D	D	C	B	C
(Q131)	(Q132)	(Q133)	(Q134)	(Q135)	(Q136)	(Q137)	(Q138)	(Q139)	(Q140)
A	D	A	A	D	B	D	A	D	C
(Q141)	(Q142)	(Q143)	(Q144)	(Q145)	(Q146)	(Q147)	(Q148)	(Q149)	(Q150)
C	A	B	A	C	B	C	A	A	A
(Q151)	(Q152)	(Q153)	(Q154)	(Q155)	(Q156)	(Q157)	(Q158)	(Q159)	(Q160)

C	A	D	A	C	A	D	C	A	B
(Q161)	(Q162)	(Q163)	(Q164)	(Q165)	(Q166)	(Q167)	(Q168)	(Q169)	(Q170)
A	D	A	D	A	A	C	D	B	C
(Q171)	(Q172)	(Q173)	(Q174)						
D	C	D	B						



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CHAPTER - 3

THEORY OF PRODUCTION & THEORY OF COST

Q1) A firm producing 15 units of output has average cost of Rs. 250 and Rs. 125 as per unit cost for fixed factors of production. Then average variable cost will be _____ **(June 2019)**

- (a) 180
- (b) 150
- (c) 125
- (d) None of the above

Q2) Which of the following is considered as production in economics ? **(June 2019)**

- (a) Helping a blind person in crossing the road
- (b) Group dance performance in a college annual function
- (c) Holding a child who is falling from a wall
- (d) Performing an art in a theatre

Q3) Diminishing marginal returns implies _____ **(June 2019, Nov 2019)**

- (a) Decreasing average fixed cost
- (b) Decreasing average variable cost
- (c) Decreasing marginal cost
- (d) Increasing marginal cost

From the following table , answer Q5-Q6

Hours of labour	Total output	Marginal Product
0	-	-
1	200	200
2	-	180
3	480	-

Q4) What is the marginal product of third hour labour? **(Nov 2018)**

- (a) 120
- (b) 180

(c) 480

(d) 100

Q5) What is the total output when the 2 units of labour is employed? **(Nov 2018)**

- (a) 180
- (b) 380
- (c) 200
- (d) 480

Q6) The shape of AFC curve is: **(Nov 2018)**

- (a) Concave
- (b) Convex
- (c) U shaped
- (d) Upward sloping

Q7) Which of the following statement about factors of production is not true? **(Nov 2018)**

- (a) Land is a passive factor
- (b) Land is a free gift of nature
- (c) Land is immobile
- (d) Land is perishable

Q8) Accounting cost will be economic cost **(Nov 2018)**

- (a) Greater than
- (b) less than
- (c) Equal to
- (d) None of these

Q9) Which of the following shows the unique relation between marginal revenue, average revenue and price elasticity?

(Nov 2018, MTP Apr 2019, MTP March 2021)

- (a) $MR = AR \left(\frac{e-1}{e} \right)$
- (b) $MR = AR \left(\frac{e+1}{e} \right)$
- (c) $MR = AR \left(\frac{1-e}{e} \right)$
- (d) None of these

Q10) Cobb - Douglas production function represents _____ returns to scale **(Nov 2018)**

- (a) Constant
- (b) Increase
- (c) Decrease
- (d) None of these

Q11) If Average cost of a firm is minimum, then Marginal cost will be **(Nov 2018)**

- (a) Greater than average cost
- (b) Equal to average cost
- (c) Less than average cost
- (d) None of these

Q12) Marginal product is the slope of: **ACADEMY**

(Nov 2019, MTP May 2020, MTP March 2021)

- (a) Total Product
- (b) Average Product
- (c) Marginal Product
- (d) Implicit Product

Q13) Which of the following is correct : **(Nov 2019)**

- (a) $TFC = TVC - TC$
- (b) $TC = TVC - TFC$
- (c) $TFC = TC - TVC$
- (d) $TC = TFC - TVC$

Q14) Total Cost = Explicit cost + Implicit cost + **(Nov 2019)**

- (a) Super Normal Profit
- (b) Normal Profit
- (c) Super Normal Losses
- (d) Average Fixed Cost

Use the following information to answer Q18-Q20

Output	TP	MP
0	-	-
1	10	10
2	-	8
3	24	-

Q15) What is the MP of 3rd unit of output? **(Nov 2019)**

- (a) 6
- (b) 8
- (c) 10
- (d) 11

Q16) What is the total product of producing 2nd unit of output? **(Nov 2019)**

- (a) 8
- (b) 10
- (c) 18
- (d) 24

Q17) What is the AP of 1st three units of output? **(Nov 2019)**

- (a) 8
- (b) 10
- (c) 18
- (d) 72

Q18) If average variable cost of 5 units of output is 100 and total fixed cost is 40. Find average cost at

5 units of output. **(Nov 2019)**

- (a) 8
- (b) 100
- (c) 108
- (d) 540

Q19) Average fixed cost for producing 8 units of output was 60, what is the average Fixed cost at 6 units of output **(Nov 2019)**

- (a) 40
- (b) 60
- (c) 80
- (d) 50

Q20) Diminishing returns occur – **(Nov 2019)**

- (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.

Q21) Which of the following curve is never U shape **(Nov 2019)**

- (a) Average cost
- (b) Average Variable Cost
- (c) Average Fixed cost**
- (d) Marginal Cost

Q22) The "law of diminishing returns" applies to : **(Nov 2019)**

- (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.

Q23) 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?

(Nov 2019, MTP Mar 19)

- (a) ₹ 200
- (b) ₹ 60
- (c) ₹ 100
- (d) ₹ 1,400

Q24) Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence: **(Nov 2019)**

- (a) 50, 50, 50, 50
- (b) 50, 110, 180, 260
- (c) 50, 100, 150, 200
- (d) 50, 90, 120, 140

Q25) The concept of "innovative entrepreneurship" was given by **(Dec 2020)**

- (a) Marshall
- (b) Schumpeter
- (c) JK Mehta
- (d) Adam smith

Q26) When output increases more than the increase in input, it occurs due to **(Dec 2020)**

- (a) External and internal diseconomies
- (b) External and internal economies
- (c) External diseconomies and internal economies
- (d) External economies and internal diseconomies

Q27) A functional relationship between inputs and output is called _____ **(Dec 2020)**

- (a) Cost function
- (b) Revenue function
- (c) Consumption function
- (d) Production function

Q28) Among the following statements which is incorrect in relation to isoquants **(Dec 2020)**

- (a) Isoquants are negatively sloped
- (b) Isoquants are concave to origin
- (c) Isoquants are not intersecting
- (d) Isoquants are convex to origin

Q29) Marginal product will be _____ at the point of inflexion **(Dec 2020, MTP Mar 2018)**

- (a) Maximum
- (b) Minimum
- (c) Negative
- (d) Zero

From the following information answer Q36-Q38

Output	0	1	2	3	4	5	6
Total Cost	100	180	250	310	360	420	490

Q30) The average fixed cost of 4 units of output is **(Dec 2020)**

- (a) 80
- (b) 90
- (c) 25
- (d) 350

Q31) The average variable cost of 5 units of output **(Dec 2020)**

- (a) 84
- (b) 64

- (c) 420
- (d) 104

Q32) The marginal cost of 5th unit of output is **(Dec 2020)**

- (a) 60
- (b) 70
- (c) 540
- (d) 90

Q33) Increasing return of scale is applied in **(MTP Oct 21)**

- (a) Long Run
- (b) Short Run
- (c) Both (a) and (b)
- (d) None of these

Q34) Marginal Cost can be directly derived from **(MTP Oct 21)**

- (a) Total Variable Cost
- (b) Total Fixed Cost
- (c) Average Cost
- (d) Average Fixed Cost

Q35) A firm's normal profit earned are included in _____ **(MTP Oct 21)**

- (a) Explicit Cost
- (b) Implicit Cost
- (c) Variable Cost
- (d) Fixed Cost

Q36) Curve which are intersected by marginal cost curve at their minimum points is **(MTP Oct 21)**

- (a) AVC and AFC
- (b) AC and AVC

(c) AC and AFC

(d) AC and TVC

Q37) Reason for operating the law of diminishing returns is ____ **(MTP Oct 21)**

(a) Imperfect Substitution between factors

(b) Scarcity of factors

(c) Both (a) and (b)

(d) None of these

Q38) A Rational Producer operates in short run production in which stage? **(MTP Oct 21)**

(a) First Stage

(b) Second Stage

(c) Third Stage

(d) None of these

Q39) Law of variable proportion is related to : **(MTP Oct 21)**

(a) Long Run

(b) Short Run

(c) Both (a) and (b)

(d) None of these

Q40) If the Long Run Average Cost Curve falls as output expands is due to : **(MTP Oct 21)**

(a) The law of diminishing return

(b) Diseconomies of scale

(c) Economies of scale

(d) None of these

Q41) What will be the situation if factor prices and factor quantities move in the same direction **(MTP Oct 21)**

(a) A decreasing Cost Industry

(b) Increasing Cost Industry

(c) Constants Cost Industry

(d) All of these

Q42) What are the assumptions of Production Function: **(MTP Nov 21)**

(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

Q43) Envelope curve is also called: **(MTP Nov 21)**

(a) Long Run Average Cost curve

(b) Short Run Average Cost curve

(c) Average Fixed Cost

(d) None of these

Q44) When will a firm decides to exit the industry: **(MTP Nov 21)**

(a) Total curve starts rising

(b) Marginal cost starts rising

(c) Average cost starts rising

(d) Price is less than LAC

Q45) If $e < 1$ the marginal revenue will be: **(MTP Nov 21)**

(a) Positive

(b) Negative

(c) Zero

(d) None of these

Q46) If $ATC > AR$ the monopolist will be incurring ____ **(MTP Nov 21)**

(a) Losses

(b) Profit

- (c) Neutral
- (d) None of these

Q47) When $\alpha = 3/5$ and $\beta = 2/5$ the return to scale for Cobb Douglas Production function are:

(MTP Nov 21)

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) First decreasing and then increasing

Q48) When the output increased by more than double if firm doubles its input is known as:

(MTP Nov 21)

- (a) Constant return to scale
- (b) Economies to scale
- (c) Diseconomies of scale
- (d) Violation of the law of diminishing return

Q49) Factor of Production which is active:

(MTP Nov 21)

- (a) Labour
- (b) Land
- (c) Capital
- (d) None of these

Q50) A firm encounters its "shutdown point" when:
(MTP Oct 2020, MTP Apr 2019, MTP Oct 2019)

- (a) Average Total Cost equals price at the profit-maximizing level of output.
- (b) Average Fixed Cost equals price at the profit-maximizing level of output.
- (c) Average Variable Cost equals price at the profit-maximizing level of output.

(d) Marginal Cost equals price at the profit-maximizing level of output.

Q51) Suppose that an owner is earning total revenue of ₹1,00,000 and is increasing explicit cost of ₹ 60,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that: **(MTP Oct 2020, MTP Mar 18, MTP Apr 2019)**

- (a) The firm is earning economic profit or ₹ 10,000
- (b) The firm is earning accounting profit or ₹40,000
- (c) The firm is earning economic profit of ₹ 40,000
- (d) Both (a) and (b)

Q52) If a firm's average variable cost curve is rising, its marginal cost curve must be – **(MTP Oct 2020)**

- (a) Constant
- (b) Above the total cost curve
- (c) Above the average variable cost curve
- (d) All of the above

Q53) Indicate which of the following is a variable cost? **(MTP Mar 2018, MTP Mar 19)**

- (a) Payment of rent on building
- (b) Cost of Machinery
- (c) Interest payment on Loan taken from bank
- (d) Cost of raw material

Q54) The marginal product of a variable input is best described as: **(MTP Mar 2018)**

- (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 variable and fixed inputs
- (d) None of the above

Q55) If as a result of 90 per cent increase in all inputs, the output increase by 75 per cent this is a case of **(MTP Mar 2018)**

- (a) Increasing return of a factor
- (b) Decreasing return of a factor
- (c) Diminishing returns to scale
- (d) None of the above

Q56) If distribution of income is more equal, then the propensity to consumer of the country is **(MTP Mar 2018)**

- (a) Relatively High
- (b) Relatively Low
- (c) Unaffected
- (d) None of the above

Use the following data to answer Q 57-Q58

Hours of labour	Total Output	Marginal Product
0	0	0
1	300	300
2	-	240
3	720	-

Q57) What is the total output when 2 hours of labour are employed? **(MTP Mar 2018)**

- (a) 160
- (b) 200
- (c) 360
- (d) 540

Q58) What is the marginal product of the third hour of labour? **(MTP Mar 2018)**

- (a) 120
- (b) 160
- (c) 200
- (d) 180

Q59) Suppose the short run cost function can be written as $TC = 250 + 10Q$. Average Fixed cost equals: **(MTP Mar 2018)**

- (a) $250/Q$
- (b) 250
- (c) 10
- (d) $250/Q+10$

Q60) Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is ` 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid ` 50,000 for this land. **(MTP Mar 2018)**

- (a) Nothing, since the land was inherited
- (b) ` 50,000 which his father paid
- (c) ` 90 lakh, since the amount Gopal is getting now if he sells it
- (d) Both (b) and (c)

Q61) 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 **(MTP Mar 2018, MTP Oct 2018)**

- (a) $AC = AR$
- (b) $MC = AC$
- (c) $MC = MR$
- (d) $AR = MR$

Q62) **(MTP Mar 2018, MTP Aug 2018)**

Output	Total cost
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

(MTP Mar 2018)

Use the following table to answer Q 63- Q 69

Production	Price per unit	TC	ATC	MC	TR	MR
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				

Q63) What is the value of fixed cost incurred by Company? (MTP Mar 2018)

- (a) Rs. 252
- (b) Rs. 730
- (c) Rs. 500
- (d) cannot be determined

Q64) What is the average total cost when 5 units are produced? (MTP Mar 2018)

- (a) Rs. 218
- (b) Rs. 1090
- (c) Rs. 730
- (d) Rs. 210

Q65) What is the marginal revenue (per unit) when production increase from 7 units to 8 units?

- (a) Rs. 160
- (b) Rs. 140
- (c) Rs. 120
- (d) Rs. 100

Q66) What is the marginal cost when production increase from 3 to 4 units? (MTP Mar 2018)

- (a) 140
- (b) 80
- (c) 60
- (d) 240

Q67) To maximize its profit or minimize its loss, what level of production should Company choose?

(MTP Mar 2018)

- (a) 7 units
- (b) 6 units
- (c) 4 units
- (d) 8 units

Q68) At the profit maximizing level, what price should be charged? (MTP Mar 2018)

- (a) Rs. 190
- (b) Rs. 200
- (c) Rs. 210
- (d) Rs. 220

Q69) Calculate Company maximum profit or minimum loss. (MTP Mar 2018)

- (a) Loss of Rs. 100
- (b) Loss of Rs. 60
- (c) Profit of Rs. 90
- (d) Loss of Rs. 90

Q70) The Law of variable proportions examines the Production function with: **(MTP Mar 2019)**

- (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

Q71) Which of the following is not the characteristic of Labour? **(MTP Mar 2019)**

- (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

Q72) When price is less than average variable cost at the profit maximizing level of output, a firm should : **(MTP Mar 2019)**

- (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

Q73) If decreasing returns to scale are present, then if all inputs are increased by 10% then:

(MTP Mar 2019)

- (a) Output will increase by less than 10%
- (b) Output will increase by 10%
- (c) Output will decrease by 10%
- (d) Output will increase by more than 10%

Q74) Which of the following is considered production in Economics?

(MTP Oct 2020, MTP Apr 2019)

- (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.

Q75) Lesser production of _____ would lead to lesser production in future **(MTP Mar 2019)**

- (a) Public goods
- (b) Consumer goods
- (c) Agricultural goods
- (d) Capital goods

Q76) In Law of negative returns (Third stage of Law of variable proportions) **(MTP Apr 2019)**

- (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

Q77) When is TP maximum **(MTP Apr 2019)**

- (a) When AP becomes Zero
- (b) When MP becomes Zero
- (c) At the intersecting point of AP and MP
- (d) When MP is highest

Q78) Variable cost includes the cost of **(MTP Apr 2019)**

- (a) Buying land and building
- (b) Hire charges of machinery
- (c) Insurance premium
- (d) Material bought

Q79) Which of the following is correct?
(MTP Apr 2019)

- (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

Q80) The vertical difference between TVC and TC is equal to: (MTP Apr 2019, MTP April 2022)

- (a) MC
- (b) AVC
- (c) TFC
- (d) None of the above

Q81) Which is not the function of an entrepreneur?
(MTP Apr 2019)

- (a) Initiating a business enterprise and resource coordination
- (b) Risk bearing or uncertainty bearing
- (c) Innovation
- (d) Mobilisation of savings

Q82) Which of the following is not included in the stages of capital formation? (MTP Apr 2019)

- (a) Savings
- (b) Mobilisation of Income
- (c) Mobilisation of saving
- (d) Investment

Q83) An economy achieves “productive efficiency” when: (MTP Apr 2019)

- (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

Use the following table to answer Q84-Q87

Quantity	TVC	TFC	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. Its Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table.

Q84) When production is 40 units, the average cost is: (MTP Apr 2019)

- (a) Rs. 4.40
- (b) Rs. 7.50
- (c) Rs. 85
- (d) Rs. 92.50

Q85) In the table, marginal cost per unit that corresponds to 40 units of production is:

(MTP Apr 2019)

- (a) Rs. 22
- (b) Rs. 85
- (c) Rs. 176
- (d) Rs. 880

Q86) To maximize profit the firm should produce:
(MTP Apr 2019)

- (a) 15 units
- (b) 30 units
- (c) 35 units
- (d) 50 units

Q87) If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be
(MTP Apr 2019)

- (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

Q88) The LAC curve (MTP Apr 2019)

- (a) Falls when the LMC curve falls
- (b) Rises when the LMC curve rises
- (c) Goes through the lowest point of the LMC curve
- (d) Falls when $LMC < LAC$ and rises when $LMC > LAC$.

Q89) _____ is an implicit cost of production
(MTP Apr 2019)

- (a) Wages of the labour
- (b) Charges for electricity
- (c) Interest on owned money capital
- (d) Payment for raw material

Q90) 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 : (MTP May 2020)

- (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

Q91) "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short run is: (MTP May 2020)

- (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

Q92) Monopolies are allocatively inefficient because: (MTP May 2020)

- (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

Q93) Economic costs of production differ from accounting costs of production because (MTP May 2020)

- (a) Economic costs include expenditures for hired resources while accounting costs do not.
- (b) Accounting costs include opportunity costs which are deducted later to find paid out costs.
- (c) Accounting costs include expenditures for hired resources while economic costs do not.
- (d) Economic costs add the opportunity cost of a firm which uses its own resources.

Q94) When $e = 1$ then MR is (MTP May 2020)

- (a) positive
- (b) zero

(c) one

(d) negative

Q95) Which of the following statements is correct?
(MTP May 2020)

(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.

Q96) If there are implicit costs of production:
(MTP May 2020, MTP Aug 2018)

(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.

Q97) In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience
(MTP May 2020)

(a) an increase in pollution level.

(b) diseconomies of scale.

(c) economies of scale.

(d) constant returns to scale

Q98) Law of Production does not include _
(MTP March 2021)

(a) least cost combination of factors

(b) law of variable proportion

(c) law of diminishing returns to a factor

(d) return to scale

Q99) 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

Q100) The Interest on own capital is:
(MTP March 2021)

(a) implicit cost

(b) future cost

(c) explicit cost

(d) past cost

Q101) Long run average cost (LAC) is :
(MTP March 2021)

(a) u shaped

(b) is also called envelope curve

(c) both a and b

(d) none of these

Q102) The slope of isoquant is :
(MTP March 2021)

(a) upward to the left

(b) downward to the right

(c) downward to the left

(d) upward to the right

Q103) In case of diminishing return to a factor:
(MTP March 2021)

(a) marginal product diminishes

(b) total product increase at increasing rate

(c) total product increases at diminishing rate

(d) both a and c

Q104) Linear homogeneous function means:
(MTP April 2021)

(a) Input and output increases by same proportions.

(b) Input increases by some proportions and output increase more than proportionately

(c) Input increase by some proportion and output less than the proportionately

(d) None of these

Q105) When output of a firm increases in the short run, its average fixed cost: (MTP April 2021)

(a) Decreases

(b) Increases

(c) Remain constant

(d) First rises then decline

Q106) The firm's Cost function is not a determinant of:
(MTP April 2021)

(a) The price of the labour

(b) The price of the firm's output

(c) Taxes

(d) The production functions

Q107) Suppose production function is given by:
 $Q_2 = 15\sqrt{Lk}$ what type of return does it exhibit?

(MTP April 2021)

(a) Constant return

(b) Increasing return

(c) Decreasing return

(d) None of these

Q108) Relative price of goods reflects their:
(MTP April 2021)

(a) Opportunity Cost

(b) Fixed Cost

(c) Average Cost

(d) None of these

Q109) A mfg. company has $TFC=120$ lakhs, $TVC = 100Q + 7Q^2 + 0.25Q^3$. Calculate the MC?

(MTP April 2021)

(a) $100 + 14Q + 0.75Q^2$

(b) $120 + 7Q^2 + 0.25Q^3$

(c) $100 + 7Q^2 + 0.25Q^3$

(d) None of these

Q110) The most important function of an entrepreneur is to _____ (MTP March 2022)

(a) Bear the sense of responsibility

(b) Finance

(c) Innovate

(d) None of these

Q111) Isoquant are also called:
(MTP March 2022)

(a) Equal product curves

(b) Production Indifference curves

(c) ISO product curves

(d) All of the above

Q112) Who describes production function as the relationship between the maximum amount of output can be produced and the input required to make that output : (MTP March 2022)

(a) Samuelson

(b) Malthus

(c) Hicks

(d) None of these

Q113) What are the main assumption of Production Function: **(MTP March 2022)**

- (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

Q114) The rising part of the long run average cost curve is due to: **(MTP March 2022)**

- (a) Increasing return
- (b) Diseconomies of scale
- (c) Increase in productivity due to Specialization
- (d) None of these

Q115) Which of the following statements is false in respect of fixed cost of a firm? **(MTP March 2022)**

- (a) As the fixed inputs for a firm cannot to changed in the short run, the TFC are constant, except when the prices of the fixed inputs change.
- (b) TFC continue to exist even when production is stopped in the short run, but they exist in the long run even when production is not stopped.
- (c) Total Fixed Costs (TFC) can be defined as the total sum of the cost 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.

Q116) Which of the following cost curve is termed as a rectangular hyperbola- **(MTP Oct 2019)**

- (a) TVC curve
- (b) AVC Curve
- (c) TFC curve

(d) AFC curve

Q117) 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 - **(MTP Oct 2019)**

- (a) Rs. 160
- (b) Rs. 140
- (c) Rs. 90
- (d) Rs. 120

Q118) Economies of scale exist because as a firm increases its size in the long run- **(MTP Oct 2019)**

- (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

Q119) 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:

(MTP Aug 2018)

- (a) Constant returns of scale
- (b) Increasing returns to scale
- (c) Decreasing returns to scale
- (d) None of these

Q120) Which of the following statements is incorrect? **(MTP Mar 2019)**

- (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

Q121) Capital is a : **(MTP Apr 2019)**

- (a) Stock concept
- (b) Flow Concept
- (c) Both (a) and (b)
- (d) None of the above

Q122) The MC curve cuts the AVC and ATC curves **(MTP Aug 2018)**

- (a) At the falling part of each
- (b) At different points
- (c) At their respective minimas
- (d) At the rising part of each

Use the following table to answer questions 123-127

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

Q123) At a labour of 2, output is: **(MTP Aug 2018)**

- (a) 25
- (b) 30
- (c) 50
- (d) 75

Q124) At a labour input of 4, output per worker is: **(MTP Aug 2018)**

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

Q125) At a labour input of 6, the marginal product of labour is: **(MTP Aug 2018)**

- (a) 120
- (b) 20
- (c) 15
- (d) 10

Q126) Output per worker is maximized at a labour input of: **(MTP Aug 2018)**

- (a) 2
- (b) 4
- (c) 6
- (d) 8

Q127) The firm's output is at a short run maximum at a labour input of: **(MTP Aug 2018)**

- (a) 6
- (b) 10
- (c) 12
- (d) 2

Q128) The law of diminishing returns: **(MTP Aug 2018)**

- (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.

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 the following table to answer 129-133

(MTP Aug 2018)

Quantity	TVC	TFC	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					

Q129). When production is 40 units, the average total cost is (MTP Aug 2018)

- (a) Rs. 8.80
- (b) Rs. 15
- (c) Rs. 170
- (d) Rs. 185

Q130). In the table marginal cost per unit that corresponds to 40 units of production is

(MTP Aug 2018)

- (a) Rs. 44
- (b) Rs. 170
- (c) Rs. 352
- (d) Rs. 1760

Q131) In order to maximize profit, the firm should produce (MTP Aug 2018)

- (a) 15 units
- (b) 30 units
- (c) 35 units
- (d) 50 units

Q132) 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

Q133) If the market price rises from Rs. 200 to Rs. 352, the firm's short run response should be

(MTP Aug 2018)

- (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.

Q134) An isoquant slopes: (MTP Aug 2018)

- (a) Downward to the left
- (b) Downward to the right
- (c) Upward to the left
- (d) Upward to the right

Q135) 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:

(MTP Aug 2018)

- (a) Rs. 20
- (b) Rs. 120
- (c) Rs. 320
- (d) Rs. 420

Q136) Which of the following is an example of an "explicit cost"? (MTP Aug 2018)

- (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

Use Table 1 to answer question 137-140

“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.

Quantity	TC	TFC	TVC	AVC	ATC	MC
0	100					
10	210					
20	300					
30	400					
40	540					
50	790					
60	1060					

Q137) If burgers sell for Rs. 14 each, what is Bozzo’s profit maximizing level of output?

(MTP Oct 2018)

- (a) 10 burgers
- (b) 40 burgers**
- (c) 50 burgers
- (d) 60 burgers

Q138) What is the total variable cost when 60 burgers are produced?

(MTP Oct 2018)

- (a) Rs. 690
- (b) Rs. 960
- (c) Rs. 110
- (d) Rs. 440

Q139) What is average fixed cost when 20 burgers are produced?

(MTP Oct 2018)

- (a) Rs.5
- (b) Rs. 3.33
- (c) Rs. 10

(d) Rs. 2.5

Q140) Between 10 to 20 burgers, what is the marginal cost (per burger)? **(MTP Oct 2018)**

- (a) Rs. 11
- (b) Rs. 13
- (c) Rs. 14
- (d) Rs. 9

Q141) Which cost increases continuously with the increase in production? **(MTP Oct 2018)**

- (a) Average cost
- (b) Marginal cost
- (c) Fixed cost
- (d) Variable cost

Q142) The law of diminishing returns implies that: **(MTP Oct 2018)**

- (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

Read the following paragraph and answer questions 221-224

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.

Q143) The accounting cost at Nicole's pottery factory is: **(MTP Oct 2018)**

- (a) Rs.25,000
- (b) Rs.50,000
- (c) Rs.80,000
- (d) Rs.75,000

Q144) The economic cost at Nicole's factory is: **(MTP Oct 2018)**

- (a) Rs.75,000
- (b) Rs.70,000
- (c) Rs.80,000
- (d) Rs.30,000

Q145) The accounting profit at Nicole's pottery factory is: **(MTP Oct 2018)**

- (a) Rs.30,000
- (b) Rs.50,000
- (c) Rs.80,000
- (d) Rs.75,000

Q146) Stage I of production ends where:

- (a) APL = MPL
- (b) APL is maximized
- (c) MPL is maximized
- (d) Both (a) and (b) are correct

Q147) The firm operates in the _____, but plans in the _____.

- (a) long-run; short-run
- (b) long-run; long-run
- (c) short-run; long-run

(d) short-run; short-run

Q148) Now a days, in the long run the modern firms faces _____ cost curve when technology changes.

- (a) U- Shaped
- (b) Boat Shaped
- (c) L Shaped

Q149) Consider the following groups of items:

- (i) Factory buildings (ii) Plant and Machinery
- (iii) Stocks of raw materials (iv) Wage bills

Which of these are known as working capital?

- (a) i and ii
- (b) iii and iv
- (c) i, ii and iii
- (d) ii, iii and iv

Q150) A production function is an expression of _____ relation between inputs and outputs.

- (a) monetary
- (b) economic
- (c) quantitative
- (d) qualitative

Q151) The above equations shows that-

$$50_x = f(5_L, 4\bar{k})$$

$$55_x = f(6_L, 4\bar{k})$$

- (a) One factor is fixed and another variable
- (b) Both factors are fixed
- (c) Both factors are variable
- (d) Both factors are semi-variable

Q152) Considering the following information of firm's production department for a week, the

TVC, AVC and ATC would be-

No. of workers employed	50
No. of units produced	100
Weekly Wage of each worker	200
Weekly rent of Shed	400
Raw material used	1600
Power	300

- (a) ` 11,900 ; ` 119 and ` 123 respectively
 (b) ` 11,600 ; ` 116 and ` 123 respectively
 (c) ` 11,900 ; ` 119 and ` 119 respectively
 (d) None of these

Q153) The total cost curve makes an intercept of ` 50 on y-axis, Calculate total fixed cost and total variable cost of 3rd unit of output :

Output	1	2	3	4
TC	65	90	120	160

- (a) 50 ; 15
 (b) 40 ; 50
 (c) 50 ; 70
 (d) 110 ; 50

Q154) A firm producing 5 units of output has AC of ` 150 and it pays ` 200 to its fixed factors of production. What is the AVC?

- (a) ` 100
 (b) ` 50
 (c) ` 110
 (d) ` 150

Q155) When a bus with a seating capacity of 50 passengers is carrying on 40 passengers. The cost

of passenger ticket is ` 100. What would be the Marginal Cost of carrying one additional passenger?

- (a) ` 100
 (b) zero
 (c) ` 4,100
 (d) ` 4,000

Q156) The following is the marginal cost schedule. Find the average cost of production of 4 unit of

Output

Output(units)	1	2	3	4	5
Marginal Cost	6	5	4	5	7

- (a) ` 4
 (b) ` 6
 (c) ` 5
 (d) ` 7

Q157) Goodwill, patents etc are benefits, which cannot be perceived by senses are which capital –

- (a) Tangible
 (b) Fixed
 (c) Real
 (d) Intangible

Q158) _____ refers to cost incurred in past on acquisition of productive asset–

- (a) Historical
 (b) Replacement
 (c) Incremental
 (d) Sunk

Q159) Social cost is equal to –

- (a) Explicit plus implicit
- (b) private plus external
- (c) Direct plus indirect
- (d) Economic plus real

Q160) Cost of advertisement is –

- (a) Discretionary cost
- (b) Compulsory Cost
- (c) Any of the above
- (d) None of the above

Q161) Electricity charges are –

- (a) Fixed
- (b) Variable
- (c) Semi variable
- (d) None of the above

Q162) The following table exhibits:

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

- (a) increasing marginal product of labour.
- (b) diminishing marginal product of labour.
- (c) increasing returns to scale.
- (d) diminishing returns to scale.

Q163) If all inputs are trebled and the resultant output is doubled, this is a case of:

- (a) constant returns to scale
- (b) increasing returns to scale

- (c) diminishing returns to scale
- (d) negative returns to scale

Q164) Production is defined as :

- (a) Creation of matter
- (b) Creation of utility in matter
- (c) Creation of infrastructural facilities
- (d) None of these

Q165) Cost function is mathematical relation between–

- (a) Cost and output
- (b) Cost and factors of output
- (c) Cost and determinants of cost
- (d) Short run and long run cost

Q166) Returns to scale will said to be in operation when quantity of :

- (a) All inputs are changed
- (b) All inputs are changed in already established proportion
- (c) All inputs are not changed
- (d) One inputs is changed while quantity of all other inputs remain the same

Q167) The period of time in which the plant capacity can be varied is known as

- (a) The short period
- (b) The market period
- (c) The long period
- (d) All of the above

CHAPTER - 3

THEORY OF PRODUCTION & THEORY OF COST

SOLUTIONS OF CHAPTER NO. 3

(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)
C	D	D	D	B	B	D	B	A	A
(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)	(Q18)	(Q19)	(Q20)
B	A	C	B	A	C	A	C	C	B
(Q21)	(Q22)	(Q23)	(Q24)	(Q25)	(Q26)	(Q27)	(Q28)	(Q29)	(Q30)
C	A	C	D	B	B	D	B	A	C
(Q31)	(Q32)	(Q33)	(Q34)	(Q35)	(Q36)	(Q37)	(Q38)	(Q39)	(Q40)
B	A	A	A	B	B	C	B	B	C
(Q41)	(Q42)	(Q43)	(Q44)	(Q45)	(Q46)	(Q47)	(Q48)	(Q49)	(Q50)
B	C	A	D	B	A	C	B	A	C
(Q51)	(Q52)	(Q53)	(Q54)	(Q55)	(Q56)	(Q57)	(Q58)	(Q59)	(Q60)
D	C	D	B	C	A	D	D	A	C
(Q61)	(Q62)	(Q63)	(Q64)	(Q65)	(Q66)	(Q67)	(Q68)	(Q69)	(Q70)
B	A	C	A	D	C	B	A	D	B
(Q71)	(Q72)	(Q73)	(Q74)	(Q75)	(Q76)	(Q77)	(Q78)	(Q79)	(Q80)
C	A	A	A	D	C	B	D	C	C
(Q81)	(Q82)	(Q83)	(Q84)	(Q85)	(Q86)	(Q87)	(Q88)	(Q89)	(Q90)
D	B	C	D	C	B	C	D	C	A
(Q91)	(Q92)	(Q93)	(Q94)	(Q95)	(Q96)	(Q97)	(Q98)	(Q99)	(Q100)
A	C	D	B	D	B	C	A	B	A
(Q101)	(Q102)	(Q103)	(Q104)	(Q105)	(Q106)	(Q107)	(Q108)	(Q109)	(Q110)
C	B	D	A	A	B	A	A	A	C
(Q111)	(Q112)	(Q113)	(Q114)	(Q115)	(Q116)	(Q117)	(Q118)	(Q119)	(Q120)
D	A	D	B	B	D	C	D	A	D
(Q121)	(Q122)	(Q123)	(Q124)	(Q125)	(Q126)	(Q127)	(Q128)	(Q129)	(Q130)
A	C	C	B	C	B	B	C	D	C
(Q131)	(Q132)	(Q133)	(Q134)	(Q135)	(Q136)	(Q137)	(Q138)	(Q139)	(Q140)
B	C	B	B	D	C	B	B	A	D
(Q141)	(Q142)	(Q143)	(Q144)	(Q145)	(Q146)	(Q147)	(Q148)	(Q149)	(Q150)
D	D	A	B	D	D	C	C	B	C
(Q151)	(Q152)	(Q153)	(Q154)	(Q155)	(Q156)	(Q157)	(Q158)	(Q159)	(Q160)

A	A	C	C	B	C	D	A	B	A
(Q161)	(Q162)	(Q163)	(Q164)	(Q165)	(Q166)	(Q167)			
C	B	C	B	C	B	C			



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CHAPTER - 4

REVENUE FUNCTION & PRICE DETERMINATION IN DIFF. MARKETS

Q1) Which of the following is true, when the firm is at equilibrium ? **(June 2019)**

- (a) $MC < MR$
- (b) MC Curve cuts the MR curve from below
- (c) Both a & b
- (d) None of the above

Q2) Kinked demand curve is _____ **(June 2019)**

- (a) Highly elastic at above the prevailing price
- (b) Inelastic at below the prevailing price
- (c) both a & b
- (d) None of the above

Q3) Which is the characteristic feature of monopoly? **(June 2019)**

- (a) Homogeneous goods
- (b) Strong barriers to entry
- (c) Perfect Competition
- (d) Perfectly elastic demand curve

Q4) Price discrimination is possible only in _____ **(June 2019)**

- (a) Monopoly
- (b) Perfect competition
- (c) Oligopoly
- (d) Monopolistic competition

Q5) What is the characteristic of monopolistic competition? **(June 2019)**

- (a) Price elasticity is low for the product concerned
- (b) Large number of sellers

(c) No degree of control over price

(d) One buyer

Q6) When TR is at its peak then MR is equal to _____ **(June 2019)**

- (a) Zero
- (b) Positive
- (c) Negative
- (d) None of the above

Q7) Market consists of _____ **(June 2019)**

- (a) Buyer and seller
- (b) One Price for one product at a given time
- (c) Both a and b
- (d) None

Q8) Which of the following statements is incorrect? **(MTP May 2020)**

- (a) The LAC curve is also called the planning curve of a firm.
- (b) Total revenue = price per unit \times 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

Q9) According to behavioral Principles. **(June 2019)**

- (a) A firm should not produce at all its total variable costs are not met.
- (b) A firm will be making maximum profits by expanding output to the level where marginal revenue is equal to marginal cost.
- (c) Both (a) and (b)

(d) None of these

Q10) Monopsony means

(June 2019)

(a) Where there are large firms

(b) There is a single buyer

(c) Small number of large buyers

(d) Single seller and single buyer

Q11) A discriminating monopolist to reach equilibrium position, his decision on total output depends upon _____ **(June 2019)**

(a) How much total output should be produce

(b) How the total output should be distributed between the two sub-markets?

(c) Both a & b

(d) None of these

Q12) When average cost is equal to average revenue of a firm, it gets _____. **(MTP March 2021)**

(a) sub normal profit

(b) normal profit

(c) abnormal profit

(d) super profit

Q13) Which of the following is correct?

(MTP Oct 2018)

(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

Q14) Demand curve of a firm is horizontal in the case of _____ **(June 2019)**

(a) Monopoly

(b) Perfect competition

(c) Imperfect competition

(d) Monopolistic Competition

Q15) Which is the other name that is given to the demand curve? **(Nov 2018)**

(a) Profit curve

(b) Average Revenue curve

(c) Average Cost Curve

(d) Indifference curve

Q16) Which of the following condition is for profit maximization? **(Nov 2018)**

(a) $MC < MR$

(b) $MC = MR$

(c) $MC > MR$

(d) None of these

Q17) Product differentiation is an important feature of : **(Nov 2018)**

(a) Monopoly

(b) Imperfect competition

(c) Perfect competition

(d) Discriminating monopoly

Q18) Price leadership is used to explain firm's behavior under: **Nov 2018)**

(a) Monopoly

(b) Oligopoly

(c) Perfect competition

(d) Discriminating monopoly



Q19) A market which has single buyer and single seller is called **(Nov 2018)**

- (a) Monopoly
- (b) Bilateral monopoly
- (c) Duopoly
- (d) Monopsony

Q20) Which one of the following is not a feature of oligopoly? **(Nov 2018)**

- (a) Inter dependence
- (b) Selling cost
- (c) Group behavior
- (d) Free entry

Q21) If the supply of a commodity does not change then with every increase in demand price will.. **(Nov 2018)**

- (a) Remain same
- (b) Increase
- (c) Decrease
- (d) Becomes zero

Q22) If there is a increase in supply without any change in demand, equilibrium price will **(Nov 2018)**

- (a) Increase
- (b) Decrease
- (c) Remain unchanged
- (d) Becomes zero

Q23) The structure of tooth paste industry in India is best described as a market. **(Nov 2018)**

- (a) Perfectly competitive
- (b) Monopoly

(c) Monopolistically competitive

(d) Oligopolistic

Q24) Under the first degree of price discrimination the monopolist charges different prices, **(Nov 2018)**

- (a) From different persons
- (b) For different quantity sold
- (c) At different markets
- (d) In all of the above situations

Q25) In a monopoly market which of the following is not found? **(Nov 2018)**

- (a) Single seller
- (b) barriers to entry
- (c) Close substitutes
- (d) All of the above

Q26) A monopolist average revenue curve: **(Nov 2018)**

- (a) Falls from left to right
- (b) Is parallel to x-axis
- (c) Is parallel to y-axis
- (d) Rise from left to right

Q27) In long run a perfectly competitive firm earns **(Nov 2018)**

- (a) Normal profits
- (b) super normal profits
- (c) Losses
- (d) Neither profits nor losses

Q28) Under perfect competition demand curve for individual firm is: **(Nov 2018)**

- (a) In elastic
- (b) Unitary elastic

- (c) Perfectly elastic
- (d) Perfectly inelastic

Q29) Which of the following is not a feature of perfect competition? **(Nov 2018)**

- (a) Homogenous
- (b) Large number of buyers & sellers
- (c) Free entry & exit
- (d) Selling cost

Q30) Marginal revenue curve of a firm under perfect competition: **(Nov 2018)**

- (a) Falls from left to right
- (b) Rises from left to right
- (c) Parallel to y - axis
- (d) Parallel to x - axis

Q31) What is true about the perfect competition market **(Nov 2019)**

- (a) $AR = MR = PRICE$
- (b) $AR = AC = P$
- (c) $AR > AC$
- (d) None

Q32) If a perfect competition firm is making losses then which condition is suitable to carry on business as long as it covering variable cost **(Nov 2019)**

- (a) Shutdown
- (b) Expand its plant & machinery
- (c) Do nothing
- (d) Reduce productions

Q33) If in a short run perfect competition earn super normal profit then which condition satisfy. **(Nov 2019)**

- (a) $ATC > MC$

- (b) $ATC < MC$

- (c) $MR < AR$

- (d) $MR > AR$

Q34) In the long run Monopolistic compition and perfect compition are same because of **(Nov 2019)**

- (a) Normal Profit
- (b) Abnormal Production
- (c) Losses
- (d) None

Q35) Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude **(Nov 2019)**

- (a) The firm operates in 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 maximize profits because price and revenue are subject to change

Q36) Extreme Product differentiation is found in which market? **(Nov 2019)**

- (a) Monopolistic Competition
- (b) Monopoly
- (c) Perfect Competition
- (d) Oligopoly

Q37) Monopoly firm faces which demand curve? **(Nov 2019)**

- (a) Downward Sloping
- (b) Horizontal
- (c) Rising

(d) All of these

Q38) Given the relation $MR = p \left(\frac{e-1}{e} \right)$ if the demand for a product is unitary elastic then _____

(June 2019)

(a) $MR = 0$

(b) $MR > 0$

(c) $MR < 0$

(d) None of the above

Q39) Assume that when price is Rs. 40, the quantity demanded is 15 units and when price is Rs. 38, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from a increase in output from 15 units to 16 units. (Use Arc method for price elasticity)

(Nov 2019, MTP May 2020)

(a) ₹ 6

(b) ₹ 32

(c) ₹ 24

(d) ₹ 08

Q40) If a seller obtains Rs. 6,000 after selling 50 units and Rs. 6,204 after selling 53 units, then marginal revenue will be **(Dec 2020)**

(a) Rs. 204

(b) 68

(c) 120

(d) 118

Q41) On the basis of nature of transaction, a market may be classified into **(Dec 2020)**

(a) Regulated and unregulated market

(b) Wholesale and retail market

(c) Spot and forward rate

(d) National and international market'

Q42) When a firm produces 7 units of production and the TR is Rs. 42 after raising the production to 8 units TR reached Rs. 46. Marginal revenue will be **(Dec 2020)**

(a) Rs. 6

(b) Rs. 4

(c) Rs. 5

(d) Rs. 8

Q43) A market where goods are exchanged for money payable either immediately or within short span of time **(Dec 2020)**

(a) Forward market

(b) Regulated market

(c) Spot market

(d) Wholesale market

Q44) ABC Ltd. realizes total revenue of Rs. 6,000 by the sale of 120 units and Rs. 6050 by the sale of 121 units What is the average revenue when ABC Ltd. Sells 121 units **(Dec 2020)**

(a) 6,000

(b) 6,050

(c) 50

(d) 100

Q45) In above question, When ABC Ltd. Sells 130 units then total revenue will be **(Dec 2020)**

(a) 18,550

(b) 12,050

(c) 6,000

(d) 6,500

Q46) Answer the following

Units	0	1	2	3	4	5	6
TR	100	180	250	310	360	400	430

Find the marginal revenue at 5th unit is

(Dec 2020)

- (a) 60
- (b) 55
- (c) 45
- (d) 40

Q47) Kinked demand hypothesis is designed to explain the _____ under oligopolistic market

Dec 2020, MTP Oct 2019)

- (a) Collusion between firms
- (b) Price and output determination
- (c) Rigidity of price
- (d) Price leadership

Q48) _____ is the best example of oligopoly

(Dec 2020)

- (a) SAARC
- (b) WTO
- (c) GATT
- (d) OPEC

Q49) Aluminium industry is the example of which type of oligopoly

(Dec 2020)

- (a) Open oligopoly
- (b) Full oligopoly
- (c) Pure oligopoly
- (d) Syndicated oligopoly

Q50) In which market prices are determined by the market forces of demand and supply? (Dec 2020)

- (a) Pure Competition
- (b) Perfect Competition

(c) Monopolistic Competition

(d) Oligopoly

Q51) Railways charges comparatively cheaper fares from senior citizens. This is an example of

(Dec 2020)

- (a) Price discrimination
- (b) Market analysis
- (c) Profit discrimination
- (d) Demand forecasting

Q52) Collusion is impossible if an industry has

(Dec 2020)

- (a) Large number of firms
- (b) Only few numbers of firms
- (c) Only two firms
- (d) Limited number of firms

Q53) When the industry is dominated by one large firm it is called

(Dec 2020)

- (a) Partial oligopoly
- (b) Full oligopoly
- (c) Organized oligopoly
- (d) Closed oligopoly

Q54) "Competition among few" is described in

(Dec 2020)

- (a) Monopoly
- (b) Oligopoly
- (c) Duopoly
- (d) Monopsony

Q55) The kinked demand curve of Oligopoly is useful in explaining

(MTP Oct 21)

(a) The process by which oligopolistic merge

(b) How the collusion work

(c) Price and output are sensitive to change in marginal cost.

(d) Why oligopolistic price might charge only infrequently

Q56) After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps :

(MTP Oct 21)

- (a) Promotion
- (b) Population
- (c) Place
- (d) Produce

Q57) Long Run Period normal price for a competitive firm will be :

(MTP Oct 21)

- (a) Equal MC of Production only
- (b) Equal TC of Production only
- (c) Equal AC and MC of Production
- (d) None of these

Q58) Monopolistic Competition has features of

(MTP Oct 21)

- (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

Q59) In case of Perfect Competition how much selling cost are incurred:

(MTP Oct 21)

- (a) Negligible
- (b) Zero
- (c) Very high
- (d) Very less

Q60) Marginal revenue is equal to price in which form of market:

(MTP Oct 21)

- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) Monopolistic Competition

Q61) In Oligopoly the demand curve is :

(MTP Oct 21)

- (a) Indeterminate
- (b) Highly Elastic
- (c) Less Elastic
- (d) Perfectly Elastic

Q62) Price elasticity of demand under monopoly is _____

(MTP Oct 21)

- (a) Infinity
- (b) Equal to one
- (c) Less than one
- (d) None of these

Q63) There is an inverse relation between price and demand for the products of a firm under:

(MTP Oct 21)

- (a) Monopoly only
- (b) Monopolistic Competition only
- (c) Both Monopoly and Monopolistic Competition
- (d) Perfect competition

Q64) The market price cannot be influenced by a seller under :

(MTP Oct 21)

- (a) Monopolistic Competition
- (b) Monopoly
- (c) Perfect Competition
- (d) All the above

Q65) Entry of new firm in monopoly is :

(MTP Oct 21)

- (a) Possible only in the long run
- (b) Possible only in the Short run
- (c) Restricted at all times
- (d) Both (a) and (b)

Q66) Nuclear Power represents which type of market structure :

(MTP Oct 21)

- (a) Government Monopoly
- (b) Perfect Competition
- (c) Monopolistic Competition
- (d) Oligopoly

Q67) Monopoly Market and Monopsony market combination is called :

(MTP Oct 21)

- (a) Duopoly Market
- (b) Oligopoly Market
- (c) Bilateral Monopoly Market
- (d) Monopolistic Market

Q68) Price discrimination cannot persist under which of the market form:

(MTP Oct 21, MTP Nov 21, MTP March 2021)

- (a) Monopolistic
- (b) Monopoly
- (c) Perfect Competition
- (d) Oligopoly

Q69) Price discrimination is desirable as :

(MTP Oct 21)

- (a) It promotes equity
- (b) It makes production feasible
- (c) Both (a) and (b)

(d) None of these

Q70) Which of the following can be classified as Oligopoly Market :

(MTP Oct 21)

- (a) Wheat Farming
- (b) Clothing Industry
- (c) Restaurant Industry
- (d) Telecom Service

Q71) A firm maximizes profit in the short run in Perfect Competition by deciding :

(MTP Oct 21)

- (a) What Price to charge
- (b) How much output to produce
- (c) To enter a market or not
- (d) None of these

Q72) The Pure monopolist in the long run can make pure profit due to :

(MTP Oct 21)

- (a) High Selling Price
- (b) Advertising
- (c) Low LAC Cost
- (d) Blocked entry

Q73) In kinked demand curve model the Oligopolist

(MTP Oct 21)

- (a) Do not collude
- (b) Recognise their independence
- (c) Tend to keep price constant
- (d) All the above

Q74) Electricity Companies sell electricity at a cheaper rate in rural areas than for industrial use due to :

(MTP Nov 21)

- (a) Price Discrimination
- (b) Perfect Competition
- (c) Monopolistic Competition

(d) None of these

Q75) Which of the following is not the characteristic of Oligopoly market:

(MTP Nov 21)

- (a) Strategic Independence
- (b) Importance of advertising and selling cost
- (c) Group behaviour
- (d) Regional Market

Q76) The elements of market does not necessarily include:

(MTP Nov 21)

- (a) Buyers and Sellers
- (b) A Product or Service
- (c) Geographical Area
- (d) Bargaining for a price

Q77) For a Price taking firm:

(MTP Nov 21, MTP March 2022)

- (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

Q78) Monopolist Charges different price for his commodity in discriminating monopoly implies:

(MTP Nov 21)

- (a) At different places
- (b) For different uses
- (c) From different group of consumers
- (d) Any of the above

Q79) Full capacity is utilized only when there is:

(MTP Nov 21)

- (a) Perfect Competition

(b) Monopoly

(c) Monopolistic Competition

(d) Price discrimination

Q80) Perfectly Competitive firm and industry are both in long run equilibrium when: **(MTP Nov 21, MTP Mar 2018)**

- (a) $P = MR = SMC = LMC$
- (b) $P = MR =$ Lowest point on the LAC
- (c) $P = MR = SAC = LAC$
- (d) All of the above

Q81) A market refers to _____ **(MTP Nov 21)**

- (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.

Q82) In monopoly and monopolistic Competition: **(MTP Nov 21)**

- (a) Average Revenue > Marginal Revenue
- (b) Average Revenue < Marginal Revenue
- (c) Average Revenue = Marginal Revenue
- (d) None of these

Q83) A Monopolistic Competitive firm advertises: **(MTP Oct 2020)**

- (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

Q84) New firms are barred from entering the market in **(MTP Oct 2020)**

- (a) Perfect competition
- (b) Oligopoly
- (c) Monopolistic competition
- (d) Monopoly

Q85) Price taker firms:
(MTP Oct 2020, MTP Oct 2018)

- (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.

Q86) Generally, perishable goods like butter, eggs, milk, vegetables etc., will have (MTP Oct 2020)

- (a) International market
- (b) Local market
- (c) National market
- (d) None of the above

Q87) Pure oligopoly is based on the _____ products (MTP Oct 2020)

- (a) Differentiated
- (b) Homogeneous
- (c) Unrelated
- (d) None of the above

Q88) In the long run any firm will eventually leave the industry if:

(MTP Oct 2020, MTP Aug 2018, MTP Mar 2018)

- (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

Q89) Which of the following statements is incorrect? (MTP Oct 2020)

- (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 monopoly and monopolistic competition.

Q90) When the products are sold through a centralized body, oligopoly is known as

(MTP Oct 2020)

- (a) Organized oligopoly
- (b) Partial oligopoly
- (c) Competitive oligopoly
- (d) Syndicated oligopoly

Q91) 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

Q92) In which form of the market structure is the degree of control over the price of its product by a firm is very large?

(MTP Mar 2018, MTP Apr 2019)

- (a) Imperfect competition
- (b) Monopoly
- (c) Oligopoly

(d) Perfect competition

Q93) Assume that when price is ` 40 quantity demanded is 9 units, and when price is ` 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

(MTP Mar 2018)

- (a) Rs. 20
- (b) Rs. 40
- (c) Rs. 38
- (d) Rs. 1

Q94) Shares traded in the stock market depict characteristics close to _____.

(MTP Mar 2018)

- (a) Perfect competition
- (b) Oligopoly
- (c) Monopolistic Competition
- (d) Monopoly

Q95) A firm under perfect competition will be making minimum losses (in the short run) at a point where:

(MTP Mar 2019)

- (a) $MC > MR$
- (b) $MR > MC$
- (c) $MC = MR$
- (d) $AC = AR$

Q96) In perfect competition utilization of resources in the long run is

(MTP Mar 2019)

- (a) Partial
- (b) Moderate
- (c) Full
- (d) Over

Q97) Price discrimination occurs when:

(MTP Mar 2019)

(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

Q98) Which of the following statements is correct?

(MTP Mar 2019)

- (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

Use table to answer question 99-102 Mohan sweets is a small restaurant and a price taker. The table below provides the data of Mohan's Sandwich output and costs in Rupees

Quantity	TC	TFC	TVC	AVC	AC	MC
0	100					
10	210					
20	300					
30	400					
40	540					
50	790					
60	1060					

Q99) If Sandwiches are being sold for Rs. 14 each, what is Mohan's profit maximizing level of output?

(MTP Mar 2019)

- (a) 10 Sandwiches
- (b) 40 Sandwiches
- (c) 50 Sandwiches
- (d) 60 Sandwiches

Q100) What is the total variable cost when 60 sandwich are produced? **(MTP Mar 2019)**

- (a) Rs. 690
- (b) Rs. 960
- (c) Rs. 110
- (d) Rs. 440

Q101) What is the average fixed cost when 20 sandwiches are produced? **(MTP Mar 2019)**

- (a) Rs. 5
- (b) Rs. 3.33
- (c) Rs. 10
- (d) Rs. 2.5

Q102) Between 10 to 20 sandwiches, what is the marginal cost per sandwich? **(MTP Mar 2019)**

- (a) Rs. 11
- (b) Rs. 13
- (c) Rs. 14
- (d) Rs. 9

Q103) At shut down point: **(MTP Mar 2019)**

- (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

Q104) A condition needed for a perfectly competitive industry to exist is that: **(MTP Mar 2019)**

- (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

Q105) In the long run under which competition a firm may earn super normal profits? **(MTP Apr 2019)**

- (a) Monopolistic competition
- (b) Perfect competition
- (c) Oligopoly
- (d) Monopoly

Q106) If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought **(MTP May 2020)**

- (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

Q107) When a market is in equilibrium: **(MTP May 2020, MTP Aug 2018)**

- (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.

Q108). Agricultural goods markets depict characteristics close to **(MTP May 2020)**

- (a) Perfect competition.
- (b) Oligopoly.
- (c) Monopoly.
- (d) Monopolistic competition.

Q109) Suppose a firm is producing a level of output such that $MR > MC$, what should be firm do to maximize its profits? **(MTP May 2020)**

- (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

Q110) When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as **(MTP May 2020)**

- (a) first degree of price discrimination
- (b) second degree of price discrimination
- (c) third degree of price discrimination
- (d) none of the above.

Q111) Secular period is also known as **(MTP May 2020)**

- (a) very short period
- (b) short period
- (c) very long period
- (d) long period

Q112) Stock exchange market is an example of **(MTP May 2020)**

- (a) unregulated market
- (b) regulated market
- (c) spot market
- (d) none of the above

Q113) When the firm is in the long run equilibrium in perfect competition which of the following is not true – **(MTP March 2021)**

- (a) $AC = MR$
- (b) $TR = TC$

- (c) the firm are earning supernormal profit
- (d) None of these

Q114) Which is not the characteristics of monopolistic competition: **(MTP March 2021)**

- (a) large number of sellers
- (b) homogeneous Product
- (c) freedom of entry and exit
- (d) non price discrimination

Q115) Demand Curve in the monopolistic competition is – **(MTP March 2021)**

- (a) infinitely elastic
- (b) downward sloping and highly inelastic
- (c) downward sloping and more elastic demand curve.
- (d) none of these.

Q116) 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

Q117) Foreign Exchange market is an example of – **(MTP March 2021)**

- (a) perfect competition
- (b) oligopoly
- (c) monopoly
- (d) monopolistic competition

Q118) The Price elasticity for Monopolistic Firm is : **(MTP March 2021)**

- (a) $e > 1$

(b) $e < 1$

(c) $e = 1$

(d) none of these

Q119) Dynamic fare charged by Indian railways is an example of : **(MTP March 2021)**

(a) pure monopoly

(b) discriminating monopoly

(c) perfect competition

(d) none of these

Q120) Price discrimination is possible when **(MTP March 2021)**

(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) all of these

Q121) The shape of TR curve of the monopolist is : **(MTP March 2021)**

(a) u shaped

(b) inverted u shaped

(c) downward sloping

(d) none of these

Q122) A rise in supply and demand in equal proportion will result in **(MTP March 2021)**

(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

Q123) When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is **(MTP March 2021)**

(a) 20

(b) 10

(c) 15

(d) none of these

Q124) Average revenue curve is more elastic under monopolistic competition than monopoly due to **(MTP March 2021)**

(a) low degree of governmental control

(b) lack of close substitute

(c) availability of close substitute

(d) none of these

Q125) The price in collusive oligopoly is decided by: **(MTP March 2021)**

(a) firm

(b) price leader

(c) industry

(d) none of these

Q126) The Shape of TC Curve of the monopolist is ____ **(MTP April 2021)**

(a) U Shape

(b) S Shape

(c) Inverse S Shape

(d) None of these

Q127) Unique supply curve in monopoly is not due to ____ **(MTP April 2021)**

(a) $P > MC$

(b) $P < MC$

(c) $P = MC$

(d) None of these

Q128 Reliance Jio can be described as part of which form to market structure: **(MTP April 2021)**

(a) Oligopoly

(b) Monopoly

(c) Duopoly

(d) Perfect Competition

Q129 Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:

(MTP April 2021)

(a) Monopoly

(b) Perfect Competition

(c) Monopolistic Competition

(d) Oligopoly

Q130 AR is different from MR under:

(MTP April 2021)

(a) Monopoly

(b) Monopolistic competition

(c) Perfect Competition

(d) Both a and b

Q131 Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:

(MTP April 2021)

(a) Price will remain constant

(b) Price will decrease

(c) Price will increase

(d) None of these

Q132 Cross elasticity of Product in Monopoly is: **(MTP April 2021)**

(a) Zero

(b) High

(c) Infinity

(d) None of these

Q133 Cartels can be formed in which form of market: **(MTP April 2021)**

(a) Perfect competition

(b) Monopoly

(c) Oligopoly

(d) None of these

Q134 In the absence of competition the monopolist: **(MTP April 2021)**

(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

Q135 Which of the following statement is correct? **(MTP April 2021)**

(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.

Q136 In the Short run level of output the firm at the optimum will be: **(MTP March 2022)**

(a) Minimizing total losses

(b) Maximizing total profit

- (c) Either maximizing total profit or minimizing total losses
- (d) None of these

Q137) In a monopolistically competitive market
(MTP March 2022)

- (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

Q138) The Average revenue and price are always equal under-
(MTP Oct 2019)

- (a) Monopoly
- (b) Monopolistic competition
- (c) Perfect competition
- (d) All market forms

Q139) 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 –
(MTP Oct 2019)

- (a) 3000
- (b) 4335
- (c) 4000
- (d) 3335

Q140) Which of the following is not an essential condition of pure competition? (MTP Oct 2019)

- (a) Large number of buyers and sellers
- (b) Homogeneous product
- (c) Freedom of entry
- (d) Absence of transport cost

Q141) Homogeneous product are sold under-
(MTP Oct 2019)

- (a) Collusive oligopoly

- (b) Non-collusive oligopoly
- (c) Perfect oligopoly
- (d) Imperfect oligopoly

Q142) A market structure in which many firms sell products that are similar but not identical is known as-
(MTP Oct 2019, MTP Oct 2018)

- (a) Monopolistic competition
- (b) Monopoly
- (c) Perfect competition
- (d) Oligopoly

Q143) 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? (MTP Aug 2018)

- (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

Q144) In monopolistic competition, a firm is in long run equilibrium _____. (MTP Aug 2018)

- (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

Q145) The sale of branded articles is common in a situation of _____. (MTP Aug 2018)

- (a) Excess capacity
- (b) Monopolistic competition
- (c) Monopoly

(d) Pure competition

Q146) Which of the following situation does not lead to an increase in equilibrium price?

(MTP Aug 2018)

(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

Q147) If a competitive firm doubles its output, its total revenue: **(MTP Aug 2018)**

(a) Doubles.

(b) More than doubles.

(c) Less than doubles.

(d) Cannot be determined because the price of the good may rise or fall.

Q148) Which of the following statements about price and marginal cost in competitive and monopolized markets is true? **(MTP Aug 2018)**

(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.

Q149) Which of the following statement is incorrect? **(MTP Aug 2018)**

(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

Q150) The AR curve and industry demand curve are same: **(MTP Oct 2018)**

(a) In the case of monopoly

(b) In the case of oligopoly

(c) In the case of perfect competition.

(d) None of the above

Q151) Which of the following is not a characteristic of a "price taker"? **(MTP Oct 2018)**

(a) $TR = P \times Q$

(b) $AR = \text{Price}$

(c) Negatively – sloped demand

(d) $\text{Marginal Revenue} = \text{Price}$

Q152) In the short run if a perfectly competitive firm finds itself operating at a loss, it will: **(MTP Oct 2018)**

(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.

Q153) Monopolies are allocatively inefficient because: **(MTP Oct 2018)**

(a) They restrict the output to keep the price higher than under perfect competition.

(b) They change a price higher than the marginal cost.

(c) Both (a) and (b) are correct.

(d) Both (a) and (b) are incorrect

Q154) 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: **(MTP Oct 2018)**

(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.

Q155) Marginal revenue will be negative if elasticity of demand is _____. **(MTP Oct 2018)**

(a) Less than one

(b) More than one.

(c) Equal to one

(d) Equal to zero

Q156) 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

Q157) Monopoly would usually generate ____ when compared to perfect competition market:

(a) Higher quantity at higher price

(b) Lower quantity at lower price

(c) Higher quantity at lower price

(d) Lower quantity at higher price

Q158) 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? **(MTP Oct 2020)**

(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 determined.

Q159) 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:

(MTP Oct 2020)

(a) Price will increase

(b) Price will decrease.

(c) Quantity will increase.

(d) Quantity will decrease

Q160)..... is a situation in which a firm bases its market policy on part of the expected behaviour of a few close rivals-

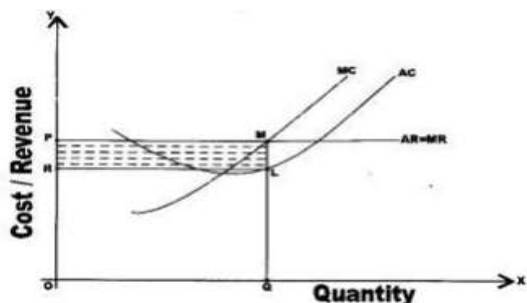
(a) Monopoly

(b) Oligopoly

(c) Perfect competition

(d) Monopolist

Q161) Consider the following figure-



- (a) super normal profit
- (b) normal profit
- (c) loss
- (d) shut down point

Q162) Monopolist charging a price that takes away the entire consumer surplus is a case of _____ degree of price discrimination.

- (a) first
- (b) second
- (c) third
- (d) none of the above

Q163) 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

Q164) Who gave three degrees of price discrimination -

- (a) Marshall
- (b) Schum Peter
- (c) Adam Smith
- (d) Pigou

Q165) If the demand is more than supply, then the pressure on price will be- **(MTP Oct 2019)**

- (a) Upward
- (b) Downward
- (c) Constant
- (d) None of the above

Q166) Under perfect competition, in the long run there will be no.....:

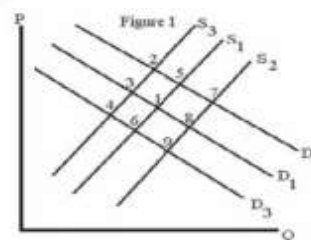
- (a) Normal profit
- (b) Loss
- (c) Abnormal profit
- (d) Loss and Abnormal Profit

Questions 167 – 168 are based on the demand and supply diagrams in Figure 1. S1 and D1

are the original demand and supply curves. D2, D3, S2 and S3 are possible new demand

and supply curves. Starting from initial equilibrium point(1) what point on the graph is

most likely to result from each change?



Q167) Assume X is a normal good. Holding everything else constant, assume that income rises

and the price of a factor of production also increases. What point in Figure 1 is most

likely to be the new equilibrium price and quantity?

- (a) Point 9
- (b) Point 5
- (c) Point 3

(d) Point 2.

Q168) We are analyzing the market for good Z. The price of a complement good, good Y,

declines. At the same time, there is a technological advance in the production of good Z.

What point Figure 1 is most likely to be the new equilibrium price and quantity?

(a) Point 4.

(b) Point 5

(c) Point 7

(d) Point 8



CHAPTER - 4

REVENUE FUNCTION & PRICE DETERMINATION IN DIFF. MARKETS

SOLUTIONS OF CHAPTER NO. 4

(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)
B	C	B	A	B	A	C	D	C	B
(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)	(Q18)	(Q19)	(Q20)
C	B	B	B	B	B	B	B	B	D
(Q21)	(Q22)	(Q23)	(Q24)	(Q25)	(Q26)	(Q27)	(Q28)	(Q29)	(Q30)
B	B	C	A	C	A	A	C	D	D
(Q31)	(Q32)	(Q33)	(Q34)	(Q35)	(Q36)	(Q37)	(Q38)	(Q39)	(Q40)
A	B	B	A	C	B	A	A	D	
(Q41)	(Q42)	(Q43)	(Q44)	(Q45)	(Q46)	(Q47)	(Q48)	(Q49)	(Q50)
C	B	C	C	D	D	C	D	C	B
(Q51)	(Q52)	(Q53)	(Q54)	(Q55)	(Q56)	(Q57)	(Q58)	(Q59)	(Q60)
A	A	A	B	D	B	C	B	B	A
(Q61)	(Q62)	(Q63)	(Q64)	(Q65)	(Q66)	(Q67)	(Q68)	(Q69)	(Q70)
A	C	C	C	C	A	C	C	C	D
(Q71)	(Q72)	(Q73)	(Q74)	(Q75)	(Q76)	(Q77)	(Q78)	(Q79)	(Q80)
B	D	D	A	D	C	B	D	A	D
(Q81)	(Q82)	(Q83)	(Q84)	(Q85)	(Q86)	(Q87)	(Q88)	(Q89)	(Q90)
B	A	C	D	C	B	B	A	C	D
(Q91)	(Q92)	(Q93)	(Q94)	(Q95)	(Q96)	(Q97)	(Q98)	(Q99)	(Q100)
D	B	A	A	C	C	C	D	B	B
(Q101)	(Q102)	(Q103)	(Q104)	(Q105)	(Q106)	(Q107)	(Q108)	(Q109)	(Q110)
A	D	D	D	D	A	D	A	D	C
(Q111)	(Q112)	(Q113)	(Q114)	(Q115)	(Q116)	(Q117)	(Q118)	(Q119)	(Q120)
C	B	C	B	C	A	C	A	B	D
(Q121)	(Q122)	(Q123)	(Q124)	(Q125)	(Q126)	(Q127)	(Q128)	(Q129)	(Q130)
B	C	B	C	B	C	A	A	B	
(Q131)	(Q132)	(Q133)	(Q134)	(Q135)	(Q136)	(Q137)	(Q138)	(Q139)	(Q140)
A	A	C	A	A	C	B	D	B	D
(Q141)	(Q142)	(Q143)	(Q144)	(Q145)	(Q146)	(Q147)	(Q148)	(Q149)	(Q150)
C	A	D	B	B	D	A	A	C	A
(Q151)	(Q152)	(Q153)	(Q154)	(Q155)	(Q156)	(Q157)	(Q158)	(Q159)	(Q160)



C	D	C	A	A	D	D	C	D	B
(Q161)	(Q162)	(Q163)	(Q164)	(Q165)	(Q166)	(Q167)	(Q168)		
A	A	A	D	A	D	D	C		



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CHAPTER – 5

BUSINESS CYCLES

Q1) Which is not the characteristic feature of expansion phase in business cycle? (June 2019)

- (a) Increase in national output
- (b) Unemployment
- (c) Rise in price and costs
- (d) Boost in business confidence

Q2) Business Cycle occurs (June 2019)

- (a) Periodically
- (b) In different phases
- (c) Both a & b
- (d) None of the above

Q3) Which of the following is not the phase of business cycles? (June 2019)

- (a) Prosperity
- (b) Upswing
- (c) Reconstruction
- (d) Depression

Q4) "Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism", according to _____

(June 2019, MTP April 2021, MTP March 2022)

- (a) Pigou
- (b) Keynes
- (c) Hawtrey
- (d) Schumpeter

Q5) Economic activities will be declining in the phase of _____ (June 2019)

- (a) Expansion
- (b) Depression
- (c) Contraction

(d) Peak

Q6) Due to recession, employment rate _____ and output _____. (June 2019)

- (a) Rises; rises
- (b) Falls; falls
- (c) Rises ; falls
- (d) Falls; rises

Q7) The internal causes of business cycle is (June 2019)

- (a) Fluctuation in effective demand
- (b) Technology shocks
- (c) Both a & b
- (d) None

Q8) According to some economists, _____ are the prime causes of business cycles. (June 2019)

- (a) Fluctuations in aggregate demand
- (b) Fluctuations in investments
- (c) Macroeconomic policies
- (d) All of the above

Q9) Peak and depression in business cycle are _____ (June 2019)

- (a) Turning points
- (b) Equilibrium points
- (c) Both a & b
- (d) None of the above

Q10) Which is not related to great depression of 1930? (June 2019)

- (a) It started in USA
- (b) John Maynard Keynes regarded lower aggregate expenditure as the cause
- (c) Excess Money supply

(d) Both a & b

Q11) Which of the following is true about leading indicators?
(June 2019)

- (a) Measurable economic factors
- (b) Changes after real output
- (c) Both (a) and (b)
- (d) None

Q12) A typical business cycle has distinctive phases.
(Nov 2018)

- (a) 2
- (b) 4
- (c) 5
- (d) Many

Q13) Business cycles are contagious & in nature
(Nov 2018)

- (a) Local
- (b) Regional
- (c) National
- (d) International

Q 14. Which of the following is not correctly matched?
(Nov 2018)

- (a) Keynes : Fluctuations in aggregate effective demand
- (b) Hawtrey: Purely monetary phenomena
- (c) Schumpeter: Innovations
- (d) Pigou: Fluctuations in investment

Q15) The world economy suffered the longest, deepest and the most widespread depression of the 20th century during :
(Nov 2018)

- (a) 1930
- (b) 1934
- (c) 1996
- (d) 1936

Q15) Which one of the following is an important character of business cycles according to Pigou?
(Nov 2018)

- (a) Psychological factors
- (b) Natural factors
- (c) Demographic factors
- (d) Monetary factors

Q16) Which of the following is the external cause of business cycles?
(Nov 2018)

- (a) Population growth
- (b) Variations in government spending
- (c) Money supply
- (d) Macroeconomic policies

Q17) Feature of business cycles are
(Nov 2018)

- (a) Occurs periodically
- (b) Have four different phases
- (c) Generally, originate in a free market economy
- (d) All of the above

Q18) Change in fashion retailing is an example of:
(Nov 2018)

- (a) Sluggish fluctuation
- (b) Cyclical fluctuation
- (c) Sunrise fluctuation
- (d) Seasonal fluctuation

Q19) Which statement is incorrect? (Nov 2019)

- (a) Depression is a Severe form of trough
- (b) Depression causes fall in Interest rate
- (c) Peak is highest point
- (d) All of the above

Q20) The internal cause of business cycle is –
(Nov 2019)

- (a) Technology shocks

(b) Fluctuation in effective demand

(c) Post war reconstruction

(d) Population Growth

Q21) An unemployment type cause due to structural changes in the economy is which of the following- **(Nov 2019)**

(a) Involuntary

(b) Ethical friction

(c) Full employment

(d) Structural

Q22) At 'trough' the production in the economy reaches at which of the following- (Nov 2019)

(a) High

(b) Low

(c) Constant

(d) Negative

Q23) According to some economists which is not the prime cause of Business Cycles? **(Nov 2019)**

(a) Fluctuations in investment

(b) Micro Economic policy

(c) Impact on aggregate economic activity (d) Psychological factors

Q24) The four phases of Business Cycle are – **(Nov 2019, MTP Apr 2019)**

(a) Peak, Construction , Depression and Boom

(b) Prosperity, Recession, Depression and Expansion

(c) Boom, Downswing , Expansion and Prosperity

(d) Peak, Recession , Trough and Recovery

Q25) China's recent slowdown causes – **(Nov 2019)**

(a) Cycle of decline and panic across the world

(b) Countries across the Globe were able to insulate themselves from the crisis

(c) Stock markets in the Emerging Economics largely remained unaffected

(d) Old technology fuelled the economic decline

Q26) Actual demand stagnates in which stage. **(Nov 2019)**

(a) Peak

(b) Trough

(c) Recovery

(d) Contraction

Q27) Find the odd one out from the following question: Example of coincident indicators are

(Nov 2019, MTP Oct 2020)

(a) Industrial production

(b) Inflation

(c) Retail Sales

(d) New orders for plant and equipment

Q28) Which of the following phase occurs after trough and before peak? **(Dec 2020)**

(a) Expansion

(b) Depression

(c) Boom

(d) Recession

Q29) Which indicators coincide or occur simultaneously with the business cycle movements ? **(Dec 2020)**

(a) Lagging

(b) Leading

(c) Concurrent

(d) Legal

Q30) Taxation policy of government is the part of **(Dec 2020)**

(a) Monetary policy

(b) Fiscal policy

(c) EXIM policy

(d) Industry policy

Q31) During the phase of trough of business cycle, the growth rate becomes- **(Dec 2020)**

(a) High

(b) Low

(c) Negative

(d) Zero

Q32) _____ is measurable economic factor that changes before economy starts to follow a particular pattern of trend **(Dec 2020)**

(a) Lagging indicators

(b) Coincident indicators

(c) Leading indicators

(d) Concurrent indicator

Q33) Phases of business cycles are **(Dec 2020, MTP April 2021)**

(a) Peak, recession, depression and recovery

(b) Bottom, recession, trough and boom

(c) Peak, depression, trough and boom

(d) Peak, depression, bust and boom

Q34) Which is not an example of coincident indicator **(Dec 2020)**

(a) Inflation

(b) GDP

(c) Interest rate

(d) Financial Market trend

Q35) Which is more prone to the adverse effects of the business cycle _____ **(MTP Oct 21)**

(a) Services

(b) Industries

(c) Agriculture

(d) None of these

Q36) Economic indicator required to predict the turning point of business cycle is : **(MTP Oct 21)**

(a) Leading indicator

(b) Lagging indicator

(c) Coincident

(d) All of the above

Q37) According to whom fluctuations in economic activities are due to fluctuations in aggregate effective demand:

(MTP Nov 21)

(a) Schumpeter

(b) Pigou

(c) Keynes

(d) Hawtrey

Q38) Variables that change before the real output changes are called: **(MTP Nov 21)**

(a) Lagging indicator

(b) Leading Indicator

(c) Concurrent Indicator

(d) None of these

Q39) Economy's historical performance was reflected by: **(MTP Nov 21)**

(a) Lagging indicating

(b) Leading indicating

(c) Either (a) or (b)

(d) None of these

Q40) The term business cycle refers to **(MTP Oct 2020)**

(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

Q41) Which of the following statements is correct? **(MTP Oct 2020, MTP Oct 2019)**

(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

Q42) Which of the following is the external cause of Business Cycles? (MTP Oct 2020)

(a) Fluctuations in Effective Demand

(b) Fluctuations in Investment

(c) Variations in government spending

(d) War

Q43) Which of the following does not occur during an expansion? (MTP Oct 2020)

(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.

Q44) According to _____ trade cycle is purely monetary phenomenon. (MTP Oct 2020)

(a) Hawtrey

(b) Adam Smith

(c) J M Keynes

(d) Schumpeter

Q45) Which of the following statements is false with respect to Business Cycles: (MTP Mar 2018)

(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.

Q46) 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:

(MTP Mar 2018)

(a) Boom

(b) Recession

(c) Contraction

(d) Trough

Q47) According to Schumpeter (MTP Mar 2018)

(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

Q48) Economic recession shares all of these features except : (MTP Mar 2018)

(a) Fall in the level 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 forth coming

(d) Increase in the price of inputs due to increase in demand for inputs.

Q49) Which of the following is not a variable in the index of leading indicators? (MTP Mar 2019)

(a) New consumer goods order

(b) Delayed deliveries

(c) New building permits

(d) Prime Interest rate

Q50) When aggregate economic activity is increasing the economy is said to be in

(MTP Mar 2019, MTP Aug 2018)

(a) An expansion

- (b) a contraction
- (c) A peak
- (d) A turning point.

Q51) If demand for goods and services is more than their supply, the resultant inflation is :
(MTP May 2020)

- (a) Cost push inflation.
- (b) stagflation
- (c) deflation.
- (d) demand pull inflation

Q52) Industries that are extremely sensitive to the business cycle are the (MTP May 2020)

- (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.

Q53) What are the internal causes of business cycle?
(MTP March 2021)

- (a) fluctuations in effective demand.
- (b) macroeconomic policies
- (c) money Supply
- (d) All the above

Q54) Great Depression of 1930's is an example of:
(MTP April 2021)

- (a) Business cycle
- (b) Consumer sovereignty
- (c) Freedom of choice
- (d) None of these

Q55) Businesses whose fortunes are closely linked to the rate of economic growth is referred to as :
(MTP March 2022)

- (a) Cyclical

- (b) Counter Cyclical
- (c) Fiscal Policy
- (d) None of these

Q56) Example of Lagging indicator is-
(MTP Oct 2019)

- (a) Corporate profits
- (b) Interest rates
- (c) Consumer price index
- (d) All of these

Q57) Which of the following is not an example of business cycle?
(MTP Oct 2018)

(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.

Q58) Even with lower rate of interest, demand for credit declines in –

- (a) Expansion Phase
- (b) Peak
- (c) Contraction
- (d) Depression

Q59) 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

CHAPTER - 5 BUSINESS CYCLES**SOLUTIONS OF CHAPTER NO. 5**

(Q1)	(Q2)	(Q3)	(Q4)	(Q5)	(Q6)	(Q7)	(Q8)	(Q9)	(Q10)
B	C	C	A	C	B	A	D	A	C
(Q11)	(Q12)	(Q13)	(Q14)	(Q15)	(Q16)	(Q17)	(Q18)	(Q19)	(Q20)
A	B	D	D	A	A	D	B	A	B
(Q21)	(Q22)	(Q23)	(Q24)	(Q25)	(Q26)	(Q27)	(Q28)	(Q29)	(Q30)
D	B	B	D	A	A	D	A	C	B
(Q31)	(Q32)	(Q33)	(Q34)	(Q35)	(Q36)	(Q37)	(Q38)	(Q39)	(Q40)
C	C	A	A	B	D	C	B	A	B
(Q41)	(Q42)	(Q43)	(Q44)	(Q45)	(Q46)	(Q47)	(Q48)	(Q49)	(Q50)
D	D	D	A	D	A	B	D	D	A
(Q51)	(Q52)	(Q53)	(Q54)	(Q55)	(Q56)	(Q57)	(Q58)	(Q59)	
D	D	D	A	A	D	D	D	A	

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