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Economics IMP MCQs

All Chapters (1 to 10)

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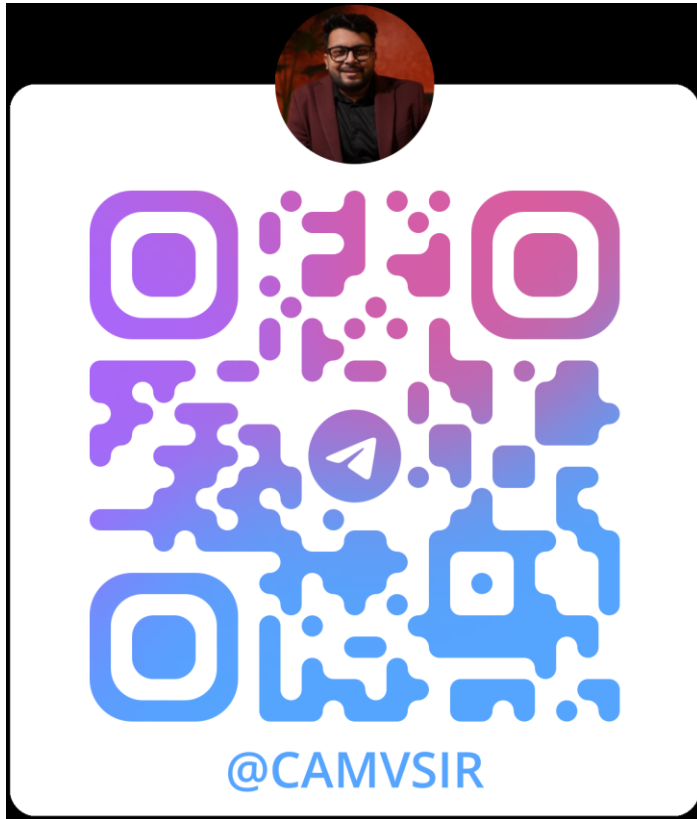
Chp No.	Chp Name	IMP MCQs
1	Nature & Scope of Business Economics	47
2	Theory of Demand & Supply	115
3	Theory of Production & Cost	75
4	Price Determination in Different Markets	93
5	Business Cycles	51
6	National Income	54
7	Public Finance	80
8	Money Market	50
9	International Trade	70
10	Indian Economy	40
	Total	675

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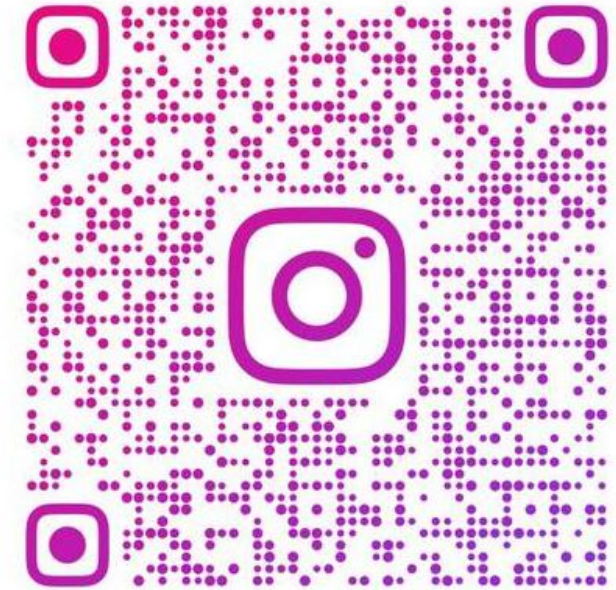
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1	Which of the following is NOT dealt with in microeconomics?
a) the effect of agricultural subsidies on the price of milk b) differences between the market for skilled labour versus the market for unskilled labour c) issues related to the structure and performance of the health care sector d) policies that affect the level of aggregate consumption	



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2	Finance minister was discussing, balance of trade and balance of payments this area comes under:
a) Micro Economics b) Macro Economics c) Capitalist Economy d) Mixed Economy	



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3	How to Produce is related to:
a) Product's Choice b) Choice of technique c) Either (a) or (b) d) None of these	



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

4

In the beginning the name of economics was _____

- a) Economics of wealth
- b) Political economy
- c) Welfare economics
- d) None of these



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

5	Which of the following is/are limitation(s) of the wealth definitions of economics given by classical economists?
	a) By considering the problem of production distribution & exchange of wealth, they focused attention on important issues with which economics is concerned. b) By restricting the definition of wealth to material wealth & the neglect of immaterial services, they narrowed down the scope of economics. c) Both (A) and (B) d) None of these



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6

“If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce.”
On the basis of the above statement, which of the following conclusion can be made?

- a) The possession of goods and services by USA has enormously increased to exceed their wants.
- b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants remain a head of their increased resources and capacity to produce.
- c) The affluent and developed countries are not facing the problem of scarcity.
- d) None of these



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7	Economics is a branch of _____ focused on the production, distribution and consumption of goods and services.
a) Natural science b) Physical science c) Social science d) None of these	



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8	Most of the economic problems are of _____ nature and are affected by _____
a) Complex, Several forces b) Simple, Several forces c) Simple, single factor d) Complex, Single factor	



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9	Economic is classified into____
a) Normative and positive b) Micro and macro c) Internal and external d) None of the above	



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10

Which of the following statements would you consider to be a normative one?

- a) Faster economic growth should result if an economy has a higher level of investment.
- b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
- c) Higher levels of unemployment will lead to higher levels of inflation.
- d) The average level of growth in the economy was faster in the 1990s than the 1980s



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11	Taxation involves which aspects of normative economics:
a) Incidence b) Fairness c) Incentive to work d) All of the above	



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12

Which of the following refers to the sum total of arrangements for the production and distribution of goods and services in society?

- a) Economic system
- b) Business system
- c) Capitalist economic system
- d) Socialist economic system



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The regulatory mechanism of the market system is-

- a) Self interest
- b) Private property
- c) Competition
- d) Specialization



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14

Which of the following economic system is self regulating and run by invisible hands ?

- a) Mixed economic system
- b) Socialistic economic system
- c) Capitalist economic system
- d) Planned economic system



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A socialist economy is a system of production where goods and services are produced _____

- a) to generate profit
- b) directly for use
- c) Both (A) and (B)
- d) None of these



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16

Which of the following is not a merit of socialist economy?

- a) It provides equal access to health care and education
- b) Workers are no longer exploited because they own the means of production
- c) Profits are not spread equitably among all workers according to their individual contributions.
- d) Natural resources are preserved for the good of the whole



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17 Which of the following statement is correct?

- a) Mixed economy is not always a 'golden path' between capitalistic and socialistic economy
- b) Socialistic economy is not always a 'golden path' between mixed economy and capitalism
- c) Capitalistic economy is not always a 'golden path' between mixed economy and socialism
- d) Local economy is not always a 'golden path' between internal and international economy



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

18 Capitalist system offers incentives for _____

- a) Efficient business decisions
- b) Efficient government decisions
- c) Efficient non-governmental decisions
- d) Efficient economic decisions



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

19	The 'Communist Manifesto' was published in:
a) 1848 b) 1905 c) 1952 d) None of these.	



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

20

_____ involves the predominance of bureaucracy and resulting inefficiencies and delays

- a) Socialistic economy
- b) Capitalist economy
- c) Mixed economy
- d) Free market economy



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Microeconomics deals primarily with:

- a) comparative statics, general equilibrium, and positive economics
- b) comparative statics, partial equilibrium, and normative economics
- c) dynamics, partial equilibrium, and positive economics
- d) comparative statics, partial equilibrium, and positive economics.



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22

What is economic planning?

- a) It refers to Central planning authority.
- b) It refers the planning of agricultural production.
- c) It means development in the seller's market.
- d) A process through which targets are being achieved as per need & means of the economy



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23

What is the merit of Capitalism?

- a) It promotes self-interest & economic growth.
- b) It leads economic balance in the country
- c) It leads to equitable distribution of wealth.
- d) It leads to income equality



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In a market economy, resource allocation is primarily determined by:

- a) Central planning by the government
- b) Consumer demand and supply in the marketplace
- c) The decisions of a few large corporations
- d) International trade agreements



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Which of these countries is a purely socialist economy?

- a) USSR
- b) China
- c) Vietnam
- d) None of these



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Business Economics is basically concerned with:

- a) Applied Economics
- b) Managerial Economics
- c) Micro Economics
- d) Macro Economics



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Micro economics is abstract and purely ____ nature and takes ____ assumptions

- a) Pragmatic, Unrealistic
- b) Practical, Realistic
- c) Theoretical, Unrealistic
- d) Theoretical, Realistic



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Which statement differentiates business economics from economics?

- a) It is abstract in nature
- b) It is broader concept than economics
- c) It is no different from economics
- d) It is pragmatic in nature



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29

In Economics, we use the term scarcity to mean -

- a) Absolute scarcity and lack of resources in less developed countries.
- b) Relative scarcity i.e. scarcity in relation to the wants of the society.
- c) Scarcity during times of business failure and natural calamities.
- d) Scarcity caused on account of excessive consumption by the rich.



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30

What implication(s) does resource scarcity have for the satisfaction of wants?

- a) Not all wants can be satisfied.
- b) We will never be faced with the need to make choices.
- c) We must develop ways to decrease our individual wants.
- d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.



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31

In every economic system, scarcity imposes limitations on

- a) households, business firms, governments, and the nation as a whole.
- b) households and business firms, but not the governments.
- c) local and state governments, but not the federal government.
- d) households and governments, but not business firms.



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32 An example of 'positive' economic analysis would be:

- a) an analysis of the relationship between the price of food and the quantity purchased.
- b) determining how much income each person should be guaranteed.
- c) determining the 'fair' price for food.
- d) deciding how to distribute the output of the economy.



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33

Consider the following and decide which, if any, economy is without scarcity:

- a) The pre-independent Indian economy, where most people were farmers.
- b) A mythical economy where everybody is a billionaire.
- c) Any economy where income is distributed equally among its people.
- d) None of the above.



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The branch of economic theory that deals with the problem of allocation of resources is-

- a) Micro-Economic theory.
- b) Macro-economic theory.
- c) Econometrics.
- d) None of the above.



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35

Which of the following is not the subject matter of Business Economics?

- a) Should our firm be in this business?
- b) How much should be produced and at price should be kept?
- c) How will the product be placed in the market?
- d) How should we decrease unemployment in the economy?



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The difference between positive and normative Economics is:

- a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
- b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.
- c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
- d) Positive Economics prescribes while normative Economics describes.



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37

Economic goods are considered scarce resources because they.

- a) cannot be increased in quantity.
- b) do not exist in adequate quantity to satisfy the requirements of the society.
- c) are of primary importance in satisfying social requirements.
- d) are limited to man made goods.



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In a free market economy the allocation of resources is determined by

- a) voting done by consumers.
- b) a central planning authority.
- c) consumer preferences.
- d) the level of profits of firms.



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Economics Chapter 1 – Nature & Scope of Business Economics Important MCQs

39	A capitalist economy uses _____ as the principal means of allocating resources.
a) demand b) supply c) efficiency d) prices	



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40

Which of the following is considered as a disadvantage of allocating resources using the market system?

- a) Income will tend to be unevenly distributed.
- b) People do not get goods of their choice.
- c) Men of Initiative and enterprise are not rewarded.
- d) Profits will tend to be low.



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41	Capital intensive technique would get chosen in a
a)labour surplus economy where the relative price of capital is lower. b)capital surplus economy where the relative price of capital is lower. c)developed economy where technology is better. d)developing economy where technology is poor.	



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Larger production of _____ goods would lead to higher production in future.

- a) consumer goods
- b) capital goods
- c) agricultural goods
- d) public goods



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Administered prices refer to:

- a) Prices determined by forces of demand and supply
- b) Prices determined by sellers in the market
- c) Prices determined by an external authority which is usually the government
- d) None of the above



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In Economics, the central economic problem means:

- a) Output is restricted to the limited availability of resources
- b) Consumer do not have as much money as they would wish
- c) There will always be certain level of unemployment
- d) Resources are not always allocated in an optimum way



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The definition “Science which deals with wealth of Nation” was given by:

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



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The benefit of economics study is –

- a) It ensure that all problems will be appropriately tackled
- b) It helps in identifying problems
- c) It enable to examine a problem in its right perspective
- d) It gives exact solutions to every problem



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Unlimited ends and limited means together present the problem of _____.

- a) Scarcity of resources
- b) Choice
- c) Distribution
- d) None of the above



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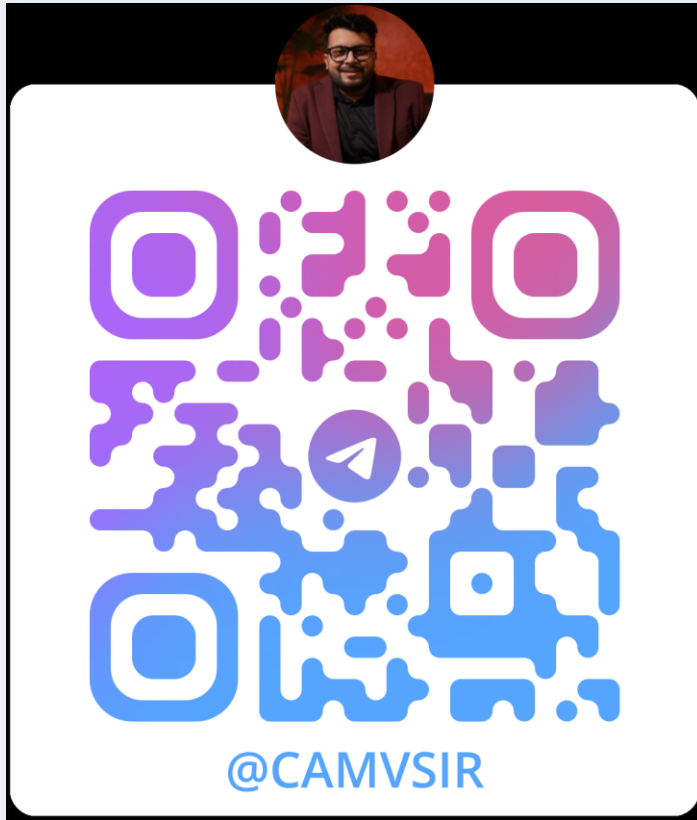
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2	B	12	A	22	D	32	A	42	B
3	B	13	C	23	A	33	D	43	C
4	B	14	C	24	B	34	A	44	A
5	B	15	B	25	D	35	D	45	C
6	B	16	C	26	C	36	B	46	C
7	C	17	A	27	C	37	B	47	B
8	A	18	D	28	D	38	C		
9	B	19	A	29	B	39	D		
10	B	20	A	30	A	40	A		

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Economics Chapter 2 – Demand & Supply Important MCQs

1	Which of the following is an incorrect statement?
a) When goods are substitutes, a fall in the price of one (ceteris paribus) leads to a fall in the quantity demanded of its substitutes. b) When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise c) As the income of the consumer increases, the demand for the commodity increases always and vice versa. d) When a commodity becomes fashionable people prefer to buy it and therefore its demand increases	



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Economics Chapter 2 – Demand & Supply Important MCQs

2	Coco-cola and Pepsi are substitutes. A rise in the price of coco-cola will ____ the demand for Pepsi and the quantity of Pepsi sold will ____
a) Increase; increase b) Increase; decrease c) Decrease; decrease d) Decrease; increase	



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Economics Chapter 2 – Demand & Supply Important MCQs

3	Increase in price of pulses leads to increase in demand of green vegetables
a) Substitutes b) Complimentary goods c) Normal goods d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

4

Which of the following is incorrect?

- a) Availability of credit facilities encourages consumers to buy more.
- b) Generally, larger the size of population, lower will be the demand for goods.
- c) Availability of loans at lower interest rate encourages consumers to buy more.
- d) The propensity to consume of rich people is relatively less than that of poor people.



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Economics Chapter 2 – Demand & Supply Important MCQs

5	Demonstration effect, a term coined by _____
a) Adam Smith b) James Duesenberry c) Alfred Marshall d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

6	In a country where National Income is unevenly distributed, which of the following statement is false ?
a) propensity to consume of the country will be relatively less b) means few very rich people while the majority are very poor c) demand for consumer goods will be comparatively less d) propensity to consume of the country as a whole will be relatively high	



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Economics Chapter 2 – Demand & Supply

Important MCQs

7	Match the following			
	LIST-I			
	(a) Tea and Coffee			
	(b) Car and Petrol			
	(c) Gold & Diamond			
	(d) Ragi and Bajara			
	LIST II			
	Veblen goods			
	Substitutes			
	Giffen goods			
	Complementary			
Codes:	a	b	c	d
(a)	1	2	3	4
(b)	2	4	1	3
(c)	1	3	4	2
(d)	1	3	2	4

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Economics Chapter 2 – Demand & Supply Important MCQs

8	‘Ceteris Paribus’ clause in Law of demand does not mean- a) Price of commodity does not change b) Price of substitutes does not change c) Income of consumer does not change d) Price of complementary goods does not change



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Economics Chapter 2 – Demand & Supply Important MCQs

9	In the case of inferior goods, the expansion in demand due to a price fall will take place only if the -
a) income effect outweighs the substitution effect b) substitution effect outweighs the income effect c) substitution effect equals the income effect d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

10	When violation of law of demand occurs:
a) substitution effect is negative b) income effect is negative c) negative income effect is less than substitution effect d) negative income effect is greater than substitution effect	



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Economics Chapter 2 – Demand & Supply Important MCQs

11	The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because-
a)The consumer's real income has increased. b)The consumer's real income has decreased. c)The product is now relatively less expensive than before. d)Other products are now less expensive than before.	



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Economics Chapter 2 – Demand & Supply Important MCQs

12	The substitution effect will be what when the price of the product falls?
a) Zero b) Negative c) Positive d) Lower cost	



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Economics Chapter 2 – Demand & Supply Important MCQs

13	The price of a piece of jewellery rises, the demand for it may also rise as consumers attach a ____ to owning & displaying expensive items.
a) money value b) use value c) snob value d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

14	For Giffen good the Engel curve is:
a) Positive sloped b) Vertical c) horizontal d) Negative sloped	



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Economics Chapter 2 – Demand & Supply Important MCQs

15	In case of Veblen goods, the demand curve is
a) Horizontal b) Vertical c) Upward sloping to the right d) Downward sloping to the right	



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Economics Chapter 2 – Demand & Supply Important MCQs

16 Which of the following statements is not correct?

- a) Giffen goods exhibit negative relationship between price and demand
- b) Conspicuous goods exhibit positive relationship between price and demand
- c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand
- d) Law of demand states inverse relationship between price of a commodity and its quantity demanded



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Economics Chapter 2 – Demand & Supply Important MCQs

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Which of the following is not an exception to the law of demand?

- a) Giffen goods
- b) Speculative goods
- c) Conspicuous goods
- d) White goods



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Economics Chapter 2 – Demand & Supply Important MCQs

18

If the demand curve for good X is downward-sloping, an increase in the price will result in

- a) A decrease in the demand for good X.
- b) No change in the quantity demanded for good X.
- c) A larger quantity demanded for good X.
- d) A smaller quantity demanded for good X.



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Economics Chapter 2 – Demand & Supply Important MCQs

19

Suppose the price of Pepsi increases, we will expect the demand curve of Coca Cola to:

- a) Shift towards left since these are substitutes
- b) Shift towards right since these are substitutes
- c) Remain at the same level
- d) None of the above



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Economics Chapter 2 – Demand & Supply Important MCQs

20	A decrease in the demand for cameras, other things remaining the same will
a) Increase the number of cameras bought b) Decrease the price but increase the number of cameras bought c) Increase the price of cameras d) Decrease the price and decrease in the number of cameras bought	

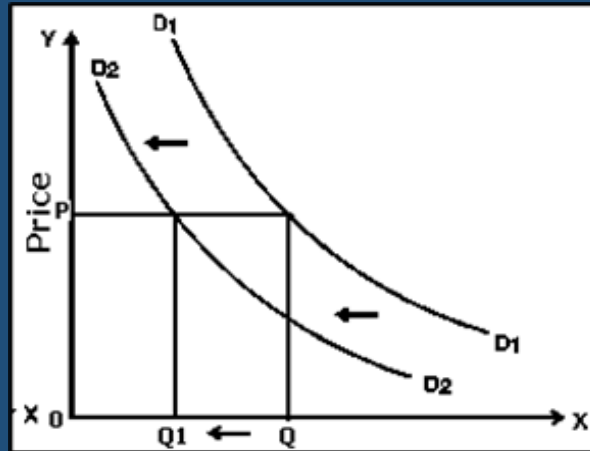


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Economics Chapter 2 – Demand & Supply

21

The diagram given below shows



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



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Economics Chapter 2 – Demand & Supply Important MCQs

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



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Economics Chapter 2 – Demand & Supply Important MCQs

23	During expansion, economies experience increased employment & increased level of income. How would a expansion likely to affect market demand for new houses?
a) Demand curve will shift to the left. b) Demand curve will shift to right. c) Demand will not shift, but the quantity of houses sold per month will increase. d) Demand will not shift, but the quantity of houses sold per month will decrease	



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Economics Chapter 2 – Demand & Supply Important MCQs

24	A downward movement along a demand curve indicate-
a) Increase in demand b) Decrease in demand c) Contraction of demand d) Expansion of Demand	



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Economics Chapter 2 – Demand & Supply Important MCQs

25	Redistribution of income away from groups of people who favour the commodity will lead to ____
a) Increase in demand b) Decrease in demand c) Contraction of demand d) Expansion of Demand	



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Economics Chapter 2 – Demand & Supply Important MCQs

26	The demand for petrol decreases due to increases in its price, it is termed as
a) A decreases in demand b) A change in demand c) A contraction in demand d) An increases in demand	



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Economics Chapter 2 – Demand & Supply Important MCQs

27	If as a result of 20 percent fall in the ticket fares the demand for watching movie in the cinema hall increases by 10 percent, then price elasticity is
a) 0 b) Greater than 0 but less than 1 c) 1 d) Greater than 1	



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Economics Chapter 2 – Demand & Supply Important MCQs

28	A consumer buys 80 units of a good at a price of Rs 4 per unit. Suppose price elasticity of demand is - 4. At what price will he buy 60 units?
a) 5 b) 4.25 c) 4.20 d) 3.80	



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Economics Chapter 2 – Demand & Supply Important MCQs

29	When the price of commodity increases by 40% and its quantity demanded falls from 150 to 120 units , then the price elasticity of demand for a commodity is-
a) -0.8% b) 0.8% c) 0.5% d) -0.5%	



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Economics Chapter 2 – Demand & Supply Important MCQs

30	The price of X commodity decreases from Rs. 10 to 8, owing to which its demand increases from 100 to 120 units. Calculate the price elasticity of demand
a)(-) 1 b)1 c)0.8 d)1.2	



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Economics Chapter 2 – Demand & Supply Important MCQs

31	If a point on a demand curve of any commodity lies on X Axis then price elasticity of demand of that commodity at that point will be : ____
a) Infinite b) More than zero c) Less than zero d) zero	



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Economics Chapter 2 – Demand & Supply Important MCQs

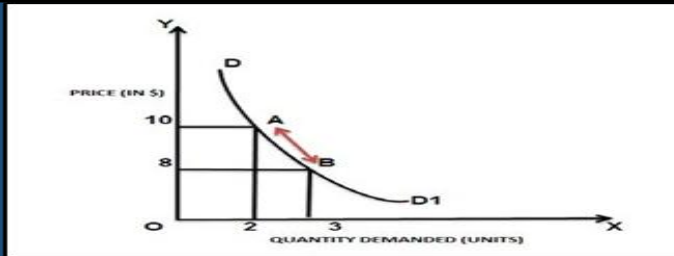
32	From the following demand curve determine the elasticity at the given price $Q = 1200 - 10P$ When $P = 5$, $dQ/dP = 10$
a) Elastic b) Inelastic c) Unitary elastic d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

33



In the above figure, DD1 is the demand curve of a commodity. There are two points on demand curve i.e., A and B with (P, Q) as (10, 2) & (8, 3) respectively. If initial point is A OR initial point is B, price elasticity of demand will be

- a) same in both cases by point method of price elasticity of demand
- b) different in both cases by Arc method of price elasticity of demand
- c) same in both cases by Arc method & different by point method of price elasticity of demand
- d) None of these



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Economics Chapter 2 – Demand & Supply Important MCQs

34	The Coefficient of Price elasticity of demand between two points on a demand curve is ____
a) Arc elasticity b) Point elasticity c) Price elasticity d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

35	If a good is priced at Rs. 180 p.u. and its price is increased to Rs. 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity? (use Mid Point method)
a)0.777 b)1.4 c)1 d)0.8	



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Economics Chapter 2 – Demand & Supply Important MCQs

36	The steeper the slope of the demand curve, the ____ is the demand.
a) more elastic b) less elastic c) Either (a) or (b) d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

37

If electricity demand is inelastic, and electricity charges increase, which of the following is likely to occur?

- a) Quantity demanded will fall by a relatively large amount.
- b) Quantity demanded will fall by a relatively small amount.
- c) Quantity demanded will rise in the short run, but fall in the long run.
- d) Quantity demanded will fall in the short run, but rise in the long run.



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Economics Chapter 2 – Demand & Supply Important MCQs

38	When the demand curve is parallel to X axis (horizontal) elasticity of demand will be ____
a) Zero b) Infinity c) Less than Unity d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

39	The share of the tax borne by seller will be larger
a) If demand for product is less elastic. b) If demand for product is inelastic. c) If demand for product has greater elasticity. d) If elasticity of supply of product is larger.	



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Economics Chapter 2 – Demand & Supply Important MCQs

40	A movement along a curve rather than a shift in the curve can be measured by:-
a) Cross elasticity of demand b) Income elasticity of demand c) Price elasticity of demand & Price elasticity of Supply d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

41	If demand for a good is inelastic, then as per total outlay method
a) Quantity Effect > Price Effect b) Quantity Effect = Price Effect c) Quantity Effect < Price Effect d) (a) or (c)	



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Economics Chapter 2 – Demand & Supply Important MCQs

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



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Economics Chapter 2 – Demand & Supply Important MCQs

43

If the organizers of an upcoming cricket match decide to increase the ticket price in order to raise its revenues, what they have learned from past experience is;

- a) The percentage increase in ticket rates will be always equal the percentage decrease in tickets sold
- b) The percentage increase in ticket rates will be always greater than the percentage decrease in tickets sold
- c) The percentage increase in ticket rates will be less than the percentage decrease in tickets sold
- d) (a) and (c) above are true



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Economics Chapter 2 – Demand & Supply Important MCQs

44	When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to :
a) Remain unchanged b) Increase c) Decrease d) Any of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

45	A situation where after a price decrease, more units are sold causing increase in revenue is called as which of the following?
a) Price effect b) Quantity effect c) Income effect d) Substitution effect	



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Economics Chapter 2 – Demand & Supply Important MCQs

46	The demand for the commodity is ____ when a consumer is a habitual consumer.
a) Relative elasticity b) Inelastic c) Unit elasticity d) Perfectly elastic	



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Economics Chapter 2 – Demand & Supply Important MCQs

47

Demand for a good will tend to be more inelastic if it exhibits which of the following characteristics?

- a) The good has many substitutes.
- b) The good is a luxury (as opposed to a necessity).
- c) The good is a small part of the consumer's income.
- d) There is a great deal of time for the consumer to adjust to the change in prices



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Economics Chapter 2 – Demand & Supply Important MCQs

48

If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect?

- a) The commodity must be essential to those who purchase it.
- b) The commodity must have many substitutes.
- c) The commodity will be purchased regardless of increase in its price.
- d) The elasticity of demand for this commodity must equal zero.



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Economics Chapter 2 – Demand & Supply Important MCQs

49	As a group, a good in generic form may have ___ demand, but when we consider its various brands, we say that a particular brand has ___ demand
a)inelastic, elastic b)elastic, inelastic c)inelastic, inelastic d)elastic, elastic	



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Economics Chapter 2 – Demand & Supply Important MCQs

50	For a normal good with a downward sloping demand curve:
a) The price elasticity of demand is negative; the income elasticity of demand is negative. b) The price elasticity of demand is positive; the income elasticity of demand is negative. c) The price elasticity of demand is positive; the income elasticity of demand is positive. d) The price elasticity of demand is negative; the income elasticity of demand is positive.	



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Economics Chapter 2 – Demand & Supply Important MCQs

51	When income increases the money spent on necessities of life may not increase in the same proportion, This means
a) income elasticity of demand is zero b) income elasticity of demand is one c) income elasticity of demand is greater than one d) income elasticity of demand is less than one	



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Economics Chapter 2 – Demand & Supply Important MCQs

52	If consumers always spend 15 percent of their income on food, then the income elasticity of demand for food is _____
a) 1.50 b) 1.15 c) 1.00 d) 0.15	



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Economics Chapter 2 – Demand & Supply Important MCQs

53	Suppose income elasticity of bread is 0.25, its means that bread is-
a) Inferior goods b) Luxury goods c) Normal goods d) Can't say	



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Economics Chapter 2 – Demand & Supply Important MCQs

54	Income elasticities _____ in the short run and long run
a) differ b) Same c) Can't say d) Both (a) and (b)	



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Economics Chapter 2 – Demand & Supply Important MCQs

55	When the numerical value of cross elasticity between two goods is very high, it means
a) The goods are perfect complements and therefore have to be used together b) The goods are perfect substitutes and can be used with ease in place of one another c) There is a high degree of substitutability between the two goods d) The goods are neutral and therefore cannot be considered as substitutes	

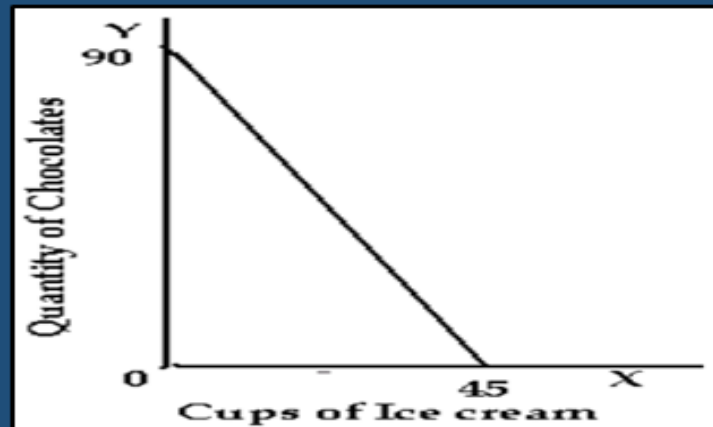


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Economics Chapter 2 – Demand & Supply

56

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



The prices of these two commodities respectively are

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



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MCQ PREMIER LEAGUE

Economics Chapter 2 – Demand & Supply Important MCQs

57	Cross elasticity of demand between tea and coffee is:
a) Positive b) negative c) zero d) infinity	



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Economics Chapter 2 – Demand & Supply Important MCQs

58

The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is



- a) Good X and Good Y are perfect complements
- b) Good X and Good Y are perfect substitutes
- c) Good X and Good Y are remote substitutes
- d) Good X and Good Y are close substitutes



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Economics Chapter 2 – Demand & Supply Important MCQs

59	In case of substitute product:
a) demand curve slope upwards. b) demand curve slope downwards c) demand curve is perfectly elastic d) none of these.	



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Economics Chapter 2 – Demand & Supply Important MCQs

60	Goods X and Y being independent goods, the cross price elasticity of demand (ignoring the sign) between them will be-
a) 1 (unit elastic) b) less than 1 c) greater than 1 d) Zero	



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Economics Chapter 2 – Demand & Supply Important MCQs

61

If the value of cross-price elasticity between 2 goods is only slightly below zero, then it is a case of ____

- a) Remote substitutes
- b) Close substitutes
- c) Weak complements
- d) Strong complements



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Economics Chapter 2 – Demand & Supply Important MCQs

62	The cross price elasticity between two goods X and Y is known to be - 0.8. If the price of good Y rises by 20%, how will the demand for X change?
a)+ 80 % b)- 80 % c)- 16 % d)+ 16 %	



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Economics Chapter 2 – Demand & Supply Important MCQs

63	Advertising elasticity of demand is typically _____
a) Negative b) Positive c) Always zero d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

64	A good which cannot be consumed more than once is known as
a) Durable good b) Non-durable good c) Producer good d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

65

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



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Economics Chapter 2 – Demand & Supply Important MCQs

66	The objective of advertisement is to
a) Shift demand Curve to left & Reduce elasticity of demand b) Shift demand Curve to right & increase elasticity of demand c) Shift demand Curve to left & increase elasticity of demand d) Shift demand Curve to right & Reduce elasticity of demand	



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Economics Chapter 2 – Demand & Supply Important MCQs

67	Ram and Sons are going for heavy advertisement campaign to enhance their sales. When analysed it was realized that expenditure on advertisement by company has gone up from Rs. 2,00,000 to Rs. 3,00,000 and sales of this product increased from 10 lakh units to 20 lakh units. What is the advertising elasticity of demand ?
a) -1 b) 4 c) 2 d) 3	



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Economics Chapter 2 – Demand & Supply Important MCQs

68	Price effect is described as which of followings
a) Income effect + Veblen effect b) Substitution effect + Veblen effect c) Income effect + substitution effect d) Veblen effect + demonstration effect	



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Economics Chapter 2 – Demand & Supply Important MCQs

69	When oranges has – (0.58) income elasticity the commodity orange is called as
a) Orange is a necessary good b) Orange is a inferior good c) Orange is a substitute good d) None	



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Economics Chapter 2 – Demand & Supply Important MCQs

70	Luxuries are goods that are
a) Enjoyable and essential b) Enjoyable but not essential c) Essential but not enjoyable d) Neither enjoyable nor essential	



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Economics Chapter 2 – Demand & Supply Important MCQs

71	People know utility of goods by means of ____
a) price b) introspection c) demand d) desire	



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Economics Chapter 2 – Demand & Supply Important MCQs

72	Condition of equilibrium using utility analysis of demand can be expressed as
a) $MUX/PX = QX$ b) $PX \cdot QX = MUM$ c) $MUX/PX = MUY/PY = MUM$ d) $MUX = MUM$	



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Economics Chapter 2 – Demand & Supply Important MCQs

73	MU curve will be below X-axis when
a) MU is zero b) TU is falling c) MU is negative d) Both (B) and (C)	



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Economics Chapter 2 – Demand & Supply Important MCQs

74	A consumer of two goods X and Y is in equilibrium. Price of good X is Rs. 10 & price of good Y is Rs. 20 respectively. If MU_x is 60 utils, then the MU_y is-
a) 30 utils b) 120 utils c) 60 utils d) 6 utils	



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Economics Chapter 2 – Demand & Supply Important MCQs

75	Diminishing marginal utility implies that the
a) marginal utility of a good diminishes over time.	
b) total utility is negative.	
c) last unit of a good consumed will contribute most to the consumer's satisfaction.	
d) first unit of a good consumed will contribute most to the consumer's satisfaction.	



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Economics Chapter 2 – Demand & Supply Important MCQs

76	Marshallian theory of consumer's behavior is based on
a) Hypothesis of additive utilities. b) Hypothesis of independent utilities. c) Both (A) and (B) d) Weak ordering	



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Economics Chapter 2 – Demand & Supply Important MCQs

77	The oldest approach to the theory of demand is _____.
a) the total utility approach b) the cardinal utility approach c) the ordinal utility approach d) None of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

78	After reaching the saturation point, consumption of additional units of the commodity cause:
a) Total utility to fall and marginal utility to increase b) Total utility and marginal utility both to increase c) Total utility to fall and marginal utility to become negative d) Total utility to become negative and marginal utility to fall	



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Economics Chapter 2 – Demand & Supply Important MCQs

79

Traditional economic theory could not explain choices involving risk because it assumed that

- a) MU always declines
- b) MU first declines and then rises
- c) MU first rises and then declines
- d) MU always increases.



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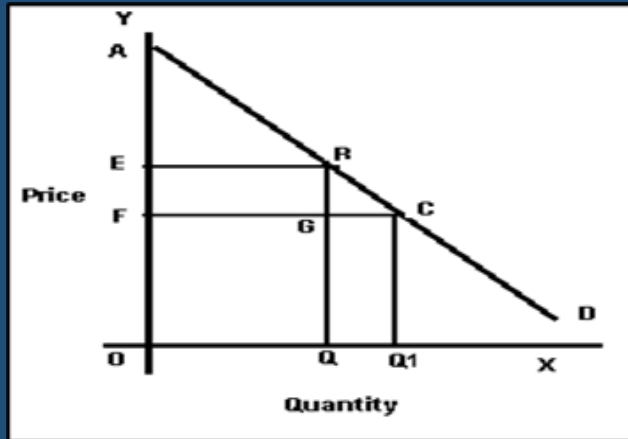
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Economics Chapter 2 – Demand & Supply

Important MCQs

80

When price rises from F to E, the increase in revenue earned by the seller is



- a) Equivalent to area EFGR
- b) Equivalent to area EFCR
- c) Equivalent to area AER
- d) None of the above



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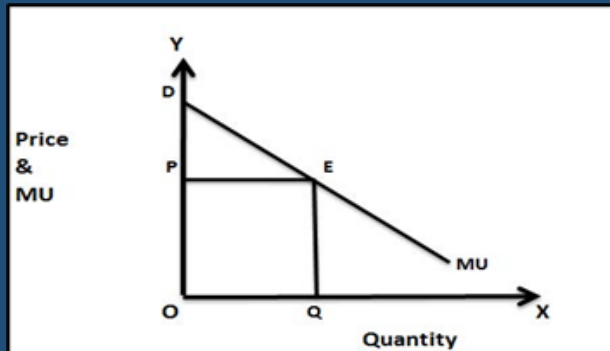


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Economics Chapter 2 – Demand & Supply Important MCQs

81

In the following diagram, consumer's surplus is shown by



- a) OPEQ
- b) ODEQ
- c) PDE
- d) None of these



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Economics Chapter 2 – Demand & Supply Important MCQs

82	In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
a) Infinite b) Zero c) Marginally positive d) Marginally Negative	



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Economics Chapter 2 – Demand & Supply Important MCQs

83	Consumer surplus is represented by the ____
a) Area above the demand curve and below the price b) Area below the demand curve and above the price c) Area on the right of demand curve d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

84	The price which a consumer would be willing to pay for a commodity equals to his -.
a) Total utility b) Marginal utility c) Average utility d) Does not have any relation to any of these	

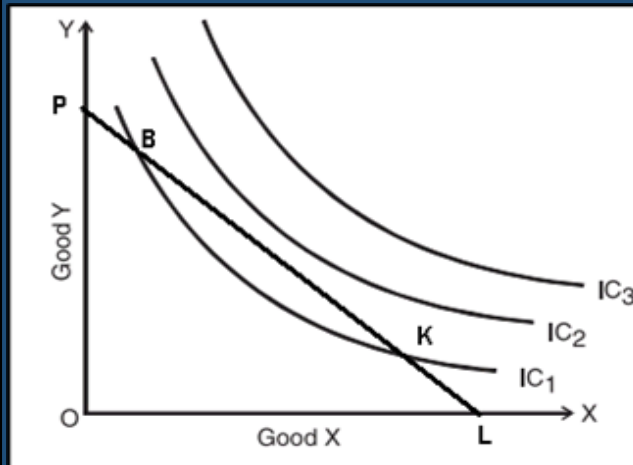


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Economics Chapter 2 – Demand & Supply Important MCQs

85

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



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



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Economics Chapter 2 – Demand & Supply Important MCQs

86	The indifference curve approach does not assume:
a) Rationality on the parts of consumers b) Ordinal measurement of satisfaction c) Consistent consumption pattern behaviour of consumers d) Cardinal measurement of utility	



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Economics Chapter 2 – Demand & Supply Important MCQs

87	Under income effect, consumer
a) Move along original indifference curve b) moves to higher or lower indifference curve c) always purchases higher quantities of both the commodities d) none of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

88	A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has ____
a) more of one of the goods b) less of at least one of the goods c) more of at least one of the goods and less of the other good. d) more of at least one of the goods and no less of the other good.	



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Economics Chapter 2 – Demand & Supply Important MCQs

89

Which of the following statements is correct regarding indifference curve?

- a) Two ICs may not intersect each other.
- b) Two ICs may intersect each other
- c) Two ICs are always parallel to each other
- d) None of these



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Economics Chapter 2 – Demand & Supply Important MCQs

90	According to principle of diminishing marginal rate of substitution. A) One commodity must be decreased while other is increased. B) Commodity which is increased has higher marginal significance C) Commodity which is decreased has higher marginal significance D) Neither qualitative nor quantitative concept of these statements:
	a) Only a is correct b) Both a and b are correct c) Both a and c are correct d) All are correct



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Economics Chapter 2 – Demand & Supply Important MCQs

91	The slope of consumer's budget line is –
a) Positive and constant b) Negative and decreasing c) Negative and constant d) Positive and increasing	



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Economics Chapter 2 – Demand & Supply Important MCQs

92	The other name of the Budget line is:
a) Demand line b) Price line c) Supply line d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

93	The quantity supplied of a good or service is the amount that
a) is actually bought during a given time period at a given price b) producers wish they could sell at a higher price c) producers plan to sell during a given time period at a given price d) people are willing to buy during a given time period at a given price	



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MCQ PREMIER LEAGUE

Economics Chapter 2 – Demand & Supply Important MCQs

94	Supply and stock are ____
a) same things b) different c) having no comparison d) Both (B) and (C)	



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Economics Chapter 2 – Demand & Supply Important MCQs

95	Suppose we are drawing a supply curve of a farmer which of the following will not be held constant. :
a) Price of Inputs b) Weather Conditions c) Technology d) The price of the Commodity under consideration	



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Economics Chapter 2 – Demand & Supply Important MCQs

96

Suppose that workers in a steel plant managed to force a significant increase in their wage package. How would the new wage contract be likely to affect the market supply of steel, other things remaining the same?

- a) Supply curve will shift to the left.
- b) Supply curve will shift to the right.
- c) Supply will not shift, but the quantity of cars produced per month will decrease.
- d) Supply will not shift, but the quantity of cars produced per month will increase.



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Economics Chapter 2 – Demand & Supply Important MCQs

97

In the book market, the supply of books will decrease if any of the following occurs except

- a) a decrease in the number of book publishers
- b) a decrease in the price of the book
- c) an increase in the future expected price of the book
- d) an increase in the price of paper used



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Economics Chapter 2 – Demand & Supply Important MCQs

98	When supply curve moves to the left, it means
a) lesser quantity is supplied at a given price b) larger quantity is supplied at a given price c) prices have fallen and quantity is supplied at a lower price d) none of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

99	Government provided subsidy on production of Good X, it will lead to
a) Increase in Supply b) Increase in Quantity Supplied c) Decrease in Supply d) Decrease in Quantity Supplied	



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Economics Chapter 2 – Demand & Supply Important MCQs

100	A supply curve parallel to Y axis implies that the elasticity of supply is :
a) Zero b) Infinity c) Equal to one d) Greater than zero but less than infinity	



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MCQ PREMIER LEAGUE

Economics Chapter 2 – Demand & Supply Important MCQs

101	The supply function is given as: $-55 + 15p$. Find elasticity of supply using point method, if price = Rs 20
a) -2 b) 1.56 c) 1.22 d) 1.82	



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Economics Chapter 2 – Demand & Supply Important MCQs

102	If a fisherman must sell all of his daily catch before it spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is ____
a) zero. b) infinite. c) one. d) unable to be determined from this information.	



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Economics Chapter 2 – Demand & Supply Important MCQs

103	Relationship between slope of supply curve and elasticity of supply can be defined as -
a) Product of slope of supply curve and ratio of quantity supply to price b) Elasticity of supply is equal to the slope of supply curve. c) Product of reciprocal of slope of supply curve and ratio of price to quantity supplied d) Elasticity of supply is equal to reciprocal of slope of supply curve.	



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Economics Chapter 2 – Demand & Supply Important MCQs

104	A new technique of production reduces the marginal cost of producing paper. How will this affect the supply curve of writing material like notebook, register & notepad etc?
a) Upward movement on same supply curve b) Downward movement on same supply curve c) Leftward shift in supply curve d) Rightward shift in supply curve	



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Economics Chapter 2 – Demand & Supply Important MCQs

105	The producer reduces supply from 100 units to 50 units. When the price falls from Rs 20 to Rs 10, the price elasticity of supply will be :
a)1 b)2 c)5 d)none of these	



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Economics Chapter 2 – Demand & Supply Important MCQs

106	The supply curve for perishable commodities is-
a) elastic b) inelastic c) perfectly elastic d) perfectly inelastic	



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Economics Chapter 2 – Demand & Supply Important MCQs

107	Slope of supply curve is 0.6, calculate elasticity of supply when initial price is \$ 30 per unit & initial qty is 100 units.
a) 0.5 b) 5.55 c) (-) 0.5 d) (-) 0.18	



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Economics Chapter 2 – Demand & Supply Important MCQs

108	Elasticity of supply at any point on a supply curve passing through origin point making angle of 35 degree with X-axis is _____
a) Greater than one b) Less than one c) Equal to one d) Any of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

109	Products that involve more complex production processes or require relatively longer time to produce exhibit
a) Greater elasticity of supply b) Lower elasticity of supply c) Zero elasticity of supply d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

110	If the labour employed is scarce or are required to be highly skilled and specific and if they require longer training period, then elasticity of supply will be
a) High b) Low c) Zero d) Infinite	



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Economics Chapter 2 – Demand & Supply Important MCQs

111	If the demand is more than supply, then the pressure on price will be
a) Upward b) Downward c) Constant d) None of the above	



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Economics Chapter 2 – Demand & Supply Important MCQs

112	The market demand curve for a perfectly competitive industry is: $Q_d = 12 - 2P$ and the market supply curve is: $Q_s = 3 + P$. The market will be in equilibrium if
a) $P = 6$ and $Q = 9$ b) $P = 5$ and $Q = 2$ c) $P = 4$ and $Q = 4$ d) $P = 3$ and $Q = 6$	



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Economics Chapter 2 – Demand & Supply Important MCQs

113	_____ is the benefit derived by sellers from the sale of a unit above and beyond their cost of producing that unit. This occurs when the price they receive in the market is more than the minimum price at which they would be prepared to supply
a) Consumer surplus b) Producer surplus c) Consumer Welfare d) (a) or (c)	



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Economics Chapter 2 – Demand & Supply Important MCQs

114	"Supply creates its own demand" statement is given by _____
a) Marshall b) J B Say c) Ricardo d) Kuznets	



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Economics Chapter 2 – Demand & Supply Important MCQs

115	Due to introduction of 5G mobiles in marked, price of such mobiles have increased by 20% & there by supply increased by 40% elasticity of supply will be ____
a)0.5 b)-0.5 c)-2 d)2	



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Economics Chapter 2 – Demand & Supply

Important MCQs

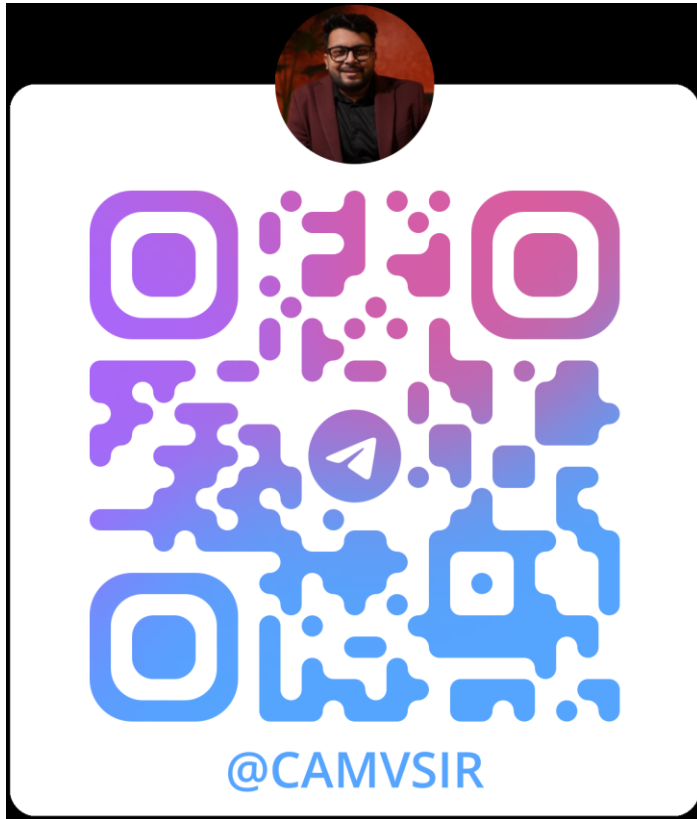
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3	A	13	C	23	B	33	C	43	B	53	C	63	B	73	D	83	B	93	C	103	C	113	B
4	B	14	D	24	D	34	A	44	A	54	A	64	B	74	B	84	B	94	B	104	D	114	B
5	B	15	C	25	B	35	A	45	B	55	C	65	C	75	A	85	B	95	D	105	A	115	D
6	D	16	A	26	C	36	B	46	B	56	B	66	D	76	C	86	D	96	A	106	D		
7	B	17	D	27	B	37	B	47	C	57	A	67	C	77	B	87	B	97	B	107	A		
8	A	18	D	28	B	38	B	48	B	58	D	68	C	78	C	88	D	98	A	108	C		
9	B	19	B	29	D	39	C	49	A	59	A	69	B	79	A	89	D	99	A	109	B		
10	D	20	D	30	A	40	C	50	D	60	D	70	B	80	A	90	C	100	A	110	B		

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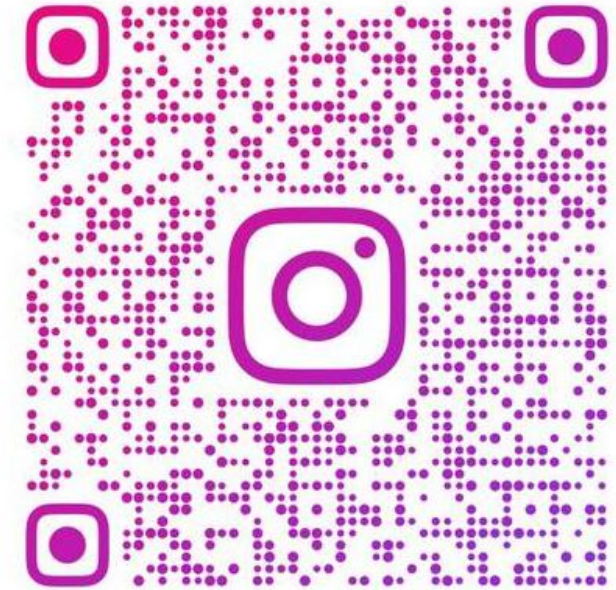


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Economics Chapter 3 – Theory of production and cost Important MCQs

1	The point at which the total product curve begins to flatten out indicates:
a) The onset of diminishing marginal returns b) Maximum efficiency in production c) A decrease in fixed costs d) end of increasing returns to scale	



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Economics Chapter 3 – Theory of production and cost Important MCQs

2	Assertion (A): Sunk costs are not relevant in economic decisions. Reason (R): The opportunity cost of such resources is zero.
a) Both A and R are true, and R is the correct explanation of A b) Both A and R are true, but R is not the correct explanation of A c) A is true but R is false d) A is false but R is true	



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Economics Chapter 3 – Theory of production and cost Important MCQs

3	If only part of the labor force employed by a firm can be dismissed at any time and without pay, the total wages and salaries paid out by the firm must be considered:
a) a fixed cost b) a variable cost c) partly a fixed and partly a variable cost d) any of the above.	



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Economics Chapter 3 – Theory of production and cost Important MCQs

4

When the law of diminishing returns begins to operate, the TVC curve begins to:

- a) fall at an increasing rate
- b) rise at a decreasing rate
- c) fall at a decreasing rate
- d) rise at an increasing rate.



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Economics Chapter 3 – Theory of production and cost Important MCQs

5	The most important function of an entrepreneur is to:
a) Innovate b) Bear the sense of responsibility c) Finance d) None of these	



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Economics Chapter 3 – Theory of production and cost Important MCQs

6	Economies of scope refers to the decrease in average total cost that can occur when a firm:
a) produces more than one product. b) has monopoly power in world markets. c) controls the raw materials used as inputs. d) narrows the scope of its regional markets.	



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Economics Chapter 3 – Theory of production and cost Important MCQs

What will be the average product when quantity of labour is 6?

Qty of Labour	TP	AP	MP
1	10	?	?
2	?	?	11
3	?	11	?
4	?	?	11
5	52	?	?
6	?	?	8

- a) 9
b) 10
c) 11
d) 12



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Economics Chapter 3 – Theory of production and cost Important MCQs

8	Who describes production function as the relationship between the maximum amount of output that can be produced and the input required to make that output?
a) Cobb-Douglas b) Samuelson c) Paul Sweezy d) Alfred Marshall	



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Economics Chapter 3 – Theory of production and cost Important MCQs

9	The shape of the Cost curve depends upon:
a) Cost function b) Factor of Production c) Outlay d) None of these	



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Economics Chapter 3 – Theory of production and cost Important MCQs

10	A firm normal profit earned are included in _____
a) Explicit Cost b) Implicit Cost c) Variable Cost d) Fixed Cost	



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Economics Chapter 3 – Theory of production and cost Important MCQs

11

The Distinction between Selling Cost and Production cost was made by :

- a) Chamberlin
- b) Sweezy
- c) Mrs. Joan Robinson
- d) None of these



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Economics Chapter 3 – Theory of production and cost Important MCQs

12 Which of the following is not the characteristic of Labour?

- a) Labour is highly 'Perishable' in the sense that a day's labour lost cannot be completely recovered
- b) Labour is inseparable from the labourer himself
- c) Labour has a strong bargaining power
- d) The supply of labour and wage rate are directly related in the initial stages



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Economics Chapter 3 – Theory of production and cost Important MCQs

13

Which of the following statements is incorrect?

- a) The services of doctors, lawyers, teachers etc. are termed as production
- b) Man cannot create matter
- c) Accumulation of capital does not depend solely on income
- d) None of the above



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Economics Chapter 3 – Theory of production and cost

Important MCQs

14

Match List I with List II and choose the correct answer using the codes given below

LIST I

A	MP is larger than AP
B	MP is equal to AP
C	MP is smaller than AP

LIST 2

I.	AP is at its maximum
II.	AP is falling
III.	AP is rising

Codes:	a	b	c
(A)	I	II	III
(B)	III	I	II
(C)	II	III	I
(D)	III	II	I



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Economics Chapter 3 – Theory of production and cost Important MCQs

15

The producer's demand for a factor of production is governed by the _____ of that factor

- a) price
- b) marginal productivity
- c) availability
- d) Profitability



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Economics Chapter 3 – Theory of production and cost Important MCQs

16 Linear homogeneous function means:

- 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



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17

A factor of production is said to be superior if its expenditure elasticity

- a) is negative
- b) lies in unit interval
- c) exceeds unity
- d) is zero



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Economics Chapter 3 – Theory of production and cost Important MCQs

18

Production function:
 $Q = 4 \cdot L^{(1/2)} \cdot K^{(2/3)}$

- a) increasing returns to scale
- b) decreasing returns to scale
- c) constant returns to scale
- d) increasing returns to a factor



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19	The slope of Isocost line is
a) w/r b) r/w c) $r \times w$ d) None of these	



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Economics Chapter 3 – Theory of production and cost Important MCQs

20	Cost incurred which has 'no relevance' to future planning are
a) Marginal Cost b) Sunk Cost c) Book Cost d) Average Cost	



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Economics Chapter 3 – Theory of production and cost Important MCQs

21

Suppose that an owner is earning total revenue of Rs. 1,00,000 and is incurring explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that:

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



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Economics Chapter 3 – Theory of production and cost Important MCQs

22

Read the following paragraph and answer question no. 40
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 competing pottery factory for Rs. 40,000 per year.

The economic profit at Nicole's factory is:

- a) Rs. 75,000
- b) Rs. 35,000
- c) Rs. 80000
- d) Rs. 30000



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23

Given $TC = 2000 + 15Q - 6Q^2 + Q^3$,
How much is TFC at $Q = 2000$?

- a) 2000
- b) 975
- c) 30,000
- d) Can't be determined



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24

The Shape of TC Curve of the monopolist is _____

- a) U Shape
- b) S Shape
- c) Inverse S Shape
- d) None of these



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Economics Chapter 3 – Theory of production and cost Important MCQs

25

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

- a) $100 + 14Q + 0.75Q^2$
- b) $120 + 7Q^2 + 0.25Q^3$
- c) $100 + 7Q^2 + 0.25Q^3$
- d) 107.25



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26

Suppose the short run cost function can be written as $TC = 250 + 10Q$. Average Fixed cost equals:

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



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Economics Chapter 3 – Theory of production and cost Important MCQs

27	A firm's average variable cost is Rs. 200 at 4 units of output and Rs. 230 at 5 units of output. Total Fixed Cost = Rs 100. The marginal cost of producing the 5th unit is ?
a) Rs. 30 b) Rs. 350 c) Rs. 230 d) Rs. 130	



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Economics Chapter 3 – Theory of production and cost Important MCQs

28

Which of following is incorrect ?

- a) $TC = AC \times Q$
- b) $\sum MC = TC$
- c) $\sum MC = TVC$
- d) $\sum MC + TFC = TC$



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29

Diminishing returns are due to _____ and increasing returns are due to _____

- a) Internal diseconomies, Internal economies
- b) Internal economies, Internal diseconomies
- c) External diseconomies, Internal economies
- d) Internal diseconomies, external economies



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Economics Chapter 3 – Theory of production and cost Important MCQs

30

The distinction between selling cost and production cost was made by:

- a) Chamberlin
- b) Sweezy
- c) Mrs Joan Robinson
- d) None of these



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Economics Chapter 3 – Theory of production and cost Important MCQs

31 Which of the following statements is false:

- a) When MP rises, TVC increases at an increasing rate.
- b) When MP rises, TVC increases at a diminishing rate.
- c) When MP becomes constant, TVC increases at a constant rate.
- d) When MP falls, TVC increases at a increasing rate.



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32

Which of the following is not a reason for operation of increasing returns to a factor?

- a) Better utilisation of fixed factor
- b) Limitation of fixed factor
- c) Increase in efficiency of variable factor
- d) Indivisibility of fixed factor



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Economics Chapter 3 – Theory of production and cost Important MCQs

33	Cost function is a _____ concept:
a) Economical b) Functional c) Financial d) Technical	



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34

The cost curve, which is Inversely S-shaped is:

- a) Average Cost Curve
- b) Total Fixed Cost Curve
- c) Total Variable Cost Curve
- d) Marginal Cost Curve



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Economics Chapter 3 – Theory of production and cost Important MCQs

35

The cost which is never zero even when production is stopped is known as:

- a) Supplementary Cost
- b) Prime Cost
- c) Explicit cost
- d) None of these



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Economics Chapter 3 – Theory of production and cost Important MCQs

36

Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.
Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.

- a) (A) is true and (R) is false
- b) Both (A) and (R) are true & (R) is the correct explanation of (A)
- c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
- d) (A) is false and (R) is true



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Economics Chapter 3 – Theory of production and cost Important MCQs

37

How is production in the economic sense distinguished from non-market activities performed within a household?

- a) Involvement of love and affection
- b) Exchange in the market
- c) Voluntary nature of the activity
- d) Intangible outputs



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Economics Chapter 3 – Theory of production and cost Important MCQs

38	A firm produces 5 units of output at average fixed cost of Rs. 4 per unit. For production of 10 units of output average cost is Rs. 7 per unit. Average variable cost for producing 10 units of output is :
a)4 b)5 c)6 d)10	



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Economics Chapter 3 – Theory of production and cost Important MCQs

39

What term is used to describe costs that remain fixed over a certain range of output but suddenly jump to a new higher level when output goes beyond a given limit ?

- a) Variable cost
- b) Semi – variable cost
- c) Stair – step variable cost
- d) Sunk cost



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Economics Chapter 3 – Theory of production and cost Important MCQs

40 What will be the total amount of sunk cost on the basis of following information ?

Particulars	Amount Rs. crores
Fuel and power	1000
Research and development	150
Rent	9
Wages	10
Advertisement	5

- a) Rs. 1,150 crores
- b) Rs. 155 crores
- c) Rs. 159 crores
- d) Rs. 164 crores



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Economics Chapter 3 – Theory of production and cost Important MCQs

41 Which of the following statements is true?

- a) Accumulation of capital depends solely on income of individuals.
- b) Savings can be influenced by government policies.
- c) External economies go with size and internal economies with location.
- d) The supply curve of labour is an upward slopping curve.



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Economics Chapter 3 – Theory of production and cost Important MCQs

42

In the production of wheat, all of the following are variable factors that are used by the farmer except:

- a) the seed and fertilizer used when the crop is planted.
- b) the field that has been cleared of trees and in which the crop is planted.
- c) the tractor used by the farmer in planting and cultivating not only wheat but also corn and barley.
- d) the number of hours that the farmer spends in cultivating the wheat fields.



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Economics Chapter 3 – Theory of production and cost Important MCQs

43

The marginal product of a variable input is best described as:

- a) total product divided by the number of units of variable input.
- b) the additional output resulting from a one unit increase in the variable input.
- c) the additional output resulting from a one unit increase in both the variable and fixed inputs.
- d) the ratio of the amount of the variable input that is being used to the amount of the fixed input that is being used.



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Economics Chapter 3 – Theory of production and cost Important MCQs

44

Diminishing marginal returns implies:

- a) decreasing average variable costs.
- b) decreasing marginal costs.
- c) increasing marginal costs.
- d) decreasing average fixed costs.



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Economics Chapter 3 – Theory of production and cost Important MCQs

45

The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except:

- a) when total product is rising, average and marginal product may be either rising or falling.
- b) when marginal product is negative, total product and average product are falling.
- c) when average product is at a maximum, marginal product equals average product, and total product is rising.
- d) when marginal product is at a maximum, average product equals marginal product, and total product is rising.



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Economics Chapter 3 – Theory of production and cost Important MCQs

46

Which of the following is the best definition of “production function”?

- a) The relationship between market price and quantity supplied.
- b) The relationship between the firm's total revenue and the cost of production.
- c) The relationship between the quantities of inputs needed to produce a given level of output.
- d) The relationship between the quantity of inputs and the firm's marginal cost of production.



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Economics Chapter 3 – Theory of production and cost Important MCQs

47 Diminishing returns occur:

- a) when units of a variable input are added to a fixed input and total product falls.
- b) when units of a variable input are added to a fixed input and marginal product falls.
- c) when the size of the plant is increased in the long run.
- d) when the quantity of the fixed input is increased and returns to the variable input falls.



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Economics Chapter 3 – Theory of production and cost Important MCQs

48

Which of the following cost curves is never 'U' shaped?

- a) Average cost curve.
- b) Marginal cost curve.
- c) Average variable cost curve.
- d) Average fixed cost curve.



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Economics Chapter 3 – Theory of production and cost Important MCQs

49

In the short run, when the output of a firm increases, its average fixed cost:

- a) increases.
- b) decreases.
- c) remains constant.
- d) first declines and then rises.



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Economics Chapter 3 – Theory of production and cost Important MCQs

50

If a firm moves from one point on a production isoquant to another, which of the following will not happen.

- a) A change in the ratio in which the inputs are combined to produce output.
- b) A change in the ratio of marginal products of the inputs.
- c) A change in the marginal rate of technical substitution.
- d) A change in the level of output.



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Economics Chapter 3 – Theory of production and cost Important MCQs

51

With which of the following is the concept of marginal cost closely related?

- a) Variable cost.
- b) Fixed cost.
- c) Opportunity cost.
- d) Economic cost.



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Economics Chapter 3 – Theory of production and cost Important MCQs

52

Which of the following statements is correct?

- a) When the average cost is rising, the marginal cost must also be rising.
- b) When the average cost is rising, the marginal cost must be falling.
- c) When the average cost is rising, the marginal cost is above the average cost.
- d) When the average cost is falling, the marginal cost must be rising.



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53 Which of the following is an example of an “implicit cost”?

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



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Economics Chapter 3 – Theory of production and cost Important MCQs

54

Which of the following is true of the relationship between the marginal cost function and the average cost function?

- a) If MC is greater than ATC, then ATC is falling.
- b) The ATC curve intersects the MC curve at minimum MC.
- c) The MC curve intersects the ATC curve at minimum ATC.
- d) If MC is less than ATC, then ATC is increasing.



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Economics Chapter 3 – Theory of production and cost Important MCQs

55

Which of the following statements concerning the long-run average cost curve is false?

- a) It represents the least-cost input combination for producing each level of output.
- b) It is derived from a series of short-run average cost curves.
- c) The short-run cost curve at the minimum point of the long-run average cost curve represents the least-cost plant size for all levels of output.
- d) As output increases, the amount of capital employed by the firm increases along the curve.



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Economics Chapter 3 – Theory of production and cost Important MCQs

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The positively sloped (i.e. rising) part of the long run average total cost curve is due to which of the following?

- a) Diseconomies of scale.
- b) Increasing returns.
- c) The firm being able to take advantage of large-scale production techniques as it expands its output.
- d) The increase in productivity that results from specialization.



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Economics Chapter 3 – Theory of production and cost Important MCQs

57

A firm's average total cost is Rs.300 at 5 units of output and Rs.320 at 6 units of output. The marginal cost of producing the 6th unit is:

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



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58

A firm producing 7 units of output has an average total cost of Rs.150 and has to pay Rs.350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs?

- a) Rs.200
- b) Rs.50
- c) Rs.300
- d) Rs.100



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59

A firm has a variable cost of Rs.1000 at 5 units of output. If fixed costs are Rs.400, what will be the average total cost at 5 units of output?

- a) Rs.280
- b) Rs.60
- c) Rs.120
- d) Rs.1400



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Economics Chapter 3 – Theory of production and cost Important MCQs

60

A firm's average fixed cost is Rs.20 at 6 units of output. What will it be at 4 units of output?

- a) Rs.60
- b) Rs.30
- c) Rs.40
- d) Rs.20



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61

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

- a) output will also decrease by 10%.
- b) output will increase by 10%.
- c) output will increase by less than 10%.
- d) output will increase by more than 10%.



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Economics Chapter 3 – Theory of production and cost Important MCQs

62

The production function is a relationship between a given combination of inputs and:

- a) another combination that yields the same output.
- b) the highest resulting output.
- c) the increase in output generated by one-unit increase in one output.
- d) all levels of output that can be generated by those inputs.



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Economics Chapter 3 – Theory of production and cost Important MCQs

63

If the marginal product of labour is below the average product of labour, it must be true that:

- a) the marginal product of labour is negative.
- b) the marginal product of labour is zero.
- c) the average product of labour is falling.
- d) the average product of labour is negative.



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Economics Chapter 3 – Theory of production and cost Important MCQs

64

The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that:

- a) the technology is changing.
- b) there must be some inputs whose quantity is kept fixed.
- c) we consider only physical inputs and not economic profitability in monetary terms.
- d) the technology is given and stable.



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Economics Chapter 3 – Theory of production and cost Important MCQs

65 An iso quant shows

- a) All the alternative combinations of two inputs that can be produced by using a given set of output fully and in the best possible way.
- b) All the alternative combinations of two products among which a producer is indifferent because they yield the same profit.
- c) All the alternative combinations of two inputs that yield the same total product.
- d) Both (b) and (c).



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Economics Chapter 3 – Theory of production and cost Important MCQs

66

The efficient scale of production is the quantity of output that minimizes

- a) average fixed cost.
- b) average total cost.
- c) average variable cost.
- d) marginal cost.



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Economics Chapter 3 – Theory of production and cost Important MCQs

67 In the short run, the firm's product curves show that

- a) Total product begins to decrease when average product begins to decrease but continues to increase at a decreasing rate.
- b) When marginal product is equal to average product, average product is decreasing but at its highest.
- c) When the marginal product curve cuts the average product curve from below, the average product is equal to marginal product.
- d) In stage two, total product increases at a diminishing rate and reaches maximum at the end of this stage.



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Economics Chapter 3 – Theory of production and cost Important MCQs

68 A fixed input is defined as

- a) That input whose quantity can be quickly changed in the short run, in response to the desire of the company to change its production.
- b) That input whose quantity cannot be quickly changed in the short run, in response to the desire of the company to change its production.
- c) That input whose quantities can be easily changed in response to the desire to increase or reduce the level of production.
- d) That input whose demand can be easily changed in response to the desire to increase or reduce the level of production.



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Economics Chapter 3 – Theory of production and cost Important MCQs

69 Which of the following statements is true?

- a) After the inflection point of the production function, a greater use of the variable input induces a reduction in the marginal product.
- b) Before reaching the inevitable point of decreasing marginal returns, the quantity of output obtained can increase at an increasing rate.
- c) The first stage corresponds to the range in which the AP is increasing as a result of utilizing increasing quantities of variable inputs.
- d) All the above.



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Economics Chapter 3 – Theory of production and cost Important MCQs

70	Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is:
a) 50 b) 100 c) 150 d) 200	



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Economics Chapter 3 – Theory of production and cost Important MCQs

71

Which of the following statements describes increasing returns to scale?

- a) Doubling of all inputs used leads to doubling of the output.
- b) Increasing the inputs by 50% leads to a 25% increase in output.
- c) Increasing inputs by $\frac{1}{4}$ leads to an increase in output of $\frac{1}{3}$.
- d) None of the above.



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72

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

- a) marginal cost and average cost are both falling
- b) marginal cost and average cost are both rising
- c) marginal cost is rising and average cost is falling
- d) it is impossible to tell if either of the curves are rising or falling



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Economics Chapter 3 – Theory of production and cost Important MCQs

73

Economic costs of production differ from accounting costs of production because

- 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.

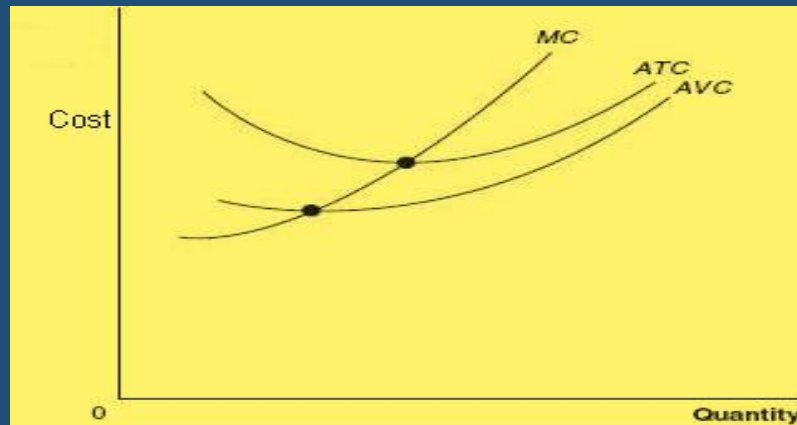


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74

In figure below, possible reason why the average variable cost curve approaches the average total cost curve as output rises is:



- a) Fixed costs are falling while total costs are rising at rising output.
- b) Total costs are rising and average costs are also rising.
- c) Marginal costs are above average variable costs as output rises.
- d) Average fixed costs are falling as output rises.



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Economics Chapter 3 – Theory of production and cost Important MCQs

75

The falling part of long run average cost curve is tangent to the _____ of corresponding short run average cost curve(s).

- a) falling part
- b) rising part
- c) minimum point
- d) None of the above



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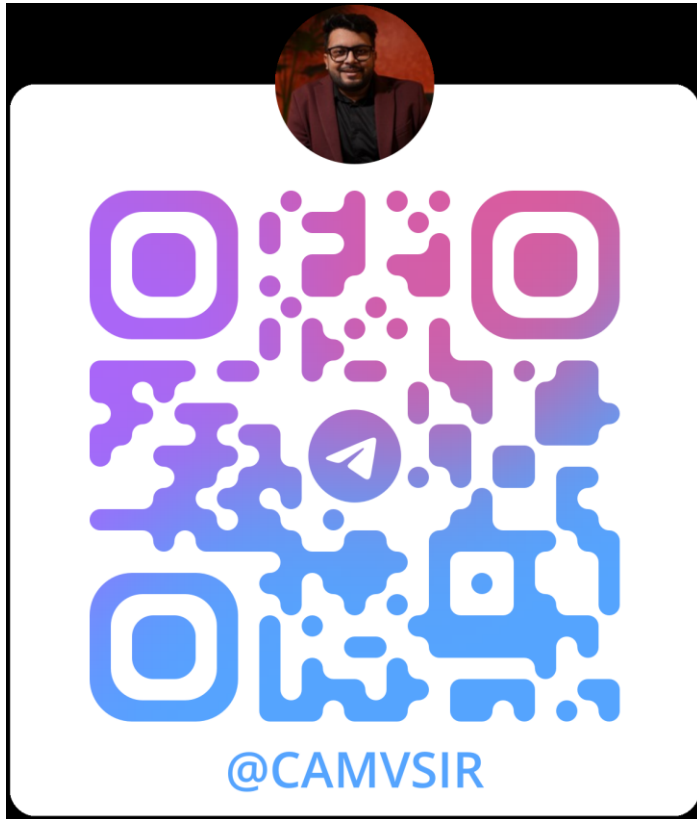
1	A	11	A	21	D	31	A	41	B	51	A	61	C	71	C
2	A	12	C	22	D	32	B	42	B	52	C	62	B	72	B
3	D	13	D	23	A	33	B	43	B	53	A	63	C	73	D
4	D	14	B	24	C	34	C	44	C	54	C	64	A	74	D
5	A	15	B	25	A	35	A	45	D	55	C	65	C	75	A
6	A	16	A	26	A	36	B	46	C	56	A	66	B		
7	B	17	C	27	B	37	B	47	B	57	D	67	D		
8	B	18	A	28	B	38	B	48	D	58	D	68	B		
9	A	19	A	29	A	39	C	49	B	59	A	69	D		
10	B	20	B	30	A	40	B	50	D	60	B	70	B		

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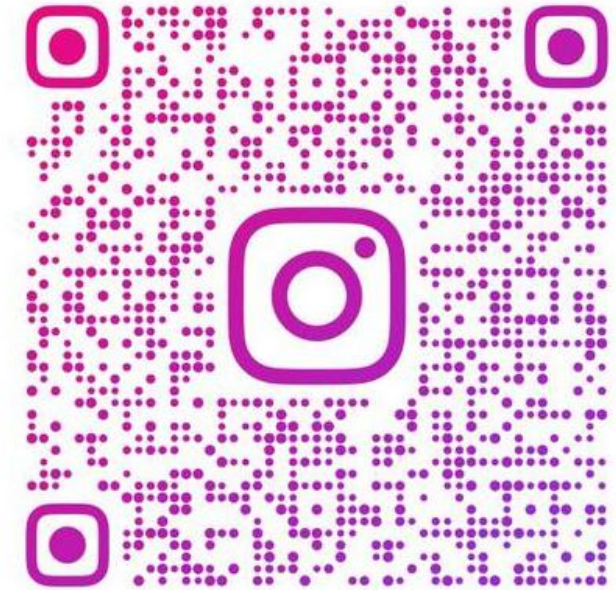


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1	Which of the following assumptions is correct in connection with oligopoly? 1. If an oligopolist increases his price his rivals will follow. 2. If an oligopolist increases his price his rivals will not follow. 3. If an oligopolist increases his price his rivals will lower their prices. 4. If an oligopolist decreases his price his rivals will not react.
	a) 1 only b) 2 only c) 1 & 3 only d) 4 only



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Important MCQs

2

In a monopoly, the lack of close substitutes for the product typically results in:

- a) Perfect elasticity of demand
- b) A downward-sloping demand curve for the monopolist
- c) Constant returns to scale
- d) The ability to practice price discrimination



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Important MCQs

3	Game theory is oligopoly was developed by:
a) Von Neumann and Oskar Morgenstern b) Maltas c) Adam Smith d) Robinson	



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Important MCQs

4	The restaurant industry has a market structure that comes closest to:
a) monopolistic competition. b) oligopoly c) perfect competition. d) monopoly.	



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Important MCQs

5	Downward sloping and highly inelastic demand curve is the feature of :
a) Monopoly b) Oligopoly c) Monopolistic competition d) Perfect competition	



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Important MCQs

6	Which one of the following is not an internal economies of scale?
a) Technical economies b) Financial economies c) Economies due to localization of industries d) Marketing economies	



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Important MCQs

7	In economics, we are concerned with
a) Value in use only b) Exchange value only c) Both value in use and exchange value d) None of the above	



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Important MCQs

8	If the price of a product is Rs.20/unit and its price elasticity of demand is $(-) 0.25$. Its MR will be
a) 60 b) 100 c) - 60 d) None of these	



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Important MCQs

9	In the long run any firm will eventually leave the industry if
a) Price does not at least cover average total cost. b) Price does not equal marginal cost. c) Economies of scale are being reaped. d) Price is greater than long run average cost	



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Important MCQs

10	In perfectly competitive firm, MC curve above AVC is _____ Curve of firm
a) Average cost b) Marginal revenue c) Demand d) Supply	



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Important MCQs

11

In _____ market, price being given, a firm decides only about the output.

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



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Important MCQs

12	Full capacity is utilized only when there is
a) Monopoly b) Perfect competition c) Price discrimination d) Oligopoly	



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Important MCQs

A competitive firm sells as much as of its product it chooses at a market price of Rs. 100 per unit. Its fixed cost is Rs. 300 and its variable costs (in rupees) for different levels of production are shown in the following table. Use Table to answer questions 13-14

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0	-	-	-	-	-
5	270					
10	490					
15	720					
20	1000					
25	1370					
30	1870					
35	2540					
40	3420					
45	4550					
50	5970					



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13	To maximize output, the firm should produce
a) 30 b) 35 c) 45 d) 50	



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Important MCQs

14

If the market price drops from Rs. 100 to Rs. 74, the firm short run response should be:

- a) Continue to produce the same number of units as before the drop in price
- b) Produce 10 units
- c) Produce 20 units
- d) Produce 25 units



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Important MCQs

15	In which type of market buyers have no preference between different sellers and between different units of commodity offered for sale ?
a) Monopoly b) Perfect Competition c) Monopolistic Competition d) Oligopoly	



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Important MCQs

16	In the long run, normal profits are included in the _____ curve.
a) LAC b) LMC c) AFC d) SAC	



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Important MCQs

17	In case of Monopolistic Competition, the less differentiated the product is from its competitors, the _____ demand curve will be
a) Less elastic b) More elastic c) More steeper d) None of the above	



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Important MCQs

18	Shampoo manufactures is an example of :
a) Perfect Competition b) Monopolistic Competition c) Monopoly d) None of these	



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Important MCQs

19

The dilemma faced by a Monopolistic is setting ____.

- a) Price
- b) Output
- c) Both a and b
- d) Either a or b



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Important MCQs

20	Monopolistic Competition theory architect was :
a) Roden b) Marx c) J R Hicks d) Chamberlin	



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Important MCQs

21	Average revenue curve is more elastic under monopolistic competition than monopoly due to
a) low degree of governmental control b) lack of close substitute c) availability of close substitute d) none of these	



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Important MCQs

22	Excess Capacity is the essential characteristic of the firm in the market form of:
a) Monopoly b) Perfect competition c) Monopolistic competition d) Oligopoly	



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Important MCQs

23

When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve,

- a) always
- b) never
- c) sometimes
- d) cannot say.



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Important MCQs

24	Non-price competition is observed in which type of following market?
a) Monopoly b) Monopolistic competition c) Duopoly d) Oligopoly	



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Important MCQs

25

Which of the following statements about price and marginal cost in competitive and monopolized markets is true?

- a) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
- b) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
- c) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
- d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.



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Important MCQs

26

Unique supply curve in monopoly is not due to _____

- a) $P > MC$
- b) $P < MC$
- c) $P = MC$
- d) None of these



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Important MCQs

27	Cross elasticity of demand for the monopolist's product or any other product is _____.
a) Zero b) Very small c) High d) Either (a) or (b)	



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Important MCQs

28

Monopolies are allocatively inefficient because:

- a) They restrict the output to keep the price higher than under perfect competition.
- b) They charge a price higher than the marginal cost.
- c) Both (a) and (b) are correct.
- d) Both (a) and (b) are incorrect



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Important MCQs

29

Family pack of soaps or biscuits tends to cost less per kg than smaller packs. It is case of

- a) First degree of price discrimination
- b) Second degree of price discrimination
- c) Third degree of price discrimination
- d) Fourth degree of price discrimination



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Important MCQs

30	A cartel which is market sharing will reach the monopoly situation: a) Always when the product is homogenous b) Always when the product is differentiated c) Sometime d) None of these



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Important MCQs

31	A monopolized market is in long run equilibrium when
a) Zero economic profit is earned by the monopolist b) Production takes place where price is equal to long run MC and AC c) Production takes place where long run MC is equal to MR and price is not below the long run average cost. d) All of the above are correct	



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Important MCQs

32	A point of 'Kink' in the kinked demand curve indicates I. Price rigidity II. Quantity rigidity III. Price flexibility IV. Quantity flexibility
a) I & II are correct b) II & III are correct c) III & IV are correct d) I & IV are correct	



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Important MCQs

33	The elasticity of demand on the upper segment of a kinked demand curve will be _____.
a) Infinite b) Equal to one c) Greater than one d) Less than one	



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Important MCQs

34

Marginal cost is equal to marginal revenue, average cost is equal to average revenue, average revenue is equal to marginal revenue and average cost is equal to marginal cost.

This is the condition of-

1. Long period equilibrium for a firm under oligopoly
2. Short period equilibrium for a firm under oligopoly
3. Long period equilibrium
4. Long period equilibrium for a firm under perfect competition
5. Short period equilibrium for a firm under perfect competition

- a) 1 & 5 only
- b) 3 & 4 only
- c) 3 & 1 only
- d) 2 only



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Important MCQs

35	Cinema Halls, Telephone bills etc. are following
a) Differential Pricing b) Full cost pricing c) Marginal Cost Pricing d) None of these	



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Important MCQs

36	This type of oligopoly tends to process raw materials or produce intermediate goods that are used as inputs by other industries
a) Open Oligopoly b) Collusive Oligopoly c) Pure Oligopoly d) Full Oligopoly	



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Important MCQs

37

_____ is not an objective of price discrimination

- a) To enjoy economics of scale
- b) To dispose of surplus stock
- c) To escape foreign market
- d) To secure equity through pricing



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Important MCQs

38	Under Monopoly, selling costs are incurred for:
a) Persuading customers for not buying competitor's product b) Informative purpose c) Promoting sales of the product d) None of these	



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Important MCQs

39

In both the Chamberlin and kinked demand curve models, the oligopolists

- a) recognize their independence
- b) do not collude
- c) tend to keep prices constant
- d) all the above



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Important MCQs

40

Perfect competition firm's supply curve is the _____ part of the _____ starting from above the point minimum AVC.

- a) rising; AC curve
- b) falling; AC curve
- c) rising; MC curve
- d) falling; MC curve



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Important MCQs

41

“A firm can earn only normal profits in long run.” It is an implication of following feature.

- a) Large number of buyers & sellers.
- b) Free entry and exit
- c) Availability of substitutes
- d) Full or partial control over price



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Important MCQs

42	The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
a) always b) never c) often d) sometimes	



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Important MCQs

43

In monopolistic competition, we have:

- a) few firms selling a differentiated product
- b) many firms selling a homogeneous product
- c) few firms selling a homogeneous product
- d) many firms selling a differentiated product



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Important MCQs

44	Who gave the theory of price discrimination?
a) Marshall b) Pigou c) Cournot d) Simon	



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Important MCQs

45	Demand curve under Oligopoly is:
a) Less elastic b) Perfectly elastic c) Highly elastic d) Indeterminate	



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Important MCQs

46

Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:

- a) Selling costs are zero
- b) There is freedom of entry and exit
- c) Firm is a price-taker
- d) None of these



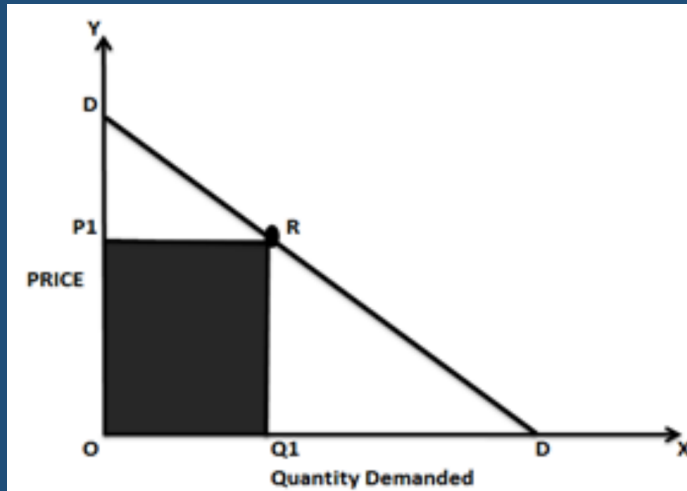
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Important MCQs

47

In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP1RQ1 is _____



- a) Total Revenue (TR)
- b) Marginal Revenue (MR)
- c) Total Cost (TC)
- d) None of these

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Important MCQs

48	When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be:
a)30 b)20 c)15 d)None of these.	



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Important MCQs

49	Huge selling costs are incurred in which form of market?
a) Monopolistic competition b) Perfect competition c) Monopoly d) None of these	



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Important MCQs

50	Which market covers a wider area such as few adjacent cities, parts of states, or a cluster of states ?
a) Regional Market b) National Market c) International Market d) Local Market	



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Important MCQs

51

In the case of demand decreasing and supply increasing, what is the expected impact on equilibrium price ?

- a) Equilibrium price rises
- b) Equilibrium price falls
- c) Equilibrium price remains constant
- d) Equilibrium price remains uncertain



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Important MCQs

52

In Ricardo's view, what does "Exchange Value" represent ?

- a) The cost of production of a commodity
- b) The subjective preferences of individuals
- c) Power in exchange over purchasable commodities in general
- d) The quantity of labour embodied in a commodity



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Important MCQs

53	Talcum powder market is an example of which of the following market?
a) Collusive Oligopoly b) Imperfect Oligopoly c) Open Oligopoly d) Close Oligopoly	



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Important MCQs

54	According to the Kinked demand curve hypothesis, why does the demand curve facing an oligopolist have a 'Kink' at the prevailing price level?
a) To create confusion among competitors b) To make the demand curve visually interesting c) The segment above price is highly elastic, and below it is inelastic d) It is a graphical error in the representation	

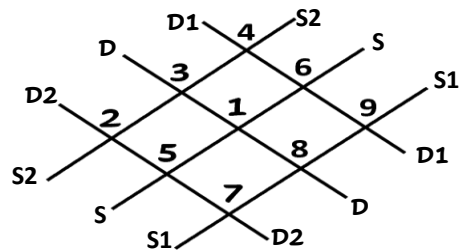


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D & S are original demand and supply curve, D , D , D , S , S are possible new demand and supply curves. Starting for eq point (1), what is the new eq for each change.



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Important MCQs

55	Heavy storm in Tamil Nadu caused damage to crops. What is new eq price & quantity.
a)4 b)3 c)2 d)6	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

56	Relation between AR and MR in a monopoly is stated as
a) AR can be zero, MR can be zero or negative b) AR and MR both are upward sloping c) AR curve lies halfway between MR and y-axis d) slope of MR is twice that of AR	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

57

If electricity department is charging Rs. 3 per unit to farmers and Rs. 7 per unit to industries. it is described as

- a) Product differentiation
- b) Price discrimination
- c) Monopoly
- d) Differentiation activity



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Economics Chapter 4 - Price determination in different markets

Important MCQs

58	When few firms of the oligopolistic market come to common understanding with each other in fixing price and output, it is called_____
a) Syndicate oligopoly b) Collusive oligopoly c) Perfect oligopoly d) Open oligopoly	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

59

Suppose a firm is producing a level of output such that $MR > MC$, what should be firm do to maximize its profits?

- a) The firm should do nothing.
- b) The firm should hire less labour.
- c) The firm should increase price.
- d) The firm should increase output.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

60

Which of the following is not an essential condition of pure competition?

- a) Large number of buyers and sellers
- b) Homogeneous product
- c) Freedom of entry
- d) Absence of transport cost



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Economics Chapter 4 - Price determination in different markets

Important MCQs

61

Which of the following is not a characteristic of a “price-taker”?

- a) $TR = P \times Q$
- b) $AR = \text{Price}$
- c) Negatively – sloped demand curve
- d) $\text{Marginal Revenue} = \text{Price}$



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Important MCQs

62

With a given supply curve, a decrease in demand causes

- a) an overall decrease in price but an increase in equilibrium quantity.
- b) an overall increase in price but a decrease in equilibrium quantity.
- c) an overall decrease in price and a decrease in equilibrium quantity.
- d) no change in overall price but a reduction in equilibrium quantity.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

63	Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:
a) price will increase. b) price will decrease. c) quantity will increase. d) quantity will decrease.	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

64

Which of the following is not a characteristic of a perfectly competitive market?

- a) Large number of firms in the industry.
- b) Outputs of the firms are perfect substitutes for one another.
- c) Firms face downward-sloping demand curves.
- d) Resources are very mobile.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

65

Oligopolistic industries are characterized by:

- a) a few dominant firms and substantial barriers to entry.
- b) a few large firms and no entry barriers.
- c) a large number of small firms and no entry barriers.
- d) one dominant firm and low entry barriers.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

66

Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be “small” relative to the market. Which of the following best describes this smallness?

- a) The individual firm must have fewer than 10 employees.
- b) The individual firm faces a downward-sloping demand curve.
- c) The individual firm has assets of less than Rs. 20 lakhs.
- d) The individual firm is unable to affect market price through its output decisions.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

67

For a price-taking firm:

- a) marginal revenue is less than price.
- b) marginal revenue is equal to price.
- c) marginal revenue is greater than price.
- d) the relationship between marginal revenue and price is indeterminate.



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Important MCQs

68	The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures a) the efficient output level will be produced in the long run. b) firms will be producing at minimum average cost. c) firms will only earn a normal profit. d) firms realise all economies of scale.



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Important MCQs

69 Average revenue curve is also known as:

- a) Profit Curve
- b) Demand Curve
- c) Average Cost Curve
- d) Indifference Curve



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Economics Chapter 4 - Price determination in different markets

Important MCQs

70	Under which of the following forms of market structure does a firm have no control over the price of its product?
a) Monopoly b) Monopolistic competition c) Oligopoly d) Perfect competition	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

71	The firm in a perfectly competitive market is a price-taker. This designation as a price- taker is based on the assumption that -

- a) the firm has some, but not complete, control over its product price.
- b) there are so many buyers and sellers in the market that any individual firm cannot affect the market.
- c) each firm produces a homogeneous product.
- d) there is easy entry into or exit from the market place.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

72

Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that

- a) the firm operates in a perfectly competitive market.
- b) the firm can sell all that it wants to at the established market price.
- c) the XYZ Co. is not a price-taker in the market because it must lower price to sell additional units of output.
- d) the XYZ Co. will not be able to maximise profits because price and revenue are subject to change



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Economics Chapter 4 - Price determination in different markets

Important MCQs

73 If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry?

Market share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinibright	11.6
I can't believe its not toothpaste	9.4
Brighter than white	8.8
Pastystuff	7.4
Others	29.8

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



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Important MCQs

74	The kinked demand curve model of oligopoly assumes that
a) the response (of consumers) to a price increase is less than the response to a price decrease. b) the response (of consumers) to a price increase is more than the response to a price decrease. c) the elasticity of demand is constant regardless of whether price increases or decreases. d) the elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.	



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Important MCQs

75 A firm encounters its “shutdown point” when:

- a) average total cost equals price at the profit-maximising level of output.
- b) average variable cost equals price at the profit-maximising level of output.
- c) average fixed cost equals price at the profit-maximising level of output.
- d) marginal cost equals price at the profit-maximising level of output.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

76

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.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

77

The structure of the toothpaste industry in India is best described as

- a) perfectly competitive.
- b) monopolistic.
- c) monopolistically competitive.
- d) oligopolistic.



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Economics Chapter 4 - Price determination in different markets

Important MCQs

78 When _____, there will be allocative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.

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



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Economics Chapter 4 - Price determination in different markets

Important MCQs

79

Which of the following markets would most closely satisfy the requirements for a perfectly competitive market?

- a) Electricity
- b) Cable television
- c) Cola
- d) Milk



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Economics Chapter 4 - Price determination in different markets

Important MCQs

80	The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as
a) Monopolistically competitive b) a monopoly c) an oligopoly d) perfectly competitive	



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Important MCQs

81	When an oligopolist individually chooses its level of production to maximize its profits, it charges a price that is
a) more than the price charged by either monopoly or a competitive market b) less than the price charged by either monopoly or a competitive market c) more than the price charged by a monopoly and less than the price charged by a competitive market d) less than the price charged by a monopoly and more than the price charged by a competitive market.	



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Important MCQs

82	Time element in classification of markets was conceived by
a) Adam Smith b) Alfred Marshall c) Pigou d) Lionel Robinson	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

83	When $e < 1$ then MR is
a) negative b) zero c) positive d) one	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

84	Price discrimination is one of the features of _____
a) monopolistic competition b) monopoly c) perfect competition d) oligopoly	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

85	Under monopoly, the degree of control over price is:
a) none b) some c) very considerable d) none of the above	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

86	Generally, perishable goods like butter, eggs, milk, vegetables etc., will have
a) regional market b) local market c) national market d) none of the above	

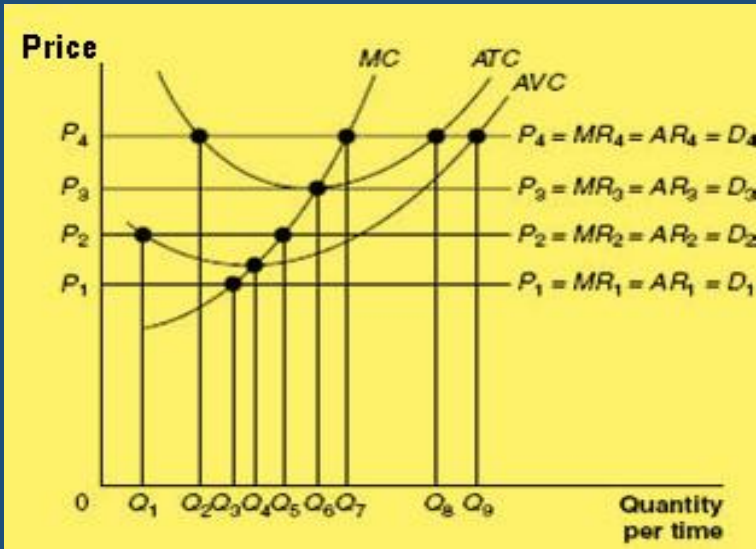


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Economics Chapter 4 - Price determination in different markets

Important MCQs

87

At price P_1 , the firm in the figure would produce

- a) Zero output
- b) Q_3 .
- c) Q_5 .
- d) Q_6 .



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Economics Chapter 4 - Price determination in different markets

Important MCQs

88	Secular period is also known as
a) very short period b) short period c) very long period d) long period	



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Important MCQs

89	Under _ _ _ _ _ the monopolist will fix a price which will take away the entire consumers' surplus.

- a) second degree of price discrimination
- b) first degree of price discrimination
- c) third degree of price discrimination
- d) none of the above.



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Important MCQs

90	If the average cost is higher than the average revenue then the firm incurs ____ _
a) Normal profit b) Abnormal profit c) Loss d) No profit, no loss	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

91	Assume that when Price is Rs. 10, the quantity demanded is 5 units and when Price is Rs. 12 the quantity demanded is 4 units. Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units.
a) Rs. 5 b) Rs. 4 c) Rs. 2 d) Rs. 3	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

92	Example of a commodity said to have an International Market.
a) Perishable Goods. b) High Value and Small Bulk Commodities. c) Product whose trading is restricted by government. d) Bulky Articles.	



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Economics Chapter 4 - Price determination in different markets

Important MCQs

93	Combination of Monopoly (single seller) and Monopsony (single buyer) Market is called as:
a) Duopoly Market b) Oligopoly Market c) Bilateral Monopoly Market d) Monopolistic Market	



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Important MCQs

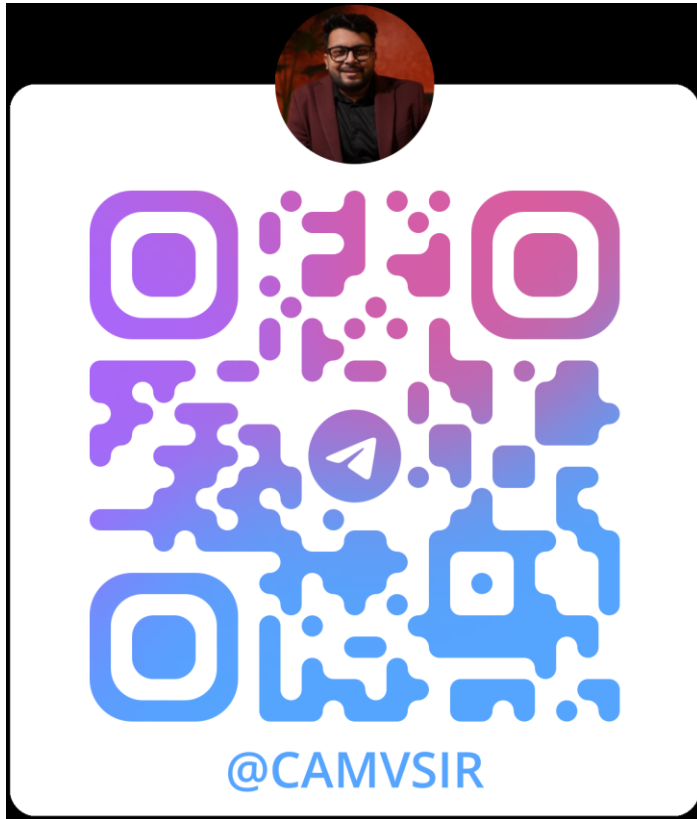
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3	A	13	A	23	B	33	C	43	D	53	B	63	D	73	C	83	A	93	C
4	A	14	D	24	B	34	B	44	B	54	C	64	C	74	B	84	B		
5	A	15	B	25	C	35	A	45	D	55	B	65	A	75	B	85	C		
6	C	16	A	26	A	36	C	46	C	56	D	66	D	76	D	86	B		
7	B	17	B	27	D	37	C	47	A	57	B	67	B	77	C	87	A		
8	C	18	B	28	C	38	B	48	C	58	B	68	C	78	C	88	C		
9	A	19	D	29	B	39	D	49	A	59	D	69	B	79	D	89	B		
10	D	20	D	30	C	40	C	50	A	60	D	70	D	80	C	90	C		

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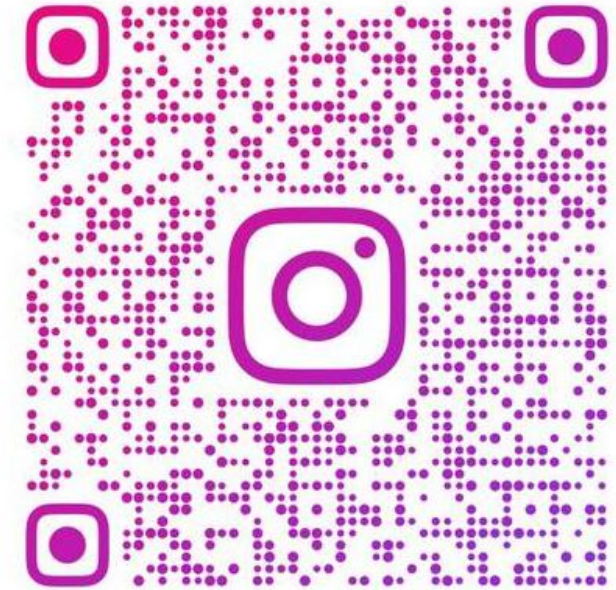


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Economics Chapter 5 – Business Cycles Important MCQs

1	Business cycle emerge in ____.
a) Socialist economy b) Free market economy c) Mixed economic system d) None of the above	



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Economics Chapter 5 – Business Cycles

Important MCQs

2	Which of the following marks the beginning of a contraction in the business cycle:
a) Peak b) Expansion c) Recession d) Trough	



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Economics Chapter 5 – Business Cycles Important MCQs

3

Which of the following statements is incorrect?

- a) In a recession, normal goods manufacturers are expected to have reductions in the demand.
- b) In a recession, inferior goods manufacturers are not expected to have reductions in the demand.
- c) All producers are going to be negatively affected in a recession.
- d) None of the above is correct.



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Economics Chapter 5 – Business Cycles

Important MCQs

4

Which of the following factors does NOT contribute to economic growth?

- a) the availability of resources such as labour and capital
- b) increases in the size of the population
- c) the availability of new and better technology
- d) increased knowledge gained through education or work experience



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Economics Chapter 5 – Business Cycles

Important MCQs

5	When entrepreneurs are pessimistic about future market conditions:
a) It does not impact the economy. b) Expansionary phase may begin. c) Economy faces contraction in economic activities. d) Investments tend to increase.	



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Economics Chapter 5 – Business Cycles

Important MCQs

6	Changes in stock price, new orders for capital and consumer goods are examples of :
a) Leading indicators b) Lagging indicators c) Coincident indicators d) Non-economic indicators	



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Economics Chapter 5 – Business Cycles Important MCQs

7	Which of the following is not a characteristic of business cycle?
a) They occur periodically. b) They are recurrent c) They occur at regular intervals. d) They have distinct phases of expansion, peak, contraction and trough.	



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Economics Chapter 5 – Business Cycles

Important MCQs

8	Which of the following is not an internal cause of business cycles?
a) Fluctuations in effective demand b) Fluctuation in investment c) Variations in government spending d) Technology shock	



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Economics Chapter 5 – Business Cycles Important MCQs

9	Coincident indicator is not indicated as:
a) Inflation b) Industrial Production c) Retail Sales d) New order for plant and equipment	



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Economics Chapter 5 – Business Cycles Important MCQs

10	Cost of living increases when business cycle is _____
a) at peak b) contracting c) expanding d) at lowest point	



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Economics Chapter 5 – Business Cycles

Important MCQs

11	During an upturn in business cycle, negative output gap does not become much more negative than it was. This is because of the fact
a) Capacity increases because of the rise in investment. b) Expenditure decreases because of the rise in the interest rate. c) The government lowers the taxes during an upturn. d) Labour productivity decreases during upturn.	



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Economics Chapter 5 – Business Cycles

Important MCQs

12	A rise in sale of which type of good is expected in the case of recession:
a) Luxury b) Necessity c) Inferior d) Normal	



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Economics Chapter 5 – Business Cycles

Important MCQs

13 Decrease in input demand _____.

- a) Doesn't affect inputs prices
- b) Pushes inputs prices up
- c) Pulls inputs prices down
- d) Either (B) or (C)



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Economics Chapter 5 – Business Cycles

Important MCQs

14	A typical feature of depression is _____ in the interest rate.
a) Rise b) Constant c) Fall d) Infinity	



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Economics Chapter 5 – Business Cycles

Important MCQs

15	Actual demand stagnates in which of the following stage of a business cycle?
a) Expansion b) Peak c) Contraction d) Recovery	



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Economics Chapter 5 – Business Cycles

Important MCQs

16	In which stage of the business cycle involuntary unemployment is almost zero?
a) Expansion b) Peak c) Contraction d) Recovery	



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Economics Chapter 5 – Business Cycles

Important MCQs

17

Which of the following statements is false with respect to Business Cycles:

- a) They occur periodically.
- b) They generally originate in free market economies.
- c) They are international in character.
- d) They do not affect capitalist economies.



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Economics Chapter 5 – Business Cycles

Important MCQs

18	Repercussions of business cycles get ____ felt on nearly all economic variables.
a) alternatively b) simultaneously c) one by one d) All of the above	



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Economics Chapter 5 – Business Cycles Important MCQs

19 Which of the following statement is correct ?

- a) No economy follows a perfectly timed cycle
- b) Economy follows a perfectly timed cycle
- c) Most of the economy follows a perfectly timed cycle
- d) Capitalist economy follow a perfectly timed cycle



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Economics Chapter 5 – Business Cycles

Important MCQs

20

Which of the following is not a variable in the index of leading indicators?

- a) New consumer goods orders
- b) Delayed deliveries
- c) New building permits
- d) Prime rate



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Economics Chapter 5 – Business Cycles

Important MCQs

21

The government and industry try to predict the business cycle by using indicators. These are:

- a) variable that can explain the growth of production capacity.
- b) Variables that precede the actual movements in expenditure and production.
- c) The expenditure categories of consumption, investment and exports.
- d) Domestic and foreign indications relating to the business cycle and the tendency



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Economics Chapter 5 – Business Cycles

Important MCQs

22	Trade/Business cycles occur due to	
	LIST I	
	i.	Changes in money supply
	ii.	Innovations take place in the system
	iii.	Waves of optimism or pessimism
	iv.	Fluctuations in aggregate effective demand
	LIST 2	
	a	Schumpeter
	b	Keynes
	c	Hawtrey
	d	AC Pigou
	a)i-d, ii-c, iii-b, iv-a b)i-a, ii-b, iii-c, iv-d c)i-d, ii-a, iii-c, iv-b d)i-c, ii-a, iii-d, iv-b	



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Economics Chapter 5 – Business Cycles

Important MCQs

23	In order to influence spending on the goods and services in the short run, monetary policy is directed at directly influencing
a) Unemployment rate b) Inflation rate c) Interest rate d) Economic growth rate	



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Economics Chapter 5 – Business Cycles

Important MCQs

24	Suppose in an economy the population growth rate remained 6% during last 5 years while the economic growth rate during the same period was just 3%. What will be the consequences of it? Select the right option from the options given below.
a) Lesser savings → Lower investment → Low income & employment → Low effective demand → Overall slowdown in economic activities b) More consumption expenditure → more demand → more production → more employment & income → Overall boom in economic activities c) Increase in labour supply → Lower wage rate → Low income → Low savings & investments → Low production → Overall slowdown in economic activities d) None of the above	



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Economics Chapter 5 – Business Cycles

Important MCQs

25

If demand for goods and services is more than their supply, the resultant inflation is :

- a) Cost push inflation.
- b) stagflation
- c) deflation.
- d) demand pull inflation.



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Economics Chapter 5 – Business Cycles

Important MCQs

26	Recent example of the Business cycle is 'the housing bubble' of the US economy. This bubble got bust in
a) 1930 b) 1998 c) 2000 d) 2008	



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Economics Chapter 5 – Business Cycles

Important MCQs

27	The phase of business cycle in which growth rate becomes negative and the level of national income and expenditure declines rapidly resulting in widespread unemployment
a) Contraction b) Recession c) Depression d) Recovery	



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Economics Chapter 5 – Business Cycles

Important MCQs

28	Which is not the External Causes of business cycle:
a) Technology shock b) Population Growth c) Money Supply d) Natural Factors	



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Economics Chapter 5 – Business Cycles

Important MCQs

29

During an expansion phase of the business cycle, which of the following is likely to occur?

- a) Decrease in consumer spending.
- b) Increase in business bankruptcies.
- c) Increase in job opportunities.
- d) Decrease in government spending.



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Economics Chapter 5 – Business Cycles

Important MCQs

30	What is the similarity between the Subprime Crisis and Greece Crisis?
a) High Financial Leverage b) Low-Interest Rate c) Credit Expansion d) All of the above	



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Economics Chapter 5 – Business Cycles

Important MCQs

31	During what time, the production of weapons and arms, most of the resources of the country are diverted for their production ?
a) Post – war b) Pre – war c) War d) peace	



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Economics Chapter 5 – Business Cycles

Important MCQs

32

In Recovery phase of business cycle, the process of reversal is initially felt in the:

- a) Capital market
- b) Labour market
- c) Agriculture market
- d) Financial market



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Economics Chapter 5 – Business Cycles

Important MCQs

33	A significant decline in general economic activity extending over a period of time is
a)business cycle b)contraction phase c)recession d)recovery	



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Economics Chapter 5 – Business Cycles

Important MCQs

34

The trough of a business cycle occurs when _____ hits its lowest point.

- a) inflation in the economy
- b) the money supply
- c) aggregate economic activity
- d) the unemployment rate



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Economics Chapter 5 – Business Cycles

Important MCQs

35

A variable that tends to move later than aggregate economic activity is called

- a) a leading variable.
- b) a coincident variable.
- c) a lagging variable.
- d) a cyclical variable.



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Economics Chapter 5 – Business Cycles

Important MCQs

36

Industries that are extremely sensitive to the business cycle are the

- a) Durable goods and service sectors.
- b) Non-durable goods and service sectors.
- c) Capital goods and non-durable goods sectors.
- d) Capital goods and durable goods sectors.



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Economics Chapter 5 – Business Cycles

Important MCQs

37 A decrease in government spending would cause

- a) the aggregate demand curve to shift to the right.
- b) the aggregate demand curve to shift to the left.
- c) a movement down and to the right along the aggregate demand curve.
- d) a movement up and to the left along the aggregate demand curve.



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Economics Chapter 5 – Business Cycles Important MCQs

38

Which of the following does not occur during an expansion?

- a) Consumer purchases of all types of goods tend to increase.
- b) Employment increases as demand for labour rises.
- c) Business profits and business confidence tend to increase
- d) None of the above.



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Economics Chapter 5 – Business Cycles

Important MCQs

39

Which of the following best describes a typical business cycle?

- a) Economic expansions are followed by economic contractions.
- b) Inflation is followed by rising income and unemployment.
- c) Economic expansions are followed by economic growth and development.
- d) Stagflation is followed by inflationary economic growth.



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Economics Chapter 5 – Business Cycles

Important MCQs

40

During recession, the unemployment rate _____ and output _____

- a) Rises; falls
- b) Rises; rises
- c) Falls; rises
- d) Falls; falls



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Economics Chapter 5 – Business Cycles Important MCQs

41

Leading economic indicators

- a) are used to forecast probable shifts in economic policies
- b) are generally used to forecast economic fluctuations
- c) are indicators of stock prices existing in an economy
- d) are indicators of probable recession and depression



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Economics Chapter 5 – Business Cycles

Important MCQs

42	Peaks and troughs of the business cycle are known collectively as
a) Volatility. b) Turning points. c) Equilibrium points. d) Real business cycle events.	



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Economics Chapter 5 – Business Cycles

Important MCQs

43

The most probable outcome of an increase in the money supply is

- a) interest rates to rise, investment spending to rise, and aggregate demand to rise
- b) interest rates to rise, investment spending to fall, and aggregate demand to fall
- c) interest rates to fall, investment spending to rise, and aggregate demand to rise
- d) interest rates to fall, investment spending to fall, and aggregate demand to fall



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Economics Chapter 5 – Business Cycles

Important MCQs

44

Economic recession shares all of these characteristics except.

- a) Fall in the levels of investment, employment
- b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
- c) Investor confidence is adversely affected and new investments may not be forthcoming
- d) Increase in the price of inputs due to increased demand for inputs



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Economics Chapter 5 – Business Cycles Important MCQs

45

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



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Economics Chapter 5 – Business Cycles

Important MCQs

46

Which of the following is not an example of coincident indicator?

- a) Industrial production
- b) inflation
- c) Retail sales
- d) New orders for plant and equipment



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Economics Chapter 5 – Business Cycles

Important MCQs

47	According to _____ trade cycles occur due to onset of innovations.
a)Hawtrey b)Adam Smith c)J M Keynes d)Schumpeter	



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Economics Chapter 5 – Business Cycles

Important MCQs

48

Business cycle generally originates in free market economies, what is a free market economy?

- a) The economy where government is in possession of major assets
- b) The economy where private firms control major assets
- c) The economy where decisions of productions are taken by public sector undertakings
- d) The economy where price is controlled by government.



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Economics Chapter 5 – Business Cycles Important MCQs

49

Which of the following statements is correct?

- a) The business cycle largely affects the agricultural sector
- b) The business cycle largely affects small employees
- c) The business cycle generally affects all sectors of economy but business sector in particular.
- d) The business cycle affects low wages workers



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Economics Chapter 5 – Business Cycles

Important MCQs

50

If the growth rate of population is higher than the rate of economic growth, there will be _____ in the economy.

- a) more savings
- b) no effect on savings
- c) lesser savings
- d) none of these



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Economics Chapter 5 – Business Cycles Important MCQs

51 The cobweb theory was propounded by _____

- a) Hawtrey
- b) Adam Smith
- c) J M Keynes
- d) Nicholas Kaldor



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Economics Chapter 5 – Business Cycles

Important MCQs

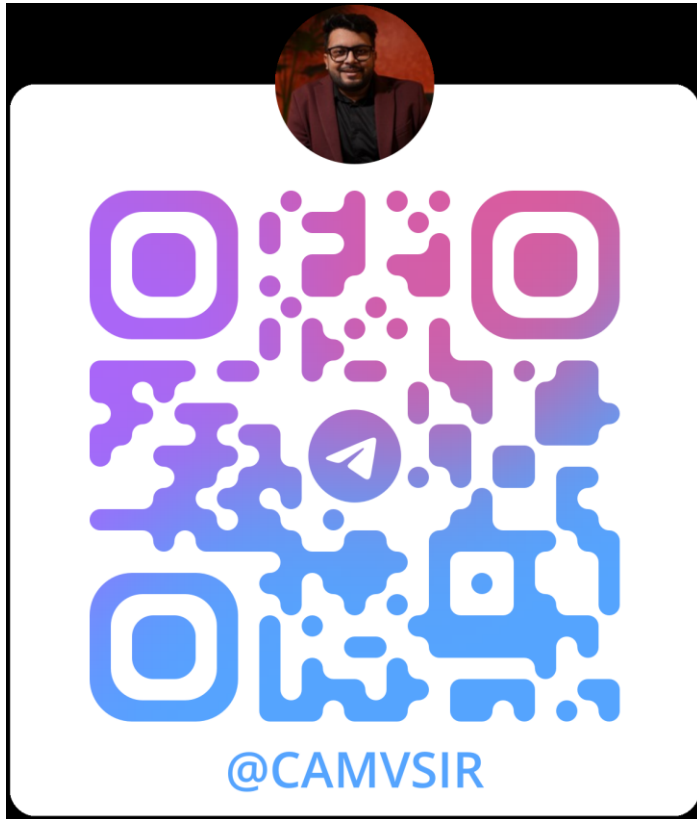
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2	A	12	C	22	D	32	B	42	B		
3	C	13	C	23	C	33	B	43	C		
4	B	14	C	24	A	34	C	44	D		
5	C	15	B	25	D	35	C	45	A		
6	A	16	A	26	D	36	D	46	D		
7	C	17	D	27	C	37	B	47	D		
8	D	18	B	28	C	38	D	48	B		
9	D	19	A	29	C	39	A	49	C		
10	C	20	D	30	D	40	A	50	C		

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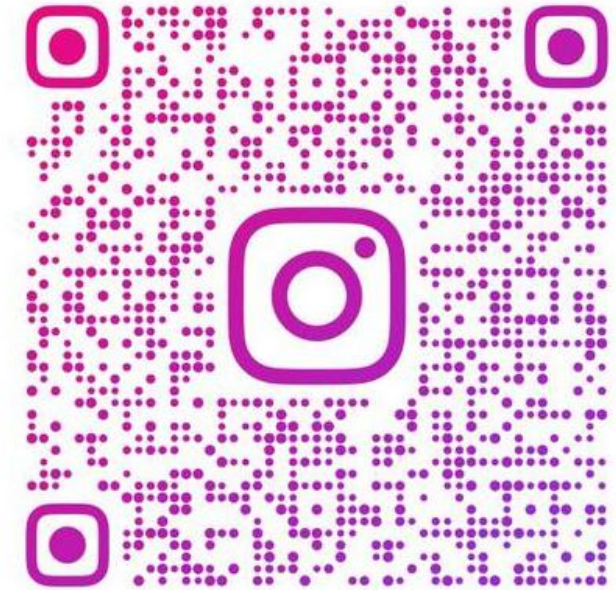


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Economics Chapter 6 – National Income Important MCQs

1	_____like excise duties, customs, sales tax, service tax etc., are levied by the government on goods and services and are generally related to the quantum of production.
	a) production taxes b) product taxes c) Both a and b d) None of the above



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Economics Chapter 6 – National Income Important MCQs

2

A sold a used car to B and receives Rs. 60,000. How much of the sale proceeds will be included in national income calculation?

- a) Full amount of sale proceeds of Rs. 60,000 will be included in national income.
- b) 50% of sale proceeds of Rs 60,000 will be included in national income.
- c) No part of the used car sales proceeds of Rs 60,000 will be included in national income calculation because sale of a used car represents transfer of existing asset which was produced during some earlier year and was accounted in the national income calculation of that year.
- d) None of the above



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Economics Chapter 6 – National Income Important MCQs

3

How are the following transactions treated in national income calculation?
A computer producer buys a robot produced in the same country and uses it in production of computers.

- a) The value of the robot would be included in national income calculation because the computer producer is the "final consumer" of the robot and the robot is not resold in the market after value addition.
- b) The value of the robot would be excluded in national income calculation because the computer producer is the "final consumer" of the robot and the robot is resold in the market after value addition.
- c) The value of the robot would be excluded in national income calculation because the computer producer is the "intermediate consumer" of the robot and the robot is resold in the market after value addition.
- d) None of the above



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Economics Chapter 6 – National Income Important MCQs

Suppose in an economy

$C = 100 + b(Y - 50 - t.Y)$; $I = 50$; $G = 50$; $X = 10$; $M = 5 + 0.1Y$;

$MPC(b) = 0.8$; Proportional income tax rate $(t) = 0.25$. Answer the ques 20 & 21 from above data

4

Find the equilibrium national income, foreign trade multiplier, equilibrium value of imports respectively.

- a) 340, 2, 36
- b) 380, 2, 34
- c) 350, 2, 32
- d) 330, 2, 38



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Economics Chapter 6 – National Income Important MCQs

5	From the following data, calculate NNPFC	
	Operating surplus	2,000
	Mixed income of self-employed	1,100
	Rent	550
	Profit	800
	Net indirect tax	450
	Consumption of fixed capital	400
	Net factor income from abroad	-50
	Compensation of employees	1,000

- a) 4,050
- b) 5,050
- c) 4,950
- d) 5,950

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Economics Chapter 6 – National Income Important MCQs

6 Calculate the amount of depreciation from the following data

Particulars	(Rs.) In Crore
GDP at Market Price (GDPMP)	8,76,532
Net factor income from abroad	(-) 232
Aggregate amount of Indirect Taxes	564
Subsidies	30
National Income (NNPFC)	8,46,576

- a) 29,190
- b) 21,910
- c) 29,310
- d) 21,390

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Economics Chapter 6 – National Income Important MCQs

7	Calculate GDPMP from the following data:	
	Particulars	(Rs.) In Crore
	Net indirect tax	208
	Consumption of fixed capital	42
	Net factor income from abroad	-40
	Rent	311
	Profits	892
	Interest	81
	Royalty	6
	Wages and salary	489
	Employer's contribution to Social Security Scheme	50

- a) 1,789
- b) 829
- c) 2,079
- d) 1,829



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8

Calculate Gross Domestic Product at market Prices (GDPMP) and derive national income from the following data (in Crores of Rs.)

Particulars	Amount
Inventory Investment	100
Exports	200
Indirect taxes	100
Net factor income from abroad	- 50
Personal consumption expenditure	3,500
Gross residential construction investment	300
Depreciation	50
Imports	100
Government purchases of goods and services	1000
Gross public investment	200
Gross business fixed investment	300

- a) 5,450
- b) 5,350
- c) 5,500
- d) 5,300

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Economics Chapter 6 – National Income Important MCQs

9	From the following data, estimate National Income and Personal Income respectively.	
	Items	Rs. in Crores
	Net national product at market price	1,891
	Income from property and entrepreneurship accruing to government administrative departments	45
	Indirect taxes	175
	Subsidies	30
	Saving of non-departmental enterprises	10
	Interest on National debt	15
	Current transfers from government	35
	Current transfers from rest of the world	20
	Saving of private corporate sector	25
	Corporate profit tax	25

- a) 1,746 & 1,711
- b) 1,711 & 1,746
- c) 1,700 & 1,750
- d) None of the above



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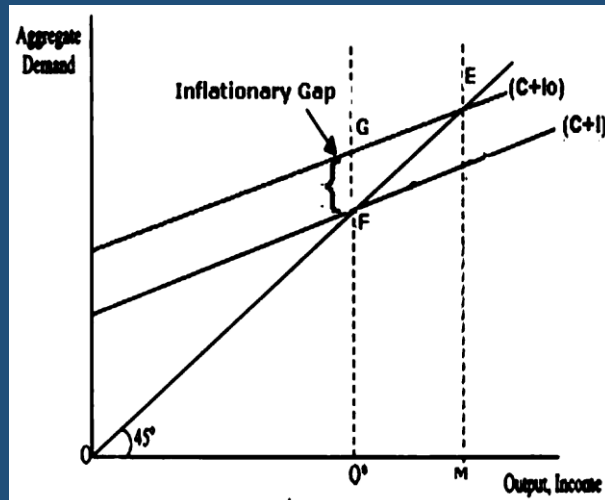


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**Economics Chapter 6 – National Income
Important MCQs**

10

Assuming OQ^* is the full employment level of output, what is the deflationary/ Inflationary gap?



- a) deflationary gap is FG
- b) inflationary gap is FG
- c) inflationary gap is EH
- d) deflationary gap is EH

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Economics Chapter 6 – National Income Important MCQs

11	How is aggregate consumption function affected, if: The leadership assures that economic policy is bringing the recession to an end.
a) assurance will increase the aggregate consumption function b) mere assurance will not increase the aggregate consumption function till the effect is realised by both the producer and consumer c) Both b and c d) None of the above	



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Economics Chapter 6 – National Income Important MCQs

12

If the consumption function is $C = 250 + 0.80 Y$ and $I = 300$. Find out equilibrium level of Y , C and S ?

- a) $Y = 2650$, $C = 2550$, $S = 500$
- b) $Y = 2950$, $C = 2250$, $S = 600$
- c) $Y = 2850$, $C = 2350$, $S = 200$
- d) $Y = 2750$, $C = 2450$, $S = 300$



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Economics Chapter 6 – National Income Important MCQs

13

"Net Exports" can be negative or positive. Which of the below statement is correct?

- a) Net exports are the difference between exports and imports of a country during the accounting year. It can be positive or negative.
- b) If a country's exports are larger than its imports, then a country is said to have a trade surplus else it will be trade deficit.
- c) Export stimulates economic growth by creating jobs which could potentially reduce poverty and augmenting factor incomes and in so doing raising the standard of livelihood and overall demand for goods and services
- d) All of the above



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Economics Chapter 6 – National Income Important MCQs

14	In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the :
a) level of full employment income. b) less than full employment level of income. c) equilibrium level of income which may or may not be full employment level of income d) autonomous level of income which may not be full employment level of income	



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Economics Chapter 6 – National Income Important MCQs

15	Net domestic expenditure is consumption expenditure plus
a) Net foreign investment b) Net foreign investment plus net domestic investment c) Net domestic investment d) Replacement expenditure	



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Economics Chapter 6 – National Income Important MCQs

16

What is the purpose of a debt-to-GDP ratio in public debt management?

- a) To measure the government's annual revenue
- b) To evaluate the proportion of debt relative to the country's economic output
- c) To assess the level of inflation in the economy
- d) To determine the amount of currency in circulation



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Economics Chapter 6 – National Income Important MCQs

17

Which of the following is an intermediate good?

- a) The Purchase of gasoline for a ski trip to colorado
- b) The Purchase of Pizza by a college student
- c) The Purchase of baseball uniform by a professional baseball team
- d) The Purchase of Jogging Shoes by a Professor



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Economics Chapter 6 – National Income Important MCQs

18

Given Consumption Function is $C = 300 + 0.75 Y$; Investment = ₹ 800; Net Imports = ₹ 100. The equilibrium level of output is:

- a) 4000
- b) 5000
- c) 8000
- d) None of these



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Economics Chapter 6 – National Income Important MCQs

19	What is the value of Investment Multiplier when saving function is represented as $S = -85 + 0.4Y$?
a) 2.50 b) 5 c) 4 d) 0.20	



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Economics Chapter 6 – National Income Important MCQs

20	From the following data, calculate “Gross value added at factor cost”.	
	S. No.	Particulars
		Rs. In Crore
	1.	Sale 180
	2.	Rent 5
	3.	Subsidy 10
	4.	Change in Stock 15
	5.	Purch. of Raw Mat. 100
	6.	Profits 25

- a) 105
- b) 210
- c) 185
- d) None of these



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Economics Chapter 6 – National Income Important MCQs

21	The difference between gross domestic investment and net domestic investment is equal to:
a) unwanted inventory changes b) the difference between NDP and national income c) the addition to the capital stock d) the difference between GDP and NDP	



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Economics Chapter 6 – National Income Important MCQs

22

While using the income method, which of the following income is included while calculating national income?

- a) Capital gains
- b) Windfall profits
- c) Income from sale of second-hand goods
- d) Commissions and brokerages



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Economics Chapter 6 – National Income Important MCQs

23	Calculate Gross value added at market price if sales = 750, opening stock = 300, closing stock = 200 and intermediate consumption is 250.
a) 400 b) 450 c) 600 d) 650	



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Economics Chapter 6 – National Income Important MCQs

24	In an economy investment expenditure is increased by Rs. 300 crores and marginal propensity to consume is 0.4. calculate the total increase in income.
a) Rs. 300 crores b) Rs. 500 crores c) Rs. 650 crores d) Rs. 750 crores	



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Economics Chapter 6 – National Income Important MCQs

25

Which of the following is not true for personal income ?

- a) It is income received by household sector.
- b) It includes Non – profit institutions serving households.
- c) It is a measure of actual current income receipts of persons only from productive activities.
- d) It excludes retained earnings.



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Economics Chapter 6 – National Income Important MCQs

26	When Investment in an economy increases from ₹10000 crores to ₹14000 crores & as a result of this national income rises ₹80000 to ₹92000 crores, Investment Multiplier.
a)3 b)4 c)5 d)None of these	



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Economics Chapter 6 – National Income Important MCQs

27	Calculate Operating Surplus	
	Compensation of employees	200
	Intermediate Consumption	800
	Rent	600
	Interest	500
	Consumption of fixed capital	300
	Net Indirect Taxes	400
	Mixed Income	700
	Sales	2500
a) 270 b) 100 c) 70 d) None		



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Economics Chapter 6 – National Income Important MCQs

28	Suppose Consumption function: $C = 40 + 0.1 Y$ and Investment is given by $I = 60 + 0.5 Y$ What will be the equilibrium level of national Income?
a) 140 b) 350 c) 250 d) 650	



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Economics Chapter 6 – National Income Important MCQs

29	An increase in investment by Rs. 700 crore leads to increase in national income by Rs 3,500 cr. Calculate marginal propensity to consume & change in saving.
a) MPC = 0.8, ΔS = 2800 Crore b) MPC = 0.8, ΔS = 700 Crore c) MPC = 0.2, ΔS = 2800 Crore d) MPC = 0.2, ΔS = 700 Crore	



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Economics Chapter 6 – National Income Important MCQs

30 Calculate the equilibrium level of national income
Suppose in an economy
Consumption Function,
 $C = 170 + 0.80 Y$
Investment spending, $I = 200$
Government Spending, $G = 150$
Tax, $T_x = 30 + 0.30Y$
Transfer payments, $Tr = 60$
Exports, $X = 45$
Imports, $M = 20 + 0.2Y$

- a) 889.06
- b) 691.87
- c) 113.37
- d) 569



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Economics Chapter 6 – National Income Important MCQs

31	How are the following transactions treated in national income calculation? Electricity sold to a steel plant
a) Being an intermediate good, electricity sold to a steel plant will not be included in national income calculation. b) Being an intermediate good, electricity sold to a steel plant will be included in national income calculation. c) Being final good, electricity sold to a steel plant will be included in national income calculation. d) None of the above	



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Economics Chapter 6 – National Income Important MCQs

32

Which of the following is a limitation of using GDP as a measure of economic well-being?

- a) It includes only monetary transactions.
- b) It does not account for income distribution.
- c) It considers both market and non-market activities.
- d) It is not affected by inflation.



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Economics Chapter 6 – National Income Important MCQs

33

Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true?

- a) consumption and government purchases went up since you bought a used car and government bonds
- b) consumption and investment went up since you bought a used car and government bonds
- c) investment and government purchases went up since you built a new house and bought government bonds
- d) investment went up since you built a new house



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Economics Chapter 6 – National Income Important MCQs

34

Which of the following is NOT an example of a transfer payment in the sense of national income accounts?

- a) Government family allowances
- b) Public unemployment insurance benefits
- c) Dividends paid by corporations to stakeholders
- d) Disability pensions paid from the social insurance system



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Economics Chapter 6 – National Income Important MCQs

35

For a person to keep his real income steady at a certain level from one year to the next, his nominal income must:

- a) Stay the same as the price index rises
- b) Rise as fast as the price index
- c) Fall if the price index rises
- d) Rise if the price index falls



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Economics Chapter 6 – National Income Important MCQs

36	If the GDP gap is positive, then:
a) The inflation rate is falling b) Actual GDP is greater than potential GDP c) Potential GDP is greater than actual GDP d) The unemployment rate is rising	



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Economics Chapter 6 – National Income Important MCQs

37	Break even points occurs when:
a) $Y = S$ b) $S = 0$ c) $Y = C$ d) both (b) and (c)	



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Economics Chapter 6 – National Income Important MCQs

38

Which of the following is a final good or service?

- a) diesel fuel bought for a delivery truck
- b) fertilizer purchased by a farm supplier
- c) a haircut
- d) Chevrolet windows purchased by a General Motors assembly plant



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Economics Chapter 6 – National Income Important MCQs

39	Personal income is most likely to exceed national income:
a) when gross and net investment are equal. b) during a period of recession or depression. c) when gross investment exceeds net investment. d) during a period of extended inflation.	



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Economics Chapter 6 – National Income Important MCQs

40	What can be the minimum value of investment multiplier?
a)10 b)1 c)infinity d)0	



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Economics Chapter 6 – National Income Important MCQs

41	Mixed income of the self -employed means
a) net profits received by self -employed people b) outside wages received by self- employed people c) combined factor payments which are not distinguishable, d) wages due to non- economic activities	



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Economics Chapter 6 – National Income Important MCQs

42	If a farmer sells wheat to miller for Rs. 800 and miller sells flour to baker for Rs. 1200. The baker sells bread to consumer for Rs. 1800, then the total value added in the process is:
a) Rs. 600 b) Rs. 1000 c) Rs. 700 d) Rs. 1200	



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Economics Chapter 6 – National Income Important MCQs

43	Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand?
a) Reduction in Taxes b) Increase in Govt. Expenditure c) Reduction in Public Debt d) All of these	



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Economics Chapter 6 – National Income Important MCQs

44	Interest on national debt is treated as:
a) Transfer payment b) Domestic payment c) Govt. payment d) None of these	



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Economics Chapter 6 – National Income Important MCQs

45	The nominal and real GDP respectively of a country in a particular year are Rs. 6000 cr. and Rs. 8200 cr respectively. The GDP deflator will be:
a) 55.55 b) 66.66 c) 44.45 d) 73.17	



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Economics Chapter 6 – National Income Important MCQs

46	Suppose in a country investment increases by Rs. 230 crores and consumption is given by $C = 10 + 0.6Y$. How much increase will there take place in income?
a) 250 b) 200 c) 150 d) 575	



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Economics Chapter 6 – National Income Important MCQs

47	Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?
a) Consumption will increase b) Net exports will increase c) Government purchases will increase d) Investment will increase	



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Economics Chapter 6 – National Income Important MCQs

48	If the GDP deflator of a country in the year 2024 is 122.85 and in the year 2025 is 165.45, then what is the inflation rate in the year 2021 ?
a) 9.09% b) 34.68% c) 31.78% d) 12.34%	



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Economics Chapter 6 – National Income Important MCQs

49	According to the Keynesian theory of income and employment, national income depends upon:
a) Aggregate Effective Supply b) Aggregate Effective Savings c) Aggregate Effective Demand d) Aggregate Effective Production	



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Economics Chapter 6 – National Income Important MCQs

50	When NFIA is positive, then
a) $GNP_{mp} < GDP_{mp}$ b) $GNP_{mp} > GDP_{mp}$ c) $NDP_{mp} < NDP_{fc}$ d) Both B & C	



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Economics Chapter 6 – National Income Important MCQs

51	Which of the following is not a reason for leakages?
a) Part of an increment in income used for payment of debts b) Distributed profits of corporation c) High liquidity preference d) Progressive rate of taxation	



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Economics Chapter 6 – National Income Important MCQs

52

Which of the following is true for MPC?

- a) It is always greater than one
- b) It is always less than unity but greater than zero
- c) It can be even less than zero
- d) It can attain any value depending upon the disposable income



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Economics Chapter 6 – National Income Important MCQs

53	If aggregate demand for an amount of output is less than the full employment level of output in the economy, then it gives rise To
a) Inflationary Gap b) Deflationary Gap c) Potential Gap d) Excess Demand	



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Economics Chapter 6 – National Income Important MCQs

54	If the consumption function is $C = 20 + 0.6Y_d$, then an increase in disposable income by Rs. 180 will result in an increase in consumer expenditure by Rs.-----
a)25 b)200 c)180 d)108	



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Economics Chapter 6 – National Income

Important MCQs

1	B	11	D	21	D	31	A	41	C	51	B
2	C	12	D	22	D	32	B	42	B	52	B
3	A	13	D	23	A	33	D	43	D	53	B
4	D	14	C	24	B	34	C	44	A	54	D
5	A	15	C	25	C	35	B	45	D		
6	A	16	B	26	A	36	B	46	D		
7	C	17	C	27	B	37	D	47	A		
8	C	18	A	28	C	38	C	48	B		
9	A	19	A	29	B	39	B	49	C		
10	B	20	A	30	A	40	B	50	B		



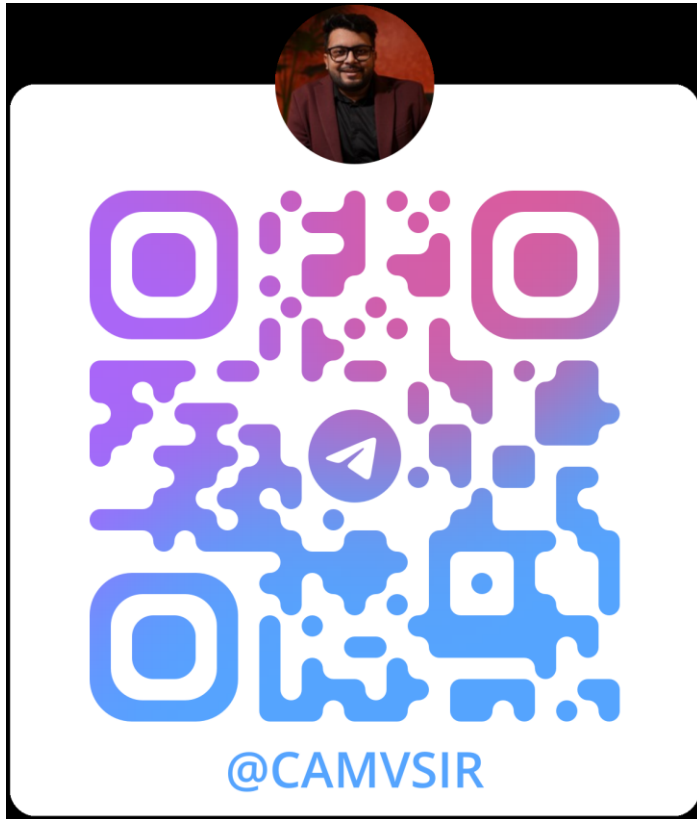
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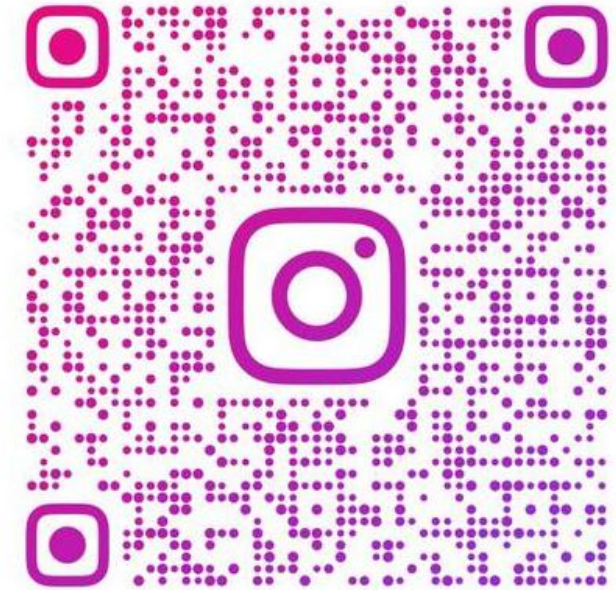


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Economics Chapter 7 – Public Finance Important MCQs

1	_____ was a bold advocate of free markets and minimal governmental activity
a) Alfred Marshall b) J.M. Keynes c) Milton Friedman d) Adam Smith	



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Economics Chapter 7 – Public Finance Important MCQs

2	Using the proceeds from progressive taxes used for financing public services that benefit low-income households, is an example of ____
a) Allocation Function b) Redistribution Function c) Stabilisation Function d) None of the above	



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Economics Chapter 7 – Public Finance Important MCQs

3	In order to control high inflation, the government may
a) Decrease expenditure & raise tax b) Increase expenditure & raise tax c) Decrease expenditure & reduce tax d) Increase expenditure & reduce tax	



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Economics Chapter 7 – Public Finance Important MCQs

4	GST accounts for _____
a) 35% of gross tax revenue of union & 44% tax revenue of state b) 40% of gross tax revenue of union & 60% tax revenue of state c) 25% of gross tax revenue of union & 24% tax revenue of state d) 55% of gross tax revenue of union & 35% tax revenue of state	



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Economics Chapter 7 – Public Finance Important MCQs

5	Article ____ of the Constitution demarcates powers of union & state by classifying their powers into three lists
a)268 b)269 c)246 d)275	



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Economics Chapter 7 – Public Finance Important MCQs

6	Who can levy taxes on agricultural income?
a) State Government b) Central Government c) Both a & b d) None of the above	



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Economics Chapter 7 – Public Finance Important MCQs

7	Finance Commission recommended share of states in the central taxes (vertical devolution) for year 2021-26 to be ____
a)35% b)44% c)42% d)41%	



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Economics Chapter 7 – Public Finance Important MCQs

8	Borrowing by the government of India and borrowing by states are defined under _____ of Constitution of India
a) Article 246 & 247 b) Article 268 & 269 c) Article 292 & 293 d) Article 255 & 256	



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Economics Chapter 7 – Public Finance Important MCQs

9	_____ is entrusted with providing social sector services such as health and education, police protection
a) Central Government b) State Government c) Local self governments d) All of the above	



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Economics Chapter 7 – Public Finance Important MCQs

10	GST was rolled out in India on _____
a) 1st April 2014 b) 1st April 2017 c) 1st July 2014 d) 1st July 2017	



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Economics Chapter 7 – Public Finance Important MCQs

11

For any particular good or service or a combination of the two, what is the ratio of SGST and CGST rates ?

- a) 59% CGST & 41% SGST
- b) 70% CGST & 30% SGST
- c) 30% CGST & 70% SGST
- d) Both rates are equal



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Economics Chapter 7 – Public Finance Important MCQs

12	GST Compensation cess amount was given to ____
a) The companies who suffered loss due to high rates of GST b) Compensate the lower rates on essential items c) Compensate the central government for the loss of revenue due to introduction of GST d) The manufacturing states for loss of revenue arising on account of implementation of GST	



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Economics Chapter 7 – Public Finance Important MCQs

13 Complete Market failure occurs when _____

- a) The market does not supply products at all despite the fact that such products and services are wanted by people.
- b) The market does actually function but it produces wrong quantity or at wrong price.
- c) Both a and b
- d) None of the above



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Economics Chapter 7 – Public Finance Important MCQs

14

Who gave the concept of “collective consumption good” in his paper “The pure theory of Public Expenditure” ?

- a) Paul A. Samuelson
- b) Garrett Hardin
- c) Oakland and Sandmo
- d) Buchanan



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Economics Chapter 7 – Public Finance Important MCQs

15	When an individual raises an attractive garden and the persons walking by enjoy the garden This is an example of ____
a) negative production externality is received in consumption b) positive production externality is received in production c) positive production externality is received in consumption d) positive consumption externality is received in production	



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Economics Chapter 7 – Public Finance

Important MCQs

16	If people get immunized against contagious diseases, they would confer a social benefit to others as well by preventing others from getting infected. This is an example of ____
a) Positive production externality is received in consumption b) Positive production externality is received in production c) Negative consumption externality is received in production d) Positive consumption externality is received in consumption	



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Economics Chapter 7 – Public Finance Important MCQs

17	Excessive consumption of alcohol causing impairment in efficiency for work. This is an example of ____
a) negative production externality is received in consumption b) negative production externality is received in production c) negative consumption externality is received in production d) negative consumption externality is received in consumption	



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Economics Chapter 7 – Public Finance Important MCQs

18

_____ is about informed person's taking advantage of a less-informed person through an unobserved action

- a) Adverse Selection
- b) Asymmetric Information
- c) Moral Hazard
- d) None of the above



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Economics Chapter 7 – Public Finance Important MCQs

19	Part A of the budget speech gives an outline of ____
	a) the progress the government has made on various developmental measures, the direction of future policies and the government's tax proposals b) the prevailing macro economic situation of the country and the budget estimates for the next financial year. c) Both a and b d) None of the above



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Economics Chapter 7 – Public Finance Important MCQs

20	By convention in an election year, the budget may be presented ____
a) Once b) Twice c) Thrice d) Four times	



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Economics Chapter 7 – Public Finance Important MCQs

21	The Parliament has to pass the Finance Bill within _____ of its introduction
a) 30 days b) 45 Days c) 60 Days d) 75 Days	



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Economics Chapter 7 – Public Finance Important MCQs

22	External debt (bilateral and multilateral loans) is managed by _____
a) Department of Economic Affairs in the Ministry of Finance b) RBI c) Department of Revenue d) Both a & b	



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Economics Chapter 7 – Public Finance Important MCQs

23	The risk associated with external debt is the _____ vis-à-vis the currency of denomination of external loans leading to _____ in the government's debt servicing cost

- a) appreciation in the value of domestic currency, increase
- b) depreciation in the value of foreign currency, increase
- c) appreciation in the value of domestic currency, decrease
- d) depreciation in the value of domestic currency, increase



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Economics Chapter 7 – Public Finance Important MCQs

24	_____ lead to a reduction in assets or an increase in liabilities of govt
a) Revenue Expenditure b) Revenue Receipts c) Capital Expenditure d) Capital Receipts	



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Economics Chapter 7 – Public Finance Important MCQs

25	The motion for leave to introduce a finance bill _____
a) can be opposed b) can be opposed by Lok Sabha c) can be opposed by Rajya Sabha d) cannot be opposed	



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Economics Chapter 7 – Public Finance

Important MCQs

26	Under Article 266(1) of the Constitution of India, _____ is used in relation to all the fund flows where government is acting as a banker. The expenditure from this fund need not be approved by the parliament.
a) Consolidated Fund of India b) Contingency Fund of India c) Contingency Fund of State d) Public Account	



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Economics Chapter 7 – Public Finance Important MCQs

27	_____ may get higher priority in developing countries as objectives of fiscal policy
a) stability and equality b) Stability c) economic growth d) economic growth, employment and equity	



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Economics Chapter 7 – Public Finance Important MCQs

28	_____ means when there are possible delays in bringing in legislation and implementing them on account of bureaucracy
a) Recognition Lag b) Decision Lag c) Implementation Lag d) Impact Lag	



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Economics Chapter 7 – Public Finance

Important MCQs

29	Under _____, fiscal policy becomes ineffective as the decline in private spending partially or completely offsets the expansion in demand resulting from an increase in government expenditure
a) Liquidity Trap b) Economics Bads c) Crowding Out effect d) Impact Lag	



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Economics Chapter 7 – Public Finance Important MCQs

30	National Savings Certificates is an example of _____
a) Commercial Papers b) Market loans c) Treasury bills d) Small savings	



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Economics Chapter 7 – Public Finance

Important MCQs

31	Mr. Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:
a) Moral Hazard b) Asymmetric information c) Free Riding d) None of the above	



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Economics Chapter 7 – Public Finance Important MCQs

32

Which of the following is not true regarding the minimum support price (MSP) mechanism in India?

- a) MSP works on the principle of price ceiling
- b) MSP works on the principle of price flooring
- c) At the price fixed, there exists excess supply
- d) Govt. procures the excess supply of farmers.



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Economics Chapter 7 – Public Finance Important MCQs

33	Recently, in this year's budget the Government increased the Tax on Cigarettes. This is an example of which function of public finance?
a) Allocation Function b) Redistribution Function c) Normative Function d) Stabilization Function	



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Economics Chapter 7 – Public Finance Important MCQs

34	What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
a) Achieve Fiscal Surplus b) Stop Money Laundering c) Eliminate Fiscal Deficit d) Eliminate Revenue deficit	



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Economics Chapter 7 – Public Finance Important MCQs

35	Among the following canons of taxation which one has been given by Adam Smith?
a) Canon of Uniformity b) Canon of productivity c) Cannon of diversity d) Cannon of equity	



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Economics Chapter 7 – Public Finance

Important MCQs

36	Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?
a) Pump Priming b) Deficit Financing c) Compensatory spending d) Public Spending	



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Economics Chapter 7 – Public Finance Important MCQs

37	The increase in cost of food, fuel and fertilizers in countries due to production of weapons in the war between Russia & Ukraine results in which type of externality?
a) Positive Production Externality b) Negative Production Externality c) Positive consumption Externality d) Negative consumption Externality	



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Economics Chapter 7 – Public Finance Important MCQs

38	Read the following statements: 1. The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy 2. Market failures can at all times be corrected through government intervention 3. Public goods will not be produced in sufficient quantities in a market economy Of the three statements above:
	a) 1, 2 and 3 are correct b) 1 and 3 are correct c) 2 and 3 are correct d) 3 alone is correct



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Economics Chapter 7 – Public Finance Important MCQs

39	Government of Emeline Land decides to provide most modern road infrastructure throughout the nation. This can be classified as
a) Distribution function b) Allocation function c) Stabilization function d) None of the above	



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Economics Chapter 7 – Public Finance Important MCQs

40	Which of the following is not a criterion for determining distribution of central taxes among states for 2021-26 period
a) Demographic performance b) Forest and ecology c) Infrastructure performance d) Tax and fiscal efforts	



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Economics Chapter 7 – Public Finance Important MCQs

41	As per the supreme court verdict in May 2022
a)The union has greater powers than the states for enacting GST laws b)The union and state legislatures have “equal, simultaneous powers “to make laws on Goods and Services Tax c)The union legislature’s enactments will prevail in case of a conflict between those of union and states d)The state legislatures can make rules only with the permission of central government	



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Economics Chapter 7 – Public Finance Important MCQs

42

Which of the following is an outcome of market power?

- a) makes price equal to marginal cost and produce a positive external benefit on others
- b) can cause markets to be efficient due to reduction in costs
- c) makes the firms price makers and restrict output so as to make allocation inefficient
- d) (b) and (c) above



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Economics Chapter 7 – Public Finance Important MCQs

43	Adequate amount of a pure public good will not be provided by the private market because of a) the possibility of free riding b) the existence of very low prices and low profits c) governments would any way produce them, so there will be overproduction d) there are restrictions as well as taxes on production of public goods



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Economics Chapter 7 – Public Finance Important MCQs

44

Read the following statements

- I. The market-based approaches to control externalities operate through price mechanism
- II. When externalities are present, the welfare loss would be eliminated
- III. The key is to internalizing an externality is to ensure that those who create the externalities include them while making decisions

- a) II and III are correct
- b) I only is correct
- c) II only is correct
- d) I and III are correct



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Economics Chapter 7 – Public Finance Important MCQs

45	A Pigouvian subsidy
a) cannot be present when externalities are present b) is a good solution for negative externality as prices will increase c) is not measurable in terms of money and therefore not practical d) may help production to be socially optimal when positive externalities are present	



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Economics Chapter 7 – Public Finance Important MCQs

46	Rules regarding product labelling
a) Seeks to correct market failure due to externalities b) Is a method of solving the problem of public good c) May help solve market failure due to information failure d) Reduce the problem of monopolies in the product market	



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Economics Chapter 7 – Public Finance

Important MCQs

The following hypothetical figures relate to country A

	Rs. Crores
Revenue receipts	35,000
Recovery of loans	2,000
Borrowing	18,000
Other Receipts	9,000
Expenditure on revenue account	46,200
Expenditure on capital account	32,000
Interest payments	5,000

47

The revenue deficit, Fiscal deficit, Primary deficit for country A is

Answers

Revenue Deficit	11,200
Fiscal Deficit	32,200
Primary Deficit	27,200



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Economics Chapter 7 – Public Finance Important MCQs

(a)	Recovery of loans	5.1
(b)	Salaries of govt. servants	41.1
(c)	Capital Expenditure	45.0
(d)	Interest payments	1.3
(e)	Payments towards subsidies	3.2
(f)	Other receipts (mainly from disinvestment)	11.6
(g)	Tax revenue (net of states' share)	26.3
(h)	Non-tax revenue	12.3
(i)	Borrowings and other liabilities	6.8
(j)	States' share in tax revenue	11.9

48 **Revenue deficit is**

- a) 23.6
- b) 13.0
- c) 7.0
- d) 2.6



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Economics Chapter 7 – Public Finance Important MCQs

49	Grants given by the central government to state governments is
a) A revenue expenditure as it is meant to meet the current expenditure of the states b) A revenue expenditure as it does neither create any asset, nor reduces any liability of the government c) A capital expenditure because it increases the capital base of the states d) It is a grant and so does not come under revenue expenditure or capital expenditure.	



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Economics Chapter 7 – Public Finance

Important MCQs

50

Read the following statements

- I. Fiscal policy is said to be contractionary when revenue is higher than spending i.e., the government budget is in surplus
- II. Other things constant, a fiscal expansion will raise interest rates and “crowd out” some private investment
- III. During inflation new taxes can be levied and the rates of existing taxes are raised to reduce disposable incomes
- IV. Classical economists advocated contractionary fiscal policy to solve the problem of inflation

Of the above statements

- a) I and II are correct
- b) I, II and III are correct
- c) Only III is correct
- d) All are correct



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Economics Chapter 7 – Public Finance Important MCQs

51

Which of the following is NOT a central issue in macroeconomics?

- a) How should the central bank of a country fight inflation?
- b) What is responsible for high and persistent unemployment?
- c) How do tax changes influence consumers' buying choices?
- d) What factors determine economic growth?



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Economics Chapter 7 – Public Finance Important MCQs

52

Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?

- a) The prices of products responsible for pollution are too high.
- b) The output of the commodity is too large.
- c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.
- d) Too much pollution is produced.



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Economics Chapter 7 – Public Finance Important MCQs

53	Public goods are characterized by:
a) Excludability and rivalry b) Excludability and non-rivalry c) Non-excludability and rivalry d) Non-excludability and non-rivalry	



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Economics Chapter 7 – Public Finance Important MCQs

54	If a Ministry falls short of approved budget in a scheme, what is the process to get additional budget through Parliament?
a) Supplementary b) Re-appropriation c) Transfer of balances d) Vote on account	



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Economics Chapter 7 – Public Finance Important MCQs

55	Short -term credit from the Reserve bank to state government:
a) RBI credit to states b) Commercial credit of RBI c) Ways and Means Advances d) Short term facility	



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Economics Chapter 7 – Public Finance Important MCQs

56

The External Debt has been shown at the exchange rate applicable at the time of:

- a) Contracting the debt.
- b) Expanding the debt.
- c) Both a & b
- d) None of the above



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Economics Chapter 7 – Public Finance Important MCQs

57	Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?
a) Lowering national debt b) Cause a budget surplus c) Increase employment rates in that sector and improve the current account balance d) Increase employment rates in that sector and worsen the current account balance	



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Economics Chapter 7 – Public Finance Important MCQs

58	The share of concessional debt in total external debt of India has:
a) remained the same b) doubled c) reduced d) increased	



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Economics Chapter 7 – Public Finance Important MCQs

59

Which Articles of the Indian Constitution contain specific provisions regarding the distribution of finances among states ?

- a) Articles 356 to 369
- b) Articles 248 to 257
- c) Articles 268 to 281
- d) Articles 292 to 304



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Economics Chapter 7 – Public Finance Important MCQs

60	If the primary deficit is Rs. 20,500 crores and the net interest liabilities of a country are Rs. 3,500 crores then what will be the fiscal deficit ?
a) Rs. 17,000 crores b) Rs. 21,500 crores c) Rs. 19,500 crores d) Rs. 24,000 crores	



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Economics Chapter 7 – Public Finance

Important MCQs

61 The following figures relate to country A for a particular financial year. What is primary deficit?

Particular	Amount Rs. crores
Revenue deficit	10,000
Fiscal deficit	46,000
Net interest liability	3,000
Borrowing	6,000
Expenditure on revenue account	3,000

- a) Rs. 3,000 crores
- b) Rs. 43,000 crores
- c) Rs. 40,000 crores
- d) Rs. 21,000 crores



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Economics Chapter 7 – Public Finance Important MCQs

62	Allocative and Distributive functions of a government is a economic function.
a) Micro b) Macro c) Both d) None	



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Economics Chapter 7 – Public Finance Important MCQs

63	When smoking is completely banned by the government in public places like bus stand, schools, parks etc., then it is an example of
a) Direct control on negative production externality. b) Direct control on positive production externality. c) Command solution d) Direct control on positive consumption externality.	



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Economics Chapter 7 – Public Finance Important MCQs

64	In the period of sluggish economic activities, when the rate of utilization of resources is less, fiscal policy aims to compensate the deficiency in by boosting
a) Demand, private investment b) Supply, export activities c) Effective demand, aggregate spending d) Production, supply	



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Economics Chapter 7 – Public Finance Important MCQs

65

Which of the following is not a classification of public expenditure?

- a) Functional classification
- b) Revenue and Capital
- c) Voted and Charged
- d) Plan and Non Plan



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Economics Chapter 7 – Public Finance Important MCQs

66	If government wants to contribute to capital formation, then revenue surplus should be :
a) Negative b) Positive c) Zero d) None of the above	



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Economics Chapter 7 – Public Finance Important MCQs

67

What is the primary purpose of the Finance Commission in India?

- a) To formulate monetary policy
- b) To allocate central taxes to state governments
- c) To recommend measures for economic planning
- d) To audit the accounts of the government



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Economics Chapter 7 – Public Finance Important MCQs

68	Goods and services tax (GST) was enacted by parliament vide Constitutional Amendments Act 2016.
a) 103rd b) 105th c) 101st d) None of these	



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Economics Chapter 7 – Public Finance Important MCQs

69	The Public debt management cell was created in:
a) 2016 b) 2015 c) 2020 d) 1995	



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Economics Chapter 7 – Public Finance Important MCQs

70	Public financial management system in the central government and matters connected with state finance is managed by:
a)The department of expenditure b)The department of financial services c)The department of economic affairs d)None of these	



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Economics Chapter 7 – Public Finance Important MCQs

71

Which of the following is a major issue associated with the fiscal deficit in India?

- a) Increased foreign exchange reserves
- b) Higher government borrowing leading to inflation
- c) Reduced taxation leading to a decrease in government revenue
- d) Increase in foreign direct investments



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Economics Chapter 7 – Public Finance Important MCQs

72

Which of the economists below most likely advocated activist government policies?

- a) Milton Friedman
- b) John Maynard Keynes
- c) Robert Lucas
- d) Thomas Sargent



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Economics Chapter 7 – Public Finance Important MCQs

73

Which of the following is the correct sequence of stages in the budget-making process?

- a) Presentation, Drafting, Execution, Approval
- b) Drafting, Presentation, Approval, Execution
- c) Execution, Presentation, Approval, drafting
- d) Presentation, Approval, Execution, drafting



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Economics Chapter 7 – Public Finance Important MCQs

74

Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance?

- a) The government maximizes profits by privatizing public goods.
- b) The government ensures the efficient distribution of resources in competitive markets.
- c) The government allocates resources to public goods like defence and infrastructure.
- d) The government avoids intervening in resource allocation to maintain market efficiency.



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Economics Chapter 7 – Public Finance Important MCQs

75

Which of the following situations best demonstrates a market failure due to asymmetric information?

- a) A monopolist exploiting market power by reducing supply
- b) Consumers buying substandard products because they lack information about quality
- c) The government providing public goods like street lighting
- d) A natural monopoly where economies of scale drive market concentration



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Economics Chapter 7 – Public Finance Important MCQs

76	Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities?
a) Implementing taxes on consumption of the good b) Subsidizing the production of the good c) Imposing strict regulations on production d) Reducing government spending on the good	



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Economics Chapter 7 – Public Finance Important MCQs

77	Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?
a) Lowering national debt b) Cause a budget surplus c) Increase employment rates in that sector and improve the current account balance d) Increase employment rates in that sector and worsen the current account balance	



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Economics Chapter 7 – Public Finance Important MCQs

78	The cap and trade method used by government to ensure that pollution is minimized in the most cost effective way is an example of :
a) Government intervention to correct externalities b) Government intervention in the case of merit goods c) Government intervention in the case of demerit goods d) Government intervention for correcting market failure	



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Economics Chapter 7 – Public Finance Important MCQs

79	Fiscal federalism primarily deals with:
a) Distribution of financial resources among different levels of government b) Distribution of power between Legislature and Executive c) Relationship between Judiciary and Legislature d) Conduct of elections in a federal country	



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Economics Chapter 7 – Public Finance Important MCQs

80	Which of the following is applied on inter-state movement of goods and services and on imports and exports ?
a) CGST b) SGST c) IGST d) Income tax	



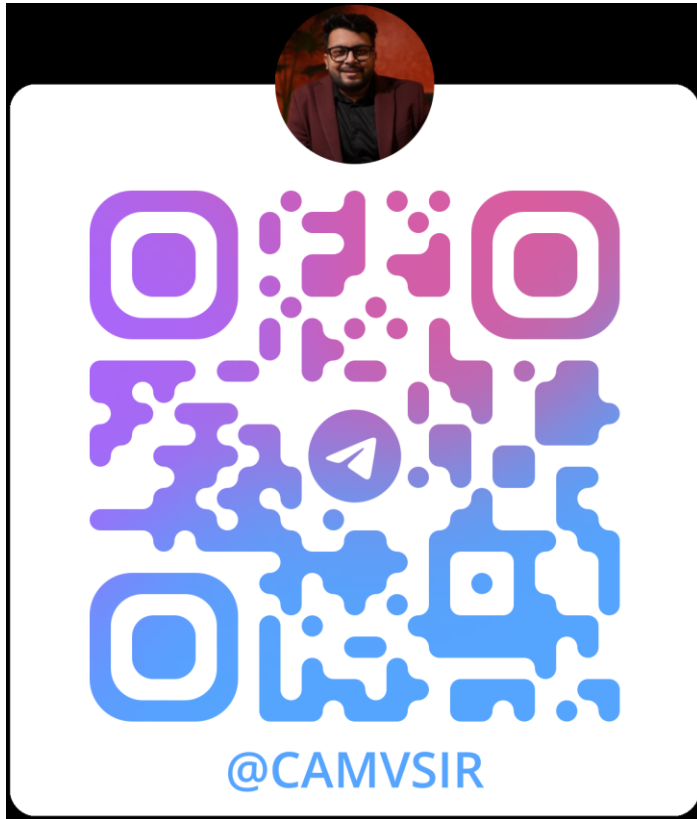
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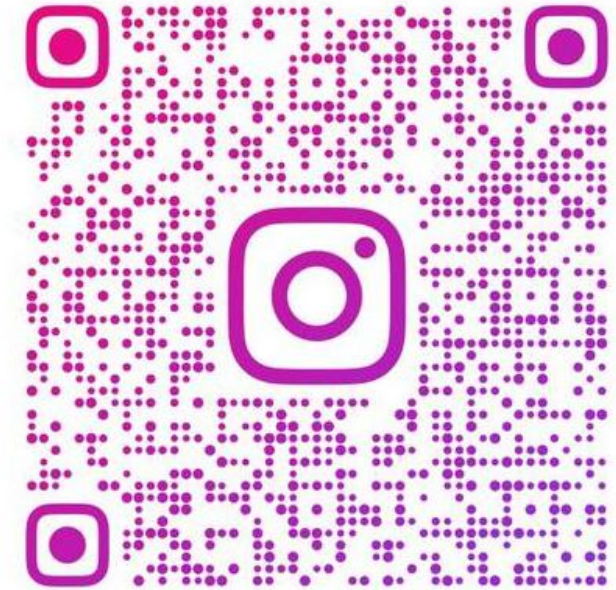


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Economics Chapter 7 – Public Finance

Important MCQs

1	D	11	D	21	D	31	B	41	B	51	C	61	B	71	B
2	B	12	D	22	A	32	A	42	C	52	A	62	A	72	B
3	A	13	A	23	D	33	A	43	A	53	D	63	C	73	B
4	A	14	A	24	D	34	C	44	D	54	A	64	C	74	C
5	C	15	C	25	D	35	D	45	D	55	C	65	D	75	B
6	A	16	D	26	D	36	A	46	C	56	A	66	B	76	B
7	D	17	C	27	D	37	B	47	-	57	C	67	B	77	C
8	C	18	C	28	C	38	B	48	C	58	C	68	C	78	A
9	B	19	B	29	C	39	B	49	B	59	C	69	A	79	A
10	D	20	B	30	D	40	C	50	B	60	D	70	A	80	C



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Economics Chapter 8 – Money Market Important MCQs

1	Which of the following component of monetary policy can be adopted to correct excess demand?
a) Increase in repo rate b) Increase in CRR c) Increase in margin requirement d) All of these	



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Economics Chapter 8 – Money Market Important MCQs

2	Which economic indicator is commonly used to measure inflation in India?
a)Gross Domestic Product (GDP) b)Consumer Price Index (CPI) c)Producer Price Index (PPI) d)Index of Industrial Production (IIP)	



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Economics Chapter 8 – Money Market Important MCQs

3

Which of the following statements is true about Indian monetary system?

- a) The Indian monetary system is based on the gold standard
- b) The Indian monetary system is based on the credit money standard
- c) The Indian monetary system is based on the paper standard
- d) None of these



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Economics Chapter 8 – Money Market Important MCQs

4 What is Currency Deposit Ratio (CDR)?

- a) Ratio of money held by the public in currency to that of money held in bank deposits
- b) Ratio of money held by the public in bank deposits to that of money held by public in currency
- c) Ratio of money held in demand drafts to that of money held in treasury bonds
- d) None of the above



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Economics Chapter 8 – Money Market Important MCQs

5	Which of the statements gives a true picture of the effect of lowering the cash reserve ratio by the central bank of a country?
a)The lending capacity of commercial banks will increase b)The lending capacity of commercial banks will decrease c)The lending capacity of commercial banks may increase or decrease d)None of these	



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Economics Chapter 8 – Money Market Important MCQs

6	Which of the following statements is true about the money supply?
a) It is the total volume of money that is held by the government of a country b) It is the total volume of money that is held by the general public of a country over a time period c) It is the total volume of money that is held by the general public of a country at a particular point in time d) All of the above	



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Economics Chapter 8 – Money Market Important MCQs

7 Calculate currency with public from the following data :

Notes in circulation	Rs. 45,000 cr.
Circulation of rupee coins	Rs. 1,500 cr.
Circulation of small coins	Rs. 750 cr.
Cash on hand with banks	Rs. 27,500 cr.

- a)Rs. 74,750 cr.
- b)Rs. 19,750 cr.
- c)Rs. 73,250 cr.
- d)Rs. 29,750 cr.



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Economics Chapter 8 – Money Market Important MCQs

8	Compute the total credit money created by the banking system if the required reserved ratio is 15% for every Rs. 12,00,000 deposited in the banking system ?
a)Rs. 1,00,00,000 b)Rs. 80,00,000 c)Rs. 1,25,00,000 d)Rs. 1,50,00,000	



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Economics Chapter 8 – Money Market Important MCQs

9	Calculate M2 from the following data.	
	Currency with public	Rs. 88,000 cr
	Demand deposit with the banking system	Rs. 2,20,000 cr
	Time deposit with the banking system	Rs. 2,40,000 cr
	Other deposits with RBI	Rs. 2,60,000 cr
	Saving deposits with Post Office Saving Bank	Rs. 50,000 cr
a)Rs. 5,68,000 cr. b)Rs. 6,18,000 cr. c)Rs. 5,98,000 cr. d)Rs. 6,38,000 cr.		



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Economics Chapter 8 – Money Market Important MCQs

10	Under the concept of money supply, the term 'public' do not include _____

- a) Households
- b) Institutions
- c) Government and banking system
- d) Firms



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Economics Chapter 8 – Money Market Important MCQs

11 The quantity theory of money holds that

- a) changes in the general level of commodity prices are caused by changes in the quantity of money
- b) there is strong relationship between money and price level and the quantity of money is the main determinant of the price
- c) changes in the value of money or purchasing power of money are determined first and foremost by changes in the quantity of money in circulation
- d) All the above



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Economics Chapter 8 – Money Market Important MCQs

12

Fisher's approach & Cambridge approach to demand for money consider

- a) money's role in acting as a store of value & So, demand for money is for storing value temporarily.
- b) money as a means of exchange and therefore demand for money is termed as for liquidity preference
- c) money as a means of transactions and therefore, demand for money is only transaction demand for money.
- d) None of the above



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Economics Chapter 8 – Money Market Important MCQs

13

Higher the _____, higher would be _____ of holding cash and lower will be the _____

- a) demand for money, opportunity cost, interest rate
- b) price level, opportunity cost, interest rate
- c) real income, opportunity cost, demand for money
- d) interest rate, opportunity cost, demand for money



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Economics Chapter 8 – Money Market Important MCQs

14 According to Keynes, if the current interest rate is high

- a) people will demand more money because the capital gain on bonds would be less than return on money
- b) people will expect the interest rate to rise and bond price to fall in the future.
- c) people will expect the interest rate to fall and bond price to rise in the future.
- d) Either a) or b) will happen



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Economics Chapter 8 – Money Market Important MCQs

15

The inventory-theoretic approach to the transactions demand for money

- a) explains the negative relationship between money demand and the interest rate.
- b) explains the positive relationship between money demand and the interest rate.
- c) explains the positive relationship between money demand and general price level
- d) explains the nature of expectations of people with respect to interest rates and bond prices



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Economics Chapter 8 – Money Market Important MCQs

16 Under the 'minimum reserve system' the central bank is

- a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities.
- b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities.
- c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities.
- d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of Rs 350 crores



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Economics Chapter 8 – Money Market Important MCQs

17	If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be:
a) A decrease in the money supply b) An increase in the money supply c) No change in the money supply d) A reduction in interest rates without affecting money supply	



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Economics Chapter 8 – Money Market Important MCQs

18	Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy?
a) Decrease the interest rate b) Increase the money supply c) Raise the reserve ratio for commercial banks d) Lower the statutory liquidity ratio	



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Economics Chapter 8 – Money Market Important MCQs

19

If the required reserve ratio is 25 percent, currency in circulation is Rs. 600 billion, demand deposits are Rs. 3000 billion, and excess reserves total Rs. 10 billion, find the value of money multiplier

- a) 2.50
- b) 2.90
- c) 2.65
- d) 2.45



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Economics Chapter 8 – Money Market Important MCQs

20

_____ considered demand for money is an application of a more general theory of demand for capital assets

- a) Baumol
- b) Milton Friedman
- c) J M Keynes
- d) None of these



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Economics Chapter 8 – Money Market Important MCQs

21	The RBI is mandated to Publish a monetary policy report every:
a) Six months b) Three months c) Twelve months d) None of these	



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Economics Chapter 8 – Money Market Important MCQs

22	Open Market purchases of government securities by RBI will
a) Reduce the Money Supply b) Reduce the reserves c) Increase reserves d) Reduce the reserves and there by reduces the money supply	



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Economics Chapter 8 – Money Market Important MCQs

23

The precautionary money balances people want to hold

- a) as income elastic and not very sensitive to rate of interest
- b) as income inelastic and very sensitive to rate of interest
- c) are determined primarily by the level of transactions they expect to make in the future.
- d) are determined primarily by the current level of transactions



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Economics Chapter 8 – Money Market Important MCQs

24

Banks in the country are required to maintain deposits with the central bank

- a) to provide the necessary reserves for the functioning of the central bank
- b) to meet the demand for money by the banking system
- c) to meet the central bank prescribed reserve requirements and to meet settlement obligations.
- d) to meet the money needs for the day to day working of the commercial banks



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Economics Chapter 8 – Money Market Important MCQs

25 Under the fractional reserve system

- a) the money supply is an increasing function of reserve money (or high powered money) and the money multiplier.
- b) the money supply is an decreasing function of reserve money (or high powered money) and money multiplier.
- c) the money supply is an increasing function of reserve money (or high powered money) and a decreasing function of money multiplier.
- d) none of the above as the determinants of money supply are different



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Economics Chapter 8 – Money Market Important MCQs

26

For a given level of the monetary base, an increase in the required reserve ratio will denote

- a) a decrease in the money supply.
- b) an increase in the money supply.
- c) an increase in demand deposits.
- d) Nothing precise can be said



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Economics Chapter 8 – Money Market Important MCQs

27

For a given level of the monetary base, an increase in the currency ratio causes the money multiplier to _ and the money supply to ____.

- a) decrease; increase
- b) increase; decrease
- c) decrease; decrease
- d) increase; increase



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Economics Chapter 8 – Money Market Important MCQs

28	If commercial banks reduce their holdings of excess reserves
a)the monetary base increases. b)the monetary base falls. c)the money supply increases. d)the money supply falls.	



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Economics Chapter 8 – Money Market Important MCQs

29

A contractionary monetary policy-induced increase in interest rates

- a) increases the cost of capital and the real cost of borrowing for firms
- b) increases the cost of capital and the real cost of borrowing for firms and households
- c) decreases the cost of capital and the real cost of borrowing for firms
- d) has no interest rate effect on firms and households



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Economics Chapter 8 – Money Market Important MCQs

30 During deflation

- a) the RBI reduces the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
- b) the RBI increases the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
- c) the RBI reduces the CRR in order to enable the banks to contract credit and increase the supply of money available in the economy
- d) the RBI reduces the CRR but increase SLR in order to enable the banks to contract credit and increase the supply of money available in the economy



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Economics Chapter 8 – Money Market Important MCQs

31 Reverse repo operation takes place when

- a) RBI borrows money from banks by giving them securities
- b) banks borrow money from RBI by giving them securities
- c) banks borrow money in the overnight segment of the money market
- d) RBI borrows money from the central government



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Economics Chapter 8 – Money Market Important MCQs

32	The current Repo Rate is 6%. The difference between repo and reverse repo shall be 180 basis points. RBI decreases repo by 50 basis points. What is the new Reverse Repo Rate?
a) 7.80% b) 8.30% c) 3.70% d) 7.30%	



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Economics Chapter 8 – Money Market Important MCQs

33 Empirical evidence of liquidity trap is found during :

- a) COVID-19
- b) Great recession
- c) Global Financial crisis
- d) None of the above



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Economics Chapter 8 – Money Market Important MCQs

34

The concept of "animal spirits" in Keynesian theory refers to:

- a) The unpredictable behavior of financial markets
- b) Psychological factors influencing economic decisions
- c) Government regulations affecting business confidence
- d) The impact of interest rates on investment



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Economics Chapter 8 – Money Market Important MCQs

35 The quantity demanded of money rises:

- a) As the repo rate increases
- b) As the repo rate falls
- c) As the supply of money falls
- d) As the number of banks rises



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Economics Chapter 8 – Money Market Important MCQs

36	Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?
a) Bank rate b) Discount window. c) Marginal Standing facility d) Overnight rate	



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Economics Chapter 8 – Money Market Important MCQs

37 Consumer Price Index is calculated:

- a) Once in 45 days
- b) Once in 3 months
- c) Once in fortnight
- d) Once in a month



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Economics Chapter 8 – Money Market Important MCQs

38	Macro-Prudential Policy Measures can help to overcome:
a) Systemic Risk b) Credit Risk c) Inflation risk d) None of these	



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Economics Chapter 8 – Money Market Important MCQs

39

Mr. A, who is self-employed decided to keep more money in his savings account, considering the prevailing economic & political conditions. What is the motive for such a move by A?

- a) Transactions Motive
- b) Speculative Motive
- c) Precautionary Motive
- d) Conservative Motive



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Economics Chapter 8 – Money Market Important MCQs

40	According to whom, rational behaviour induces individuals to hold an optimally structured wealth portfolio which is comprised of both bonds and money?
a)Tobin b)Baumol c)Keynes d)Alfred Marshall	



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Economics Chapter 8 – Money Market Important MCQs

41

The central bank of a country is concerned about the high level of household debt and its potential impact on the economy. Which of the following actions can it take to address the issue?

- a) Increase the reserve requirement ratio to reduce lending.
- b) Decrease the reserve requirement ratio to increase lending.
- c) Increase the interest rate on loans to encourage borrowing.
- d) Decrease the interest rate on loans to encourage borrowing



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Economics Chapter 8 – Money Market Important MCQs

42 Banks earn a profit on the difference between:

- a) Interest charged to depositors and interest offered to borrowers.
- b) Interest charged on loans and interest paid on deposits.
- c) Deposit and loan balances
- d) Liabilities and deposits



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Economics Chapter 8 – Money Market Important MCQs

43

If commercial banks reduce their holdings of excess reserves:

- a) The money supply increases
- b) The money base falls
- c) The money supply falls
- d) None of these



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Economics Chapter 8 – Money Market Important MCQs

44 Which of the following does not cause inflation:

- a) Easy finance facility
- b) Growth of Black Money
- c) Decrease in public i.e. government expenditure
- d) High growth rate of population



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Economics Chapter 8 – Money Market Important MCQs

45 The concept of "aversion of risk" is propounded by:

- a) James Tobin
- b) Milton Friedman
- c) John Maynard Keynes
- d) Alfred Marshall



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Economics Chapter 8 – Money Market Important MCQs

46

Which of the following is the correct formula to calculate Excess Reserves ?

- a) Excess Reserves = Total reserves - Required reserves
- b) Excess Reserves = Total reserves + Required reserves
- c) Excess Reserves = Total reserves / Required reserves
- d) Excess Reserves = Total reserves x Required reserves



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Economics Chapter 8 – Money Market Important MCQs

47

If Velocity=20, Average Price = 120 and volume of transactions $T = 150\text{Cr}$ then money supply will be

- a) 2500 Cr
- b) 25 Cr
- c) 900 Cr
- d) 1000 Cr



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Economics Chapter 8 – Money Market Important MCQs

48	People's desire to hold cash in order to be equipped to Exploit any attractive investments opportunity requiring cash expenditure reflects
a)Transaction Motive b)Speculative motive c)Precautionary motive d)Personal and business exchange	



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Economics Chapter 8 – Money Market Important MCQs

49

Reverse Repo rate is linked to repo rate in the following way:

- a) Reverse Repo Rate Repo Rate +1
- b) Reverse Repo Rate = Repo Rate -1
- c) Reverse Repo Rate = Repo Rate x 0.1%
- d) Reverse Repo Rate = Repo Rate x 0.01%



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Economics Chapter 8 – Money Market Important MCQs

50

Which of the following is not a channel of monetary transmission mechanism?

- a) Savings & investments channel
- b) Cash Flow Channel
- c) Exchange rate channel
- d) International Trade Channel



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Economics Chapter 8 – Money Market Important MCQs – Answer Key

1	D	11	D	21	A	31	A	41	A
2	B	12	C	22	C	32	C	42	B
3	C	13	D	23	A	33	C	43	A
4	A	14	C	24	C	34	B	44	C
5	A	15	A	25	A	35	B	45	A
6	C	16	B	26	A	36	A	46	A
7	B	17	B	27	C	37	D	47	C
8	B	18	C	28	C	38	A	48	B
9	B	19	C	29	B	39	C	49	B
10	C	20	B	30	A	40	A	50	D



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Economics Chapter 9 – International Trade Important MCQs

1	In which theory, international trade is a 'zero-sum game', with winners who win, does so only at the expense of losers and one country's gain is equal to another country's loss?
a) Mercantilists' View of International Trade b) Theory of Absolute Advantage c) Theory of Comparative Adv. d) Heckscher-Ohlin Theory of Trade	



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Economics Chapter 9 – International Trade Important MCQs

2	As per which theory, mutually gainful trade is not possible
a) Mercantilists' View of International Trade b) Theory of Absolute Advantage c) Theory of Comparative Adv. d) Heckscher-Ohlin Theory of Trade	



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Economics Chapter 9 – International Trade Important MCQs

Goods	Country A	Country B
Wheat (Quintal /hour)	10	5
Rice (Quintal/hour)	5	10

3

The table above shows the output of Wheat and Rice by using one hour of labour time in country A and country B. Which country has an absolute advantage over other country in production of wheat ?

- a) Country A
- b) Country B
- c) Both A & B
- d) None of the above



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Economics Chapter 9 – International Trade Important MCQs

4	Countries China & India have a total of 6000 hours each of labour available each day to produce shirts and trousers. Both countries use equal number of hours on each good each day. China produces 1000 shirts and 300 trousers per day. India produces 300 shirts and 200 trousers per day. Which country has comparative advantage in producing Shirts?
a) India b) China c) Both India & China d) None of the above	



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Economics Chapter 9 – International Trade Important MCQs

5	_____ refer to the way one person's value for a good or service is affected by its value to others. The value is enhanced as number of individuals using it increases
a) Economies of Scale b) Network Effects c) Lower opportunity cost d) Both a & b	



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Economics Chapter 9 – International Trade Important MCQs

6	_____ is calculated on the basis of the specific contents of the imported goods i.e. duties are payable by its components or related items
a) Variable Tariff b) Technical Tariff c) Escalated Tariff d) Preferential Tariff	



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Economics Chapter 9 – International Trade Important MCQs

7	_____ is a tariff It is set so high that no imports can enter
a) Countervailing duties b) Bound Tariff c) Prohibitive Tariff d) Preferential Tariff	



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Economics Chapter 9 – International Trade Important MCQs

8	A 4% tariff on import of cloth (raw material) and a 12% tariff on import of shirt (manufactured good), is an example of-
a) Variable Tariff b) Technical Tariff c) Escalated Tariff d) Preferential Tariff	



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Economics Chapter 9 – International Trade Important MCQs

Goods X	Country A (in \$)	Country B (in \$)	Country C (in \$)
Average Cost	30.5	29.4	30.9
Price per Unit for domestic Sales	31.2	31.1	30.9
Price charged in country D	30.7	35.8	32.3

9

Which of three exporters engage in anti-competitive act in the international market while pricing its export of good X to country D?

- a) Only A
- b) A & B
- c) A, B & C
- d) B & C



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Economics Chapter 9 – International Trade Important MCQs

10	What do you think the implications on trade will be if India pays an export subsidy of Rs 500 /- on every pair of cotton trousers exported by it to Germany
a) Germany can charge countervailing duty b) Germany can charge anti-dumping-duty c) Germany can charge Escalated Tariff d) Germany can charge Preferential Tariff	



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Economics Chapter 9 – International Trade Important MCQs

11	_____ combines two policy instruments: quotas and tariffs. Imports entering under specified quota portion are subject to lower or zero tariff rate. Imports above quantitative threshold face a higher tariff
a) Variable Tariff b) Tariff Rate Quota c) Applied duties d) Preferential Tariff	



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Economics Chapter 9 – International Trade Important MCQs

12	Prohibition of import of poultry from countries affected by avian flu, is an example of ____
a) Technical Barriers To Trade b) Standards and Technical Regulations c) Sanitary & Phytosanitary (SPS) Measures d) Non-technical Measures	



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Economics Chapter 9 – International Trade Important MCQs

13	• Requirement to use certain minimum levels of locally made components, • Restricting the level of imported components These are examples of- a) Financial Measures b) Price Control Measures c) Distribution Restrictions d) Trade-Related Investment Measures



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Economics Chapter 9 – International Trade Important MCQs

14 Which of the following is not the objective of WTO?

- a) to set and enforce rules for international trade
- b) to provide a forum for negotiating and monitoring further trade liberalization
- c) to resolve trade disputes
- d) to decrease the transparency of decision-making processes



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Economics Chapter 9 – International Trade

Important MCQs

15	As per ____, imported and locally produced goods should be treated equally — at least after the foreign goods have entered the market.
a) Most-favoured-nation Principle b) National Treatment Principle c) Principle of Predictability d) Principle of Freer trade	



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Economics Chapter 9 – International Trade Important MCQs

16

Which of the following is not an advantage of fixed exchange rate regime?

- a) Can greatly enhance international trade and Investment
- b) Allows a Central bank or government to pursue its own independent monetary policy
- c) imposes discipline on a country's monetary authority, thus leads to generate lower levels of inflation.
- d) Can enhance the credibility of the country's monetary-policy



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Economics Chapter 9 – International Trade Important MCQs

17

Trade flows are affected by _____. The person or firm buying another currency is interested in what can be bought with it.

- a) Real Exchange Rate
- b) Nominal Exchange Rate
- c) Flexible Exchange Rate
- d) Both a & b



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Economics Chapter 9 – International Trade Important MCQs

18	Assume that Rs. 70 is needed to buy one US dollar in foreign exchange market (i.e. the nominal exchange rate is Rs. 70/ US \$). Suppose that a price index of standardized basket of goods and services is Rs. 200 in India and US \$ 100 in United States, find out the real exchange rate? (Treat India as a domestic country and United States as a foreign country)
a)35 b)70 c)140 d)280	



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Economics Chapter 9 – International Trade Important MCQs

19

An increase in REER implies that exports become _____ and imports become _____

- a) Expensive, expensive
- b) Cheaper, cheaper
- c) Expensive, cheaper
- d) Cheaper, expensive



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Economics Chapter 9 – International Trade Important MCQs

20	___ is a deliberate downward adjustment in the value of a country's currency relative to another country's currency or group of currencies or standard
a) Devaluation b) Appreciation c) Revaluation d) Depreciation	



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Economics Chapter 9 – International Trade

Important MCQs

21	Explain the implications of the following on the exchange rate in foreign exchange market- Merry Land's exports remained more or less stagnant in the years 2005-06 to 2016-17. However, due to heavy thrust on industrialization, import of machinery, raw materials, and components as well as associated services of different types increased
a) Home-currency appreciation b) foreign-currency appreciation c) Home-currency depreciation d) Both b & c	



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Economics Chapter 9 – International Trade Important MCQs

22	A cell phone service provider based in USA, moving to India to provide the same service. This is an example of-
a) Horizontal FDI b) Vertical FDI c) Conglomerate FDI d) Two-way direct foreign investments	



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Economics Chapter 9 – International Trade Important MCQs

23	An automobile manufacturing company may acquire an interest in a foreign company that supplies parts or raw materials required for company. This is an example of-
a) Horizontal FDI b) Vertical FDI c) Conglomerate FDI d) Two-way FDI	



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Economics Chapter 9 – International Trade Important MCQs

24

_____ is often accompanied by technology transfer

- a) Foreign Portfolio Investment
- b) Foreign Direct Investment
- c) Both a & b
- d) None of the above



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Economics Chapter 9 – International Trade Important MCQs

25

Which of the following is not a non-tariff barrier:

- a) Complex documentation requirement
- b) Countervailing duties charged by importing country
- c) Pre -Shipment product inspection and certification on requirements
- d) None of these



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Economics Chapter 9 – International Trade Important MCQs

26

At any point of time all markets tend to have the same exchange rate for a given currency due to:

- a) Hedging
- b) Arbitrage
- c) Speculation
- d) None of these



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Economics Chapter 9 – International Trade Important MCQs

27	A group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries:
a) Free trade area b) Custom union c) Trade bloc d) Regional preferential trade agreements	



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Economics Chapter 9 – International Trade Important MCQs

28	According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:
a) Require labour-intensive techniques if the country has a surplus of capital. b) Utilize abundant factors of production that the country has in large supply. c) Require advanced technology in which the country is technologically superior. d) Require high labour costs in a country with low wages.	



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Economics Chapter 9 – International Trade Important MCQs

29

Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)?

- a) To reduce foreign competition in domestic markets
- b) To gain access to new markets and resources
- c) To avoid taxes in the home country
- d) To lower labour costs by outsourcing to developing countries



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Economics Chapter 9 – International Trade Important MCQs

30

Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?

- a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.
- b) Resources are immobile between countries but mobile within a country.
- c) Trade occurs only due to differences in technology between countries.
- d) Both countries in trade can benefit even if one country is less efficient in producing both goods.



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Economics Chapter 9 – International Trade Important MCQs

31

Which of the following is an example of a multilateral trade agreement?

- a) North American Free Trade Agreement (NAFTA)
- b) European Union (EU) Trade Policies
- c) World Trade Organization (WTO) agreements
- d) Bilateral Trade Agreement between two countries



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Economics Chapter 9 – International Trade Important MCQs

32

Which of the following is the primary objective of bilateral trade agreements?

- a) To create trade barriers between the two countries involved
- b) To establish free trade between two countries by eliminating tariffs and restrictions
- c) To focus on mutual military cooperation between the countries
- d) To standardize monetary policies between two countries



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Economics Chapter 9 – International Trade Important MCQs

33

Which of the following country is not a member of the G20 economies ?

- a) Argentina
- b) India
- c) Tunisia
- d) Mexico



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Economics Chapter 9 – International Trade Important MCQs

34	In which of the following sector FDI is not permissible ?
a)Telecom b)Aviation c)Atomic energy d)Defense	



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Economics Chapter 9 – International Trade Important MCQs

35	The effects of inflation on the price competitiveness of a country's products may be offset by:
a) An appreciation of the currency b) A revaluation of the currency c) A depreciation of the currency d) None of the above	



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Economics Chapter 9 – International Trade Important MCQs

36 The theory of absolute advantage states that

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



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Economics Chapter 9 – International Trade Important MCQs

37

Given the number of labour hours to produce wheat and rice in two countries and that these countries specialise and engage in trade at a relative price of 1:1 what will be the gain of country X?

Labour cost (hours) for production of one unit

	Wheat	Rice
Country X	10	20
Country Y	20	10

- a) 20 labour hours
- b) 10 labour hours
- c) 30 labour hours
- d) Does not gain anything



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Economics Chapter 9 – International Trade Important MCQs

38	Ricardo explained the law of comparative advantage on the basis of
a) opportunity costs b) the law of diminishing returns c) economies of scale d) the labour theory of value	



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Economics Chapter 9 – International Trade Important MCQs

39 Voluntary export restraints involve:

- a) an importing country voluntarily restraining the quantity of goods that can be exported into the country during a specified period of time
- b) domestic firms agreeing to limit the quantity foreign products sold in their domestic markets
- c) an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time
- d) quantitative restrictions imposed by the importing country's government.



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Economics Chapter 9 – International Trade Important MCQs

40	Non -tariff barriers (NTBs) include all of the following except:
- a)import quotas - b)tariffs - c)export subsidies - d)technical standards of products	



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Economics Chapter 9 – International Trade Important MCQs

41

Which of the following culminated in the establishment of the World Trade Organization?

- a) The Doha Round
- b) The Tokyo Round
- c) The Uruguay Round
- d) The Kennedy Round



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Economics Chapter 9 – International Trade Important MCQs

42	‘Bound tariff’ refers to - a)clubbing of tariffs of different commodities into one common measure - b)the lower limit of the tariff below which a nation cannot be taxing its imports - c)the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO. - d)the limit within which the country’s export duty should fall so that there are cheaper exports



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Economics Chapter 9 – International Trade Important MCQs

43	The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments
a) on increasing agricultural productivity and rural development b) market access and agricultural credit support c) market access, domestic support and export subsidies d) market access, import subsidies and export subsidies	



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Economics Chapter 9 – International Trade Important MCQs

44	The Agreement on Textiles and Clothing
a) provides that textile trade should be deregulated gradually and the tariffs should be increased b) replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974 c) granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries d) stipulated that tariffs in all countries should be the same	



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Economics Chapter 9 – International Trade Important MCQs

45	The most controversial topic in the yet to conclude Doha Agenda is
a) trade in manufactured goods b) trade in intellectual property rights-based goods c) trade in agricultural goods d) market access to goods from developed countries	



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Economics Chapter 9 – International Trade Important MCQs

46 Choose the correct statement

- a) An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency
- b) the fixed exchange rate regime is said to be efficient and highly transparent.
- c) A direct quote is the number of units of a local currency exchangeable for one unit of a foreign currency
- d) Exchange rates are generally fixed by the central bank of the country



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Economics Chapter 9 – International Trade Important MCQs

47 'Vehicle Currency' refers to

- a) a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties
- b) a currency that is traded internationally and, therefore, is in high demand
- c) a type of currency used in euro area for synchronization of exchange rates
- d) a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties



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Economics Chapter 9 – International Trade Important MCQs

48

Which of the following would be an example of foreign direct investment from Country X?

- a) A firm in Country X buys bonds issued by a Chinese computer manufacturer.
- b) A computer firm in Country X enters into a contract with a Malaysian firm for the latter to make and sell to it processors
- c) Mr. Z a citizen of Country X buys a controlling share in an Italian electronics firm
- d) None of the above



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Economics Chapter 9 – International Trade Important MCQs

49

Which of the following types of FDI includes creation of fresh assets and production facilities in the host country?

- a) Brownfield investment
- b) Merger and acquisition
- c) Greenfield investment
- d) Strategic alliances



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Economics Chapter 9 – International Trade Important MCQs

50	Which is the leading country in respect of inflow of FDI to India?
a) Mauritius b) USA c) Japan d) USA	



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Economics Chapter 9 – International Trade Important MCQs

51	The quantity of dollars supplied will decrease if:
a) imports into the United States increase. b) the expected future exchange rate falls c) the interest rate in the United States falls d) fewer U.S. residents travel abroad.	



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Economics Chapter 9 – International Trade Important MCQs

52	Which of the following is a zero-sum game?
a) Prisoners dilemma b) Competition for market share c) Pricing strategy d) None of the above is correct.	



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Economics Chapter 9 – International Trade Important MCQs

53	Terms of trade in developing countries are generally unfavorable because:
a) They export manufacturing products. b) They export primary products. c) They export few goods. d) Both A and C	



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Economics Chapter 9 – International Trade Important MCQs

54	Which of the following statements is/are correct regarding FDI under automatic route? a. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India. b. Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.
	a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2



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Economics Chapter 9 – International Trade Important MCQs

55 What is a Global Depository Receipt ?

- a) It is a receipt issued by multinational banks on deposit of money.
- b) It is a receipt issued by stock exchange to bank clearing mechanism.
- c) It is a receipt issued by an overseas bank in lieu of shares of a domestic company.
- d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.



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Economics Chapter 9 – International Trade Important MCQs

56	Money cost is considered by:
a) Modern theory of trade b) Comparative cost advantage c) New Trade theory d) None of these	



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Economics Chapter 9 – International Trade Important MCQs

57	First mover advantage theory is related to:
a) Absolute advantage theory b) Comparative cost advantage theory. c) New trade theory d) None of these	

ICAI answer of Q 57 is "A"
But logically it should be C
Follow "C" in exams



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Economics Chapter 9 – International Trade Important MCQs

58	Under which union they have or follow a common monetary policy and fiscal policy:
a) Economic Union b) Custom Union c) Common market d) None of these	



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Economics Chapter 9 – International Trade Important MCQs

59	ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?
a) Joint Venture b) Brownfield Investment c) Greenfield Investment d) Licensing	



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Economics Chapter 9 – International Trade Important MCQs

60	What is hedging?
a) Protection against extreme weather condition b) Protection against risk related to variation in Price movement in an asset. c) When exchange rate is unlocked for future supplies of foreign exchange d) None of these	



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Economics Chapter 9 – International Trade Important MCQs

61	Who Propounded the Price Equalization Theorem?
a) Paul Samuelson b) Alfred Marshall c) Irving Fisher d) Marx	



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Economics Chapter 9 – International Trade Important MCQs

62	The total member countries under WTO currently:
a)164 b)171 c)169 d)161	



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Economics Chapter 9 – International Trade Important MCQs

63	Which exchange rate regime is adopted by highest no of IMF members
a) Hard Peg b) Floting c) Free Floating d) Soft Peg	



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Economics Chapter 9 – International Trade Important MCQs

64	As of 1 st February 2021, how many Regional Trade Agreements (RTAs) were in force worldwide?
a) 239 RTAS b) 339 RTAS c) 439 RTAS d) 539 RTAS	



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Economics Chapter 9 – International Trade Important MCQs

65

Suppose the exchange rate between INR and EUR changes from 1 EUR = 80 INR to 1 EUR = 85 INR. What can be said about the change in the value of the INR relative terms to the EUR?

- a) INR has appreciated against EUR.
- b) INR has depreciated against the EUR.
- c) EUR has no effect against INR.
- d) EUR has depreciated against INR.



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Economics Chapter 9 – International Trade Important MCQs

66	What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say X and Y, and, X and Z)?
a) Bid rate b) Ask rate c) Spot rate d) Cross rate	



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Economics Chapter 9 – International Trade Important MCQs

67

Theory of Comparative cost advantage is_____ in nature and it_____ takes into account of factor price difference

- a) Positive; does
- b) Normative; does not
- c) Positive; does not
- d) Normative; does



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Economics Chapter 9 – International Trade Important MCQs

68	Group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries is referred as
a) Trading Bloc b) Free-trade area c) Customs union d) Economic and monetary union	



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Economics Chapter 9 – International Trade Important MCQs

69	Not a component of FDI according to IMF:
a) Equity capital b) Reinvestment earnings c) Portfolio investments d) Intra company loans	



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Economics Chapter 9 – International Trade Important MCQs

70	A total ban imposed by the government on imports or export of some or all commodities to particular country or regions for a specified or indefinite period is termed as
a) Embargos b) Safeguard measure c) Distribution restrictions d) Restrictive measures	



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1	A	11	B	21	D	31	C	41	C	51	D	61	A
2	A	12	C	22	A	32	B	42	C	52	B	62	A
3	A	13	D	23	B	33	C	43	C	53	B	63	D
4	B	14	D	24	B	34	C	44	B	54	C	64	B
5	B	15	B	25	B	35	C	45	C	55	C	65	B
6	B	16	B	26	B	36	B	46	C	56	A	66	D
7	C	17	A	27	C	37	B	47	A	57	C	67	B
8	C	18	C	28	B	38	D	48	C	58	A	68	A
9	A	19	C	29	B	39	C	49	C	59	C	69	C
10	A	20	A	30	C	40	B	50	A	60	B	70	A



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Economics Chapter 10 – Indian Economy Important MCQs

1	What is the primary objective of the Indian government's "Make in India" initiative?
a) To increase imports from other countries b) To promote local manufacturing and attract foreign investment c) To reduce domestic production costs d) To expand the agricultural sector	



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Economics Chapter 10 – Indian Economy

Important MCQs

2	The Indian government's policy of "Import Substitution Industrialization" (ISI) primarily aimed to:
a) Increase imports to stimulate economic growth b) Reduce dependence on foreign goods by promoting domestic industries c) Encourage foreign investment in local industries d) Expand the agricultural sector for export	



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Economics Chapter 10 – Indian Economy

Important MCQs

3	Who maintains a buffer stock of foodgrains in India ?
a) FCI b) NAFED c) Ministry of Agriculture d) None of these	



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Economics Chapter 10 – Indian Economy

Important MCQs

4

Assertion (A). New Economic Policy is to expand the economic wings of the country.

Reason (R) : Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes

- a) Both Assertion and Reason(R) are true, and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason(R) are true, and Reason(R) is not correct explanation of Assertion (A).
- c) Assertion (A) is true, but Reason (R) is false.
- d) Assertion (A) is false but Reason(R) are is true.



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Economics Chapter 10 – Indian Economy

Important MCQs

5	Which of the following is a primary objective of India's Five-Year Plans?

- a) To regulate and control foreign trade
- b) To promote balanced economic growth across all regions
- c) To discourage the private sector in favour of public enterprises
- d) To ensure foreign aid and capital inflows into the country



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Economics Chapter 10 – Indian Economy

Important MCQs

6	Which of the following is considered a major challenge to the Indian agricultural sector?

- a) Over-reliance on capital-intensive machinery
- b) Low level of technological adoption and irrigation facilities
- c) Excessive imports of agricultural products
- d) Lack of foreign investments in the sector



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Economics Chapter 10 – Indian Economy

Important MCQs

7	Which of the following sectors saw the highest growth rate after the economic reforms of 1991 in India?
- a)Agriculture - b)Industrial Sector - c)Services Sector - d)Mining and Quarrying	



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Economics Chapter 10 – Indian Economy

Important MCQs

8	Which policy was adopted to ensure world class industrial infrastructure which would attract cutting edge technology and boost FDI and local investment in the textile sector ?
a)PM-MITRA b)PM Gati Shakti National Master Plan c)National Logistic Policy d)Production Linked Incentive (PLI) Scheme	



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Economics Chapter 10 – Indian Economy

Important MCQs

9	During the British period modern industrial sector saw lopsided growth with the dominance of ____ industries.
a)Wool and cotton b)Nylon and silk c)Cotton and jute d)Silk and cotton	



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Economics Chapter 10 – Indian Economy

Important MCQs

10	From which year onwards, India followed the managed floating exchange rate system ?
a)1990 b)1991 c)1995 d)1993	



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Economics Chapter 10 – Indian Economy Important MCQs

11 FDI in telecom sector is raised to:

- a) 49%
- b) 51%
- c) 100%
- d) None of these



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Economics Chapter 10 – Indian Economy Important MCQs

12 Which of the following is NOT a function of NITI Aayog?

- a) Policy formulation and coordination
- b) Allocation of financial resources to states
- c) Promoting cooperative federalism
- d) Serving as a think tank for the government



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Economics Chapter 10 – Indian Economy Important MCQs

13	Devaluation of Indian Rupee in terms of US Dollar was in the year.
a)2019 b)2000 c)1981 d)1991	



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Economics Chapter 10 – Indian Economy

Important MCQs

14	The sequence of growth and structural change in Indian economy is characterized by
a) The historical pattern of prominence of sectors as agriculture, industry, services b) The historical pattern of prominence of sectors as industry, services, agriculture c) Unique experience of the sequence as agriculture, services, industry d) All the above are correct	



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Economics Chapter 10 – Indian Economy

Important MCQs

15	Merchandise Exports from India Scheme was replaced by -
a) Remission of Duties and Taxes on Export Products (RoDTEP) in 2021 b) National Logistics Policy (NLP) in 2020 c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019 d) None of the above	



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Economics Chapter 10 – Indian Economy Important MCQs

16 The Foreign Investment Promotion Board (FIPB)

- a) a government entity through which inward investment proposals were routed to obtain required government approvals
- b) no more exists as same is replaced by a new regime namely Foreign Investment Facilitation Portal
- c) no more exists as all inward investments are through automatic route and need no approval
- d) is the body which connects different ministries in respect of foreign portfolio investments



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Economics Chapter 10 – Indian Economy Important MCQs

17 FAME-India Scheme aims to

- a) Enhance faster industrialization through private participation
- b) to promote manufacturing of electric and hybrid vehicle technology
- c) to spread India's fame among its trading partners
- d) None of the above



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Economics Chapter 10 – Indian Economy

Important MCQs

18	In terms of Ease of Doing Business in 2020 India ranks
a)63 b)77 c)45 d)None of the above	



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Economics Chapter 10 – Indian Economy Important MCQs

19 E-NAM is -

- a) An electronic name card given to citizens of India
- b) National Agriculture Market with the objective of creating a unified national market for agricultural commodities.
- c) a pan-India electronic trading portal which networks the existing APMC mandis
- d) b) and c) above



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Economics Chapter 10 – Indian Economy Important MCQs

20	The 'Hindu growth rate' is a term used to refer to -
a)the high rate of growth achieved after the new economic policy of 1991 b)the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year c)the low growth of the economy during British period marked by an average of 3.5 percent d)the growth rate of the country because India is referred to as 'Hindustan'	



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Economics Chapter 10 – Indian Economy Important MCQs

21 The Industrial Policy Resolution (1948) aimed at -

- a) Market oriented economic reforms and opening up of economy
- b) A shift from state led industrialization to private sector led industrialisation
- c) an expanded role for the public sector and licensing to the private sector
- d) an expanded role of private sector a limited role of public sector



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Economics Chapter 10 – Indian Economy Important MCQs

22 The new economic policy of 1991 manifest in -

- a) State led industrialization and import substitution
- b) Rethinking the role of markets versus the state
- c) Emphasized the role of good governance
- d) Bringing about reduction in poverty and redistributive justice



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Economics Chapter 10 – Indian Economy

Important MCQs

23	Between the first and the _____ , India is believed to have had the largest economy of the ancient and the medieval world.
- a)the sixteenth century AD - b)the seventeenth century AD - c)the eighteenth century AD - d)the nineteenth century AD	



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Economics Chapter 10 – Indian Economy

Important MCQs

24	The period of British rule can be divided into two sub periods: The rule of East India Company was from
a)1758 to 1857 b)1757 to 1858 c)1756 to 1858 d)1758 to 1856	



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Economics Chapter 10 – Indian Economy

Important MCQs

25	Just after Independence, Literacy rate was just above ____ percent and barely ____ years of life expectancy in 1951
a)18, 32 b)17, 32 c)18, 34 d)17, 34	



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Economics Chapter 10 – Indian Economy

Important MCQs

26	At the end of the 19th century, the Indian jute mill industry was the _____ in the world in terms of the amount of raw jute consumed in production.
a)Largest b)Fifth Largest c)Fourth Largest d)Smallest	



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Important MCQs

27	The Indian government nationalized ____ banks in 1969 and then followed it up with nationalizing another ____ in 1980
a) 20 , 6 b) 6 , 20 c) 14 , 6 d) 6 , 14	



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Economics Chapter 10 – Indian Economy

Important MCQs

28	What is meant by the “institutional framework” of an economy?
a)The maximum capacity of the economy in the production process b)The level of investment in human capital c)The system of formal laws, regulations and procedures that shape economic activity in the economy d)Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy	



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Important MCQs

29	As per the economic survey 2023-24 the contribution of service sector is ____.
a)55% b)60% c)45% d)None of these	



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Economics Chapter 10 – Indian Economy Important MCQs

30 Nationalization means:

- a) Selling of government stake to private sector
- b) Selling of government companies to private sector
- c) Government purchasing 26% shares in private companies
- d) Taking of full control and management from Private Sector by the Government



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Economics Chapter 10 – Indian Economy

Important MCQs

31	Which of the following statement is true in relation to the object of The National Data and Analytics Platform (NDAP) ?
a)To ensure data security. b)To facilitate and improve access to Indian government data. c)To convert all government data in electronic form. d)To formulate national cyber security law	



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Economics Chapter 10 – Indian Economy

Important MCQs

32	Which government scheme supports and promotes organic farming, as well as the improvement of soil health?
a) National Rural Employment Guarantee Act (NREGA) b) Rastriya Krishi Vikas Yojana (RKVY) c) Pradhan Mantri Fasal Bima Yojana (PMFBY) d) Paramparagat Krishi Vikas Yojana (PKVY)	



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Economics Chapter 10 – Indian Economy

Important MCQs

33	Which initiative aims at the empowerment of Micro Small and Medium Enterprises (MSMEs)?
a)Udyami Bharat b)Start-up India c)Make in India d)Digital India	



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Economics Chapter 10 – Indian Economy Important MCQs

34	What is the full form of DPIIT?
a)Department for Promotion of Industry and International Trade	
b)Department for Promotion of Industrial and Internal Trade	
c)Directorate for Promotion of Industry and Internal Trade	
d)Department for Promotion of Industry and Internal Trade	



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Economics Chapter 10 – Indian Economy

Important MCQs

35	Which of the following is not the aim of Methanol Economy programme ?
a)Converting coal reserves and municipal solid waste into methanol. b)Reducing Greenhouse gas (GHG) emissions. c)Reducing India's oil import bill. d)Converting industrial waste into methanol.	



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Economics Chapter 10 – Indian Economy Important MCQs

36	PM Gati Shakti is related to
a) Empowerment of MSMEs b) Data based decisions related to integrated planning of multimodal infrastructure there by reducing the logistic cost. c) Manufacturing of electric and hybrid vehicle technology d) Automatic route for FDI	



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Economics Chapter 10 – Indian Economy

Important MCQs

37	M RTP act, 1969, is aimed at regulation of _____ which had relatively _____ market power.
a) Large Firms, large b) Large firms, small c) Small firms, small d) Small firms, medium	



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Economics Chapter 10 – Indian Economy

Important MCQs

38	The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the _____ route.
a)Automatic b)Green channel c)Government d)Trade	



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Economics Chapter 10 – Indian Economy

Important MCQs

39	We can say Indian agriculture has become modern since:
a)there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc. b)there has been noticeable positive change in the attitude of farmers towards new techniques of production c)farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management d)all of the above.	



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Important MCQs

40	Globalization indicate rapid ____ between countries:
a) Competition b) Investment c) Integration d) None of these	



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Economics Chapter 10 – Indian Economy

Important MCQs

1	B	6	B	11	C	16	B	21	C	26	A	31	B	36	B
2	B	7	C	12	B	17	B	22	B	27	C	32	D	37	A
3	A	8	A	13	D	18	A	23	B	28	C	33	A	38	A
4	A	9	C	14	C	19	D	24	B	29	A	34	D	39	D
5	B	10	D	15	A	20	B	25	A	30	D	35	D	40	C



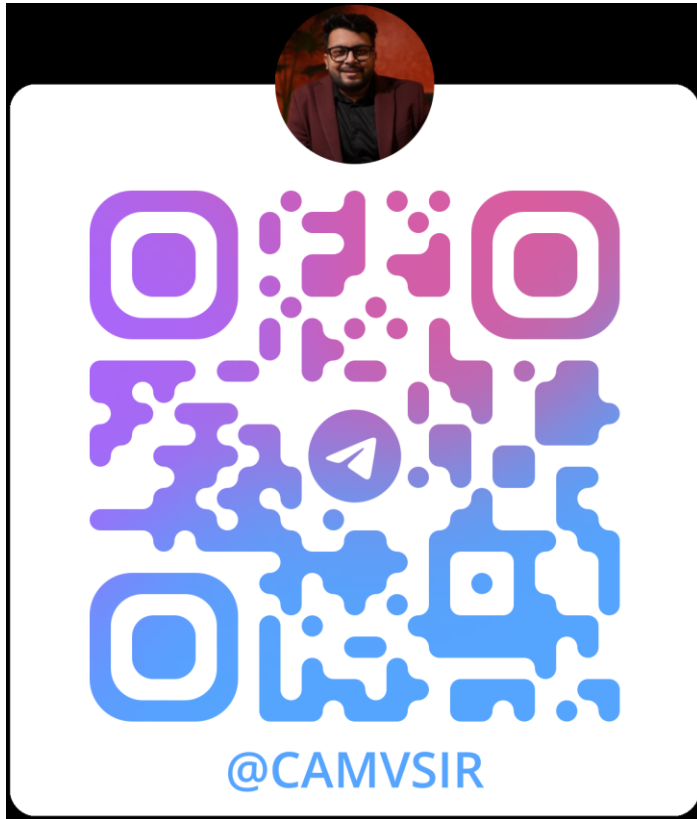
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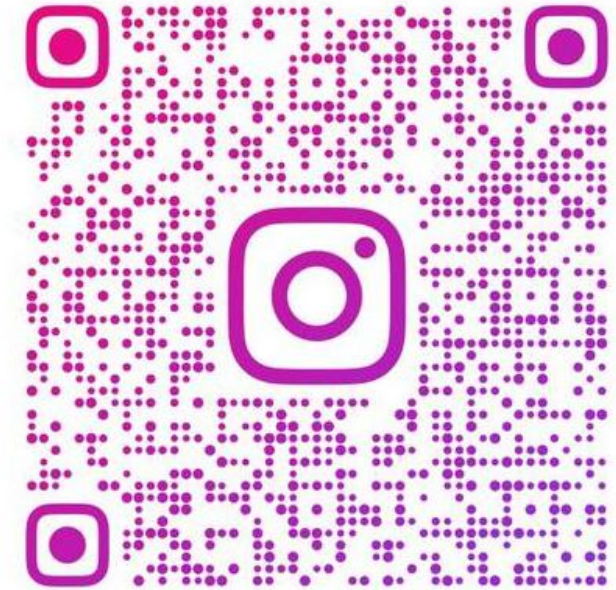


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