**BUSINESS ECONOMICS**

**(U21CO1A1)**

**UNIT – I**

1. An economy that allocates resources through the decentralized decisions of man, firms and households as they interact in markets for goods and services is called \_\_\_

a) Market economy b) Social economy c) Business economy d) None of these

Ans: a

2. In a \_\_\_ economy, the decisions of a central planner are replaced by the decisions of millions of firms and households.

a) Market economy b) Social economy c) Business economy d) None of these

Ans: a

3. Who is the father of Economics?

a) Alfred Marshall b) Adam Smith c) Lionnel Robbins d) Samuelson

Ans: b

4.Economics is a \_\_\_\_

a) Positive science b) Normative science c) Both d) None

Ans: c

5. Economics is derived from the greek word oikonomikus which means

a) Business management b) Economics c) house management d)wealth management

Ans: c

6. Capitalism refers to

a) the use of markets b) government ownership of capital goods

c) private ownership of capital goods d) private ownership of home & cars

Ans: c

7. The subject matter of Economics is to

a) ensure economic progress of the people b) run business

c) satisfy unlimited wants with limited means d) mobilize resources and to use them.

Ans:c

8. Economics is a science because \_\_\_

a) systematized study b) scientific laws c) has its own methodology d) all the above

Ans: d

9. The central problems of an economy arises because of \_\_\_\_

a) unlimited wants b) scarce resources having alternative uses

c) limited wants and unlimited resources d) both a and b

Ans: d

10. The central problems relating to allocation of resources –

a) What to produce b) How to produce? c) For whom to produce? d) all the above

Ans: d

11. The problem of what to produce relate to \_\_\_

a) the production of goods b) the technique of production to produce goods

c) the distribution of produced goods and services d) none of the above

Ans: a

12. Micro economics deals with \_\_\_

a) inflation in the country b) the economic behaviour of an individual unit

c) the per capita income d) the problems of poverty and unemployment in the country.

Ans: b

13. The objective of macro economics is to study about \_\_\_

a) problems, principles and policies relating to full employment of available resources

b) problems, principles and policies relating to optimum allocation of resources

c) growth of resources d) Both a and c.

Ans: d

14. Micro economics covers the study of A. consumer’s behaviour B. producer’s equilibrium C. Fiscal system of an economy D. Factor pricing

a) A and C b) B and D c) A, B and C d) A, B and D

Ans: d

15. Macro economics is also known as A. Method of lumping B. Price theory C. General equilibrium analysis D. Aggregative economics

a) A and B b) C and D c) A, C and D d) B, C and D

Ans: c

16. Which of the following is not correct?

a) Micro and Macro economics are complementary to each other.

b) Every macro-economic problem requires micro economic analysis for its proper understanding

c) Micro-economic behaviour can be added up to derive macro-economic behaviour

d) what is macro from the national angle is micro from world angle.

Ans: c

17. Micro economics does not cover \_\_\_\_

a) consumer behaviour b) factor pricing c) general price level d) product pricing

Ans: c

18. A mixed economy to solve its central problems relies on \_\_\_

a) Economic planning b) price mechanism c) price fixing d) Both a and b

Ans: d

19. In a socialist economy, the basic force of economic activity is profit. This statement is \_\_\_

a) correct b) incorrect c) partially correct d) None of these

Ans: b

20. The interference of the government is very limited in \_\_\_\_

a) Socialist economy b) capitalist economy c) mixed economy d) None of these

Ans: b

21. Both private and public sectors exist side by side in \_\_\_\_

a) China b) USA c) India d) Russsia

Ans: c

22. Which of the following is the central problem of an economy?

a) Assigning limited resources in a way that unlimited desires and needs of the society are satisfied.

b) Ensuring a minimum income for each citizen.

c) Assuring that production happens in the most effective way.

d) Analysing the demand with market economies

Ans: a

23. Which branch of economics is associated with the difficulty of resources allocation?

a) Econometrics b) Micro economics c) Macro economics d) None

Ans: b

24. The creation of choice is done by \_\_\_\_

a) Scarcity of resources b) Less choices

c) urgency of needs d) abundance of resources

Ans: a

25. What is known as the study of individual units?

a) Macro economics b) Micro economics

c) Income and employment theory d) development economics

Ans: b

26. What is the main cause of all economic problems?

a) abundance b) convenience c) Scarcity d) None of these

Ans: c

27. Study of aggregates is known as \_\_\_\_\_

a) Macro economics b) Micro economics c) Price theory d) Development economics

Ans: a

28. What is the name of the book written by J.M. Keynes?

a) Wealth of Nation b) Political economy c) The general theory of employment, interest and money d) None of these

Ans: c

29. When was the famous book of Keynes published?

a) 1930 b) 1931 c) 1936 d) 1940

Ans: c

30. Who is known as the father of modern Macro economics?

a) Adam Smith b) J.M.Keynes c) Samuelson d) Hicks

Ans: b

31. Which branch of economics studies the national income?

a) Micro economics b) Macro economics c) Price theory d) Development economics

Ans: b

32. The statement “The capitalist economy works for social welfare” is \_\_\_

a) correct b) incorrect c) partly correct d) None of these

Ans: b

33. The three fundamental questions of economic organization are \_\_\_\_

a) When, for whom and how b) how, what and for whom

c) who,how and when d) what, who and why

Ans: b

34. In a free market economy, the allocation of resources is determined by \_\_\_

a) votes taken by consumers b) a central planning authority

c) by consumer preferences d) the level of profits of firms

Ans: c

35. The growth of an economy is indicated by an increase in \_\_\_\_\_

a) savings b) investment c) general prices d) national income

Ans: d

36. Business Economics is also known as \_\_\_\_\_

a) Managerial economics b) Economics for Executives

c) Economic analysis for business decisions d) All the above

Ans: d

37. Economics is \_\_\_\_

a) positive science only b) Neither a positive nor normative science

c) Science but not art d) Science or an art

Ans: d

38. The father of New Economics is \_\_\_

a) Marshall b) J.M.Keynes c) Adam Smith d) Karl Marx

Ans: b

39. Macro economics deals with \_\_\_\_

a) the behaviour of firms b) economic aggregates

c) behaviour of electronic industry d) activities of individual units

Ans: b

40. The principal reasons behind economic problems

a) unlimited wants b) limited or scarce of means c) alternative uses of means d) all the above

Ans: d

41. Micro economics is not concerned with the behaviour of \_\_\_\_

a) consumers b) aggregate demand c) firms d) industries

Ans: b

42. Which of the following are not related to factors of products?

a) land b) labour c) raw material d) capital

Ans: c

43. \_\_\_\_ is the remuneration for organization.

a) rent b) wages c) interest d) profit

Ans: d

44. \_\_\_ input factor is divided as skilled, semiskilled and unskilled.

a) land b) capital c) labour d) technology

Ans: c

45. Business economics is \_\_\_\_ in nature.

a) Micro b) Macro c) Modern d) Development

Ans: a

46. Macro economics does not study \_\_\_\_\_\_\_\_\_\_\_\_.

a) Whole economy b) National income c) Aggregate supply d) Product pricing

Ans: d

47. Economics is a study of mankind in the ordinary business of life – It is the statement of

a) Lionnel robbins b) Adam Smith c) Alfred Marshall d) Samuelson

Ans: c

48. Which one of the following is not a topic within macro economics?

a) Fiscal policy b) Monopoly market

c) Monetary policy d) Supply side economics

Ans: b

49. Which of the following is a micro economics statement?

a) The real domestic output increased by 2.5.percent last year.

b) Unemployment was 9.8 percent of the labour force last year.

c) The price of wheat determines its demand.

d) The general price level increased by 4 percent.

Ans: c

50. Which theory is generally included under micro economics?

a) Price theory b) income theory c) employment theory d) trade theory

Ans: a

51. The process of reasoning from general to particular is

a) deductive method b) inductive method c) normative method d) positive method

Ans: a

52. Inductive method is also called \_\_\_

a) Empirical method b) Analytical method c) Both A and B d) None

Ans: a

53. Deductive method is also called as \_\_\_

a) Analytical method b) Abstract method c) Both A and B d) None

Ans: c

54. Micro and Macro means \_\_\_\_ and \_\_\_\_ respectively.

a) small and large b) large and small c) large and aggregate d) tiny and small

Ans: a

55. Which is the correct one?

A. Adam Smith i) Growth definition

B. Alfred Marshall ii) Scarcity definition

C. Lionel Robbins iii) Welfare definition

D. Samuelson iv) Wealth definition

a) A-iv;B-iii;C-ii;D-i b) A-i; B-ii;C-iii; D-iv c) A –iv; B-iii; C-iv; D-ii d) A-ii;B-iv;C-i’d-iii

Ans: a

56. Choose the correct pair.

a) Micro economics – National income b) Macro economics – Aggregate output

c) Distribution – creation of utility d) Production – place utility

Ans: b

57. Who determines prices in a capitalist economy?

a) Government b) Big corporates c) market forces d)None of the above

Ans: c

58. Which among the following is a guiding force for the capitalist economy?

a) Social service b) Private property c) competition d) profit motive

Ans:; d

59. In which type of economy is government interference limited?

a) Socialist economy b) Market economy c) mixed economy d) None of the above

Ans: b

60. Which of the following is limitation of a mixed economy?

a) High taxation and less incentive b) All profits go to the government

c) Restricts on personal freedom d) Uneven distribution of resources

Ans: a

**UNIT – II**

1. The basis for the law of demand is related to

a) Law of supply b) Law of diminishing marginal utility

c) Law of Equi-marginal utility c) Gossen’s law

Ans: b

2. The law of demand states that, other things remaining the same, the higher the price of a good, the

a) smaller is the demand for the good. b) smaller is the quantity of the good demanded.

c) larger is the quantity of the good demanded d) larger is the demand for the good.

Ans: a

3. The law of demand states that the quantity of a good demanded varies

a) inversely with its price. b) directly with population.

c) directly with income. d) inversely with the price of substitute goods.

Ans: a

4. The law of demand implies that demand curves

a) shift leftward. b) shift rightward whenever the price rises.

c) slope down. d) slope up.

Ans: c

5. A substitute is a good

a) of higher quality than another good. b) that is not used in place of another good.

c) that can be used in place of another good. d) of lower quality than another good.

Ans: c

6. The demand for a good increases when the price of a substitute \_\_\_\_\_\_\_\_ and also increases when the price of a complement \_\_\_\_\_\_\_\_.

a) falls; falls b) rises; falls c) rises; rises d) falls; rises

Ans: b

7. Increase in demand occurs due to:

a) decrease in price of the complementary good b) increase in income of the consumer

c) increase in price of the substitutes d) all of these

Ans: d

8. Law of demand is violated when:

a) income effect is negative b) substitution effect is negative

c) negative income effect is greater than substitution effect

d) negative income effect is less than substitution effect

Ans: c

9. Different quantities purchased at different possible prices of a commodity is called:

a) demand schedule b) quantity demanded c) demand function d) individual demand

Ans: a

10. Diagrammatic presentation of demand schedule of an individual buyer of a commodity in the market yields:

a) market demand schedule b) individual demand curve

c) individual demand schedule d) market demand curve

Ans: b

11. In case of normal goods, the relationship between income and quantity demanded is:

a) negative b) positive c) zero d) infinite

Ans: b

12. In case of giffen goods, demand curve is:

a) upward sloping b) downward sloping c) parallel to X-axis d) parallel to Y-axis

Ans: a

13. An increase in the price of computer will cause the demand for internet services to:

a) rise b) remain the same c) fall d) none of these

Ans: c

14. If the price of a good is above the equilibrium price,

a) There is a surplus and the price will rise. b) There is a shortage and the price will fall.

c) There is a shortage and the price will rise.

d) There is a surplus and the price will fall.

Ans: d

15. If the price of a good is equal to the equilibrium price,

a) There is a shortage and the price will fall.

b) The quantity demanded is equal to the quantity supplied and the price remains unchanged.

c) There is a surplus and the price will rise.

d) There is a shortage and the price will rise.

Ans: b

16. If a small percentage increase in the price of a good greatly reduces the quantity demanded for that good, the demand for that good is

a) Income inelastic. b) Price inelastic. c) Price elastic. d) Unit price elastic. Ans: c

17. The price elasticity of demand is defined as

a) The percentage change in the quantity demanded divided by the percentage change in income.

b) The percentage change in income divided by the percentage change in the quantity demanded.

c) The percentage change in the quantity demanded of a good divided by the percentage change in the price of that good.

d) None of these answers.

Ans: c

18. Which of the following would cause a demand curve for a good to be price inelastic?

a) The good is a luxury. b) There are a great number of substitutes for the good.

c) The good is a necessity. d) The good is an inferior good.

Ans: c

19. If the cross-price elasticity between two goods is negative, the two goods are likely to be:

a) Substitutes. b) Complements. c) Necessities. d) Luxuries.

Ans: b

20. If the income elasticity of demand for a good is negative, it must be:

a) An elastic good. b) An inferior good c) A normal good d) A luxury good.

Ans: b

21. The sensitivity of the change in quantity demanded to a change in price is called:

a) Income elasticity b) Cross-elasticity

c) Price elasticity of demand d) Coefficient of elasticity.

Ans: c

22. Two goods are \_\_\_\_\_\_\_\_\_\_\_\_\_ if the quantity consumed of one increases when the price of the other decreases.

a) Normal b) Superior c) Complementary d) Substitute

Ans: c

23. If the price elasticity of demand for a good is 0.75, the demand for the good can be

described as:

a) Normal b) Elastic c) Inferior d) Inelastic.

Ans: b

24. Demand for a commodity refers to

a) Desire for the commodity b) Need for the commodity

c) Quantity demanded of that commodity

d) Quantity of the commodity demanded at a certain price during any particular of time

Ans: d

25. Demand for a commodity depends on

a) Price of that commodity b) Price of related goods c) Income d) All the above

Ans: d

26. Law of demand establishes

a) Inverse relationship between price and quantity

b) Positive relationship between price and quantity

c) Both d) none

Ans: a

27. The fall in the price of one commodity leads to fall in demand for other commodity and vice versa for

a) Substitutes b) Complementary c) Both (a) and (b) d) None of the above

Ans: a

28. The value of elasticity of demand ranges from

a) Zero to one b) One to infinity c) Zero to infinity d) None of these

Ans: c

29. The concept of elasticity of demand was introduced by

a) Alfred Marshall b) Keynes c) Ferguson d) Adam Smith

Ans: a

30. The movement on or along the given demand curve is known as \_\_\_  
a) extension and contraction of demand b) shifts in the demand

c) increase & decrease in demand d) all the above

Ans: a

31. In case of relatively more elastic demand the shape of the curve is \_\_\_

a) horizontal b) vertical c) steeper d) flatter

Ans: d

32. Higher Indifference curve indicates \_\_\_\_\_\_\_\_

a) Higher cost b) Lower cost

c) Higher level of satisfaction d) Lower level of satisfaction

Ans: c

33. Elasticity of demand is equal to one indicates

a) Unitary elastic demand b) Perfectly elastic demand

c) Perfectly inelastic demand d) Relatively elastic demand

Ans: a

34. Increase in demand is caused by

a) increase in tax b) increase in subsidy

c) increase in interest rate d) decline in population

Ans: b

35. The law of diminishing marginal utility is otherwise known as \_\_\_\_

a) law of demand b) law of indifference curve

c) Gossen’s first law of consumption d) law of substitution

Ans: c

36. A change in the quantity demanded in response to a change in the price is called \_\_\_\_

a) Elasticity of supply b) Elasticity of demand

c) Unitary elasticity d) Concept of elasticity

Ans: b

37. There are \_\_\_ kinds of price elasticity.

a) two b) three c) four d) five

Ans: d

38. Demand curve slope downward due to law of diminishing marginal utility.

a) Correct b) incorrect c) partly correct d) None

Ans: a

39. A. Indifference curve slope downwards from left to right.

B. Indifference curves are convex to the origin.

a) A and B are true b) only A is true c) Only B is true d) A and B are false.

Ans: a

40. The long run production function is explained by

a) law of demand b) law of supply c) returns to scale d) law of variable proportions

Ans: c

41. The technical relationship that obtains between inputs and outputs is known as

a) factors of production b) production function

c) entrepreneurial function d) None of these

Ans: b

42. Economies of scale \_\_\_\_ the cost of production and diseconomies of scale \_\_\_\_ the cost of production.

a) reduces, reduces b) reduces, increases c) increases, reduces d) increases, increases

Ans: b

43. Which one of the following is used to compute price elasticity of demand?

a) % change in quantity demanded b) change in quantity demanded

% change in price National income

c) % change in quantity demanded d) % change in price

100 % change in supply

Ans: a

44. A graph of the relationship between the price of a goods and the quantity demanded, called

a) Supply curve b) demand curve c) market curve d) none of these

Ans: b

45. Cross elasticity is \_\_\_\_ for substitutes and \_\_\_\_ for complements.

a) positive, positive b) positive, negative c) negative, positive d) negative, negative

Ans: b

46. If the demand for the product does not change with the small change in price then the demand is said to be

a) interactive b) augmented c) elastic d) inelastic

Ans: d

47. The demand curve for prestige goods slopes

a) upward b) downward c) leftward d) rightward

Ans: a

48. Production function is an expression of technical relationship between \_\_\_\_

a) demand and supply b) purchases and sales

c) inputs and outputs d) all the above

Ans: c

49. In the \_\_\_ all factors or inputs become variable and no input is fixed.

a) long run b) short run c) law of variable proportions d) None

Ans: b

50. The law of variable proportions is also called as \_\_\_

a) law of diminishing marginal returns b) law of increasing marginal returns

c) law of returns d) law of proportionate returns.

Ans: c

51. Iso-quant is always \_\_\_ sloping.

a) downward b) upward c) concave d) positive

Ans: a

52. Two iso-quant curves \_\_\_\_ intersect each other.

a) can b) always c) do not d) may

Ans: c

53. Economies of scale are the cost \_\_\_\_

a) disadvantages b) structure c) analysis d) advantages

Ans: d

54. \_\_\_\_ are the cost advantages enjoyed by the firm which expands its production.

a) internal economies b) external economies c) internal differences d) monopoly and power

Ans: a

55. \_\_\_\_ is called the optimal contribution of factor inputs or producer’s equilibrium.

a) Least cost factor combination b) list of cost and factors

c) linear cost function d) law of variable proportions

Ans: a

56. Iso-quants are \_\_\_ to each other.

a) opposite b) not parallel c) parallel d) tangent

Ans: c

57. In production function, production is a function of

a) price b) factors of production c) total expenditure d) all of these

Ans: b

58. Long run production function is related to

a) law of demand b) law of increasing returns c) laws of returns to scale d) all of these

Ans: c

59. Economies of scale yields

a) increase cost on all products b) reduced cost per unit c) higher cost per unit d) None

Ans: b

60. \_\_\_\_ shows the overall output generated at a given level of input.

a) Cost function b) Iso quant curve c) production function d) all the above

Ans: c

**UNIT – III**

1. The degree of responsiveness of change in supply to change in price is called

a) law of supply b) elasticity of supply c) elasticity of demand d) production

Ans: b

2. Factors governing elasticity of supply

a) Nature of the commodity b) cost of production c) time factor d) all of these

Ans: d

3. A measure of how much the quantity supplied of a goods responds to a change in price of that goods is \_\_\_\_\_\_\_\_\_\_\_.

a) Mode elasticity of demand b) Price elasticity of demand c) cost elasticity of demand d) none

Ans: b

4. The claim that, other things equal, the quantity supplied of a goods rises when the prie of goods rises known as \_\_\_\_

a) law of economic b) law of supply c) law of demand d) all of these

Ans: b

5. The amount of goods that sellers are willing and able to sell is called

a) quantity supplied b) quantity demanded c) market force d) control of sale

Ans: a

6. A graph of the relationship between the price of a goods and the quantity supplied is called

a) price curve b) quantity curve c) supply curve d) all of these

Ans: c

7. Supply schedule shows the relationship between the \_\_\_\_ of a goods and supply.

a) demand b) price c) quantity d) all of these

Ans: b

8. Exceptions to the law of supply are

a) Perishable products b) products which cannot be stored

c) Goods having social distinction d) all of these

Ans: d

9. Slope of the supply curve measures the rate at which

a) quantity demanded changes with respect to its price

b) quantity supplied changes with respect to its price

c) quantity produced changes with respect to its price

d) none of the above

Ans: b

10. Government decided to increase excise duty on the production of a given good. What will be its impact on the supply of good?

a) supply will increase b) supply will decrease

c) no impact on supply d) None

Ans: b

11. In the long period, the supply for a commodity is

a) perfectly elastic b) perfectly inelastic c) highly elastic d) less elastic

Ans:c

12. All the supply curves which pass through the origin are

a) highly elastic b) unitary elastic c) perfectly elastic d) less elastic

Ans: b

13. Which one of the following is not a essential element of supply?

a) Price of the commodity b) period of time c) willingness to buy d) quantity

Ans: c

14. Market period is a time period during which:

a) supply cannot be adjusted to meet changed demand conditions

b) supply can be fully adjusted to meet changed demand conditions

c) change in supply is limited to available capacity

d) any change in supply is possible.

Ans: a

15. Which of the following factors will not cause an increase in supply?

a) fall in the price of factor inputs b) improved production technology

c) fall in the price of the goods d) reduced taxes on the goods

Ans: c

16. The co-efficient of elasticity of supply is a positive number.

a) True b) False c) nothing can be interpreted d) None

Ans: a

17. 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 price of a book

c) an increase in the expected future price d) an increase in the price of the paper

Ans: b

18. Which of the following statements is correct?

a)There is difference between supply and stock.

b) Supply doesn’t depend on govt’s tax policy.

c) Stock is quantity which comes to market for sale.

d) Stock and supply are always equal.

Ans: a

19. Supply during very short period would be \_\_\_\_

a) perfectly elastic b) perfectly inelastic c) elastic d) none of these

Ans:b

20. Supply refers to quantity supplied at a particular price for a particular period of time.

a) True b) False c) partly true d) none

Ans: a

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

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

Ans: a

22. The supply of goods refers to :

a) actual production of goods b) total stock of goods

c) stock available for sale d) amount of goods offered for sale

Ans: d

23. When change in the quantity supplied is proportionate to the change in the price, the producer is said to have \_\_\_\_

a) perfectly elastic supply b) relatively elastic supply

c) unitary elastic supply d) perfectly inelastic supply

Ans: c

24. Increase or decrease in supply means \_\_\_

a) shift in supply curve b) movement along same supply curve

c) Both a and b d) neither a nor b

Ans: b

25. Short run price is also called by the name of \_\_\_\_

a) market price b) showroom price c) maximum retail price d) none of these

Ans: a

26. A perfectly inelastic supply curve will be

a) parallel to X axis b) parallel to Y axis c) downward sloping d) none of these

Ans: b

27. When supply curve shifts to the right there is \_\_\_\_ in supply.

a) an increase b) expansion c) contraction d) decrease

Ans: b

28. Expansion in supply refers to a situation when the producers are willing to supply a larger quantity of the commodity

a) at an increased price b) due to increased taxation on that commodity

c) at the same price d) at the decreased price

Ans: c

29. Expenditure incurred on various inputs to produce goods and services is called

a) cost of production b) revenue c) fixed cost d) variable cost

Ans: a

30. Actual payment made on hired factors of production is called

a) implicit cost b) explicit cost c) fixed cost d) variable cost

Ans: b

31. Those costs vary directly with the change in the level of output is called

a) implicity cost b) explicit cost c) fixed cost d) variable cost

Ans: d

32. Total cost increases at an increasing rate when marginal cost is

a) constant b) increasing c) decreasing d) negative

Ans: b

33. Which of the following is correct?

a) When MC curve lies below AVC curve, AVC decreases.

b) When MC curve lies above AVC curve, AVC increases

c) MC curve intersect AVC at its minimum point

d) all of these

Ans: d

34. Cost of exertion, pains and sacrifices is known as

a) opportunity costs b) production costs c) real costs d) explicit costs

Ans: c

35. Salary and wages paid to workers is an example of

a) explicit cost b) implicit cost c) opportunity cost d) all of these

Ans: a

36. When production level is zero, then fixed cost is

a) zero b) positive c) negative d) equal to variable cost

Ans: b

37. Which of the following is fixed cost?

a) Electricity bills b) Raw material c) daily wages d) interest on capital

Ans: d

38. Total cost can be calculated as

a) TFC + TVC b) TFC – TVC c) TFC x TVC d) none

Ans: a

39. Average revenue equals:

a) Total revenue divided by the quantity produced b) Price

c) Both a and b d) None

Ans: c

40. If MR = 0, AR will be

a) rising b) falling c) zero d) constant

Ans: b

41. When TR is rising MR will be

a) falling b) rising c) constant d) may rise or fall

Ans: d

42. Marginal revenue of a firm is addition to TR by selling

a) an additional unit of output b) entire output

c) first unit of output d) both b and c

Ans: a

43. A balloon seller has decided that he will sell all his balloons at a fixed price of Rs. 10 each. TR curve will be:

a) horizontal straight line parallel to the X axis

b) vertical straight line parallel to the Y axis

c) positively sloped straight line passing from the origin

d) downward sloping straight line

Ans: c

44. When the rate of fall in MR is more than fall in AR:

a) price increases with increase in output b) price decreases with increase in output

c) price remains constant d) none of these

Ans: b

45. When price falls with rise in output, then

a) MR falls quickly than AR b) MR falls slowly than AR

c) Both MR and AR fall at the same rate d) MR and AR do not change

Ans: a

46. When an economist uses the term "cost" referring to a firm, the economist refers to the

a) explicit cost of producing a good or service.

b) price of the good to the consumer.

c) cost that can be actually verified and measured.

d) opportunity cost which includes both implicit and explicit cost.

Ans: d

47. A cost paid in money is

a) not an opportunity cost. b) an explicit cost and an opportunity cost.

c) an implicit cost and an opportunity cost. d) an explicit cost but not an opportunity cost.

Ans: b

48. \_\_\_\_\_\_\_\_ cost is defined as a cost of production that does not entail a direct money payment.

a) A fixed b) An implicit c) A marginal d) An explicit

Ans: b

49. Which of the following is an example of an implicit cost?

a) the economic depreciation of capital equipment the business owns

b) the cost of fuel and materials. c) wages paid to workers d) rent on a building

Ans: a

50. Which of the following costs can be positive when output is zero?

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

Ans: c

51. The total variable cost curve \_\_\_\_\_\_\_\_ because \_\_\_\_\_\_\_\_ as output increases.

a) slopes upward; variable cost increases b) slopes upward; marginal cost increases

c) is horizontal; fixed cost does not change d) slopes downward; variable cost increases

Ans: a

52. When marginal cost is positive, total cost is \_\_\_\_\_\_\_\_ as output increases.

a) constant b) increasing c) undefined d) negative

Ans: b

53. If total fixed cost increases, which of the following will NOT change?

a) total cost b) all costs.

c) marginal cost d) average total cost

Ans: c

54. Which of the following always decreases when output increases?

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

Ans: b

55. If average variable costs increase as output increases, then

a) output must be zero. b) total fixed cost must be increasing also.

c) total cost must be constant. d) marginal cost must be greater than average variable cost.

Ans: d

56. The long-run average cost curve

a) is constructed using the short-run marginal cost curves.

b) is an upside down U-shape.

c) shows economies and diseconomies of scale.

d) Both answer A and answer B are correct.

Ans: c

57. In a perfect competitive market, a firm in the long run operates at the level of output where

a) AC = MC when MC is lowest b) MC = AR + MR when MC is lowest

c) MR = MC d) AR = MR = AC = MC

Ans: d

58. A. Long run average cost curve is flat U shaped.

B. Long run average cost curve is called an envelope curve

a) Only A is correct b) Only B is correct c) Both A & B are correct d) Both A & B are wrong

Ans: c

59. Profits are maximized at a point where

a) MR = MC b) MR > MC c) MC > MR d) AC > MC

Ans: a

60. Total production will be maximum when

a) Marginal production is maximum b) Average production is maximum

c) Marginal production is zero d) Average production is equal to the marginal production

Ans: c

UNIT – IV

1. In which of the following type of market structure, price will be very high?

a) perfect competition b) monopoly c) duopoly d) oligopoly

Ans: b

2. Equilibrium condition of a firm under perfect competition is \_\_\_.

a) MC = MR b) MC> MR c) MC < MR d) MR = price

Ans: a

3. Which of the following is a feature of monopolistic competition?

a) one seller b) few sellers c) product differentiation d) no entry

Ans: c

4. A firm under monopoly can earn \_\_\_ in the short run.

a) normal profit b) loss c) super normal profit d) huge loss

Ans: c

5. There is no excess capacity under \_\_\_

a) Monopoly b) monopolistic competition c) oligopoly d) perfect competition

Ans: d

6. Profit of a firm is obtained when \_\_\_\_

a) TR < TC b) TR – MC c) TR > TC d) TR = TC

Ans: c

7. Another name of price is \_\_\_

a) Average revenue b) Marginal Revenue c) Total revenue d) Average cost

Ans: a

8. In which type of market, AR and MR are equal.

a) Duopoly b) Perfect competition c) Monopolistic competition d) oligopoly

Ans: b

9. Perfect competition assumes \_\_\_

a) luxury goods b) producer goods c) differentiated goods d) homogeneous goods

Ans: d

10. In monopolistic competition, the essential feature is \_\_\_

a) same product b) selling cost c) single seller d) single buyer

Ans: b

11. Monopolistic competition is a form of \_\_\_\_

a) oligopoly b) duopoly c) imperfect competition d) monopoly

Ans: c

12. Price leadership is the attribute of \_\_\_\_

a) perfect competition b) monopoly c) oligopoly d) monopolistic competition

Ans: c

13. The average revenue curve under monopolistic competition will be \_\_\_

a) perfectly inelastic b) perfectly elastic c) relatively elastic d) unitary elastic

Ans: c

14. Under perfect competition, the shape of demand curve of a firm is \_\_\_\_

a) vertical b) horizontal c) negatively sloped d) positively sloped

Ans: b

15. In which market form, does absence of competition prevail?

a) perfect competition b) monopoly c) duopoly d) oligopoly

Ans: b

16. Which of the following involves maximum exploitation of consumers?

a) perfect competition b) monopoly c) monopolistic competition d) oligopoly

Ans: b

17. An example of selling cost is \_\_\_\_

a) raw material cost b) transport cost c) purchasing cost d) advertisement cost

Ans: d

18. The concept of imperfect competition was propounded by \_\_\_\_\_

a) J.M. Keynes b) Irving Fisher c) Marshall d) Joan Robinson

Ans: d

19. Identify the wrong statement about the features of Duopoly.

a) There is product differentiation.

b) They fix the price for their product to maximize their profit.

c) Each seller is fully aware of his rival’s motive and actions.

d) Both sellers may collude regarding the sale of commodity.

Ans: a

20. Group of firm is known as \_\_\_\_

a) firms b) industry c) market d) none of these

Ans: b

21. TR = TC is

a) profit b) loss c) break even point d) all of these

Ans: c

22. First degree of price discrimination is named as

a) perfect discriminating monopoly b) imperfect discriminating monopoly

c) sub market d) none of these

Ans: a

23. Oligopoly is a form of

a) perfect competition b) monopoly c) monopolistic competition d) imperfect competition

Ans: d

24. Price rigidity is the attribute of

a) perfect competition b) oligopoly c) duopoly d) monopoly

Ans: b

25. A firm under perfect competition can earn \_\_\_ in the long run.

a) normal profit b) loss c) more loss d) super normal profit

Ans: a

26. \_\_\_ is the example of monopoly market.

a) Electricity Board b) LIC c) Bank d) Automobile industry

Ans: a

27. \_\_\_\_ is also called as international price discrimination.

a) oligopoly b) dumping c) duopoly d) doubling

Ans: b

28. \_\_\_ is a market in which a single producer faces a single consumer.

a) Bilateral oligopoly b) Bilateral monopoly c) monopoly d) oligopoly

Ans: b

29. In \_\_\_\_\_\_\_\_\_ market there are two sellers.

a) Monopoly b) duopoly c) monopsony d) oligopoly

Ans: b

30. Under perfect competition \_\_\_ price prevails in the market.

a) high price b) low price c) uniform price d) none of these.

Ans: c

31. \_\_\_\_ is an example for state monopoly.

a) Stamp paper b) nickel c) car d) railways

Ans: d

32. Under monopolistic competition

A. The demand curve is downward sloping.

B. There is no close substitutes.

a) Only A is true b) Only B is true c) Both are true d) both are false

Ans: a

33. Under perfect competition,

A. A firm achieve its equilibrium in the short period when MC = MR.

B. In the long period there are two conditions: i) MC = MR and ii) AC = AR

a) Only A is true b) Only B is true c) Both are true d) both are false

Ans: c

34. A. Under perfect competition, the firms are price taker.

B. Under monopoly firms are price maker.

a) Only A is true b) Only B is true c) Both are true d) both are false

Ans: c

35. A market situation in which there are only few sellers & each seller can influence its price-output policy is called

a) oligopoly b) monopoly c) monopolistic d) duopoly

Ans: a

36. The concept of perfect competition was first defined by \_\_\_\_\_\_\_\_\_.

a) Marshall b) Jevons c) Leon walras d) Lillian Gilberth

Ans: c

37. The perfect competition is characterized by

a) Producers are price takers b) firms selling identical products

c) presence of many firms d) all of these

Ans: d

38. The monopolist faces

a) a downward sloping average revenue curve

b) a downward sloping demand curve

c) both a and b d) none of the above

Ans: c

39. Two conditions are required to be there for the equilibrium under monopoly. These are

a) MR = MC and MC cuts the MR from above

b) MR = MC and MR cuts the MC from below

c) MR = AR and MC cuts the MR from below

d) MR = MC and MC cuts the MR from below

Ans: d

40. Industry with few firms is termed as

a) monopoly b) oligopoly c) perfect competition d) none

Ans: b

41. Homogeneity of product is characteristic of

a) monopoly b) oligopoly c) perfect competition d) none

Ans: c

42. Which type of competition is characterized by absence of transaction costs?

a) oligopoly b) monopolistic c) monopoly d) perfect competition

Ans: d

43. For maximization of profit in the short run, the condition is

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

Ans: b

44. Under perfect competition, price of the product

a) can be controlled b) cannot be controlled c) can be controlled with a limit d) none

Ans: b

45. Which one is not normally possible in case of monopoly?

a) MC = MR b) AC = AR c) MR = AR d) MR = price

Ans: c

46. In the case of monopolistic competition

a) MR curve cannot be defined b) AR curve cannot be defined

c) short run supply curve cannot be defined d) none of the above

Ans: c

47. In case of monopoly, a firm in the long run can have

a) loss b) profit c) break even d) all of these

Ans: b

48. A situation where there is only one buyer is called

a) Monopoly b) duopoly c) monopsony d) monopolistic

Ans: c

49. The kinked demand curve explains

a) price rigidity b) price flexibility c) demand rigidity d) demand flexibility

Ans: a

50. The term group equilibrium is related to

a) monopolistic competition b) oligopoly c) duopoly d) perfect competition

Ans: a

51. The equilibrium is unstable and indeterminate under

a) Edgeworth model b) Cournot model c) Sweezy model d) Pareto model

Ans: a

52. Each seller determines his price on the assumption that his rival will keep his price constant under

a) Edgeworth model b) priceleadership c) Betrand’s model d) Cournot model

Ans: c

53. The upper portion of the kinked demand curve is relatively

a) more inelastic b) more elastic c) less elastic d) inelastic

Ans: b

54. Which of the following curve is not U shaped?

a) AVC b) AFC c) AC d) MC

Ans: b

55. Efficient allocation of resources is achieved to greatest extent under

a) monopoly b) perfect competition c) oligopoly d) monopolistic competition

Ans: b

56. Marginal cost curve cuts the average cost curve from below at

a) its lowest point b) the left of the lowest point

c) right of the lowest point d) any of the above.

Ans; a

57. If the demand curve confronting an individual firm is perfectly elastic, then firm is

a) price taker b) adjust output c) adjust price d) all the above

Ans: a

58. A firm’s marginal revenue

a) is always negative b) can be positive

c) is always positive d) positive at which the total revenue is maximum

Ans: d

59. Cartels is a form of

a) Collusive oligopoly b) monopoly c) non-collusive oligopoly d) none

Ans: a

60. Monopolistic competition market has

a) one seller b) two seller c) few sellers d) large number of sellers

Ans: d

**UNIT – V**

1. Which of the following possible measures of national income are not typically calculated in an economy?

a) the expenditure method b) the opportunity cost method

c) the income method d) the output method

Ans: b

2. The net value of GDP after deducting depreciation from GDP is

a) Net national product b) Net domestic product

c) Gross national product d) Disposable income

Ans: b

3. Net national product at factor cost is also known as

a) National income b) domestic income c) per capital income d) salary

Ans: a

4. National income is measured by using \_\_\_ methods

a) one b) two c) three d) four

Ans: c

5. Income method is measured by summing up of all forms of \_\_\_\_

a) revenue b) taxes c) expenditure d) income

Ans: d

6. Which of the following is the largest?

a) Disposable income b) personal income c) NNP d) GNP

Ans: d

7. Expenditure method is used to estimate national income in

a) construction sector b) agricultural sector c) service sector d) banking sector

Ans: a

8. Tertiary sector is also called as \_\_\_\_

a) service b) income c) industrial d) production

Ans: a

9. Which of the following is the method of measuring National income?

a) Income method b) Product method c) Expenditure method d) all of these

Ans: d

10. Why are the intermediate goods not included while measuring National income ?

a) To avoid double accounting b) It decreases income

c) intermediate goods are not goods d) All of these

Ans: a

11. Who had made the first attempt at National Income Accounting?

a) Prof. D.R. Gadgil b) Simon Kuznets c) J.M. Keynes d) Gregory King

Ans: d

12. Calculation of National Income at Market Prices is known as

a) money income b) real income c) non-monetary income d) none of these

Ans: a

13. Product method of calculating national income is also known as

a) Income method b) value added method c) expenditure method d) distribution method

Ans: b

14. National income does not include

a) Interest on the unproductive national debt

b) Income for government expenditure

c) payments by the household to the firm for the purchase of goods and services

d) Undistributed profit

Ans: a

15. Which of the following is the method of measuring National income?

a) Income method b) Product method c) Expenditure method d) All of these

Ans: d

16. In GNP calculation which of the following should be excluded?

a) rental income b) interest payments c) dividends d) government transfer payments

Ans: d

17. The agency estimating the National income of India is

a) Reserve Bank of India b) Planning commission c) Ministry of finance

d) Central Statistical organization

Ans: d

18. National income is often called

a) NDPMP  b) NDPFC c) NNPMP d) NNPMP

Ans: d

19. What is meant by National income?

a) Income of the government b) Budget of the government

c) Sum total of factor incomes d) Profits of the public sector units

Ans: c

20. Which of the following is correct?

a) National income = National expenditure b) National product = National expenditure

c) National income = National product d) All of these

Ans: d

21. Which of the following is not a method of calculating National income?

a) Product method b) Disposal method c) Income method d) Expenditure method

Ans: b

22. National income is the sum total of \_\_\_\_ under product method.

a) Input and output b) goods and services

c) consumption goods d) Output, consumption goods and investment goods.

Ans: d

23. Expenditure method of calculating National income is also called as:

a) Consumption and investment method b) flow-of-product method

c) outlay method d) all of these

Ans: d

24. National income is

a) NNP – Indirect taxes + subsidies b) GDP – Indirect taxes + subsidies

c) GNP – Indirect taxes + subsidies d) NDP – Indirect taxes + subsidies

Ans: a

25. If indirect taxes are subtracted and subsidies are added to Net domestic product at market price we will get

a) Net Domestic Product at Factor cost b) Net National product at Factor cost

c) Gross domestic product at Market cost d) Gross National product at Market cost

Ans: a

26. Which among the following work is not considered in calculating national income?

a) Selling of agricultural produce b) working in educational institutions

c) house hold work by women d) working in IT industry

Ans: c

27. The sum total of income of individuals, families, firms and industries are called

a) per capita investment b) national income c) GDP d) GNP

Ans: b

28. Per capita income is

a) share of National income available per head

b) share of National income distributed per head

c) Both

d) None

Ans: b

29. The practical difficulties in measuring National income are

a) conceptual difficulties b) statistical difficulties c) error of double counting

d) all the above

Ans: d

30. The method by which the Central Statistical Organisation (CSO) estimates the national income is

a) Production method b) income method c) expenditure method d) all the above

Ans: d

31. A. National income is the monetary value of all final goods and services produced.

B. Depreciation is deducted from GNP to get NNP

a) Both are true b) Both are false c) Only A is true d) Only B is true

Ans: a

32. Disposable personal income (DPI) is

a) Personal income – Personal direct taxes b) Consumption + Savings

c) Both d) None

Ans: c

33. Per capita income is

a) National income / Population b) National income / NNP C) GDP/NNP d) None

Ans: a

34. In India, agriculture income is calculated by

a) Output method b) input method c) expenditure method d) commodity flow method

Ans: a

35. NNP stands for

a) National Net product b) Net National product c) National Net Provident

d) Net National provident

Ans: b

36. National income is a measure of the \_\_\_\_ performance of an economy.

a) Industrial b) agricultural c) economical d) consumption

Ans: c

37. GNP = \_\_\_ + Net factor income from abroad

a) NNP b) NDP c) GDP d)Personal income

Ans: c

38. \_\_\_\_ is deducted from gross value to get the net value.

a) Income b) Expenditure c) Interest d) depreciation

Ans: d

39. The average income of the country is \_\_\_\_

a) personal income b) disposal income c) inflation rate d) per capital income

Ans: d

40. When national income is expressed in current prices it is called

a) real income b) disposal income c) nominal income d) all the above

Ans: c

41. When national income is expressed in constant prices or adjusted for inflation it is called

a) real income b) disposal income c) nominal income d) all the above

Ans: a

42. The largest proportion of national income comes from

a) Public sector b) private sector c) banking sector d) none

Ans: b

43. When net factor income from abroad is deducted from NNP, the net value is

a) Gross National product b) Disposable income c) Net domestic product d) personal income

Ans: c

44. The value of NNP at production point is called

a) NNP at market cost b) NNP at factor cost c) GNP at factor cost d) Per capita income

Ans: b

45. Which of the following is indicator of economic welfare?

a) standard of living b) life expectancy c) literacy d) all these

Ans: d

46. Which is considered a better indicator of economic welfare?

a) Per capital income b) personal income c) Physical Quality of life index d) all the above

Ans: c

47. PQLI is the indicator of

a) Economic growth b) national income c) per capital income d) economic welfare

Ans: d

48. Which of the following is not a difficulty in measuring national income?

a) overlapping of occupation b) measuring agricultural production

c) indigenous money lending d) all the above

Ans: d

49. The value of NNP at consumer point is called the

a) NNP at market cost b) NNP at factor cost c) GNP at factor cost d) Per capita income

Ans: a

50. Which sector contributes the most to India’s economy?

a) Manufacturing sector b) agricultural sector c) service sector d) None

Ans: c

51. Which ministry is responsible for calculating GDP in India?

a) Ministry of Finance b) Ministry of Commerce and Industry

c) Ministry of Central Statistical and Program Implementation

d) Ministry of Consumer affairs

Ans: c

52. Which of the following statement is correct?

a) Nominal GDP is based on current prices

b) Nominal GDP is based on base year prices

c) Nominal GDP shows an accurate picture of the economy as compared to real GDP

d) all the above

Ans: a

53. Which of the following statement is correct?

a) Real GDP is based on base year prices

b) Real GDP is more reliable

c) Real GDP is accurate as compared to nominal GDP.

d) All the above

Ans: d

54. Which sector contributes the most income to India’s economy?

a) Primary sector b) secondary sector c) tertiary sector d) none of these

Ans: c

55. Who releases data of national income in India?

a) NSSO b) CSO c) NITI Aayog d) None

Ans: b

56. Which of the following work is added in the calculation of GDP?

a) Household work of housewives b) A teacher teaching his own child

c) value of resale of assets d) none

Ans: d

57. Which state of India currently has the highest per capita income?

a) Tamilnadu b) Delhi c) Maharashtra d) West Bengal

Ans: c

58. The contribution of primary sector to India’s GDP is nearly

a) 10% b) 20% c) 30% d) 40%

Ans: b

59. Which method of measuring income would be suitable for primary sector?

a) income method b) product method c) expenditure method d) none

Ans: b

60. Which method of measuring income would be suitable for trade, transport, administration, etc.?

a) income method b) product method c) expenditure method d) none

Ans: a