

**Section A – Economics**

1. **Micro economics theory deals with**  
(a) **Economic behavior of individual economic decision making units**  
(b) Economy as a whole  
(c) Trade relations  
(d) Economic growth of the society
2. **Which of the following is a central problem of every economy**  
(a) Abundance of resources  
(b) **Scarcity of economic resources**  
(c) Poverty  
(d) Moral and ethical values
3. **Equilibrium relates to which of these**  
(a) Market condition which oscillate  
(b) Market state of falling price  
(c) Market condition of rising price  
(d) **Market conditions which once achieved tends to persist**
4. **General equilibrium analysis refers to**  
(a) Behaviour of individual economic decision making units and individual markets in isolation  
(b) **Behaviour of all the individual decision making units and market viewed in totality**  
(c) Both  
(d) none
5. **Normative economic theory deals with**  
(a) What is or how the economic problem facing the society are solved  
(b) **How the problem should be solved**  
(c) What to Produce  
(d) How to produce
6. **In a mixed economy which sector(s) is/ are found**  
(a) Private Only  
(b) Public sector only  
(c) None  
(d) **Both a and b**
7. **In economic theory the term “means” refers to**  
(a) **Resources**  
(b) Arithmetic mean  
(c) A characteristic  
(d) None
8. **Market equilibrium of a commodity is determined by**  
(a) **Balancing of demand and supply position**  
(b) Aggregate demand  
(c) Aggregate supply  
(d) Government intervention
9. **Ceteris Paribus means**  
(a) Holding demand constant  
(b) Holding supply constant  
(c) Price being constant  
(d) **Other things being constant**
10. **Economic resources are**  
(a) Unlimited  
(b) Limited in supply and use  
(c) **Limited in supply but have alternative uses**  
(d) Unproductive

11. Which of the following is/ are not an economic resource  
(a) Land  
(b) Capital  
(c) Labour  
**(d) Air**
12. Which of the following is/ are an economic resource  
(a) Land  
(b) Capital  
(c) Labour  
**(d) All the three**
13. Which of the following is/ are a non-economic resource  
(a) Air  
(b) Water  
(c) Sunlight  
**(d) All the three**
14. Which of these resources would be called as land in economics  
(a) Coal mines of Bihar  
(b) Water resources of Uttaranchal  
(c) Mineral deposits of Jharkhand  
**(d) All the three**
15. Which of these is not land in economics  
**(a) Tehri Dam**  
(b) Forest reserves of Assam  
(c) Fish reserves in the Bay of Bengal  
(d) Herbal plant of Uttaranchal
16. Which of these would be classified as capital in economics  
(a) Bhankra Dam  
(b) Indira canal  
(c) Golden triangle  
**(d) All the three**
17. Capital in economics means  
**(a) Factor of production**  
(b) Fund brought in by the entrepreneur  
(c) Investment in shares, bank deposits  
(d) All the above
18. Scarcity of resources leads to  
(a) Unsatisfaction of human wants  
(b) Evaluation of alternative uses of scarce resources  
**(c) Both**  
(d) None
19. Who defined economics as “ Science which deals with wealth”  
**(a) J. B. Say**  
(b) A. C. pigou  
(c) Alfred Marshall  
(d) Robbins
20. Economics cannot be considered a perfect science because  
(a) Human behaviour is unpredictable  
(b) It is difficult to make correct prediction of economic variables  
(c) Economist do not have common opinion about a particular economic event  
**(d) All the three**
21. In economic goods includes material things which.....  
(a) Can be transferred

- (b) Can be exchanged for one another
- (c) Both**
- (d) None

**22. In economic wealth is the stock of all those material and immaterial objects which.....**

- (a) Are transferable
- (b) Have utility
- (c) Are scarce
- (d) All the three**

**23. In addition to three Central problem of economy, the additional problem(s) raised by the Modern economists is / are**

- (a) Are the resources fully utilized or not
- (b) How efficient is the production and distribution system
- (c) Whether the capacity to produce or grow is increasing or is static
- (d) All the three**

**24. The basic assumption of an economic analysis is/ are**

- (a) Ceteris paribus
- (b) Rational behaviour
- (c) Both**
- (d) None

**25. The terms Micro economic and Macro economics were coined by**

- (a) Professor A Samulson
- (b) Giffen
- (c) Prof. Ragner Frisch**
- (d) Eagle

**26. -----is known as father of economics**

- (a) Adam Smith**
- (b) Professor A Samulson
- (c) Alfred Marshall
- (d) J R Hicks

**27. Which of these are outside the domain of macro economics**

- (a) Consumer behavior**
- (b) National income
- (c) Economic growth
- (d) Balance of payment and trade

**28. Scarcity of resources means**

- (a) Limited resources**
- (b) Non – existence of resources
- (c) Both
- (d) None

**29. Human wants are**

- (a) Unsatisfiable
- (b) Unlimited**
- (c) Undefined
- (d) Limited

**30. Economics cannot be given the status of science because**

- (a) Of non-uniformity of opinion and approach of economist
- (b) Economic behaviour of human being is unpredictable
- (c) Measuring rod of money is unstable
- (d) All the three**

**31. Which of the following is not a central problem of a society**

- (a) What to produce
- (b) How to produce

- (c) For whom to produce  
**(d) Where to produce**
- 32. The paradox of Diamond is more costly than water is explained by**  
(a) Marginal utility concept  
**(b) Scarcity**  
(c) Relative cost of production  
(d) All the three
- 33. Which of these is an economic activity**  
(a) A father teaching his son at home instead of sending to any coaching centre  
**(b) A hair dresser doing hair cut designing on payment**  
(c) A housewife mending her family cloths on her own  
(d) A singer giving a show on his son's wedding anniversary
- 34. The term " Micro" is derived from the .....word which means.....**  
(a) Latin, small  
**(b) Greek, small**  
(c) English, tiny  
(d) Roman, small
- 35. Which of the following issue relates to micro-economics**  
(a) Impact of crude price hike on inflation  
(b) Impact of change in bank rate on bank saving and investment  
(c) Impact of Information technology on economic growth  
**(d) Impact of shortage of wheat production on wheat prices**
- 36. Economics modes are**  
**(a) Based on some realistic assumptions**  
(b) Based on hypothetical assumptions  
(c) Scientifically tested  
(d) Based on necessity
- 37. The famous book "An enquiry into the nature and causes of wealth of Nation" was written by –**  
**(a) Adam Smith**  
(b) Samulson  
(c) Robertson  
(d) JB Say
- 38. The famous book "An enquiry into the nature and causes of wealth of Nation" was published in-**  
**(a) 1776**  
(b) 1750  
(c) 1850  
(d) 1886
- 39. The law of indifference is/are also know by-**  
(a) Law of substitution  
(b) law of equimarginal utility  
(c) Law of diminishing marginal utility  
**(d) All the three**
- 40. Which of the following is not a central problem of a society**  
(a) What to produce  
(b) How to produce  
(c) For whom to produce  
**(d) What to eat**
- 41. The central problem of how to produce is resolved by**  
(a) Demand and supply of factor inputs  
(b) Demand and supply of goods

- (c) **Relative prices and availability of factors of production**  
(d) Government intervention
42. **In free economy the decision about investment, saving and consumption are decided by**  
(a) **Price mechanism**  
(b) Central bank  
(c) Planning Commission  
(d) Finance budget
43. **Which of these statement is true about production possibility curve (PPC/PPF)**  
(a) It shows various combinations of two goods which yield same level of satisfaction  
(b) **It shows various combination of two goods which an economy can produce with a given amount of resources**  
(c) It shows various combination of two goods which an economy can produce with a given budget  
(d) It shows various combination of two goods which an economy can produce with a given time
44. **If production possibility frontier is linear it implies**  
(a) **Constant opportunity cost**  
(b) Economy is stagnant  
(c) Underemployment of factor of production  
(d) With the increase in production, opportunity cost also increases
45. **The opportunity cost of consumption is**  
(a) **Lack of capital formation for future**  
(b) Greater investment  
(c) Full employment  
(d) Deflation
46. **The opportunity cost of capital investment is**  
(a) **Sacrifice of current consumption**  
(b) More consumption on luxury items  
(c) Lower capital growth in future  
(d) Wastage of Resources
47. **Any point beyond PPF is**  
(a) Attainable  
(b) Unattainable  
(c) **Attainable with increase in production facilities**  
(d) None
48. **If an economy is working at a point left to PPF curve it shows that.....**  
(a) **The economy is working at less than the full employment level**  
(b) The economy is at full employment level  
(c) The economy is country is faced with excess production  
(d) There is glut of imports
49. **Curvature of PPF is due to.....**  
(a) **Increase in opportunity cost**  
(b) Decrease in opportunity cost  
(c) Fall in demand  
(d) Fall in supply
50. **PPF is negative sloped due to**  
(a) **Scarcity of production resources**  
(b) Unlimited wants  
(c) Improvement in technology  
(d) Increasing opportunity cost
51. **Economic efficiency means**  
(a) Production of goods of mass consumption at lower cost

- (b) Production of goods and services for those who have purchasing power
- (c) Getting greatest satisfaction from available resources**
- (d) Full employment of working force

**52. Higher PPC curve indicates**

**(a) More production of both the things with increase in technology or factor inputs supply**

- (b) More production of one at the expense of other
- (c) More production of one items at the expense of other with increase in technology or factor input supply
- (d) Less than full employment situation

**53. The following table shows the various combinations of two commodities, Gun and Bread that an economy can produce with a given amount of resources. These combinations lies on the same PPF**

Combinations	Gun	Bread in 100 tons
A	0	20
B	1	18
C	2	15
D	3	11
E	4	6
F	5	0

**Based on the details given in the above table, the opportunity of producing 1 gun in combination No. B – is tons of bread**

- (a) 200**
- (b) 100
- (c) 300
- (d) 0

**54. Opportunity cost of increasing production of Gun to 3 units in combination D is –tons of bread**

- (a) 200
- (b) 100
- (c) 300
- (d) 400**

**55. Opportunity cost of increasing production of Gun to 4 units in combination E is –tons of bread**

- (a) 200
- (b) 500**
- (c) 300
- (d) 400

**56. Opportunity cost of increasing production of Gun to 5 units in combination F is –tons of bread**

- (a) 200
- (b) 100
- (c) 600**
- (d) 500

**57. In question No. 53 if the economy produces only 3 guns and 900 tons of wheat instead of 1100 tons of wheat what does it indicates**

- (a) Under employment of resources
- (b) Production in efficiency
- (c) Sub-optimal production
- (d) All the three**

**58. If a firm is operating at any point inside the PPF, the firm is**

- (a) Efficient firm
- (b) Inefficient firm**
- (c) Poised for abnormal growth
- (d) None

59. Any point beyond PPF curve can be attained by  
(a) Increasing supply of factor inputs  
(b) Technological innovation  
**(c) Both**  
(d) None
60. Economic growth is best depicted by  
**(a) Outward shift in PPF**  
(b) Upward movement in PPF  
(c) Inward movement in PPF  
(d) Downward movement in PPF
61. Production possibility curves shows maximum combinations of -----products  
(a) 1  
**(b) 2**  
(c) 3  
(d) 4
62. The relationship between aggregate consumption expenditure and aggregate income of household sector is known as ..... function.  
**(a) Consumption**  
(b) Saving  
(c) Expenditure  
(d) Income
63. The ..... measurement method of national income aggregates all the money spent by private citizens, firms and the government within the year.  
**(a) Expenditure**  
(b) Income  
(c) Input  
(e) Saving
64. GDP at market price exceeds GDP at factor cost by the amount of revenue raised through .....  
(a) Direct taxes  
**(b) Indirect taxes**  
(c) Income tax  
(d) Tax on rents
65. Macroeconomics is the study of  
(a) Inflation  
(b) Unemployment  
(c) Growth  
**(d) All of (a), (b) and (c) above.**
66. In a closed economy savings are equal to ..... at the equilibrium level of income.  
**(a) Investments**  
(b) Wages  
(c) Income-Investments  
(d) Wages – Consumption
67. Which of the following methods is/are used for measuring national income?  
(a) Output method  
(b) Expenditure method  
(c) Income method  
**(d) All of (a), (b) and (c) above.**
68. Net factor income from abroad is equal to  
**(a) NNP at market price – NDP at market price**  
(b) NDP at market prices – Indirect taxes + Subsidies  
(c) NDP at factor cost + Depreciation  
(d) NNP at market prices + Depreciation



69. **Personal disposable income is equal to .....**  
(a) Wages and salaries + Dividends paid at home – Personal income tax  
(b) Wages and salaries + Dividends paid at home + Factor income received from abroad – Personal income tax  
**(c) Wages and salaries + Dividends paid at home + Factor income received from abroad + Transfers from government – Personal income tax.**  
(d) Wages and salaries + Dividends paid at home + Factor income received from abroad - Transfers from government – Personal income tax.
70. **Personal income equals personal disposable income ( $Y_d$ ) plus**  
(a) Personal savings  
(b) Transfers from government  
**(c) Personal income taxes**  
(d) Dividend payments
71. **GDP at market prices is the sum of Consumption, Investment, Government Spending and Net Exports. 'Net' exports is**  
(a) Gross exports minus depreciation  
**(b) Exports minus imports**  
(c) Gross exports earnings minus capital inflow  
(d) Export minus imports of merchandize
72. **Macroeconomics is concerned with**  
(a) The level of output of goods and services  
(b) The general level of prices  
(c) The growth of real output  
**(d) All of the above**
73. **Personal income includes all of the following except**  
(a) Transfer payments  
**(b) Undistributed corporate profits**  
(c) Personal income taxes  
(d) Dividend payments
74. **Nominal GDP is**  
(a) The total value of goods and services net of exports  
(c) The total value of goods and services produced during periods of low unemployment  
**(d) The total value of goods and services measured at current prices**  
(e) The total value of goods and services produced at full employment.
75. **GDP at factor cost exceeds GDP at market price**  
(a) When the factor income from abroad is negative  
(b) When depreciation on fixed capital exceeds income in investment  
(c) When direct tax exceeds indirect tax  
**(d) When subsidies exceeds indirect taxes.**
76. **The difference between Gross National Product (GNP) and Gross Domestic Product (GDP) is**  
(a) Excess of subsidies over indirect taxes  
(b) Depreciation  
**(c) Net foreign income from abroad**  
(d) Excess of indirect taxes over subsidies
77. **NDP does not include**  
(a) Payments made for income taxes  
**(b) Depreciation allowances**  
(c) Undistributed profits  
(d) The value added from intermediate goods.



78. **National income is**  
(a) NDP at market prices  
(b) NDP at factor cost  
**(c) NNP at factor cost**  
(d) GNP at market prices.
79. **The difference between personal disposable income and personal income is**  
(a) Indirect taxes  
(b) Subsidies  
(c) Transfer payments  
**(d) Personal taxes.**
80. **Which of the following is an example of a government transfer payment?**  
(a) Purchase of a new car for the Ministry of Finance  
(b) Funding of a clinic to provide free vaccinations.  
**(c) Free food coupons issued to persons in an anti-poverty program.**  
(d) Funding of a new bridge in an urban area.
81. **The net factor income earned within the domestic territory of a country must be equal to**  
**(a) Net Domestic Product at factor cost**  
(b) Net Domestic Product at market price  
(c) Net National Product at market price  
(d) Personal income.
82. **By definition, the marginal propensity to consume**  
(a) Equals  $\Delta C / \Delta Y_d$   
(b) Is the behavioral coefficient  $c$  in the equation  $C = a + cY_d$   
(c) Is the slope of the consumption function  
**(d) All the above**
83. **Ceteris paribus, an income tax**  
(a) Increases the value of the expenditure multiplier and decreases the value of the net tax revenue multiplier  
**(b) Decreases the value of the expenditure and net tax revenue multiplier**  
(c) Decreases the value of the expenditure multiplier and increases the value of the net tax revenue multiplier  
(d) None of the above.
84. **On the basis of the Keynesian model of output determination, a multiplier of 3 implies that**  
(a) An increase in consumption by ` 3 will result in an increase in investment by Re. 1  
(b) An increase in investment by Re. 1 will result in an increase in consumption by ` 3  
**(c) An increase in investment by Re. 1 will result in an increase in consumption by ` 2**  
(d) An increase in investment by Re. 1 will result in an increase in consumption by Re. 1
85. **Consumption demand does not depend upon the level of**  
(a) Income  
(b) Propensity to consume  
(c) Consumer spending  
**(d) Marginal efficiency of investment.**
86. **The slope of the consumption curve connotes**  
(a) Average propensity to save  
**(b) Marginal Propensity to consume**  
(c) Marginal propensity to save  
(d) Level of consumption in the economy.
87. **Financial interrelation ratio is equal to**  
(a) Total issues / National income  
(b) Primary issues / Net capital formation  
**(c) Total issues / Net capital formation**  
(d) Total stock of financial assets/Stock of fiscal assets

88. If the available workers are unaware of the jobs being offered and the employers are not aware of the available workers, such type of unemployment is called  
**(a) Frictional unemployment**  
(b) Structural unemployment  
(c) Disguised unemployment  
(d) Demand pull unemployment.
89. Unemployment that arises when there is a general downturn in business activity is known as  
(a) Frictional unemployment  
(b) Structural unemployment  
**(c) Cyclical unemployment**  
(d) Disguised unemployment
90. Full employment is the level at which there is  
(a) Zero unemployment  
(b) Normal rate of unemployment  
**(c) Lease supply of labor**  
(d) Demand for goods is less than supply.
91. Natural rate of unemployment increases due to  
(a) General downturn in business activity  
(b) Changes in labor market  
(c) Structural changes in economy  
**(d) Frequent changes of jobs by labor**
92. If the actual rate of unemployment exceeds to natural rate of unemployment then  
(a) Actual output of the economy will fall below its potential  
(b) Production will increase more than potential  
(c) Consumption of goods decreases  
**(d) Both (a) and (c) above.**
93. Unemployment that arises due to regional occupational pattern of job vacancies, which does not match the pattern of workers availability and suitability, is known as  
(a) Frictional unemployment  
**(b) Structural unemployment**  
(c) Cyclical unemployment  
(d) Demand pull unemployment.
94. Disguised unemployment means  
(a) Unemployment in agriculture  
(b) Unemployment due to recession  
**(c) Unemployment due to downturn in business activity**  
(d) Marginal Productivity of Labor (MPL) is zero.
95. In which sector of Indian economy will we find a high rate of disguised unemployment?  
(a) Service sector.  
**(b) Agriculture sector.**  
(c) Manufacture sector.  
(d) Mining sector.
96. Unemployment that is caused by a mismatch between the composition of the labor force (in terms of skills, occupation, industries, or geographic location) and the make-up of the demand for labor is called  
(a) Real wage unemployment  
(b) Deficient-demand unemployment  
(c) Frictional unemployment  
**(d) Structural Unemployment**
97. During the recessionary phase of a business cycle  
**(a) The natural rate of unemployment will increase dramatically**  
(b) Potential national income will exceed actual national income  
(c) Actual national income will exceed potential national income

- (d) The real rate of interest will exceed the nominal rate of interest.
- 98. The Philips curve shows that**
- (a) High unemployment rates are associated with low increases in money wage rates
  - (b) Low unemployment rates are associated with low rates of inflation
  - (c) High unemployment rates are associated with low rates of inflation**
  - (d) High inflation rates are associated with small increases in money wage rates.
- 99. Full employment exists when there is**
- (a) Zero unemployment
  - (b) Natural rate of unemployment**
  - (c) Least demand for labor
  - (d) Least supply of labor
- 100. Balance of trade is**
- (a) The difference between balance on current account and capital account
  - (b) Same as the balance of merchandise trade**
  - (c) Same as the balance of current account
  - (d) Overall BoP balance.
- 101. All entries in the balance of payments should collectively sum to**
- (a) GDP of that country
  - (b) GNP of that country
  - (c) Zero**
  - (d) Exports of that country.
- 102. In the BoP statement, current account includes**
- (i) Merchandise, invisible items**
  - (ii) Government loans from abroad**
  - (iii) Foreign direct investment.**
- (a) (i) only**
- (b) Both (i) and (ii) above
  - (c) Both (i) and (iii) above
  - (d) Both (ii) and (iii) above
- 103. If the balance on current and capital accounts of Balance of Payments (BoP) taken together is negative, then**
- (a) It is a case of BoP surplus
  - (b) It is a case of BoP surplus where the official reserve account is in surplus
  - (c) It is a case of BoP deficit**
  - (d) It is case of BoP disequilibrium
- 104. 'Transfer Payments' are**
- (a) Payments made to a factor of production
  - (b) Payments transferred from one sector to another
  - (c) Payments made for no return service**
  - (d) Payments made by government of one country to another
- 105. Which of the following transactions is included in the current account balance of the Balance of payments statement?**
- (a) Foreign direct investments.
  - (b) Portfolio investments.
  - (c) External commercial borrowings.
  - (d) Dividends earned on portfolio investments**
- 106. Personal taxes in India best illustrates a**
- (a) Proportional tax system
  - (b) Progressive tax system**
  - (c) Indirect tax system
  - (d) Value added tax system

107. In the Union Budget, profits from public sector undertakings are taken under  
**(a) Revenue receipts**  
(b) Capital receipts  
(c) Monetized receipts  
(d) Planned expenditure
108. Marginal product is.....  
**(a) Rate at which total production changes with change in variable input**  
(b) Rate at which total production changes with change in total cost  
(c) Rate at which total production changes with change in fixed cost  
(d) None
109. Total output is maximum when  
**(a) MP = 0**  
(b) MP is increasing  
(c) MP is decreasing  
(d) MP is constant
110. Law of variable proportion applies.....  
(a) When all inputs are variable  
(b) When all input are fixed  
**(c) Some inputs are fixed and some are variable**  
(d) All the three
111. Law of returns to scale applies when.....  
**(a) All inputs cost are variable**  
(b) All input cost are fixed  
(c) All cost are partly fixed and partly variable  
(d) None
112. Explicit cost refers to  
**(a) Actual expenses of the firm to purchase or hire input if needed**  
(b) Actual and notional expenses of the firm to purchase or hire input if needed  
(c) Notional expenses of the firm to purchase or hire input if needed  
(d) All the three
113. Implicit cost refers to .....  
(a) Value of inputs owned by the firm and used in its own manufacturing process  
(b) Value of input or services purchased from outside and used in its own manufacturing process  
(c) Value of inputs owned by the firm and sold to others  
**(d) Value of inputs or services for which no payments were made to outside**
114. Which of these costs will increase or decrease with increase in production  
**(a) Marginal cost**  
(b) Financial costs  
(c) Fixed costs  
(d) All the three
115. If a firms cost of raw material increases then  
(a) Market price of the final product will also increase  
(b) Equilibrium level of quantity also increases  
**(c) Marginal cost curve will shift upward**  
(d) Marginal cost curve will shift downward
116. If a firms cost of raw material decreases then  
**(a) Marginal cost curve will shift downward**  
(b) Marginal cost curve will shift upward  
(c) Market price will go down  
(d) Market price will go up

117. The law of diminishing returns applies in.....  
 (a) Short run  
 (b) Long run  
 (c) Very short run  
 (d) All the time period
118. If total production increases in the short run, the total cost will also.....  
 (a) Increase due to increase in fixed cost  
**(b) Increase due to increase in variable cost**  
 (c) Increase due to increase in total cost  
 (d) Remain constant
119. Marginal cost is defined as.....  
**(a) Change in total cost due to addition of one unit**  
 (b) Total cost divided by additional unit  
 (c) Total cost divided by total units produced  
 (d) Total sales / Total production
120. The positively sloped part of long run cost curve of a firm is due to  
 (a) Economies of scale  
**(b) Diseconomies of scale**  
 (c) Diminishing returns to scale  
 (d) Marginal utility theory
121. The negatively sloped part of long run cost curve of a firm is due to  
**(a) Increase in production due to specialization and division of labour**  
 (b) Diseconomies of scale  
 (c) Diminishing returns to scale  
 (d) Marginal utility theory
122. Which of the following statement is true about average cost function  
 (a)  $ATC = AFC - AVC$   
 (b)  $AVC = AFC + ATC$   
 (c)  $AFC = ATC + AVC$   
**(d)  $ATC = AFC + AVC$**

123. The output and cost pattern of a product are given below

Output (q)	0	1	2	3	4	5
Total in ` Cost (Tc)	35	42	53	08	75	88

From the above details what is the fixed cost or sunk cost

- (a) ₹ 25  
 (b) ₹17.5  
 (c) ₹22  
 (d) ₹ 35
124. In question No. 123 the marginal cost of producing 2<sup>nd</sup> unit is  
 (a) ₹17.5  
**(b) ₹11**  
 (c) ₹ 14  
 (d) ₹ 11
125. In question No. 123 the average fixed cost of producing 3 units is  
 (a) ₹17.5  
 (b) ₹ 15  
**(c) ₹10**  
 (d) ₹14
126. In question No. 123 the average total cost of producing 3 units is  
 (a) ₹14.5  
 (b) ₹ 15.5  
 (c) ₹ 13  
**(d) ₹ 21**

127. The relationship between the labour hour worked and total output relationship in respect of a product is given below

Hours of labour worked	Total output	Marginal/ incremental output
0	0	0
1	50	50
2		60
3	175	
4		65
5	300	
6	355	55
7	350	-5
8	340	-10

From the above details what is the average output per hour when 2 hours of labour are deployed

- (a) 55
- (b) 50
- (c) 60
- (d) 65

128. In question No.127 what is the total output when 2 hours of labour are deployed

- (a) 155
- (b) 110
- (c) 100
- (d) 165

129. In question No. 127 what is the marginal output for the 3<sup>rd</sup> hours of labour

- (a) 55
- (b) 50
- (c) 60
- (d) 65

130. In question No. 127 what is the marginal output for the 5<sup>th</sup> hours of labour

- (a) 55
- (b) 50
- (c) 60
- (d) 65

131. In question No. 127 what the average output for 5 hours of labour

- (a) 55
- (b) 50
- (c) 60
- (d) 65

132. In question No. 127 the firm remains in the stage of increasing returns to scale up to level of labour hours

- (a) 2 labour hours
- (b) 3 labour hours
- (c) 4 hrs
- (d) 6 hrs

133. In question No. 127 the firm remains in the stage of constant returns to scale upto level of labour hours

- (a) 2 labour hours
- (b) 3 labour hours
- (c) 4 hrs
- (d) 6 hrs

134. In question No. 127 the firm enter diminishing returns to scale from -----labour hours  
(a) 2 labour hours  
(b) 3 labour hours  
**(c) 5 hrs**  
(d) 6 hrs
135. In question No. 127 the firm should continue to deploy additional labour hours up to  
(a) 2 labour hours  
(b) 3 labour hours  
(c) 5 hrs  
**(d) 6 hrs**
136. In question No. 127 the optimum level of output of the firm is  
**(a) 355 units**  
(b) 350  
(c) 340 hrs  
(d) 300
137. In question No. 127 if the firm continue to operate beyond 6 labour hours as the labour cannot be declared surplus –the firms should ----- to increase the output  
**(a) Increase fixed input**  
(b) Retrench the surplus labour  
(c) Outsource the work  
(d) All the three
138. When a firm enters the law of diminishing returns to scale  
**(a) TVC curve begins to fall at an increasing rate**  
(b) TVC curve begins to increase at an increasing rate  
(c) TVC curve begins to fall at a decreasing rate  
(d) TVC curve begins to increase at a decreasing rate
139. Which of these curve never touch X axis  
(a) AVC  
**(b) AFC**  
(c) TC  
(d) MC
140. Total cost is the arithmetic sum of  
(a) AFC and AVC  
**(b) FC and Variable cost**  
(c) Marginal cost and variable cost  
(d) Sunk cost and fixed cost
141. Variable cost is also known as  
(a) Incremental cost  
(b) Marginal cost  
(c) Differential cost  
**(d) All the three**
142. Which of these is not a factor of cost function of a product  
**(a) Market price of the product**  
(b) Size of the plant  
(c) Output level  
(d) Prices of inputs
143. In the short run which of the following is fixed  
(a) Labour  
**(b) Capital**  
(c) Raw material  
(d) None



144. The slope of total variable cost curve equals.....  
(a) AVC  
**(b) MC**  
(c) AC  
(d) MPP
145. In the short run, diminishing marginal returns is implied by  
**(a) Rising MC**  
(b) Falling MC  
(c) Rising AVC  
(d) Constant TC
146. Total variable cost curve is explained by  
(a) Law of the diminishing marginal returns  
(b) The price of the variable inputs  
(c) Production function  
**(d) All the three**
147. TVC curve begins to.....with the onset of diminishing returns  
**(a) Rise at an increasing rate**  
(b) Rise at a decreasing rate  
(c) Fall at an increasing rate  
(d) Stabilize
148. TVC curve begins to.....with the onset of increasing returns  
(a) Rise at an increasing rate  
**(b) Rise at a decreasing rate**  
(c) Fall at an increasing rate  
(d) Stabilize
149. Which of the following cannot be U shaped curve  
**(a) AFC curve**  
(b) AC curve  
(c) AVC curve  
(d) AMC curve
150. Long run supply curve of a constant cost industry is  
**(a) Horizontal line at a price that is equal to the long run minimum average cost of production**  
(b) Horizontal line overlapping X axis  
(c) Vertical line at mid of X axis  
(d) Vertical line overlapping Y axis
151. Long run supply curve of a increasing cost industry is  
(a) Horizontal line overlapping X axis  
**(b) Upward sloping line**  
(c) Downward sloping line  
(d) Vertical line
152. Long run supply curve of a decreasing cost industry is  
**(a) Downward sloping curve**  
(b) Upward sloping curve  
(c) Straight line parallel to X axis  
(d) Straight line parallel to y axis
153. In economics, in the long run all the cost.....  
(a) Are fixed  
**(b) Are variable**  
(c) Except labour are variable  
(d) Are non controllable

154. In economic theory, in the short run all the cost are.....  
**(a) Fixed**  
(b) Variable  
(c) Controllable  
(d) Semi variable
155. Marginal cost curve is  
**(a) Positively sloped**  
(b) Negatively sloped  
(c) Parallel to X axis  
(d) Parallel to Y axis
156. Marginal cost can be equal to Average variable cost when  
(a) Average variable cost is falling  
(b) Average variable cost is increasing  
**(c) Average variable cost is constant**  
(d) Under any of the above situations
157. The measurement of sensitivity of quantity demanded to change in price is called.  
**(a) Price elasticity**  
(b) Income elasticity  
(c) Expansion in demand  
(d) None
158. Which of the following is not a type of elasticity in economics.....  
(a) Income elasticity  
(b) Price elasticity  
**(c) Utility elasticity**  
(d) Cross elasticity
159. Which of the following is not a method of measurement of price elasticity of demand in economics  
(a) Total Outlay  
**(b) Total savings**  
(c) Point method  
(d) Arc method
160. As per total outlay method, demand is said to be elastic if as result of change in price total outlay  
(a) Increases  
(b) Decrease  
**(c) Remain same**  
(d) None
161. If price of sugar falls leading to fall in total outlay on sugar, the demand of sugar is  
(a) Elastic  
**(b) Inelastic**  
(c) Unitary elastic  
(d) Less than unit elastic
162. If price of X falls leading to increase in total outlay on X, the demand of X is  
**(a) Elastic**  
(b) Inelastic  
(c) Unitary elastic  
(d) Less than unit elastic
163. If price of X falls leading to fall in total outlay on X, the demand of X is  
(a) Elastic  
**(b) Inelastic**  
(c) Unitary elastic  
(d) Less than unit elastic

164. If price of coffee falls leading to increase in total outlay on coffee, the demand of coffee is
- (a) Elastic
  - (b) Inelastic
  - (c) Unitary elastic
  - (d) Less than unit elastic
165. If the price of burger rises from ₹ 12 per piece to ₹ 20 per piece as a result of which the daily sales decreases from 300 to 200 pieces per day. The price elasticity of demand can be estimated as
- (a) 0.5
  - (b) 0.8
  - (c) 0.25
  - (d) 2.10
166. If the price of vegetable sandwich rises from ₹ 6 per piece to ₹ 12 per piece as a result of which the daily sales decreases from 800 to 400 pieces per day. The price elasticity of demand can be estimated as
- (a) 0.5
  - (b) 1.5
  - (c) 3.0
  - (d) 2.5
167. A decrease in price will result in an increase in total revenue if
- (a) Percentage change in quantity demanded is greater than the percentage change in price
  - (b) Percentage change in quantity demanded is less than the percentage change in price
  - (c) Percentage change in quantity demanded is equal to the percentage change in price
  - (d) None
168. An increase in price will result in an increase in total revenue if
- (a) Percentage change in quantity demanded is greater than the percentage change in price
  - (b) Percentage change in quantity demanded is less than the percentage change in price
  - (c) Percentage change in quantity demanded is equal to the percentage change in price
  - (d) None
169. An increase in price will result in no change in total revenue if
- (a) Percentage change in price equal the percentage change in price
  - (b) Percentage change in demanded is more than the percentage change in price
  - (c) Percentage change in price is less than percentage change in demand
  - (d) Change in price is more than change in demand in absolute terms
170. Price elasticity of demand of a product will be more inelastic if
- (a) It forms a major part of consumer house hold budget
  - (b) It forms a very small part of consumers household budget
  - (c) It is inferior
  - (d) It is for mass consumption
171. Price elasticity demand of product will be more elastic if it
- (a) Has no substitutes
  - (b) Has number of substitutes
  - (c) Is an item of necessity
  - (d) Is life saving Product
172. If the consumption of a product can be postponed for the time being
- (a) The demand for the product will be inelastic
  - (b) The demand for the product will be relatively elastic
  - (c) The demand for the product will be perfectly elastic
  - (d) The demand for the product will be perfectly inelastic

173. Bread and butter have.....  
**(a) Negative cross price elasticity of demand**  
(b) Positive cross elasticity of demand  
(c) Positive income elasticity of demand  
(d) Negative income elasticity of demand
174. Omlet and cakes have  
(a) Negative cross price elasticity of demand  
**(b) Positive cross elasticity of demand**  
(c) Positive income elasticity of demand  
(d) Negative income elasticity of demand
175. Point elasticity of demand can be useful in which of the following cases  
(a) A departmental store is thinking of increasing the price of gift packs  
(b) A service station is considering to lower the service charges  
**(c) A health club is considering to lower the monthly membership fee**  
(d) An airlines company is considering to lower holiday packages
176. The coefficient of price elasticity of demand is calculated as.....  
(a) The change in price divided by the change in quantity demand  
**(b) The percentage change in quantity demand by the percentage change in price**  
(c) The change in quantity demanded by the change in price  
(d) The percentage change in price by the percentage change in demand
177. Point elasticity concept was propounded by  
**(a) Marshal**  
(b) Lipsey  
(c) Hicks  
(d) Samulson
178. Price elasticity of demand is not affected by  
(a) Nature of the commodity  
(b) Availability of close substitute  
**(c) Cost of production**  
(d) Consumption habits
179. Demand of salt is inelastic because  
(a) Of low price  
**(b) No substitute**  
(c) Absence of it makes food tasteless  
(d) All the three
180. Luxury goods have --- -- degree of elasticity  
**(a) High**  
(b) Low  
(c) Moderate  
(d) Completely inelastic
181. The quantity of a commodity which an individual is willing to purchase over a specific period of time is a function of  
(a) Price of the product  
(b) Disposal income  
(c) Taste and price of other commodities  
**(d) All the three**
182. Which of the following is not a factor is market supply of product  
(a) Cost of production  
**(b) Number of buyers**  
(c) Market price of the product  
(d) Price of related products

183. Market demand curve for a commodity is.....  
(a) **Horizontal summation of the individual demand curve for the commodity**  
(b) Summation of individual demand curve for 3 years  
(c) Demand curve of complementary goods  
(d) Demand curve of supplementary goods
184. Equilibrium state is achieved at .....  
(a) The peak point of supply curve  
(b) The bottom point of demand curve  
(c) The inflation point of demand curve  
(d) **The intersection of demand and supply curve**
185. If the cross elasticity between two products is positive then we can say that  
(a) **The products are perfectly substitute of each other**  
(b) The products are complementary to each other  
(c) Both the products are unrelated  
(d) Both are luxury items
186. If the price elasticity of a product is greater than 1, we can say that  
(a) **The products demand is sensitive to price variation**  
(b) Product demand is insensitive to price variation  
(c) Demand and price move in same directions  
(d) None of this
187. If the price elasticity of demand for wine is estimated to be  $-0.6$ , then a 20% increase in price of wine will lead to .....in quantity demanded of wine at that price  
(a) 12% increase  
(b) **12% decrease**  
(c) 19.6% increase  
(d) 20.6% decrease
188. If the price elasticity of demand of Chicken is  $+0.95$ . then a 20% increase in price of chicken will lead to in quantity demanded of chicken at that price  
(a) **19 increase**  
(b) 19% decrease  
(c) 20.95% increase  
(d) 20.6% decrease
189. If the cross price elasticity of demand for two product is negative, then the two products are .....  
(a) **Complementary to each other**  
(b) Perfectly substitute for each other  
(c) Completely competitive  
(d) Unrelated
190. If demand of coffee increases by 10% with 20% decline in the price of sugar we can say that  
(a) **Cross price elasticity of demand is negative and both the products are complementary to each other**  
(b) Cross price elasticity of demand is negative and the goods are substitute  
(c) Cross price elasticity is positive and the products are complementary to each other  
(d) None of these
191. If the price of coffee falls by 8% and the demand for Tea declines by 2%. The corss price elasticity of demand for Tea is  
(a) 0.45  
(b) **0.25**  
(c) +0.44  
(d) -0.30
192. When the price of complementary products falls, the demand of the other product will  
(a) Fall  
(b) **Increases**

- (c) Remain stable
- (d) Drops by 25%

**193. When the price of complementary products increases, the demand of the other product will**

- (a) Falls**
- (b) Increases
- (c) Remains same
- (d) Increases by 25%

**194. Elasticity of supply depends upon**

- (a) Nature of the commodity
- (b) Production technology
- (c) Future outlook of prices
- (d) All the three**

**195. A supply curve passing through the origin will have elasticity**

- (a) Less than 1
- (b) More than 1
- (c) Just One**
- (d) Zero

**196. A supply curve passing through any point on X axis(quantity) will have elasticity**

- (a) Less than 1**
- (b) More than 1
- (c) Just one
- (d) Zero

**197. Supply curve passing through any point on Y axis(Price) will have elasticity**

- (a) Less than 1
- (b) More than 1**
- (c) Just One
- (d) Zero

**198. Goods which are perfect substitute of each other will have rate of substitution**

- (a) Unity**
- (b) Less than 1
- (c) More than 1
- (d) Zero

**199. Goods which are perfect substitute of each other will have elasticity of substitution.....**

- (a) Unity
- (b) Less than 1
- (c) More than 1
- (d) Infinite**

**200. Goods which are not perfect substitute of each other but have to be consumed in a fixed ratio will have rate of substitution**

- (a) Unity
- (b) Less than 1
- (c) More than 1
- (d) Zero**

**201. If a dealer is prepared to supply 1000 sets of a 29" Color TV if the price is ₹12,000 per set, however if the price raises to ₹15,000 he is prepared to supply 1,500 pieces. The elasticity of supply of TV set is**

- (a) 1
- (b) 2**
- (c) 0.75
- (d) 1.4

202. In question No. 201 if at ₹15,000, the dealer is prepared to supply on 1250 sets of TV the elasticity of supply is

- (a) 1
- (b) 2
- (c) 0.75
- (d) 1.4

203. In question No. 201 if at ₹15,000, the dealer is prepared to supply on 1100 TV sets, the elasticity of supply is

- (a) 1
- (b) 2
- (c) 0.4
- (d) 1.5

204. Tea and Coffee are perfect substitute of each other, given the price of Tea and Coffee being ₹ 100 and ₹ 200 per Kg. a consumer is prepared to buy 3 Kg. of each. If the price of tea remain same and the price of Coffee rises to ₹ 400 per kg. the demand for Tea goes to 6 Kg. and that of Coffee falls to 1Kg. The elasticity of substitution between Tea and Coffee is

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

205. Select the odd one

- (a) Consumer taste
- (b) Price of the goods
- (c) Change in population
- (d) Increase in price of product

206. Select the odd one

- (a) Price of the product
- (b) Cost of production
- (c) No. of suppliers
- (d) St. duties

207. X a consumer spends his entire income on two commodities A and B. if price of A increases by 10% and his expenditure on item B remains same, then the price elasticity of item A is

- (a) 1
- (b) < 1
- (c) > 1
- (d) ≥

208. In question No. 207. If the price of item No. A instead of increasing falls by 25% and still his total expenditure as well expenditure on item B remains same, the price elasticity of A will be

- (a) 1
- (b) < 1
- (c) > 1
- (d) ≥

209. An individual is spending his entire income on two items A and B equally. If income elasticity of A is 4 what is income elasticity of B

- (a) 4
- (b) 2
- (c) 3
- (d) 1

210. If an individual is spending his entire income on two items A and B in the ratio of 60:40. If income elasticity of A is 5 what is income elasticity of B

- (a) 4
- (b) 2
- (c) 5
- (d) 1



211. If prices of petrol rises from ₹40. To ₹48 per lt., the demand for cars falls from 60 per month to 45 per month, the cross elasticity of petrol and Car is  
(a) 1.5  
**(b) 1.25**  
(c) 1.0  
(d) 1.59
212. If prices of Eggs rises from ₹ 25 per dozen to ₹ 30 per dozen, the demand for vegetable burger increases from 30 per day to 40 per day, then the cross elasticity of eggs and vegetable burger is  
(a) 1.5  
(b) 1.25  
**(c) 1.65**  
(d) 1.86
213. Cross elasticity of a nearly perfect substitute products will be  
**(a) Infinite**  
(b) Zero  
(c)  $> 1$   
(d)  $< 1$
214. Cross elasticity of unrelated products will be  
(a) Infinite  
**(b) Zero**  
(c)  $> 1$   
(d)  $< 1$
215. Cross elasticity of complementary products will be  
(a) Infinite  
(b) Zero  
(c)  $> 1$   
**(d)  $< 0$**
216. If two goods are perfect substitutes for one another, the elasticity of substitution will be  
**(a) Infinite**  
(b) Zero  
(c)  $> 1$   
(d)  $< 0$
217. If two goods are not substitutes at all for one another, the elasticity of substitution will be  
(a) Infinite  
**(b) Zero**  
(c)  $> 1$   
(d)  $< 0$
218. If the disposal income of a household increases by 10% and the demand for bread falls by 5%. The income elasticity of bread is  
(a) 0.5  
**(b) -0.5**  
(c) 1.0  
(d) -1.0
219. In question No. 218 bread can be considered as  
(a) Essential goods  
(b) Luxury goods  
**(c) Inferior goods**  
(d) Normal goods
220. If the disposal income of a household increases by 10% and the demand for X commodity increased by 25%. The income elasticity of X is  
(a) 1.5  
**(b) -0.5**

- (c) 2.5  
(d) -2.5

**221. In question No. 220 X can be considered as**

- (a) Essential goods  
**(b) Luxury goods**  
(c) Inferior goods  
(d) Normal goods

**222. If the disposal income of a household increases by 10% and the demand for X commodity increased by 10% the income elasticity of X is**

- (a) 1.5  
(b) 0.5  
(c) 1.5  
**(d) 1.0**

**223. In question No. 222 X can be considered as**

- (a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
**(d) Normal goods**

**224. If the disposal income of a household decreases by 10% and the demand for X commodity remains same. The income elasticity of X is**

- (a) 0**  
(b) 0.5  
(c) 0.5  
(d) 2.5

**225. In question No. 224 X can be considered as**

- (a) An essential goods**  
(b) Luxury goods  
(c) Inferior goods  
(d) Normal goods

**226. Which of these would lead to increase in quantity supplied at a given price**

- (a) Increase in VAT  
(b) Increase in excise duty  
(c) Increase in import duty  
**(d) Reduction in levies**

**227. Which of these would lead to decrease in quantity supplied at a given price**

- (a) Decrease in VAT  
(b) Decrease in excise duty  
(c) Decrease in import duty  
**(d) Imposition of higher levies**

**228. The income elasticity of demand of inferior goods is generally**

- (a)  $> 1$   
(b)  $< 1$   
**(c)  $< 0$**   
(d)  $= 0$

**229. The income elasticity of demand of normal goods is generally**

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

**230. The cross elasticity of complementary goods is generally**

- (a)  $> 1$   
(b)  $< 1$   
**(c)  $< 0$**   
(d)  $= 0$

231. **The cross elasticity of substitute goods is generally**  
(a)  $> 1$   
(b)  $< 1$   
(c)  $< 0$   
(d)  $> 0$
232. **The elasticity of a demand curve with a constant slope**  
(a) **Increases at higher price**  
(b) Decreases at higher price  
(c) Increases at lower price  
(d) Remains constant
233. **A perfect inelastic supply curve will be**  
(a) **Parallel to Y axis or a vertical line**  
(b) Parallel to X axis  
(c) U shaped  
(d) Downward sloping
234. **A perfectly elastic supply curve will be**  
(a) Parallel to Y axis or a vertical line  
(b) **Parallel to X axis**  
(c) U shaped  
(d) Downward sloping
235. **Which of the following is not a factor in market supply of a product**  
(a) Cost of production  
(b) **Number of buyers**  
(c) Market price of the product  
(d) Price of related products
236. **The minimum price that a supplier expect to make available a specific quantity for sale is called**  
(a) Demand price  
(b) Administered price  
(c) Cost price  
(d) **Supply price**
237. **The maximum quantity that a supplier is prepared to supply in the market at a given price is called**  
(a) Economic order quantity  
(b) Optimum quantity  
(c) **Supply quantity**  
(d) Both or quantity
238. **Change in cost of production of the concerned goods causes**  
(a) The demand curve to shift  
(b) **The supply curve to shift**  
(c) Increase in quantity demanded  
(d) Decrease in quantity supplied
239. **Shift in supply curve is cause by**  
(a) **Change in citrus paribus conditions**  
(b) Increase in price  
(c) Decrease in price  
(d) Change in consumer income
240. **At a given price increase in quantity supplied can be possible if .....**  
(a) There is apprehension of sharp fall in prices in future  
(b) Refund or subsidy of statutory levy in cash is given by the Government  
(c) Improvement in technology led to cost saving  
(d) **All the three**

241. Which of these is not a determinant of aggregate supply  
**(a)Quantity demanded**  
(b)Price of the product under consideration  
(c)Relative price of other goods  
(d)Future expectations about prices
242. A positive sloped supply curve for a product represents  
(a)Supply will move with movement in the price in the opposite direction  
**(b)Supply will move with the movement in the price in the same direction**  
(c)Both  
(d)None
243. Which of the following will have a relatively flat supply curve  
**(a)Land**  
(b)Labour  
(c)Capital  
(d)Raw material
244. A supply curve parallel to X axis means the product supply is  
(a)Limited  
**(b)Unlimited**  
(c)Not available  
(d)None
245. Which of these will have highly inelastic supply curve  
**(a)Perishable goods**  
(b)Consumer durables goods  
(c)Items of elite class consumption  
(d)All the three
246. Which of these is not a factor of quantity supplied  
(a)Price of the goods  
(b)Price of the related other goods  
(c)Cost of production  
**(d)Consumers disposal income**
247. The supply of goods means .....  
**(a) Quantity offered for sale at a given price and time**  
(b) Quantity produced by the manufacturer  
(c) Quantity available with the supplier  
(d) Consumers disposal income
248. Under law of supply, ceteris paribus is  
(a) Cost of production  
(b) Production technology  
(c) None  
**(d) Both**
249. According to law of supply .....  
(a) Higher the price higher the production of the product  
(b) Higher the price lower the cost of production  
(c) Lower the price lower the demand for the product  
**(d) Higher the price higher the quantity the seller is prepared to supply in market**
250. The quantity that an individual supplier is prepared to supply over a period of time is a function of  
(a) Price of the product  
(b) Cost of production of the product  
**(c)Both**  
(d) None

251. A desire culminates into demand or effective desire only when it is backed by  
(a) Purchasing power  
(b) Willingness of spend money  
**(c) Both**  
(d) None
252. The ..... price that a customer is willing to pay for a given quantity is called demand price  
**(a) Maximum**  
(b) Minimum  
(c) Bargained  
(d) Floor
253. Goods or services that are not necessary for living are  
(a) Needs  
(b) Desires  
**(c) Wants**  
(d) Essentials
254. Complementary goods are those which are .....  
**(a) Consumed simultaneously**  
(b) Close competitive  
(c) Both  
(d) Unrelated
255. Sugar and tea are ..... goods  
**(a) Complementary**  
(b) Perfect substitute of each other  
(c) Both  
(d) Unrelated
256. If price of sugar increase, the demand for tea will .....  
**(a) Fall**  
(b) Increase  
(c) Not affected  
(d) No relation
257. Increase in price of a product reduces the purchasing power as a result of which demand for a product goes up. This effect is known as  
(a) Substitution effect  
**(b) Income effect**  
(c) Diminishing marginal utility concept  
(d) Law of diminishing returns
258. Decreases in price of a product results in increased consumption of the product as the product becomes cheaper compared to other products. This effect is known as  
**(a) Substitution effect**  
(b) Income effect  
(c) Diminishing marginal utility concept  
(d) Law of diminishing returns
259. Traditional approach to law of Demand was propounded by  
(a) Giffen  
(b) A Samulson  
**(c) Alfred Marshall**  
(d) Pique
260. According to traditional approach the factor responsible for operation of downward slope of demand curve are  
(a) Change in number of consumers  
(b) Law of decreasing marginal utility  
(c) Alternative uses of goods  
**(d) All the three**

261. According to Modern approach, law of demand is caused by  
(a) Income effect  
(b) Substitution effect  
**(c) Both**  
(d) None
262. Which of these are exception to law of Demand  
(a) Giffen effect/goods  
(b) Future change in prices  
(c) Change in fashion  
**(d) All the three**
263. Shift in Demand curve or change in Demand curve occurs due to  
(a) Increase in price  
(b) Decrease in cost of production  
**(c) Change in Ceteris paribus conditions**  
(d) All the three
264. Change in quantity demanded or Movement along demand curve occurs due  
**(a) Due to change in price only**  
(b) Change in Ceteris paribus conditions only  
(c) Change in cost of production  
(d) Change in technology
265. Increase in Demand is also known as – in economics  
**(a) Expansion in demand**  
(b) Compression in demand  
(c) Extension in demand  
(d) Extraction in demand
266. Decrease in Demand is also known as  
(a) Expansion in demand  
(b) Compression in demand  
(c) Extension in demand  
**(d) Extraction in demand**
267. Tea and coffee are  
(a) Complementary goods  
**(b) Alternative goods**  
(c) Unrelated goods  
(d) None of these
268. If price of Tea increases the demand of coffee will  
**(a) Increase**  
(b) Decrease  
(c) Remain same  
(d) Cannot say
269. The demand function of a product x is as  $dx = 12 - 2P_x$ , where  $P_x$  stand for price. The quantity demanded corresponding to price of ` 2 will be .....
- (a) 8**  
(b) 6  
(c) 5  
(d) 10
270. In question No. 269 the quantity demanded if the price is 5 will be .....
- (a) 8  
**(b) 2**  
(c) 5  
(d) 10

271. If an Individual Y has a demand of 6 units of the product of market price of the product will be ..... (Ref. Q. No. 269)

- (a) ₹4
- (b) ₹ 5
- (c) ₹ 3**
- (d) ₹ 4.5

272. If there are 5000 customers for the product, the aggregate market demand for the product at market price ₹2 in the question No. 269 will be .....

- (a) 40,000**
- (b) 30,000
- (c) 20,000
- (d) 16,000

273. Aggregate market demand in question No. 270 If there are 5000 customers will be .....

- (a) 40,000
- (b) 30,000
- (c) 20,000
- (d) 16,000**

274. The Supply function of a product x is as  $S_x = 5p_x + 3$ . Where  $P_x$  stand for price. The quantity supplied corresponding to price of ₹ 2 will be .....

- (a) 18
- (b) 13**
- (c) 15
- (d) 23

275. In question No. 274 if the price is ₹ 4 the supply available in the market will be .....

- (a) 18
- (b) 13
- (c) 15
- (d) 23**

276. At what price the firm will be willing to supply 28 pieces in the market (Ref. Q. No. 274)

- (a) ₹4
- (b) ₹ 5**
- (c) ₹ 3
- (d) ₹ 4.5

277. If there are 1000 firms in the market dealing the product under question what would be the aggregate supply if the price is ₹ 4 (Ref. Q. No. 274)

- (a) 20,000
- (b) 23,000**
- (c) 25,000
- (d) 21,000

278. The individual demand and supply curve of a product are  $D_x = 12 - 2p_x$ ,  $S_x = 3 + 5p_x$ , where  $P_x$  stand for price and  $D_x$  and  $S_c$  respectively stands for quantity demanded and quantity supplied. If there are 5000 consumers and 1000 suppliers for the product under question. What will be the equilibrium price

- (a) ₹4
- (b) ₹ 5
- (c) ₹ 3**
- (d) ₹4.5

279. What is the quantity demanded and supplied at the equilibrium price (Ref. Q. No. 278)

- (a) 20,000
- (b) 22,000**
- (c) 21,000
- (d) 19,000



280. What is the aggregate demand if the market price is ₹ 4.20 per unit (Ref. Q. No. 278)
- (a) 20,000
  - (b) 22,000
  - (c) 19,000
  - (d) 18,000**
281. What is the aggregate supply if the market price is ₹ 4.20 per unit (Ref. Q. No. 278)
- (a) 20,000
  - (b) 24,000**
  - (c) 25,000
  - (d) 28,000
282. The quantity of a commodity which an individual is willing to purchase over a specific period of time is a function of
- (a) Price of the product
  - (b) Disposal income
  - (c) Taste and price of other commodities
  - (d) All the three**
283. Market demand curve for a commodity is
- (a) Horizontal summation of the individual demand curve for the commodity**
  - (b) Summation of individual demand curve for 3 years
  - (c) Demand curve of complementary goods
  - (d) Demand curve of supplementary goods
284. Equilibrium state is achieved at
- (a) The peak point of supply curve
  - (b) The bottom point of demand curve
  - (c) The inflection point of demand curve
  - (d) The intersection of demand and supply curve**
285. Under the law of demand ceteris paribus is/are
- (a) Price of other goods
  - (b) Disposal income
  - (c) Tastes and preferences
  - (d) All the three**
286. The demand for a product is 25 units when the price is ₹ 10, however the demand rises to 26 when the price is reduced to ₹ 9.9 per unit. The marginal revenue from production and sale of additional unit from 25 to 26 is
- (a) ₹ 7.4**
  - (b) ₹ 16
  - (c) ₹ 10
  - (d) ₹ 257.6
287. If in question No. 286 the price is reduced to ₹ 9 But the demand goes to 26 units what is the marginal revenue from sale of 26<sup>th</sup> unit
- (a) ₹ 7.4
  - (b) ₹ (-16)**
  - (c) ₹ 16
  - (d) ₹ 257.4
288. In question No. 286 what is the total revenue from sale of 26 units
- (a) ₹ 7.4
  - (b) ₹ 9
  - (c) ₹ 10
  - (d) ₹ 257.40**
289. In question No. 286 what is the total revenue from sale of 26 units
- (a) ₹ 16
  - (b) ₹ 9
  - (c) ₹ 234**
  - (d) ₹ 257.4

290. In question No. 286 what is the average revenue from sale of 26 units  
(a) ₹ 10  
**(b) ₹ 9.9**  
(c) ₹ 9  
(d) ₹ 16
291. If the question No. 286 despite reduction in price to ₹ 9.9 the demand for the product remains at 25 units we can say that the demand for the product is  
(a) Elastic  
(b) Less elastic  
**(c) Perfectly inelastic**  
(d) Unity elastic
292. In question No. 286 if the price is reduced to ₹ 9 per unit the demand for the product instead of increasing fall down to 24 units, the goods can be .....  
(a) Essential goods  
(b) Luxury goods  
**(c) Inferior goods**  
(d) None of these
293. In question No. 286 if the price is increased to ₹ 11 per unit and the demand sharply falls to 20 unit, we can say that the goods are .....  
(a) Essential goods  
**(b) Luxury goods**  
(c) Inferior goods  
(d) None of these
294. A levy of excise duty on consumption of an item consumed will .....  
(a) Induce suppliers to pump in more quantity in the market  
(b) Result in fall in the consumption of the commodity and lower total expenditure on it by the consumer  
(c) Lead to inflationary conditions  
**(d) Place the consumer on lower indifference curve**
295. An imposition of excise duty would effect the demand of a product due to .....  
(a) Income effect  
(b) Substitution effect  
**(c) Both**  
(d) None
296. Two commodities X and Y goods can be inferred as close substitute of each other if –  
**(a) Increase in price of one leads to increase in demand of other and vice versa**  
(b) Increase in price of one leads to decrease in demand of other and vice versa  
(c) Fall in price of one lead to fall in demand of other one  
(d) Increase in price of one leads to increase in demand of other one
297. Two Commodities X and UY can be inferred as complementary to each other if  
(a) Increase in price of one leads to increase in demand of other and vice versa  
**(b) Increase in price of one leads to decrease in demand of other and vice versa**  
(c) Fall in price of one lead to fall in demand of other one  
(d) Increase in price of one leads to increase in demand of other one
298. Goods or services that are necessary for living are  
**(a) Needs**  
(b) Desires  
(c) Wants  
(d) Essentials
299. A goods can be considered inferior goods in economics if increase in disposal income of the consumer causes  
(a) An increase in demand  
(b) No change in demand  
**(c) Decrease in demand**  
(d) Less than proportionate change in demand

- 300. A goods can be considered a normal goods in economics if increase in disposal income of the consumer causes**  
(a) **An increase in demand**  
(b) No change in demand  
(c) Decrease in demand  
(d) Less than proportionate change in demand
- 301. Change in consumers tastes and preference causes – of the particular goods**  
(a) Change in quantity demanded  
(b) **Shift in demand curve**  
(c) Change in price  
(d) No effect on quantity demanded
- 302. Change in price of the goods cause**  
(a) **Change in quantity demanded**  
(b) Shift in demand curve  
(c) Change in price  
(d) No effect on quantity demanded
- 303. If price of Choco bar decreases we except**  
(a) **The quantity demanded to increase**  
(b) Quantity demanded to decrease  
(c) Demand curve to shift left  
(d) No change in quantity demanded
- 304. According to law of demand**  
(a) Higher the price higher the production of the product  
(b) Higher the price lower the cost of production  
(c) **Lower the price higher the demand for the product**  
(d) Higher price higher the quantity the more the consumer demand
- 305. The quantity of a commodity that an individual is willing to purchase over a specified period of time is a function of except .....**  
(a) Price of the commodity  
(b) Price of the competitive products  
(c) His disposal income  
(d) **Price of factor of production**
- 306. Market demand curve for a commodity is a**  
(a) **Horizontal summation of all the individual demand curve for that product**  
(b) Summation of demand curve of competitive products  
(c) Demand curve of average demand and price of previous six months  
(d) Projected demand schedule for next three months
- 307. If the supply of a product remain same with the increase in price, the possible reasons can be**  
(a) Apprehension of further price hike  
(b) Limited production facility  
(c) Commodity being a rare commodity  
(d) **All the three**
- 308. In a market economy equilibrium price is reached at**  
(a) **Point of interaction of aggregate demand and aggregate supply curve**  
(b) At the top of demand curve  
(c) Midpoint of demand curve  
(d) Midpoint of supply curve
- 309. Which of the following is/are an essential feature of the market**  
(a) Buyers  
(b) Sellers  
(c) Price  
(d) **All the three**

- 310. Which of these is not an essential feature of a market**  
(a) Buyers  
(b) Sellers  
(c) Commodity  
**(d) Building with loading and unloading facilities**
- 311. Which of the following is/are the characteristic of a monopolistically competitive market**  
(a) No restriction on exit and entry  
(b) Many sellers  
(c) Product differentiation  
**(d) All the three**
- 312. If there is simultaneous fall in consumers disposal income as well number of suppliers of a product in the market, the**  
**(a) Equilibrium quantity will decrease**  
(b) Equilibrium price will decrease  
(c) Equilibrium price will go up  
(d) Equilibrium quantity will increase
- 313. Very short period is the market condition where the supply remain perfectly**  
(a) Elastic  
**(b) Inelastic**  
(c) Unity elastic  
(d) Elasticity less than 1
- 314. In the long run price is governed by .....**  
**(a) Cost of Production**  
(b) Demand supply forces  
(c) Marginal utility  
(d) None
- 315. Adam Smith called price mechanism as**  
**(a) Invisible hands**  
(b) Consumer sovereignty  
(c) Consumer liberty  
(d) Price regulation
- 316. In the long run a firm in perfect competition earns**  
**(a) Normal profit only**  
(b) Abnormal profit  
(c) Average profit of past five years  
(d) 12.33% profit on capital employed
- 317. The practice of selling same product to different persons at different price is called**  
**(a) Price discrimination**  
(b) Price rigging  
(c) Price manipulation  
(d) Price Justification
- 318. Which of these is not a cause of price discrimination**  
(a) Ignorance of consumer  
(b) Place differentiation  
(c) Variation in quality  
**(d) Tax differentiation**
- 319. If both the disposal income as well as number of suppliers of a product rises, the equilibrium**  
(a) Price remain same  
(b) Price will go up  
**(c) Quantity will go up**  
(d) Quantity will go down

- 320. Simultaneous increase in demand and quantity supplied will**  
(a) **Increase in equilibrium price and quantity**  
(b) Decrease equilibrium price and quantity  
(c) Increase equilibrium price but decrease quantity  
(d) Decrease equilibrium price but increase quantity
- 321. A firm faces the shut down situation when**  
(a) **Price is less than average variable cost**  
(b) Price is more than the average variable cost  
(c) Price is equal to fixed cost  
(d) Price is more than the average fixed cost
- 322. If a firm shut down at a level when  $AVC > Price$ , the firm restricts its losses to**  
(a) **Total fixed cost**  
(b) Average fixed cost  
(c) Variable cost  
(d) Average variable cost
- 323. Fixed costs are**  
(a) Avoidable in the short run  
(b) **Sunk cost in the short run**  
(c) Sunk cost in the long run  
(d) Unavoidable in the long run
- 324. When the price is less than the average variable cost, the firm should .....**  
(a) Continue to operate till the market recover  
(b) **Shut down its operation for the time being**  
(c) Retrench workers and pay them compensation  
(d) Clear the existing stock at a price less than the prevailing price to beat the competitors
- 325. Breakeven point refers to the situation when**  
(a) **Total revenue is equal to total cost**  
(b) Total revenue is more than total cost  
(c) Total revenue is less than total cost  
(d) Total revenue is equal to total variable cost
- 326. A firm that break even after all the economic costs are paid is earning**  
(a) Economic profit  
(b) Accounting profit  
(c) **Normal profit**  
(d) Super normal profit
- 327. A firm that makes profit in excess of normal profit is earning**  
(a) Economic profit  
(b) Costing profit  
(c) Normal profit  
(d) **Super normal profit**
- 328. A natural monopoly has declining – over large range of output**  
(a) **Long run average cost**  
(b) Short run average cost  
(c) Long run total cost  
(d) Long run marginal cost
- 329. A monopoly based on sole state ownership of production and distribution network is known as**  
(a) Natural monopoly  
(b) Technological monopoly  
(c) **Government monopoly**  
(d) Geographical monopoly

- 330. The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as**  
(a) Oligopoly  
(b) Duopoly  
(c) Monopoly  
**(d) Monopolistic competition**
- 331. .... may start a price war in order to grab a larger share of market**  
**(a) Oligopoly**  
(b) Duopolies  
(c) Monopolist  
(d) Monopolistic competition
- 332. In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes**  
**(a) Profits and new firms join the market**  
(b) Profit and bar entry to new firms  
(c) Makes losses and exit the market  
(d) Quick profit and disappears
- 333. Which of these is associated with a monopolistic competitive market –**  
(a) Product differentiation  
(b) Homogeneous Product  
**(c) Normal in short run**  
(d) Single buyer
- 334. The ideal level of operation for a pure monopoly firm is the level where**  
**(a) TR and STC curve are parallel to each other**  
(b)  $TR = TC$   
(c)  $TR = \text{Total variable cost}$   
(d)  $TR$  is less than  $STC$
- 335. When the Demand curve of a pure monopoly firm is elastic, MR will be**  
(a) Negative  
**(b) Positive**  
(c) Zero  
(d) Any of these
- 336. In short run a monopolistic competition firm will be in equilibrium where**  
(a)  $MR = \text{curve intersect } SMC \text{ curve from above}$   
(b)  $MR \text{ curve intersect } SMC \text{ curve from below}$   
(c)  $MC = AR$   
**(d) MR curve intersect SMC from below and P is equal to or more than AVC**
- 337. In a pure monopoly firm a firm can make abnormal profit at the long run equilibrium level due to**  
(a) Price discrimination  
(b) Cost effectiveness  
**(c) Banned entry of new firms**  
(d) Sales promotion
- 338. In the short run an oligopolistic firm will**  
(a) Make profits  
(b) Incur losses  
(c) Just break even  
**(d) Any of these three are possible**
- 339. A monopoly firm makes more profit because**  
**(a) It has ability to choose among price and output combination**  
(b) It can discriminate price  
(c) It leave the consumer with no consumer surplus  
(d) it acts as a market leader

340. Super normal profits occurs when  
 (a) Average revenue is more than average cost  
 (b) Total revenue is maximum  
 (c) Total cost is minimum  
 (d) MC is equal to MR
341. .... has excess production capacity in the long run  
 (a) Perfect competition market  
 (b) Monopolistic competition market  
 (c) Oligopolistic market  
 (d) None
342. Oligopoly market is known for .....  
 (a) Price flexibility  
 (b) Price rigidity  
 (c) Price discrimination  
 (d) All the three
343. In a competitive market ..... is the price maker  
 (a) Firm  
 (b) Industry  
 (c) Consumer  
 (d) Trade association
344. In a competitive market ..... is the price taker  
 (a) Firm  
 (b) Industry  
 (c) Consumer  
 (d) Trade association
345. A competitive firm maximizes its total profit when .....  
 (a) Average cost equal average realization  
 (b) Marginal cost equals Price  
 (c) Total revenue is the maximum  
 (d)  $MR = AR$
346. A Monopoly's demand curve is  
 (a) Same as its average revenue curve  
 (b) Same as its supply curve  
 (c) Same as its cost curve  
 (d) Same as that of the factor inputs
347. Which of them is a characteristic of a price taker  
 (a)  $MR = Price$   
 (b)  $AR = MR$   
 (c)  $TR = PXQ$   
 (d) All the three

348. The table given below shows the demand and supply position of eggs at various prices

Price (₹ Per dozen)	Daily Demand	Daily supply
16	3000	2300
17	2950	2350
18	2850	2475
19	2750	2525
20	2600	2600
21	2500	2650
22	2450	2700
23	2400	2750
24	2350	2800

What will be the equilibrium price

- (a) ₹ 19



- (b) ₹ 20  
(c) ₹ 21  
(d) ₹ 23
349. In question No. 348. What is the equilibrium quantity of demand and supply  
(a) 2525  
**(b) 2600**  
(c) 2650  
(d) 2725
350. Under perfect market conditions an industry is said to be in equilibrium where  
**(a) Total output is equal to total demand**  
(b) Profit is maximum  
(c) Where the total revenue is maximum  
(d) Where total average cost is the minimum
351. Under perfect market conditions a firm is said to be in equilibrium where  
(a) Total output is equal to total demand  
**(b) Profit is the maximum**  
(c) Where the total revenue is maximum  
(d) Where total average cost is the minimum
352. Under perfect market conditions the supply curve of a firm is represented by  
**(a) MC curve**  
(b) MR curve  
(c) AR curve  
(d) AC curve
353. Long-term equilibrium of an industry under a perfectly market conditions is achieved when  
(a) All the firms are earning normal profit  
(b) All the firms are in equilibrium  
(c) There is no further entry or exit of firms from the industry  
**(d) All the three**
354. Which of the following statement is true  
**(a) In perfect competition Average and Marginal revenue are identical**  
(b) In perfect competition Average and Marginal cost are identical  
(c) In perfect competition Average price and Marginal cost are identical  
(d) In perfect competition only normal profit can be earned by a firm
355. For a monopoly firm market demand curve is  
(a) Marginal revenue curve itself  
**(b) Average Revenue curve itself**  
(c) Marginal cost curve  
(d) None
356. Which of the following statement is true  
(a) For a monopoly firm AR can be zero  
**(b) For a monopoly firm MR can be zero or even negative**  
(c) For monopoly firm MR and AR are identical  
(d) For a monopoly firm MR and AR are positive sloped
357. For a monopoly firm the MR Curve  
(a) Overlaps AR curve  
(b) Is above the AR curve  
**(c) Lies half way between AR curve and the Y axis**  
(d) Is same as AR curve
358. A monopoly is characterized by  
**(a) Limited entry and exit opportunity**  
(b) Single supplier  
(c) Few customers  
(d) All the three



- 359. Which of the following faces a downward sloping demand curve**  
(a) Firm in a competitive market  
**(b) Firm in a monopoly market**  
(c) Both  
(d) None
- 360. Average Revenue of a monopolist firm is**  
**(a) Always more than the Marginal revenue**  
(b) Always less than the Marginal revenue  
(c) Equal to marginal revenue  
(d) Any of the above three possible
- 361. Demand curve of an Oligopoly firm is characterized by**  
(a) Horizontal to X axis  
**(b) Kink at the price**  
(c) U shaped curve  
(d) A liner line
- 362. Which of the following statement is true**  
**(a) Monopolist are price takers**  
(b) Monopoly firm earn abnormal profits  
(c) A Monopoly firm faces straight demand line  
(d) Supply curve of a monopoly firm is positive sloped
- 363. What will happen if a firm in perfect competitive market, increase its output by 50%**  
**(a) Total sales revenue will also increase by 50%**  
(b) Selling price will come down by 50%  
(c) Total sales revenue will decrease by 50%  
(d) Profit will increase by 25%
- 364. .... it is the form of the market in which the only seller of a commodity has fully control over the prices**  
(a) Monopoly  
**(b) Pure monopoly**  
(c) Simple monopoly  
(d) All the three
- 365. Stock of both man made goods as well as natural resources like capital is called –**  
(a) National wealth  
**(b) National stock**  
(c) No less no gain level  
(d) All the three
- 366. .... is a situation in which it is not possible to make someone better off without making someone worse off**  
(a) Social efficiency  
(b) Production efficiency  
(c) Distribution efficiency  
**(d) Pareto efficiency**
- 367. .... is the price at which demand for a commodity is equal to its supply**  
(a) Normal price  
**(b) Equilibrium price**  
(c) Short run price  
(d) Secular price
- 368. When a monopolist charges different prices to each customer it is called price discrimination of –**  
**(a) First order**  
(b) Second order  
(c) Third order  
(d) Fourth order

369. **The demand curve of a Monopoly firm is –**  
(a) Same that of a firm in a perfect competition  
**(b) Same as that of the total market demand**  
(c) Non-exist  
(d) Perfectly elastic
370. **In a perfect competitive market price determines –**  
(a) What to buy  
(b) What to produce  
**(c) Both**  
(d) None
371. **Total profit of a firm in a perfect competitive market is –**  
**(a) Total revenue less total cost**  
(b) Marginal revenue less marginal cost  
(c) Total revenue less marginal cost  
(d) Total revenue less variable cost
372. **National income is the ..... Of all the goods and services produced by a country during a period of year**  
(a) Physical quantity  
**(b) Money value**  
(c) ₹ Value  
(d) All the three
373. **GPD is the money value of final goods and serviced produced in the..... Of a country during an accounting year**  
**(a) Domestic territory**  
(b) Political territory  
(c) Specific area  
(d) FTZ area
374. **Which of these is/ are included in the domestic territory of a country?**  
(a) Territory lying within the political frontier including territorial water of the country.  
(b) Ships and aircrafts operated by the residents of the country between two or more countries.  
(c) Fishing vessels, oil and natural gas rigs and floating platforms.  
**(d) All the three**
375. **Choose the correct statement**  
**(a)  $GDP_{at\ fc} = GDP_{mp} - IT + S$**   
(b)  $GDP_{at\ fc} = GDP_{mp} - IT - S$   
(c)  $GDP_{at\ fc} = GDP_{mp} + IT + S$   
(d)  $GDP_{at\ fc} = GDP_{mp} + IT - S$
376. **Which of the following equation is correct**  
**(a)  $NDP = GDP - \text{Depreciation}$**   
(b)  $NDP = GDP + \text{Depreciation}$   
(c)  $NDP = GDP - \text{Depreciation} - \text{subsidy}$   
(d)  $NDP = GDP - \text{Depreciation} + \text{subsidy}$
377. **Which of the following equation is correct?**  
**(a)  $GNP = GDP + \text{Net factor income from abroad}$**   
(b)  $GNP = GDP + \text{Gross factor income from abroad}$   
(c)  $GNP = GDP - \text{Net factor income from abroad}$   
(d)  $GNP = GDP - \text{Gross factor income from abroad}$
378. **Which of these items are excluded in the computation of National Income under value added method?**  
(a) Own acquired fixed assets by the Government enterprises, Govt. and household  
(b) Production for self-consumption  
(c) Imputed rent for own occupied house  
**(d) All the three**

- 379. Which of these is / are a transfer payments(s)?**  
(a) Pension  
(b) Scholarship  
(c) Unemployment allowance  
**(d) All the three**
- 380. In agricultural sector net value added is estimated by**  
(a) Income method  
(b) Expenditure method  
**(c) Production method**  
(d) All the three
- 381. Which of these are not included in territory sector?**  
(a) Banking  
(b) Insurance  
**(c) Agriculture**  
(d) Transport
- 382. Which of these indicates increase in welfare of the people?**  
(a) **Increase in production of war time equipments**  
(b) Increase in production of food grains  
(c) Spurt in smuggling activities  
(d) Increase in production of Heroine, smack etc.
- 383. Which of the following is an example of an intermediate goods.**  
(a) A Tata Indica sold by a dealer of second hand car  
**(b) Steel and cement used to construct a flyover**  
(c) Farming crop purchased by FCI  
(d) All the three
- 384. GDP is defined as**  
**(a) The market value of all goods and services produced in the domestic economy during the year**  
(b) Current value of all the capital goods produced in the country.  
(c) Sum of goods and services exported during the year.  
(d) All the capital goods and consumable goods produced and sold during the year
- 385. If in 2000 nominal GDP is = ₹ 70000 Crore and the prices in 2000 were 40% more than the real GDP in 2000 using 1996 as a base year is**  
(a) ₹45,000 Crore  
**(b) ₹ 50,000 Crore**  
(c) ₹42,000 Crore  
(d) ₹98000 Crore
- 386. Assuming consumption C= ₹ 45000, Investment I= ₹1000, Government Purchase G= ₹1200, Exports= ₹ 450, Depreciation = ₹ 600, and Indirect Tax= ₹500, then GDP will be**  
(a) ₹5900  
**(b) ₹6600**  
(c) ₹6000  
(d) ₹5100
- 387. In question No. 386, the National Income will be**  
(a) ₹5000  
(b) ₹6600  
(c) ₹6000  
**(d) ₹5500**
- 388. If the cost of production of a cake in bakery is ₹20 per cake which is ultimately sold to the customer after packing and transporting to the retail shops at ₹25 per cake. The value added is**  
**(a) ₹ 5**  
(b) ₹20  
(c) ₹25  
(d) ₹4

- 389. In a closed economy**  
(a) **GDP=GNP**  
(b) GDP>GNP  
(c) GDP<GNP  
(d) All the three are possible
- 390. In an open economy**  
(a) GDP=GNP  
(b) GDP>GNP  
(c) GDP<GNP  
(d) **All the three are possible**
- 391. Which of these is an example of a transfer payment?**  
(a) Profit  
(b) **Retirement pension**  
(c) Rent  
(d) Transportation and freight charges
- 392. GDP can be defined as sum of the market value of the.....**  
(a) **Final manufactured goods and services**  
(b) Intermediate goods  
(c) Goods and services exported  
(d) Sub-standard goods and discarded services
- 393. A read garment factory pays ₹100 for suit length and ₹5 for cotton thread purchased and ₹50 to the labour for stitching the suit which he sells in the market for ₹750. His contribution to GDP is**  
(a) ₹595  
(b) **₹750**  
(c) ₹600  
(d) ₹400
- 394. Which of these would not be part of GDP?**  
(a) Sale of Intermediate goods  
(b) Income from illegal betting  
(c) Household services rendered by a house wife in her family  
(d) **All the three**
- 395. Real GDP is measured in.....prices**  
(a) **Base year**  
(b) Current year  
(c) 1980  
(d) 2000
- 396. Nominal GDP is measured in .....prices**  
(a) Base year  
(b) **Current year**  
(c) 1980  
(d) 2000
- 397. Which of these is not a part of GDP for the year 2006?**  
(a) Earning of an International fashion show organized in Delhi  
(b) Sale of ticket for Republic day parade.  
(c) Fee of a practicing Chartered Accountant  
(d) **A house built in 2000 and first sold in 2006**
- 398. If GDP exceeds GNP the possible reasons could be**  
(a) **Foreigners are earning more in India than Indians are earning in foreign countries**  
(b) High incidence of plant and machinery wear out  
(c) Indian are earning more in foreign countries than foreigners earnings in India  
(d) None

399. .... is an index of price change for goods and services included in GDP  
(a) Price index  
(b) Sensex  
**(c) GDP deflator**  
(d) None

400. From the following equation estimated consumption when disposal income is ₹1000 is  $C = ₹200 + 0.80Y_d$   
**(a) ₹1000**  
(b) ₹1100  
(c) ₹900  
(d) ₹800

401. The vital data of a country are given below:  
GNP at MP = ₹99,000, Net factor income abroad = (-) 560 Capital consumption allowance = ₹6,100, Net indirect tax = ₹8,470  
From the above, estimate of GNP at factor cost =  
**(a) ₹90,530**  
(b) ₹91,000  
(c) ₹89,990  
(d) ₹93,100

402. Based on the data given in question No. 401. NNP at factor cost  
**(a) 84,430**  
(b) 87000  
(c) 86540  
(d) 88000

403. Based on the data given in question No. 401. NDP at FC  
(a) 86,430  
(b) 87000  
**(c) 84990**  
(d) 88000

404. Based on the data given in question No. 401. NDP at MP  
(a) 88,430  
**(b) 93460**  
(c) 86540  
(d) 88000

405. Which of the following statement is true?  
(a) Value added = total sales + closing stock of finished goods – opening stock of finished goods – total expenditure on raw material – intermediate goods  
(b) Value added = total sales + closing stock of finished goods and semi finished goods – total expenditure on raw material – intermediate goods  
(c) Value added = total sales + closing stock of finished goods and semi-finished goods- opening stock of finished goods and semi finished goods- total expenditure on raw material  
**(d) Value added = total sales + closing stock of finished goods and semi finished goods – opening stock of finished goods and semi finished goods – total expenditure on raw material – intermediate goods.**

406. True value added  
**(a) value added-depreciation**  
(b) Value added – depreciation – tax  
(c) Value added – interest – tax  
(d) Value added – depreciation-interest

407. If Nominal GDP is 11% and Real GDP is 6%, then the difference of 5% represent  
(a) Depreciation  
**(b) Rate of inflation**  
(c) Rate of interest  
(d) Tax burden

408. Given Real GDP of 6.5% and rate of inflation of 5.5% nominal GDP will be.....  
(a) 12%  
(b) 10%  
(c) 10.5%  
(d) 9.5%
409. Given Real GDP 8.25%, Nominal GDP 11.25%, Rate of inflation will be  
(a) 2.5%  
(b) 3%  
(c) 4.25%  
(d) 3.5%
410. If we add..... to net domestic production we get GDP  
(a) Depreciation  
(b) Direct tax  
(c) Indirect tax  
(d) Interest payment
411. If we add..... to national income we get NDP  
(a) Depreciation  
(b) Net foreign factor income  
(c) Indirect-tax  
(d) Transfer payment
412. .... is the personal income minus personal income tax and miscellaneous receipts of Government administrative departments.  
(a) Surplus income  
(b) Disposal income  
(c) Expendable income  
(d) Residual income
413. Which of these is/are not included in net domestic product at factor cost.  
(a) Wages or compensation of employees  
(b) Rent, interest, profits or operating surplus  
(c) Mixed income  
(d) None
414. Which is the apex bank for agricultural credit in India?  
(a) RBI  
(b) SIDBI  
(c) NABARD  
(d) IDBI
415. SIDBI is a subsidiary bank of  
(a) IDBI  
(b) SBI  
(c) HDFC  
(d) ICICI
416. RBI check inflation by  
(a) Increasing bank rate  
(b) Increasing CRR  
(c) Both  
(d) None
417. Which of the following is near money?  
(a) Bill of exchange  
(b) Saving bonds  
(c) Gilt edged securities  
(d) All the three

418. Which of the following is the oldest system of money?  
**(a) Barter**  
(b) Plastic money  
(c) Credit money  
(d) Gold
419. Optional money is a  
(a) Legal tender money  
**(b) Non-legal tender money**  
(c) Limited legal tender money  
(d) Full bodied money
420. Which of these is not a function of money?  
(a) Means of exchange  
(b) Store value  
**(c) Power indicator**  
(d) Measurement of value
421. Which of the following function does money serve when used to measure the prices of different goods and services?  
(a) Store of value  
(b) Medium of exchange  
**(c) Standard of value**  
(d) Display of power
422. Which of the following function does money serve when used to purchase or sell different goods and services?  
(a) Store of value  
**(b) Medium of exchange**  
(c) Standard of value  
(d) Display of power
423. If RBI wants to decrease the money supply in order to check inflation it will  
(a) Sell bonds  
(b) Increase CRR  
(c) Hike bank rate  
**(d) All or any of the above three**
424. If the country is passing through recession, the RBI would  
(a) Buy bonds  
(b) Reduce CRR  
(c) Ease out bank rate  
**(d) All or any of the above three**
425. If RBI sucks excess money into circulation this will effect  
(a) M1  
(b) M2  
**(c) Both**  
(d) None
426. Manipulation in CRR enables the RBI to .....  
**(a) Influence the lending ability of the commercial banks**  
(b) Check unemployment growth  
(c) Check poverty  
(d) Increase GDP
427. How does a commercial bank create money  
(a) By printing money  
**(b) By lending a part of its deposits**  
(c) By issuing ATM cards  
(d) Accepting deposits



- 428. Which of these affects the demand for money?**  
(a) Real income  
(b) Price level  
(c) Rate of interest  
**(d) All the three**
- 429. If someone keeps some money for bad days, this demand for money is known by ..... motive of money**  
(a) Speculative  
(b) Transaction  
**(c) Precautionary**  
(d) Store
- 430. Which of these would lead to fall in demand for money?**  
(a) Inflation  
(b) Increase in real income  
**(c) Increase in real rate of interest**  
(d) Increase in wealth
- 431. EXIM Bank was established in**  
**(a) Jan. 1982**  
(b) March 1984  
(c) Feb. 2001  
(d) August 1975
- 432. EXIM Bank is authorized to raise loan from**  
(a) RBI  
(b) Government of India  
(c) International market  
**(d) Trading activities**
- 433. Which of these are not the duties of EXIM Bank?**  
(a) Lending/Guarantee  
(b) Advisory  
(c) Promotional  
**(d) Trading activities**
- 434. RBI was nationalized in**  
(a) June 1947  
**(b) Jan. 1949**  
(c) March 1954  
(d) April 1936
- 435. Which of these terms are/is appropriate for RBI?**  
(a) Banker's Bank  
(b) Banker's to the Government  
**(c) Both**  
(d) None
- 436. Exchange Control and Management is done by**  
**(a) RBI**  
(b) As per Defence of India Act  
(c) SBI  
(d) IDBI
- 437. FERA has been replaced by**  
(a) FINA  
**(b) FEMA**  
(c) FENA  
(d) MRTTP
- 438. CRR means**  
**(a) Cash Reserve Ratio**  
(b) Current rate of return  
(c) Cumulative rate of return  
(d) Current rate of Rupee

- 439. CRR is used to**  
(a) **Combat inflation**  
(b) Check black money  
(c) Check tax evasion  
(d) All the three
- 440. SLR stands for**  
(a) Short liquid rupee  
(b) **Statutory liquid ratio**  
(c) Statutory liquid Rupee  
(d) Shorter long rung
- 441. Nationalization of Banks took place in**  
(a) **July 1969**  
(b) February 1977  
(c) Jan. 1960  
(d) April 1989
- 442. Repo Market means**  
(a) **A money market instrument which helps in collateral short term borrowing and lending through sale and purchase operation in debt instrument**  
(b) A money market instrument which helps in collateral long term borrowing and lending through sale and purchase operation in debt instrument  
(c) A money market instrument which helps in collateral short term lending through sale and purchase operation in debt instrument  
(d) A money market instrument which helps in collateral short term borrowing through sale and purchase operation in debt instrument
- 443. Repo transaction means**  
(a) **Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date.**  
(b) Sale of securities by the holder to the investor with the agreement to resell them at a predetermined rate and date.  
(c) Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date  
(d) Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate.
- 444. Reverse Repo transaction means**  
(a) Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date  
(b) **Sale or purchase of securities by the holder to the investor with the commitment to sell or purchase them at a predetermined rate and date**  
(c) Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date  
(d) Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate
- 445. Repo transactions are allowed in**  
(a) Government securities / Treasury bills of all maturity  
(b) State Government securities  
(c) PSU bonds/Private corporate bonds  
(d) **All the three**
- 446. India is a recipient of loan from which of these agencies**  
(a) World Bank  
(b) IMF  
(c) IDA  
(d) **All the three**
- 447. Demand pull inflation rises due to**  
(a) Persistent rise in factor cost  
(b) **Mismatch between demand and supply of commodities**  
(c) Combine phenomena of demand pull and cost-push inflation.  
(d) Increase in Price of precious metal

- 448. Cost push inflation arises due to**  
(a) **Persistent rise in factor cost**  
(b) Mismatch between demand and supply of commodities  
(c) Combine phenomena of demand pull and cost-push inflation.  
(d) Increase in price of precious metal
- 449. Deflation is a state when**  
(a) **Prices are falling**  
(b) Consistent increase in prices  
(c) Fall in GDP  
(d) Collapse of sensex
- 450. Which of these is one of the causes of inflation?**  
(a) Increase in public expenditure  
(b) Deficit financing  
(c) Increase in administrative prices  
(d) **All the three**
- 451. Deficit financing means**  
(a) Financing budgetary deficit by borrowing  
(b) Financing budgetary deficit by printing money  
(c) **Both**  
(d) None
- 452. Inflationary conditions may co-exist with which of the following situation**  
(a) Increase in factor cost  
(b) Increase in employment opportunities  
(c) Growth in GDP and imports  
(d) **All the three**
- 453. Given the supply quantity which is fixed an increase in aggregate demand will have direct impact on**  
(a) Increase in GDP  
(b) **Inflationary pressure**  
(c) Greater employment opportunity  
(d) More equitable distribution of income and wealth
- 454. Supply of money refers to**  
(a) **Total money held by the public**  
(b) Total money held by RBI  
(c) Total money with all the commercial banks and RBI  
(d) Total money in Government account
- 455. Given a reserve ratio of 20% in initial deposit of ₹ 1000 in a banking system would create secondary deposit of ₹.....**  
(a) ₹ 3,000  
(b) ₹ 5,000  
(c) **₹ 4,000**  
(d) ₹ 6,000
- 456. Given a reserve ratio of 20% for an initial deposit of ₹ 1000 create total supply of money**  
(a) ₹ 4,000  
(b) **₹ 5,000**  
(c) ₹ 800  
(d) ₹ 160
- 457. Which of these is not the function of IMF?**  
(a) It provides mechanism for orderly adjustment of exchange rate  
(b) It provides mechanism for international consultation  
(c) **It provides forum for settlement of international trade disputes**  
(d) It is a reservoir of the currencies of all the member countries

- 458. Which of these is not the function of World Bank?**  
(a) **To arbitrate on international trade disputes.**  
(b) To help the member countries in the reconstruction and development of their countries.  
(c) To encourage private foreign investment and credit by guaranteeing repayment.  
(d) To promote long term balanced growth of international trade.
- 459. Which of the following is not the function of World Trade Organization?**  
(a) **To settle border disputes of member countries.**  
(b) To handle trade disputes.  
(c) To provide technical assistance and training to developing countries.  
(d) To provide forum for trade negotiation between the member countries.
- 460. At a given time and in a given marketplace, the entire market demand curve indicates the**  
(a) quantity of a good consumers would be willing and able to purchase at a given price.  
(b) **quantity of a good consumers would be able to purchase at a series of prices.**  
(c) quantity of a good consumers want to purchase at a given price  
(d) quantity of a good consumers have purchased at a series of prices over the year.
- 461. Assume Samantha likes hot dogs and hamburgers equally, and the price of hamburgers (a normal good) declines. She will most likely purchase more hamburgers; this is**  
(a) a reflection of the income effect  
(b) **a reflection the substitution effect**  
(c) a reflection of the income and substitution effects  
(d) None of above
- 462. Which of the following would not be considered a normal good?**  
(a) steaks  
(b) **flour**  
(c) c.. oranges  
(d) meals at restaurants
- 463. A typical demand curve will normally have a**  
(a) positive slope  
(b) horizontal slope  
(c) vertical slope  
(d) **negative slope**
- 464. Which of the following would not be considered compliments?**  
(a) shoes and socks  
(b) tennis racquet and tennis balls  
(c) **Coke and Pepsi**  
(d) automobiles and gasoline
- 465. Which of the following would not be considered substitutes?**  
(a) butter and margarine  
(b) Coke and Pepsi  
(c) Fords and Chevrolets  
(d) **Hamburgers and french fries**
- 466. The price of Ford automobiles increases and the price of Chevrolets remains constant, the demand for Chevrolets will**  
(a) **increase**  
(b) decrease  
(c) decrease then increase  
(d) increase then decrease
- 467. An improvement in technology would shift**  
(a) the demand curve inward  
(b) the demand curve outward  
(c) the supply curve inward  
(d) **the supply curve outward**

- 468. A shift outward in supply curve will result in equilibrium price**  
(a) increasing and quantity increasing  
(b) increasing and quantity decreasing  
(c) **decreasing and quantity increasing**  
(d) decreasing and quantity decreasing
- 469. A reduction in the number of producers will result in equilibrium price**  
(a) increasing and quantity increasing  
(b) **increasing and quantity decreasing**  
(c) decreasing and quantity increasing  
(d) decreasing and quantity decreasing
- 470. As a certain type of clothing becomes more fashionable, we would expect its equilibrium price**  
(a) to decrease and quantity will remain constant  
(b) and quantity will decrease  
(c) to increase and quantity to decrease  
(d) **and quantity to increase**
- 471. If supply and demand both shift outward, but demand shifts outward more than supply, the equilibrium price**  
(a) **will increase and quantity will increase**  
(b) will increase and quantity will decrease  
(c) will decrease and quantity will decrease  
(d) will decrease and quantity will increase
- 472. At Christmas time often a certain toy or doll becomes increasingly popular; this is primarily due to a(n)**  
(a) surplus  
(b) **increase in demand**  
(c) increase in supply  
(d) decrease in supply
- 473. Which of the following is correct for a price floor set above the equilibrium price?**  
(a) quantity supplied is less than quantity demanded at the set price.  
(b) at the set price there will be a shortage  
(c) **quantity supplied exceeds quantity demanded at the set price**  
(d) None of above
- 474. Which of the following is correct for the price ceiling which is set below the market's equilibrium price?**  
(a) **quantity demanded exceeds quantity supplied at the set price**  
(b) quantity demanded is less than quantity supplied at the set price  
(c) at the set price there is a surplus  
(d) None of above
- 475. What will happen to the equilibrium price and quantity of peanut butter if peanuts increase in price and the price of jelly decreases?**  
(a) the equilibrium price and quantity increase  
(b) the equilibrium price will fall and the equilibrium quantity will be indeterminate  
(c) **the equilibrium price will rise and the equilibrium quantity will be indeterminate**  
(d) None of above
- 476. Which of the following would not reduce the transaction cost in a market?**  
(a) a real estate agent, when buying a house  
(b) a stock broker, when purchasing stock  
(c) **a full page newspaper ad to sell your used lawn mower**  
(d) a farmer's market for fresh produce
- 477. The market price for wheat rises rapidly, and farmers switch from growing soybeans to growing wheat. How will prices and quantities change in the wheat market?**  
(a) equilibrium price will increase and equilibrium quantity will increase  
(b) equilibrium price will increase and equilibrium quantity will decrease  
(c) **equilibrium price will decrease and equilibrium quantity will increase**  
(d) None of above

**478. The development of the silicon chip lowered the cost of computers and caused an increase in the**

- (a) quantity demanded for computers
- (b) demand for computers
- (c) quantity supplied of computers
- (d) **supply of computers**

**479. As the price of milk increases, producers are normally willing to supply greater quantities. This response is known as the law of**

- (a) **supply**
- (b) demand
- (c) averages
- (d) variable proportions

**480. A decline in consumer confidence or expectations would shift the**

- (a) **demand curve inward**
- (b) demand curve outward
- (c) supply curve inward
- (d) supply curve outward

**481. The substitution effect describes how**

- (a) an increase in income causes buyers to purchase different products
- (b) the opportunities for minorities are affected by affirmative action's policies
- (c) the additional satisfaction from each additional unit of the product consumed in a given time period decreases
- (d) **a price increase creates incentives for buyers to seek alternatives**

**482. If the income effect is the only economic principle operating, when price increases the quantity**

- (a) demanded of a normal good will increase
- (b) **demanded of an inferior good will increase**
- (c) demanded of a complement will increase
- (d) demanded of any good will decrease

**483. Total utility**

- (a) has all of the following as correct responses
- (b) decreases as price increases
- (c) can be used to compare two people's experiences
- (d) **depends on individual attitudes and preferences**

**484. A word that can be substituted for utility is**

- (a) cost
- (b) price
- (c) **satisfaction**
- (d) income

**485. Economic analysis of utility**

- (a) is used to teach consumers how to spend their income
- (b) is used to explain how tastes develop and why different people have different tastes
- (c) is used to measure utility objectively and to compare the utilities of different people
- (d) **assumes that tastes are given and that they are also stable**

**486. Total utility can be measured as**

- (a) **the sum of all marginal utilities**
- (b) the sum of all average utilities
- (c) the total revenue spent on goods and services
- (d) the price of a product

**487. The basic hypothesis of utility theory states that as more of a commodity is consumed during a given period of time,**

- (a) total utility and marginal utility will both decrease
- (b) total utility and marginal utility will both increase
- (c) **total utility will increase but marginal utility will eventually decrease**
- (d) None of above



- 488. Newspaper vending machines illustrate that newspaper publishers believe**  
(a) the average utility of two identical newspapers is zero or less  
(b) the total utility from two identical newspapers is zero or less  
(c) **the marginal utility of a second identical newspaper is zero or less**  
(d) the marginal utility of a second identical newspaper is greater than the marginal utility of the first newspaper
- 489. Using numerical values to measure utility**  
(a) is essential, and is the only way to analyze utility  
(b) **shows the relationship between total utility and marginal utility in a simple manner**  
(c) allows us to compare utility between different consumers  
(d) is only possible in a world without scarcity
- 490. Negative marginal utility means that**  
(a) total utility is also negative  
(b) marginal utility is increasing  
(c) the price of the product is increasing as additional units are consumed  
(d) **total utility is decreasing as additional units are consumed**
- 491. If a good is offered to a rational individual for free, she will**  
(a) accept unlimited quantities of the good each time period  
(b) stop consuming it when its marginal utility begins to increase  
(c) stop consuming it when its marginal utility begins to diminish  
(d) **stop consuming it when its marginal utility equals zero**
- 492. As long as scarcity exists,**  
(a) product prices play no role in utility maximization  
(b) income plays no role in utility maximization  
(c) **income and product prices must both be considered in utility maximization**  
(d) consumers maximize utility by consuming all products until their marginal utility is zero
- 493. In terms of utility theory, equilibrium in the real world means that**  
(a) households are consuming as much of every commodity as they would like  
(b) **households have spent their incomes in such a way that their overall satisfaction is maximized**  
(c) households have spent their incomes in such a way that their marginal utility is zero for every product consumed  
(d) None of above
- 494. The utility-maximizing combinations of goods occurs when**  
(a) the marginal utility of each good is equal  
(b) the total utility of each good is equal  
(c) the quantity consumed of each good is equal  
(d) **the marginal utility per dollar spent on each good is equal**
- 495. As a utility-maximizer, you would be willing to pay twice as much for Good X as you pay for Good Y if**  
(a) Goods X and Y are substitutes for each other  
(b) you purchase twice as much of Good Y as you do of Good X  
(c) you spend equal amounts on both goods  
(d) **the last unit of Good X you buy is twice as satisfying as the last unit of Good Y you buy**
- 496. To derive a consumer's demand curve using utility analysis, note the effect of the consumer's utility-maximizing combination of goods purchased when**  
(a) the consumer's marginal utilities change  
(b) the consumer's income changes  
(c) the consumer's tastes and preferences change  
(d) **the price of a product changes**
- 497. The market demand curve for a product is**  
(a) the horizontal sum of the demand curves for each of the individual brands of the product



- (b) **the horizontal sum of the demand curves of each of the individual buyers in the market**
- (c) the same as the demand curve facing each of the individual sellers in the market
- (d) the same as the individual demand curve of one of the buyers in the market
- 498. Which of the following is not true with regard to consumer surplus?**
- (a) consumer surplus reflects the net benefit to consumers from market exchange
- (b) **consumer surplus is zero if the good is given away for free**
- (c) consumer surplus is used as a measure of economic welfare
- (d) consumer surplus can be used to compare the effects of different market structures and different tax policies
- 499. The cost of consumption has two components:**
- (a) the substitution effect and the income effect
- (b) the law of demand and the law of diminishing marginal utility
- (c) the price effect and the income effect
- (d) **the money price and the time price**
- 500. In most markets, each consumer**
- (a) faces the same money price and time price
- (b) faces different money prices and different time prices
- (c) **faces the same money price but different time prices**
- (d) has the same individual demand curve for the product
- 501. Your willingness to pay additional dollars for time-saving goods depends primarily on**
- (a) **the opportunity cost of your time**
- (b) your wealth and property
- (c) your social status
- (d) the distance between your home and your workplace
- 502. Which of the following people would probably be least likely to search the newspaper ads for bargains and clip store coupons?**
- (a) a retired person
- (b) an unemployed person
- (c) a waitress earning \$5 an hour
- (d) **an attorney earning \$100 an hour**
- 503. Price floors and price ceilings usually lead to**
- (a) more equitable distributions of commodities.
- (b) **a reduction in quantities exchanged.**
- (c) production control by the government.
- (d) shortages.
- 504. In deriving the market demand curve for a commodity the only variable that can change is the \_\_\_\_\_**
- (a) **price of the commodity.**
- (b) distribution of income of the consumers is held constant.
- (c) price of a related commodity.
- (d) tastes of the consumers .
- 505. In the long-run for the firm, production will take place**
- (a) anywhere along the *LRAC*.
- (b) between the highest and lowest points of the *LRAC*.
- (c) at the minimum of the relevant *SRATC* and the *LRAC*.
- (d) **at the tangency of the relevant *SRATC* and the *LRAC*.**
- 506. The substitution effect of a price change**
- (a) **will result in the consumer buying less of a good at a higher price.**
- (b) will result in the consumer buying less of a good at a lower price.
- (c) is equal to the income effect for normal goods.
- (d) outweighs the income effect for Giffen goods.

507. The imposition of a sales tax usually causes the price to consumers to \_\_\_\_\_, while the revenue of sellers \_\_\_\_\_.
- (a) rise; falls
  - (b) fall; remains unchanged
  - (c) rise; remains unchanged
  - (d) fall; falls
508. Suppose the current level of output of some good is X. If market demand is inelastic at that quantity, total revenues would be higher if output was
- (a) greater than X.
  - (b) less than X.
  - (c) kept constant.
  - (d) maximized.
509. A firm trying to maximize its profits in the long run should
- (a) minimize the cost of producing the level of production it chooses.
  - (b) select the most technologically efficient method of production regardless of the level of production.
  - (c) charge the lowest price possible given the minimum possible cost.
  - (d) maximize the marginal product of all factors of production.
510. In the short run, when capital is a fixed factor, a rise in the cost of labour
- (a) shifts the AVC curve down.
  - (b) shifts the total product curve downwards.
  - (c) shifts the marginal cost curve upwards.
  - (d) leaves the MC curve unchanged.
511. The point of tangency between the short-run average total cost (SRATC) curve and the long-run average cost (LRAC) curve occurs
- (a) at the output level where the fixed factors are at the optimum quantity.
  - (b) at the point of minimum SRATC.
  - (c) at a point where average total cost is falling but the marginal cost is rising.
  - (d) at a point where both the average total cost and the marginal cost is rising.
512. Which of the following is true of price ceilings?
- (a) With a binding ceiling price a shortage of the commodity will develop.
  - (b) If the ceiling price is set above the equilibrium price it will have no effect on the market.
  - (c) A ceiling price below the equilibrium price is not binding.
  - (d) With a non binding ceiling price an excess demand for the commodity will develop.
513. The "incidence" of a tax illustrates
- (a) the political process for implementing a tax.
  - (b) the economic costs of avoiding it.
  - (c) who the burden of the tax falls on.
  - (d) the legislative process it must pass through.
514. If factor prices decrease,
- (a) both the long-run and short-run average cost curves will shift downward.
  - (b) there will be no change in the cost curves in the long run.
  - (c) a firm will move to a lower point on its long-run average cost curve only.
  - (d) a firm will move to a lower point on both its long-run and short-run average cost curves.
515. A fall in the price of raw milk used in the production of ice cream will
- (a) decrease the supply of ice cream, causing the supply curve of ice cream to shift to the left.
  - (b) decrease the demand for ice cream.
  - (c) increase the supply of ice cream, causing the supply curve of ice cream to shift to the right.
  - (d) have no effect on the supply curve of ice cream but cause a downward movement along the supply curve of ice cream.

516. **The opportunity cost of money that a firm's owner has invested is an example of**  
(a) **implicit costs.**  
(b) direct production costs.  
(c) sunk costs.  
(d) accounting costs.
517. **Average, marginal, and total product curves**  
(a) relate the price of output to the quantity supplied.  
(b) demonstrate that each of these measures of output increase as more inputs are applied.  
(c) **express relationships between physical inputs and physical outputs.**  
(d) demonstrate that in the short run, all inputs are variable.
518. **If the price elasticity of demand is 0.5, then a 10 percent increase in price results in a**  
(a) 5 percent decrease in total revenues.  
(b) 0.5 percent decrease in quantity demanded.  
(c) 5 percent increase in quantity demanded.  
(d) **5 percent decrease in quantity demanded.**
519. **If total utility is decreasing, then marginal utility must be**  
(a) **negative.**  
(b) decreasing at an increasing rate.  
(c) increasing at a decreasing rate.  
(d) positive.
520. **When a plant is operating at the level of output where its short-run average total cost is at a minimum,**  
(a) marginal cost is at a minimum.  
(b) more of the variable factor of production should be employed.  
(c) average fixed cost is at a minimum.  
(d) **the plant is operating at its capacity.**
521. **Which of the following factors of production is most likely to be variable in the short run?**  
(a) land  
(b) **labour**  
(c) technology  
(d) entrepreneurship
522. **An inferior good is a good \_**  
(a) **whose demand varies inversely with household income.**  
(b) whose demand varies directly with household income.  
(c) that inferior people consume.  
(d) whose demand does not vary with household income.
523. **In the long run, a profit-maximizing firm produces any given level of output by choosing the production method that**  
(a) shows a flat total cost curve.  
(b) **produces that output at the lowest possible cost.**  
(c) maximizes the marginal product of all factors.  
(d) maximizes the marginal product of labour.
524. **Which of the following could shift a firm's average variable cost curve upward?**  
(a) **A decrease in the productivity of labor.**  
(b) An increase in the productivity of labor.  
(c) An increase in fixed cost.  
(d) A decrease in the demand for the good produced by that firm.
525. **Suppose a manufacturing firm learns that its annual property tax payments will decrease. We would depict this by:**  
(a) shifting the average fixed cost, the marginal cost, and the average total cost curves up.  
(b) shifting the marginal cost, the average variable cost, and the average fixed cost curves down.

- (c) shifting the marginal cost, the average total cost, and the average fixed cost curves down.
- (d) **shifting the average total, and the average fixed cost curves downward.**
- 526. In market economies, most production and consumption decisions are guided by**
- (a) government decree
- (b) foreign countries (imports and exports)
- (c) monopolists' desires to maximize profits
- (d) **individual choice under the price system**
- 527. In general, "elasticity" can measure**
- (a) whether a price increase causes quantity demanded to increase or decrease
- (b) the strength of an economy's tendency to recover from recession
- (c) **the responsiveness of decision makers to economic changes in prices**
- (d) none of above
- 528. More "elastic" means**
- (a) less desirable
- (b) less desirable
- (c) less responsive
- (d) **more responsive**
- 529. Without making an adjustment such as finding the absolute values of the percentage changes, the price elasticity of demand would be negative because**
- (a) price and demand are directly related
- (b) price and demand are inversely related
- (c) **price and quantity demanded are inversely related**
- (d) none of above
- 530. In calculating price elasticity of demand, we use average price and average quantity as our base value because**
- (a) it reduces the complexity of the formula and makes the calculation easier
- (b) **the resulting measure is then not influenced by whether price is rising or falling**
- (c) we would get the same answer if we use the *initial* price and quantity
- (d) none of above
- 531. Price elasticity of demand is not influenced by**
- (a) the number of substitutes available
- (b) the proportion of the consumer's budget spent on the good
- (c) the length of the time period under consideration
- (d) **the units of measurement used for price or for quantity demanded**
- 532. If a 5% increase in price leads to an 8% decrease in quantity demanded, demand is**
- (a) perfectly elastic
- (b) **elastic**
- (c) unit elastic
- (d) inelastic
- 533. Price elasticity of demand is -0.5,**
- (a) a 1% decrease in quantity demanded leads to a 0.5% decrease in price
- (b) **a 1% decrease in price leads to a 0.5% increase in quantity demanded**
- (c) a 50% decrease in price leads to a 1% increase in quantity demanded
- (d) demand is elastic
- 534. Knowledge of price elasticity of demand**
- (a) is of no use to producers
- (b) tells producers what will happen to total profit if they change product price
- (c) tells producers what will happen to quantity supplied if they change product price
- (d) **tells producers what will happen to total revenue if they change product price**
- 535. If a firm raises the price of its product, its total revenue will**
- (a) always increase
- (b) **increase only if demand is price inelastic**
- (c) increase only if demand is price elastic
- (d) remain constant, regardless of price elasticity of demand
- 536. If a price reduction leads to greater total revenue, demand is**
- (a) perfectly inelastic
- (b) inelastic
- (c) unit elastic
- (d) **elastic**
- 537. When demand is price inelastic, total revenue is**
- (a) **directly related to quantity demanded**
- (b) inversely related to quantity demanded

- (c) directly related to price  
(d) not related to either price or quantity demanded
- 538. Along a linear, downward-sloping demand curve, price elasticity of demand**  
(a) is impossible to calculate  
(b) is constant and is equal to the slope  
(c) is constant and is equal to the inverse of the slope  
(d) **becomes more elastic as price increases**
- 539. A linear, downward-sloping demand curve has**  
(a) constant slope and constant elasticity  
(b) **constant slope and varying elasticity**  
(c) varying slope and constant elasticity  
(d) varying slope and varying elasticity
- 540. When the demand curve is linear with the typical downward slope, a firm can receive the greatest total revenue by**  
(a) charging the highest price possible  
(b) selling the most output possible  
(c) producing where demand is inelastic  
(d) **producing where demand is unit elastic**
- 541. If a firm whose product faces a perfectly elastic demand curve raises its price,**  
(a) it will sell exactly the same amount of output as it did at the lower price  
(b) it will lose some, but not all, of its sales  
(c) **its sales will decrease to zero**  
(d) its sales will increase
- 542. If a firm facing a perfectly inelastic demand curve raises its price,**  
(a) **it will still sell exactly the same amount of output as it did at the lower price**  
(b) it will lose some, but not all, of its sales  
(c) its sales will decrease to zero  
(d) its sales will increase
- 543. The more broadly a good is defined**  
(a) the more substitutes it has, so its demand will be more elastic  
(b) the less substitutes it has, so its demand will be more elastic  
(c) the more substitutes it has, so its demand will be less elastic  
(d) **the less substitutes it has, so its demand will be less elastic**
- 544. Which of the following effects a product's price elasticity of demand?**  
(a) ease or difficulty of substitution  
(b) the time factor  
(c) how much of a necessity the product is to consumers  
(d) **all of the above**
- 545. Advertising is related to price elasticity of demand**  
(a) in no way whatsoever  
(b) in that producers try to convince consumers that their particular product is a close substitute for virtually all other products in the industry  
(c) **in that producers try to convince consumers that their particular product is unique, with no close substitutes**  
(d) none of above
- 546. Other things being equal, the price elasticity of demand for a product will be more elastic**  
(a) **if spending on the item is a very large proportion of the household's budget**  
(b) if spending on the item is a very small proportion of the household's budget  
(c) when the price of the product is very low  
(d) for a product with no close substitutes
- 547. Price elasticity of demand and price elasticity of supply are both influenced by**  
(a) the availability of close substitutes for the product  
(b) the proportion of the consumer's budget spent on the product  
(c) **the length of the adjustment period considered**  
(d) none of above
- 548. Price elasticity of supply is calculated as**  
(a) the unit change in quantity supplied caused by a \$1 change in price  
(b) the percent change in quantity supplied caused by a 1% change in price  
(c) the dollar change in price caused by a one-unit change in quantity supplied  
(d) **the percent change in price caused by a 1% change in quantity supplied**
- 549. A perfectly elastic supply curve**  
(a) has no relevance, since real-world supply curves are never perfectly elastic

- (b) **is a horizontal straight line**  
(c) is a vertical straight line  
(d) is not a straight line
- 550. The most important determinant of price elasticity of supply is**  
(a) price elasticity of demand  
(b) **how rapidly costs increase when a firm increases its output**  
(c) whether the production process relies heavily on capital or on labor  
(d) none of above
- 551. Tax incidence refers to**  
(a) **who bears the burden of the tax**  
(b) the principle of taxation being applied  
(c) the percent of a dollar of earned income which a typical household in that country pays in taxes  
(d) the percent of government spending which is financed by taxes rather than by borrowing or by printing money
- 552. Economists distinguish between normal and inferior goods using**  
(a) price elasticity of demand  
(b) price elasticity of supply  
(c) **income elasticity of demand**  
(d) tax incidence
- 553. Luxury goods are usually**  
(a) price inelastic  
(b) income inelastic  
(c) **income elastic**  
(d) goods with negative income elasticity
- 554. An oligopolist differs from a perfect competitor in that**  
(a) there is cutthroat competition in perfect competition but little competition in oligopoly because firms have significant market power.  
(b) there are no entry barriers in perfect competition but there are entry barriers in oligopoly.  
(c) the market demand curve for a perfectly competitive industry is perfectly elastic but it is downward-sloping in an oligopolistic industry.  
(d) **firms in an oligopoly do not produce homogeneous products while firms in perfect competition do.**
- 555. Which of the following is the best example of an oligopolistic industry?**  
(a) the beef market  
(b) **the beauty products industry**  
(c) public education  
(d) the pharmaceutical industry
- 556. A characteristic found only in oligopolies is**  
(a) **interdependence of firms.**  
(b) products that are slightly different.  
(c) break even level of profits.  
(d) independence of firms.
- 557. Oligopolies are difficult to analyze because**  
(a) **how firms respond to a price change by a rival is uncertain.**  
(b) demand and cost curves do not exist for these types of industries.  
(c) oligopolies are a recent development so economists have not had time to develop models.  
(d) the firms are so large.
- 558. In an oligopoly market**  
(a) advertising of one firm has no effect on all other firms.  
(b) individual firms pay no attention to the behavior of other firms.  
(c) the pricing decisions of all other firms have no effect on an individual firm.  
(d) **one firm's pricing decision affects all the other firms.**
- 559. The study of how people make decisions in situations where attaining their goals depends on their interactions with others is called**  
(a) dominant strategy equilibrium.  
(b) **Nash equilibrium.**



- (c) game theory.
- (d) the prisoner's dilemma.

**560. All of the following are characteristics of game theory except**

- (a) rules that determine what actions are allowable.
- (b) payoffs that are the results of the interaction among players' strategies.
- (c) **independence among players**
- (d) strategies that players employ to attain their objectives.

**561. A market comprised of only two firms is called a**

- (a) monopoly.
- (b) **duopoly.**
- (c) monopolistically competitive market.
- (d) competitive market.

**562. A dominant strategy**

- (a) is one that a firm is forced into following by government policy.
- (b) **is one that is the best for a firm, no matter what strategies other firms use.**
- (c) involves colluding with rivals to maximize joint profits
- (d) involves deciding what to do after all rivals have chosen their own strategies

**563. A Nash equilibrium is**

- (a) reached when each player chooses the best strategy for himself and for the group.
- (b) reached when an oligopoly's market demand and supply intersect.
- (c) an equilibrium comprising non-dominant strategies only.
- (d) **reached when each player chooses the best strategy for himself, given the other strategies chosen by the other players in the group.**

**564. What is a prisoner's dilemma?**

- (a) a game in which players collude to outfox authorities
- (b) **a game in which players act in rational, self-interested ways that leave everyone worse off**
- (c) a game that involves no dominant strategies
- (d) none of the above





565. a game in which prisoners are stumped because they cannot communicate with each other. **In the graph above at  $P^*$ , the firm is making \_\_\_\_\_ economic profits.**
- (a) Positive
  - (b) **Negative**
  - (c) Zero
  - (d) An indeterminate level of
566. **Which statement is true of the graph shown?**
- (a) The marginal cost curve should not cross the AFC while it is falling
  - (b) **If an ATC curve was drawn in the graph it would intersect the MC curve but not any other curve**
  - (c) The shut down point of the firm would be at an output more than  $Q^*$
  - (d) The marginal cost curve crosses the AFC curve at the lowest point of the AFC curve
567. **In the graph above if the price persists at  $P^*$ , the profit maximizing firm will**
- (a) Shut down immediately
  - (b) **Shut down in the long run**
  - (c) Operate indefinitely
  - (d) Has a strategy that cannot be predicted without an ATC curve
568. **If a firm's demand curve falls below its AVC curve, then the firm should**
- (a) **Shut down now**
  - (b) Operate in the short run but not the long run
  - (c) Set price = marginal cost
  - (d) Shutdown in the long-run
569. **If the demand curve falls below the ATC curve but lies above AVC, then the firm should**
- (a) Should shut down
  - (b) **Operate in the short run but not the long run**
  - (c) Set price = marginal cost
  - (d) Operate in the short run and the long run
570. **In general, economists assume that firms**
- (a) Maximize accounting profit
  - (b) **Maximize economic profit**
  - (c) Maximize sales
  - (d) Maximize revenue
571. **In a decreasing cost industry, as output grows over time,**
- (a) **Prices will fall**
  - (b) Prices will rise
  - (c) Prices will stay the same
  - (d) Prices are zero
572. **At the output where  $MC = ATC = P$ , the firm**
- (a) Should shutdown
  - (b) **Has no economic profit**
  - (c) Is profit maximizing
  - (d) Should raise output
573. **A standardized product is a product**
- (a) **That has many perfect substitutes**
  - (b) That is unique to one producer
  - (c) Which is produced according to government regulations
  - (d) Where the demand function is downward sloping for both the firm and the industry
574. **If firms are price takers this implies**
- (a) That in the short-run economic profits will be zero
  - (b) **That the demand curve facing the firm is perfectly elastic**
  - (c) That the total revenue curve is horizontal
  - (d) That the marginal revenue curve is upward sloping
575. **In a competitive industry the industry's short-run supply curve is**
- (a) **The horizontal sum of the marginal cost curves**
  - (b) The vertical sum of the marginal cost curves
  - (c) Determined by the average total cost curve
  - (d) Determined by the average variable cost curve
576. **The relationship between producer surplus and consumer surplus is.**
- (a) Producer surplus is always greater
  - (b) Consumer surplus is always greater
  - (c) Producer and consumer surplus are always equal

- (d) Producer surplus may be greater, equal or less than consumer surplus
577. In the long run for a competitive firm,
- (a) The firm is at the bottom of its short run average cost curve
- (b) The firm is at the top of its long run average cost curve
- (c) Marginal cost is greater price
- (d) The firm is making economic profits
578. If free entry and exit were not possible,
- (a) In the long run firms would lose money
- (b) In the long run firms would make money
- (c) In the long run firms would break even
- (d) It is impossible to tell what would happen without more cost and revenue information
579. A pecuniary diseconomy occurs when
- (a) Supply exceeds demand
- (b) An expansion of industry output increases the price of an input
- (c) Higher output levels result in lower unit costs
- (d) Higher output levels results in the same unit costs
580. The elasticity of supply is given by
- (a)  $\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$
- (b)  $\frac{P}{Q} \times \frac{1}{\text{slope}}$
- (c)  $\frac{\Delta Q}{\Delta P} / P$
- (d) All of the above
581. Suppose that the supply curve is given by  $P = Q$ . What is the elasticity of supply?
- (a) 10
- (b) 1/10
- (c) 1
- (d) Cannot be determined from the above information
582. Given to following two points on a supply curve ( $P = 10, Q = 5$ ; and  $P = 12, Q = 8$ ), what is the approximate arc elasticity?
- (a) 4
- (b) 2.5
- (c) 1
- (d) 0
583. Other things remaining the same, in the long-run as compared to the short-run
- (a) Supply elasticity will increase
- (b) Supply elasticity will decrease
- (c) Supply elasticity will remain the same
- (d) One cannot tell
584. Ceteris paribus, In the long run, a tax placed on a perfectly competitive industry will
- (a) Increase the price of the good by an amount equal to the tax
- (b) Increase the price of the good by an amount less than the tax
- (c) Be borne entirely by the firm
- (d) Be entirely borne by the consumer
585. In the short run, a tax placed on a perfectly competitive industry should
- (a) Increase the total amount of the good sold
- (b) Decrease the total amount of the good sold
- (c) Not affect the total amount of the good sold
- (d) Always increase the price
586. In the long run, a tax placed on a perfectly competitive industry should have what effect on the entire market?
- (a) Increase the total amount of the good sold
- (b) Decrease the total amount of the good sold
- (c) Not affect the total amount of the good sold
- (d) One cannot tell

**587. A firm's total revenue curve is given by  $3Q^2 - 7Q$ . The firm**

- (a) Is perfectly competitive
- (b) May be perfectly competitive
- (c) **Is not perfectly competitive**
- (d) One cannot tell

**588. In a competitive industry in the long-run, it is likely that**

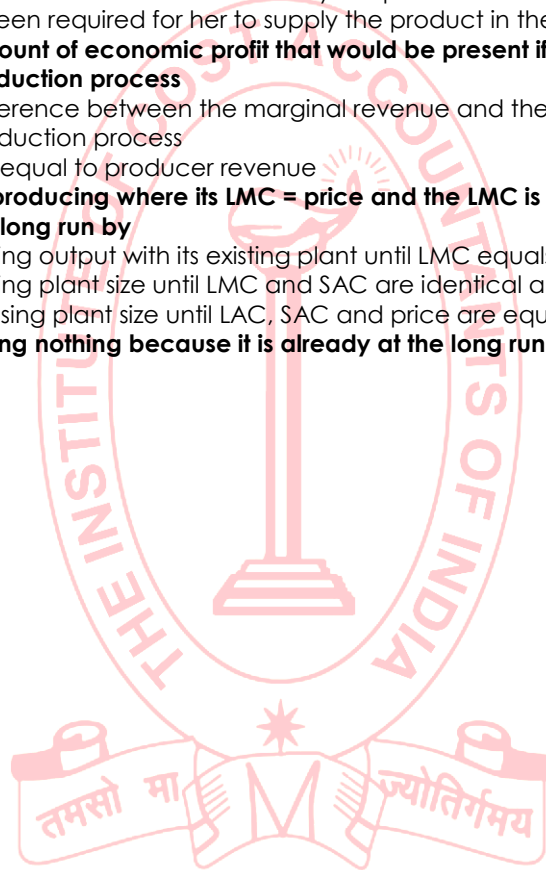
- (a) Firms with the advantage of location or an especially skilled work crew will be the lone survivors in equilibrium
- (b) **All firms giving their best effort will have the same LAC regardless of location or the unique skills of some workers**
- (c) The firms with the poorest location will be the lone survivors in equilibrium because their location cost will be lowest
- (d) Only one large efficient firm can survive

**589. Producer surplus is**

- (a) The amount of revenue received by the producer below the amount that would have been required for her to supply the product in the short-run
- (b) **The amount of economic profit that would be present if there were no fixed costs in the production process**
- (c) The difference between the marginal revenue and the marginal variable cost of the production process
- (d) Always equal to producer revenue

**590. If a firm is producing where its  $LMC = \text{price}$  and the  $LMC$  is equal to  $LAC$ , then it would do better in the long run by**

- (a) Increasing output with its existing plant until  $LMC$  equals price
- (b) Increasing plant size until  $LMC$  and  $SAC$  are identical and equal to price
- (c) Decreasing plant size until  $LAC$ ,  $SAC$  and price are equal
- (d) **Changing nothing because it is already at the long run profit maximizing point**



591. Some people advocate price ceilings in certain markets because they seek to
- (a) Expand the total of consumer and producer surplus which the market generates
  - (b) **Redistribute welfare from the producer to the consumer even if overall welfare is sacrificed**
  - (c) Redistribute welfare from the consumer to the producer even if welfare is sacrificed
  - (d) Enhance both efficiency and distribution goals with the price ceiling
592. At market equilibrium, the **total (not net) benefit that results from all the transactions is**
- (a) The consumer surplus minus the producer surplus
  - (b) The producer surplus minus the consumer surplus
  - (c) The sum of the producer surplus and the consumer surplus
  - (d) **The entire area under the demand curve up to the quantity exchanged**
593. In the long-run, any perfectly competitive firm that produces will choose a quantity such that
- (a) **Short-run average cost is minimized**
  - (b) Long-run total cost is minimized
  - (c) Long-run marginal cost equals long-run marginal cost
  - (d) Price is greater marginal cost



**594. Which is not true of a perfectly competitive market?**

- (a) The typical industry demand curve is downward sloping
- (b) There is no incentive to innovate since economic profit is zero in the long-run**
- (c) If the long-run average total cost curve is horizontal in the relevant range of production, perfectly competitive firms can be various sizes in long-run equilibrium
- (d) At long-run equilibrium, economic profit is less than accounting profit

**595. A firm is currently selling its product at \$20 each. It estimates that its average total cost of production is \$100 and its average fixed cost is \$40. In the short run the firm should**

- (a) Shutdown**
- (b) Continue production at a point where  $P = MC$
- (c) Hire more employees
- (d) Buy more capital

Use the following information to answer the next two questions.

Suppose an industry has 100 firms, each with supply curve  $P = 50 + 10Q$ . Furthermore, suppose the market demand curve is given by  $P = 200 - 0.9Q$ .

**596. What is the industry supply curve?**

- (a)  $P = 500 + Q$
- (b)  $P = 50 + 0.1Q$**
- (c)  $P = -500 + 10P$
- (d)  $P = 50 + 10Q$

**597. How many units of output will be produced by a firm operating in this market with a  $MC = 130Q$ ?**

- (a) 2**
- (b) 5
- (c) 0.70
- (d) It is impossible to answer with the information given

**598. The expansion of the car manufacturing industry causes an improvement in the assembly line, so reducing charges to each firm in that industry. This is an example of**

- (a) Constant returns to scale
- (b) A decreasing-cost industry**
- (c) A decreasing returns to scale
- (d) An increasing-cost industry

**599. Opportunity cost is best defined as**

- (a) the amount given up when choosing one activity over the next best alternative.
- (b) the opportunity to earn a profit that is greater than the one currently being made.
- (c) the amount that is given up when choosing an activity that is not as good as the next best alternative.**
- (d) the amount given up when choosing one activity over all other alternatives.

**600. In a market economy, which of the following is the most important factor affecting scarcity?**

- (a) the needs and wants of consumers
- (b) the price of the product
- (c) the degree to which the government is involved in the allocation of resources.
- (d) All of the above are equally important.**

**601. Which of the following is not considered by economists to be a basic resource or factor of production?**

- (a) Money
- (b) machinery and equipment
- (c) technology
- (d) unskilled labor**

**602. Select the group that best represents the basic factors of production.**

- (a) land, labor, capital, entrepreneurship
- (b) land, labor, money, management skills
- (c) land, natural resources, labor, capital
- (d) land, labor, capital, technology**

**603. The best definition of economics is**

- (a) how choices are made under conditions of scarcity.**
- (b) how money is used.
- (c) how goods and services are produced.
- (d) how businesses maximize profits.

604. Complete the statement with "supply" or "demand": A maximum price below the equilibrium price causes excess \_\_\_\_\_, while a minimum price above the equilibrium price causes excess \_\_\_\_\_.
- (a) Supply, Demand  
**(b) Demand, Supply**  
(c) Demand, Demand  
(d) Supply, Supply
605. Complete the statement with "right" or "left": An increase in the price of cassette tapes will shift the demand curve for CDs to the a. \_\_\_\_\_; an increase in the price of CD players will shift the demand curve for CDs to the b. \_\_\_\_\_.
- (a) left, right  
(b) right, right  
**(c) right, left**  
(d) left, left
606. Complete the statement with "supply" or "demand": If the price and quantity change in the same direction, \_\_\_\_\_ is changing; if the price and quantity change in opposite directions, \_\_\_\_\_ is changing.
- (a) Supply, Demand**  
(b) Demand, Supply  
(c) Supply, Supply  
(d) Demand, Demand
607. Consider the market for personal computers. Suppose that the demand is stable: the demand curve doesn't change. Predict the effects of the following changes on the equilibrium price of computers. The cost of memory chips (one component of a computer) decreases.
- (a) Supply increases, so price falls and quantity rises.**  
(b) quantity falls.  
(c) Supply decreases, so price rises and quantity falls.  
(d) Nothing would happen because demand is stable and so supply would be stable
608. The opportunity cost of a product is the same as its
- (a) money price.  
**(b) relative price.**  
(c) price index.  
(d) None of the above.
609. The money price of a pizza is \$12 per pizza and the money price of a taco is \$2 per taco. The relative price of a pizza is
- (a) \$12 per pizza.  
(b) \$24 per pizza.  
**(c) 6 tacos per pizza.**  
(d) \$10 per pizza.
610. The law of demand concludes that a rise in the price of a golf ball. The quantity demanded and
- (a) increases; shifts the demand curve rightward.  
**(b) decreases; shifts the demand curve leftward.**  
(c) decreases; creates a movement upward along the demand curve.  
(d) increases; creates a movement downward along the demand curve.
611. If a rise in the price of gasoline decreases the demand for large cars,
- (a) gasoline and large cars are substitutes in consumption.  
(b) gasoline and large cars are complements in consumption.  
**(c) gasoline is an inferior good.**  
(d) large cars are an inferior good.
612. A normal good is one
- (a) **with a downward sloping demand curve.**  
(b) for which demand increases when the price of a substitute rises.  
(c) for which demand increases when income increases.  
(d) None of the above.

- 613. Some sales managers are talking shop. Which of the following quotations refers to a movement along the demand curve?**
- (a) "Since our competitors raised their prices our sales have doubled."
  - (b) "It has been an unusually mild winter; our sales of wool scarves are down from last year."
  - (c) "We decided to cut our prices, and the increase in our sales has been remarkable."**
  - (d) None of the above.
- 614. A fall in the price of a good leads to producers decreasing the quantity of the good supplied. This result illustrates**
- (a) the law of supply.**
  - (b) the law of demand.
  - (c) a change in supply.
  - (d) the nature of an inferior good.
- 615. The price of jet fuel rises, causing the**
- (a) demand for airplane trips to increase.
  - (b) demand for airplane trips to decrease.**
  - (c) supply of airplane trips to increase.
  - (d) supply of airplane trips to decrease.
- 616. In addition to showing the quantity that will be supplied at different prices, a supply curve can be viewed as the**
- (a) willingness-and-ability-to-pay curve.
  - (b) marginal benefit curve.
  - (c) minimum-supply price curve.**
  - (d) maximum-supply price curve.
- 617. If a consumer's income doubles and she now purchases more of good X, we can infer that good X is a(n) \_\_\_\_\_ good.**
- (a) Luxury
  - (b) Normal**
  - (c) Inferior
  - (d) Special
- 618. All of the following can lead to an increase in the demand for ice cream, a normal good, EXCEPT:**
- (a) A decrease in income.**
  - (b) An increase in the price of popsicles.
  - (c) A new scientific study that finds eating ice cream does not cause weight gain.
  - (d) A 10% increase in population.
- 619. A decrease in supply will lead to:**
- (a) An increase in price.**
  - (b) A increase in quantity.
  - (c) An increase in demand.
  - (d) An increase in sales.
- 620. Generally, with all else held constant, when the price of a good increases, consumers purchase:**
- (a) More of the good.
  - (b) Less of the good.**
  - (c) The same amount of the good.
  - (d) None of the good.
- 621. An increase in demand will lead to:**
- (a) An increase in supply.
  - (b) A fall in quantity.
  - (c) An increase in price.**
  - (d) A decrease in producer surplus.
- 622. Which of the following events would lead to an increase in demand for air travel?**
- (a) An increase in the number of people who are afraid to fly.
  - (b) A fall in the price of oil.
  - (c) An increase in the price of ground transportation.**
  - (d) A decrease in income levels.



623. Which of the following will cause a rightward shift of the market supply curve?  
(a) An increase in the product price.  
**(b) A decrease in input costs.**  
(c) Change in consumers' tastes.  
(d) An increase in income.
624. If a 1% increase in the price of DVD's leads to a 3% reduction in the sales of DVD's, we can conclude that:  
(a) DVD's are normal goods.  
(b) DVD's are inferior goods.  
**(c) Demand for DVD's is elastic.**  
(d) Demand for DVD's is inelastic.
625. An increase in demand will lead to a higher increase in price; the:  
(a) Greater is the price elasticity of demand.  
(b) Greater is the population.  
(c) Flatter is the supply curve.  
**(d) More inelastic is supply.**
626. Producer surplus is:  
(a) Found on a graph as the area under the equilibrium price and above the supply curve.  
(b) The net gain in economic well-being associated with producing and selling the equilibrium quantity of a good.  
(c) Used to measure the impact of a change in price on the economic well-being of producers.  
**(d) All of the above.**
627. A decrease in supply will lead to:  
**(a) An increase in price.**  
(b) A increase in quantity.  
(c) An increase in demand.  
(d) An increase in sales.
628. Generally, with all else held constant, when the price of a good increases, consumers purchase:  
(a) More of the good.  
**(b) Less of the good.**  
(c) The same amount of the good.  
(d) None of the good.
629. An increase in demand will lead to:  
(a) An increase in supply.  
(b) A fall in quantity.  
**(c) An increase in price.**  
(d) A decrease in producer surplus.
630. Which of the following events would lead to an increase in demand for air travel?  
(a) An increase in the number of people who are afraid to fly.  
(b) A fall in the price of oil.  
**(c) An increase in the price of ground transportation.**  
(d) A decrease in income levels.
631. Which of the following will cause a rightward shift of the market supply curve?  
(a) An increase in the product price.  
**(b) A decrease in input costs.**  
(c) Change in consumers' tastes.  
(d) An increase in income.
632. According to the Law of Demand, the demand curve for a good will  
(a) shift leftward when the price of the good increases.  
(b) shift rightward when the price of the good increases.  
**(c) slope downward.**  
(d) slope upward.
633. Holding all other factors constant, consumers demand more of a good the  
(a) higher its price.  
**(b) lower its price.**  
(c) steeper the downward slope of the demand curve.  
(d) steeper the upward slope of the demand curve.

634. As the price of a good increases, the change in the quantity demanded can be shown by
- (a) shifting the demand curve leftward.
  - (b) shifting the demand curve rightward.
  - (c) moving down along the same demand curve.
  - (d) **moving up along the same demand curve.**
635. If the price of automobiles were to increase substantially, the demand curve for gasoline would most likely
- (a) **shift leftward.**
  - (b) shift rightward.
  - (c) become flatter.
  - (d) become steeper.
636. If the price of automobiles were to decrease substantially, the demand curve for automobiles would most likely
- (a) shift rightward.
  - (b) shift leftward.
  - (c) **remain unchanged.**
  - (d) become steeper.
637. If the price of automobiles were to decrease substantially, the demand curve for public transportation would most likely
- (a) shift rightward.
  - (b) **shift leftward.**
  - (c) remain unchanged.
  - (d) remain unchanged while quantity demanded would change.
638. If government regulations prohibit the production of a particular good, the demand curve for that good will most likely
- (a) shift leftward.
  - (b) shift rightward.
  - (c) **remain unchanged.**
  - (d) disappear.
639. To determine the total demand for all consumers, sum the quantity each consumer demands
- (a) **at a given price.**
  - (b) at all prices and then sum this amount across all consumers.
  - (c) both a and b will generate the same total demand.
  - (d) none of the above.
640. Suppose the demand curve for a good shifts rightward, causing the equilibrium price to increase. This increase in the price of the good results in
- (a) a rightward shift of the supply curve.
  - (b) **an increase in quantity supplied.**
  - (c) a leftward shift of the supply curve.
  - (d) a leftward movement along the supply curve.
641. Suppose there are 100 identical firms in the rag industry, and each firm is willing to supply 10 rags at any price. The market supply curve will be a(n)
- (a) vertical line where  $Q = 10$ .
  - (b) vertical line where  $Q = 100$ .
  - (c) **vertical line where  $Q = 1000$ .**
  - (d) horizontal line where  $Q = 1000$ .
642. The expression "increase in quantity supplied" is illustrated graphically as a
- (a) leftward shift in the supply curve.
  - (b) rightward shift in the supply curve.
  - (c) **movement up along the supply curve.**
  - (d) movement down along the supply curve.
643. Equilibrium is defined as a situation in which
- (a) **neither buyers nor sellers want to change their behavior.**
  - (b) no government regulations exist.
  - (c) demand curves are perfectly horizontal.
  - (d) suppliers will supply any amount that buyers wish to buy.
644. If price is initially above the equilibrium level,
- (a) the supply curve will shift rightward.
  - (b) the supply curve will shift leftward.
  - (c) **excess supply exists.**
  - (d) all firms can sell as much as they want.

- 645. A competitive equilibrium is described by**  
(a) a price only.  
(b) a quantity only.  
(c) the excess supply minus the excess demand.  
(d) **a price and a quantity.**
- 646. The change in price that results from a leftward shift of the supply curve will be greater if**  
(a) **the demand curve is relatively steep than if the demand curve is relatively flat.**  
(b) the demand curve is relatively flat than if the demand curve is relatively steep.  
(c) the demand curve is horizontal than if the demand curve is vertical.  
(d) the demand curve is horizontal than if the demand curve is downward sloping.
- 647. The change in price that results from a rightward shift in demand will be greater if**  
(a) the supply curve is horizontal than if the supply curve is upward sloping.  
(b) **the supply curve is relatively steep than if the supply curve is relatively flat.**  
(c) the supply curve is upward sloping than if the supply curve is vertical.  
(d) the supply curve is horizontal than if the supply curve is vertical.
- 648. If the demand curve for a good is horizontal and the price is positive, then a leftward shift of the supply curve results in**  
(a) a price of zero.  
(b) an increase in price.  
(c) a decrease in price.  
(d) **no change in price.**
- 649. A vertical demand curve results in**  
(a) **no change in quantity when the supply curve shifts.**  
(b) no change in price when the supply curve shifts.  
(c) no change in the supply curve being possible.  
(d) no change in quantity when the demand curve shifts.
- 650. A vertical demand curve for a particular good implies that consumers are**  
(a) sensitive to changes in the price of that good.  
(b) **not sensitive to changes in the price of that good.**  
(c) irrational.  
(d) not interested in that good.
- 651. The percentage change in the quantity demanded in response to a percentage change in the price is known as the**  
(a) slope of the demand curve.  
(b) excess demand.  
(c) **price elasticity of demand.**  
(d) all of the above.
- 652. If the price elasticity of demand for a good is less than one in absolute terms, we say consumers of this good**  
(a) **are not very sensitive to price.**  
(b) are not very sensitive to the quantity they demand.  
(c) are very sensitive to price.  
(d) are elastic.
- 653. If the price of orange juice rises 10%, and as a result the quantity demanded falls by 8%, the price elasticity of demand for orange juice is**  
(a) -1.25.  
(b) **inelastic.**  
(c) Both A and B above.  
(d) Neither A nor B above.
- 654. A horizontal demand curve for a good could arise because consumers**  
(a) are irrational.  
(b) are not sensitive to price changes.  
(c) **view this good as identical to another good.**  
(d) have no equivalent substitutes for this good.

655. If a consumer doubles her quantity of ice cream consumed when her income rises by 25%, then her income elasticity of demand for ice cream is
- (a) 8.0.
  - (b) **4.0.**
  - (c) .25.
  - (d) .08.
656. For a given positively sloped supply curve, the price increase to consumers resulting from a specific tax imposed on sellers will be
- (a) greater the more price elastic demand is.
  - (b) **greater the less price elastic demand is.**
  - (c) equal to the entire tax when demand is perfectly elastic.
  - (d) equal to half of the tax whenever demand is unit elastic.
657. A specific tax on sellers will
- (a) shift the demand curve to the right.
  - (b) shift the demand curve to the left.
  - (c) shift the supply curve to the right.
  - (d) **shift the supply curve to the left.**
658. If demand is price elastic, then:
- (a) a rise in price will raise total revenue.
  - (b) **a fall in price will raise total revenue.**
  - (c) a fall in price will lower the quantity demanded.
  - (d) a rise in price won't have any effect on total revenues.
659. Complementary goods have:
- (a) the same elasticities of demand.
  - (b) very low price elasticities of demand.
  - (c) **negative cross price elasticities of demand with respect to each other.**
  - (d) positive income elasticities of demand.
660. The price elasticity of demand generally tends to be:
- (a) smaller in the long run than in the short run.
  - (b) **smaller in the short run than in the long run.**
  - (c) larger in the short run than in the long run.
  - (d) unrelated to the length of time.
661. All economic questions arise from the fact that
- (a) inflation is inevitable.
  - (b) both wants and resources are unlimited.
  - (c) unemployment is inevitable.
  - (d) **resources are scarce.**
662. The fundamental issue of economics is to
- (a) prove that market systems are superior to socialist systems.
  - (b) choose the proper goods for a society to produce.
  - (c) distribute income as equally as possible.
  - (d) **analyze choices that must be made because of the scarcity of resources.**
663. The opportunity cost of any action is
- (a) all the possible alternatives forgone.
  - (b) **the best alternative forgone.**
  - (c) the time required but not the monetary cost.
  - (d) the monetary cost but not the time required.
664. In the production of goods and services, trade-offs exist because
- (a) not all production is efficient.
  - (b) **society has only a limited amount of productive resources.**
  - (c) buyers and sellers must often negotiate prices.
  - (d) human wants and needs are limited at a particular point in time.

- 665. When an action is chosen, the value of the best alternative NOT chosen is the**  
(a) implicit cost.  
(b) explicit cost.  
(c) accounting cost.  
(d) **opportunity cost.**
- 666. Marginal benefit is the benefit**  
(a) that your activity provides to someone else.  
(b) of an activity that exceeds its cost.  
(c) that arises from the secondary effects of an activity.  
(d) **that arises from a small increase in an activity.**
- 667. Marginal cost is the cost**  
(a) that your activity imposes on someone else.  
(b) **that arises from a small increase in an activity.**  
(c) of an activity that exceeds its benefit.  
(d) that arises from the secondary effects of an activity.
- 668. Within a market economy, there is**  
(a) little room for individual decision-making.  
(b) a complex planning agency.  
(c) **a reliance on the price system to allocate resources.**  
(d) significant centralization of economic power.
- 669. The U.S. economy**  
(a) relies exclusively on the market mechanism.  
(b) **is a mixed economy that relies heavily on the market mechanism.**  
(c) relies exclusively on the command mechanism.  
(d) is a mixed economy that relies heavily on the command mechanism.
- 670. The determination of prices in individual markets is primarily a concern of**  
(a) positive economics.  
(b) negative economics.  
(c) macroeconomics.  
(d) **microeconomics.**
- 671. Macroeconomics differs from microeconomics in that macroeconomics**  
(a) includes second round effects while microeconomics does not.  
(b) analyzes marginal as well as average benefits and costs.  
(c) **studies the national economy while microeconomics analyzes the decisions of individual people and firms.**  
(d) emphasizes relative prices instead of price indices.
- 672. Which of the following is not an example of macroeconomic analysis?**  
(a) studying the relationship between unemployment and inflation in the U.S.  
(b) analyzing the determination of equilibrium GNP.  
(c) **studying the degree of product differentiation in an industry.**  
(d) attempting to explain the rise in the rate of inflation in the 1970s.
- 673. In economics, positive statements are about**  
(a) the way things ought to be.  
(b) **the way things are.**  
(c) first round effects, not second round effects.  
(d) second round effects, not first round effects.
- 674. Economic theory assumes that the goal of firms is to maximize**  
(a) sales  
(b) total revenue  
(c) **profit**  
(d) price
- 675. Market structure**  
(a) has no influence on a firm's decision making  
(b) applies only to industries regulated by the government  
(c) is determined entirely by demand conditions in the industry  
(d) **influences the forms of competition among firms**

- 676. A market is perfectly competitive when**  
(a) there are two virtually identical firms which are equally matched and selling in the same market  
(b) government authorities set price at an acceptable level which forces firms to compete on everything except price  
(c) **all sellers must charge approximately the same price for comparable products**  
(d) none of above
- 677. Which of the following describes the market structure of perfect competition?**  
(a) many firms, low barriers to entry, some control over price, and product differentiation  
(b) **many firms, low barriers to entry, no control over price, and identical products with no differentiation**  
(c) a few firms producing similar products, significant barriers to entry, and some control over price  
(d) none of above
- 678. Homogeneous products are**  
(a) rare and expensive  
(b) patented and licensed  
(c) highly differentiated  
(d) **uniform or standardized**
- 679. The economic model of perfect competition is**  
(a) not useful  
(b) useful because most firms and industries in the real world are perfectly competitive  
(c) only useful in markets created and controlled by the government  
(d) **useful because it demonstrates how market structure can affect resource allocation, prices, and output**
- 680. Which real-world market closely approximates perfect competition?**  
(a) **most agricultural markets**  
(b) automobile manufacturers  
(c) state universities  
(d) cable television services
- 681. The demand curve facing a perfectly competitive firm is**  
(a) **perfectly elastic**  
(b) perfectly inelastic  
(c) unit elastic  
(d) downward-sloping
- 682. Perfectly competitive firms have no individual control over the**  
(a) quantity of output produced  
(b) quantities of inputs used  
(c) **price of the product**  
(d) type of goods produced
- 683. Which of the following is not true with regard to economic profit?**  
(a) economic profit equals total revenue minus total cost  
(b) **economic profit excludes implicit cost**  
(c) economic profit is any profit greater than a normal profit  
(d) firms attempt to maximize economic profit
- 684. Perfectly competitive firms respond to changing short-run market conditions by varying**  
(a) both c and d  
(b) advertising campaigns  
(c) **output**  
(d) price
- 685. If a firm shuts down in the short run and produces no output, its total cost is**  
(a) zero  
(b) equal to variable cost  
(c) **equal to fixed cost**  
(d) explicit costs only
- 686. The total revenue curve for a perfectly competitive firm**  
(a) is a vertical line intersecting the horizontal axis  
(b) is a horizontal line at the market price  
(c) starts part way up the vertical axis, sloping upward in a backwards-S curve  
(d) **is a straight line starting from the origin and sloping upward**



- 687. The total revenue curve for a perfectly competitive firm is**  
(a) **directly and proportionately related to output**  
(b) directly or inversely related to output, depending on the price elasticity of demand  
(c) inversely related to output  
(d) inversely related to price
- 688. Marginal revenue is**  
(a) total revenue minus total cost  
(b) total revenue divided by quantity of output  
(c) **the change in total revenue divided by the change in output**  
(d) the change in total revenue divided by the change in the quantity of an input used
- 689. The slope of the total revenue curve equals**  
(a) **marginal revenue, which equals price for a perfectly competitive firm**  
(b) marginal revenue, which is greater than price for a perfectly competitive firm  
(c) marginal revenue, which is less than price for a perfectly competitive firm  
(d) average revenue, which is greater than price for a perfectly competitive firm
- 690. For perfectly competitive firms, what is the relationship between market price (P), average revenue (AR), and marginal revenue (MR)?**  
(a)  **$P = AR = MR$**   
(b)  $P > AR = MR$   
(c)  $P = AR > MR$   
(d)  $P = AR < MR$
- 691. The golden rule of profit maximization states that any firm maximizes profit by producing where**  
(a) demand is unit elastic, and total revenue is greatest  
(b) price equals average revenue  
(c) price equals marginal cost  
(d) **marginal revenue equals marginal cost**
- 692. Average revenue is**  
(a) total revenue minus total cost  
(b) **total revenue divided by quantity of output**  
(c) total revenue divided by quantity of input  
(d) the change in total revenue divided by the change in output
- 693. If average revenue equals average total cost,**  
(a) total revenue is maximized  
(b) average revenue is maximized  
(c) economic profit is maximized  
(d) **economic profit is zero**
- 694. Total revenue minus total cost equals**  
(a) total economic profit  
(b) total accounting profit  
(c) a normal profit  
(d) **economic profit per unit of output**
- 695. On a graph showing a perfectly competitive firm's demand curve, average total cost curve, and marginal cost curve, total economic profit is represented by the**  
(a) length of a vertical line  
(b) length of a horizontal line  
(c) **area of a rectangle**  
(d) area of a triangle
- 696. To maximize profit, a perfectly competitive firm which decides not to shut down will choose the rate of output at which**  
(a) price is highest  
(b) price minus average total cost is maximized  
(c) **price equals marginal cost**  
(d) total revenue is maximized
- 697. A perfectly competitive firm will produce at an economic loss (negative profit) in the short run rather than discontinue production if there is a rate of output at which price**  
(a) **exceeds average variable cost**  
(b) exceeds average fixed cost  
(c) exceeds average total cost  
(d) equals marginal cost
- 698. A perfectly competitive firm will produce at an economic loss (negative profit) in the short run rather than discontinue production if there is a rate of output at which**  
(a) marginal revenue equals marginal cost



- (b) total revenue equals total cost
- (c) total revenue exceeds total cost
- (d) **total revenue exceeds total variable cost**

**699. A perfectly competitive firm faces the following facts:**

- Price of the product is \$22
- Marginal cost is \$20 and increasing
- The firm should

- (a) **produce more output**
- (b) reduce the production without shutting down
- (c) shut down (reduce output to zero)
- (d) none of above

**700. How will a decrease in the equilibrium price in the market of a perfectly competitive industry affect the total revenue and the economic profit of a typical firm?**

- (a) **both total revenue and economic profit will decrease at all rates of output**
- (b) total revenue and economic profit may increase or decrease, although they will be directly related to each other
- (c) it is impossible to predict
- (d) none of above

**701. A decrease in market price in a perfectly competitive industry**

- (a) does not affect the total revenue curve of the typical firm
- (b) shifts the total revenue curve of the typical firm to the left, without changing its slope
- (c) shifts the total revenue curve of the typical firm to the right, without changing its slope
- (d) **reduces the slope of the total revenue curve of the typical firm**

**702. Which is true with regard to the shutdown point and the break-even point for a perfectly competitive firm?**

- (a) they are two names for the same point
- (b) **the shutdown point is minimum average variable cost and the break-even point is minimum average total cost**
- (c) the shutdown point is minimum average total cost and the break-even point is minimum average variable cost
- (d) the shutdown point is minimum average variable cost and the break-even point is minimum average fixed cost

**703. The perfectly competitive firm's short-run supply curve is the same as the**

- (a) supply curve of all other firms in the industry
- (b) upward-sloping portion of its MR curve
- (c) **upward-sloping portion of its marginal cost curve at or above the minimum AVC curve**
- (d) none of above

**704. Positive short-run economic profit**

- (a) may occur even if accounting profit is negative
- (b) **attracts resources into an industry**
- (c) creates incentives for resources to leave an industry
- (d) can never occur in perfect competition

**705. Which characteristic of perfect competition ensures that economic profit will be zero in the long run?**

- (a) each firm's output is small in relation to total market supply
- (b) the product is homogeneous
- (c) **there is freedom of entry and exit in the market**
- (d) none of above

**706. Which of the following is not a condition of long-run equilibrium for perfectly competitive firms?**

- (a) price is equal to marginal cost
- (b) price is equal to minimum short-run average total cost
- (c) price is equal to minimum long-run average cost
- (d) **economic profit is positive**

**707. Consider a perfectly-competitive, constant-cost industry in long-run equilibrium which experiences a decrease in demand. What happens after long-run adjustments?**

- (a) price and output both remain unchanged, although profit has decreased
- (b) price has fallen and profit is lower, but output remains unchanged
- (c) **price and profit ultimately remain unchanged, but market output has been reduced by some firms leaving the industry**

- (d) none of above
- 708. Consider a perfectly-competitive, decreasing-cost industry in long-run equilibrium which experiences a decrease in demand. What happens after long-run adjustments?**
- (a) profits has decrease
  - (b) price has risen and output has been reduced by some firms leaving the industry, but profit ultimately remains unchanged**
  - (c) in the long run, there would be no changes in price, output, or profit
  - (d) none of above
- 709. Consider a perfectly competitive market in long-run equilibrium. What adjustments take place during the short-run when there is a decrease in market demand?**
- (a) price and output remain unchanged, although profit decreases
  - (b) price and profit fall, but output remains unchanged
  - (c) price and profit fall, and firms reduce output by using existing capacity less intensively**
  - (d) none of above
- 710. The long-run industry supply curve in a perfectly competitive market**
- (a) is the horizontal sum of each firm's short-run supply curves**
  - (b) illustrates what happens to average costs as industry output increases
  - (c) illustrates what happens to average costs as a firm increases its output
  - (d) none of above
- 711. A constant-cost industry is distinguished by the fact that**
- (a) firms' long-run average cost curve are horizontal
  - (b) firms' short-run marginal cost curves are horizontal
  - (c) firms' short-run average total cost curves are horizontal
  - (d) the long-run industry supply curve is perfectly elastic**
- 712. If an increase in industry output pushes resource prices higher, then**
- (a) it is an increasing-cost industry**
  - (b) firms' long-run average cost curves are upward-sloping
  - (c) firms' short-run marginal cost curves are upward-sloping
  - (d) firms' short-run average total cost curves are upward-sloping
- 713. The choice of which goods to produce, and how to distribute these goods, falls under the concept of**
- (a) technological efficiency
  - (b) productive efficiency
  - (c) allocative efficiency**
  - (d) economic efficiency
- 714. Short-run producer surplus in competitive markets is**
- (a) total revenue minus total cost
  - (b) total revenue minus total variable cost**
  - (c) total revenue minus total fixed cost
  - (d) price minus average total cost
- 715. The definition of producer surplus ignores**
- (a) the price of the product
  - (b) the quantity of the product sold
  - (c) price elasticity of surplus
  - (d) sunk costs**
- 716. In long-run equilibrium in perfect competition, producer surplus is**
- (a) often negative
  - (b) always positive
  - (c) always greater than consumer surplus
  - (d) smaller than in the short run**
- 717. The marginal revenue facing a monopolist**
- (a) is the same as the demand facing the monopolist.
  - (b) shows the change in the profits level of the firm.
  - (c) lies below the average revenue.**
  - (d) at first falls to a minimum and then rises as output is increased.
- 718. A monopolist faces a downward-sloping demand curve because**
- (a) its average revenue equals its marginal revenue.
  - (b) its supply curve is upward sloping.
  - (c) it sells typically to only one consumer.
  - (d) its demand curve is the market demand curve.**

- 719. A monopolistic firm faces a downward-sloping demand curve because**  
(a) the monopolistic firm can exploit economies of scale.  
(b) marginal revenue is negative throughout the feasible range of output.  
(c) there are a large number of firms in the industry, all selling the same product.  
**(d) unlike that of a competitive firm, the amount a monopolistic firm sells affects the market price.**
- 720. For a monopolist marginal revenue falls faster than price because**  
(a) the cost of producing extra units of output increases as production is increased.  
**(b) to sell additional units the price must be lowered on all units sold.**  
(c) marginal revenue is larger than price.  
(d) profits are maximized when marginal cost equals marginal revenue.
- 721. In a monopoly firm, the revenue-maximizing level of output occurs where**  
(a)  $MC = AR$ .  
(b)  $MR = AC$ .  
(c)  $MR = MC$ .  
**(d)  $MR = \text{zero}$ .**
- 722. When a monopolist sets price where the price elasticity of demand equals 1, his**  
(a) total revenue is rising, although marginal revenue is falling.  
**(b) total revenue is at a maximum.**  
(c) marginal revenue is always positive.  
(d) total profits are at a maximum.
- 723. A profit-maximizing monopolist sets price where the price elasticity of demand is**  
(a) inelastic.  
**(b) elastic.**  
(c) infinitely elastic.  
(d) zero.
- 724. If a monopoly is presently producing an output at which marginal revenue is less than marginal cost, it can increase profits by**  
(a) reducing output and raising prices.  
**(b) expanding output and raising price.**  
(c) reducing output and holding prices unchanged.  
(d) expanding output and lowering price.
- 725. At the profit-maximizing level of output for a monopolist, price**  
**(a) exceeds marginal cost.**  
(b) equals marginal revenue.  
(c) is below marginal revenue.  
(d) always exceeds average total cost.
- 726. The two most extreme market structures in terms of performance and number of firms are**  
(a) perfect competition and monopolistic competition  
(b) monopolistic competition and pure monopoly  
(c) monopolistic competition and oligopoly  
**(d) perfect competition and pure monopoly**
- 727. Firms in monopolistic competition and perfect competition typically**  
(a) are price takers  
(b) produce identical products  
**(c) earn zero economic profit in the long run**  
(d) face a downward-sloping demand curve
- 728. Monopolistic competition is similar to**  
(a) perfect competition, in that firms face downward-sloping demand curves and earn zero long-run economic profit  
(b) pure monopoly because it can earn economic profits both in the short run and in the long run

(c) pure monopoly, in that firms face downward-sloping demand curves, and similar to perfect competition, in that long-run economic profit is zero  
(d) none of above

**729. In the market structure of monopolistic competition, new firms**

- (a) have no incentive to enter the industry, even if an economic profit is present
- (b) may freely enter and leave the industry**
- (c) entering the industry tends to shift the demand curve of the existing firms in the industry outward
- (d) cannot profitably enter the industry

**730. When firms in an industry produce differentiated products**

- (a) long-run economic profit will always be zero
- (b) short-run economic profit will always be positive
- (c) the demand curves facing firms will always be perfectly elastic
- (d) the demand curves facing firms will always be downward-sloping**

**731. Firms in a monopolistically competitive industry act**

- (a) independently of each other
- (b) interdependently
- (c) independently in some conditions and interdependently in other conditions**
- (d) the same as perfect competitors

**732. Monopolistic competitors are known as**

- (a) price takers
- (b) price searchers**
- (c) price maximizers
- (d) price ignorers

**733. In economics, products are considered “differentiated” only if**

- (a) they are physically or chemically different
- (b) sellers decide that they are different
- (c) buyers think that they are different**
- (d) the government determines that they are different

**734. The market power of a monopolistically competitive firm is**

- (a) zero
- (b) limited**
- (c) extremely strong
- (d) absolute

**735. When a firm in monopolistic competition raises its price, it**

- (a) loses all of its customers (sales drop to zero)
- (b) loses many, but not all of its customers**
- (c) loses very few customers
- (d) loses no customers at all

**736. Which of the following is true with regard to the price elasticity of demand for a monopolistically competitive firm?**

- (a) the less product differentiation, the more elastic demand will be**
- (b) the more product differentiation, the more elastic demand will be
- (c) the smaller the number of firms in the industry, the more elastic demand will be
- (d) none of above

**737. A profit-maximizing firm in monopolistic competition should shut down in the short run**

- (a) if marginal revenue is less than price
- (b) if price is less than average total cost
- (c) if price is less than fixed cost
- (d) if price is less than average variable cost**

**738. Firms in any market structure should maximize economic profit where**

- (a) price equals marginal cost
- (b) total revenue is maximized

- (c) average total cost is minimized
- (d) marginal revenue equals marginal cost**

**739. Firms in monopolistic competition**

- (a) are guaranteed to earn short-run economic profits
- (b) may earn economic profits both in the short run and in the long run
- (c) earn zero economic profit in the long run**

**740. A firm can earn a short-run economic profit if there is a rate of output at which**

- (a) price equals marginal cost
- (b) marginal revenue equals marginal cost
- (c) price (or the demand curve) is greater than average variable cost
- (d) price (or the demand curve) is greater than average total cost**

**741. In the long run, economic profit for a firm in monopolistic competition**

- (a) is zero, due to the lack of barriers to entry**
- (b) is zero, due to product differentiation
- (c) may be positive, due to strong barriers to entry
- (d) may be positive due to product differentiation

**742. In the long run, a firm in monopolistic competition will find**

- (a) its supply curve shifting until price equals average total cost**
- (b) its cost curve shifting until price equals average total cost
- (c) its demand curve shifting until marginal revenue equals marginal cost
- (d) none of above

**743. Firms in a monopolistically competitive industry are earning short-run economic profits. In the long run, the supply curve facing each individual firm can be expected to**

- (a) shift to the left
- (b) stay the same
- (c) shift to the right**
- (d) none of above

**744. In monopolistic competition, if the firm's demand curve is tangent to its average total cost curve,**

- (a) it must be maximizing its economic profit
- (b) it will earn an economic loss at all rates of output
- (c) it will earn an economic profit at all rates of output
- (d) there is only one rate of output at which economic profit is zero-all other rates of output create economic loss**

**745. When comparing the long-run efficiency of monopolistic competition with that of perfect competition (assuming firms in both market structures have identical cost curves),**

- (a) they are equally efficient since both produce where demand equals average total cost
- (b) monopolistic competition is more efficient because such firms produce more output than do perfect competitors
- (c) perfect competition is more efficient because such firms produce at lower average cost**
- (d) none of above

**746. In which market structure is excess capacity most likely to occur after all long-run adjustments have been made?**

- (a) perfect competition
- (b) monopolistic competition
- (c) oligopoly
- (d) pure monopoly**

**747. Which of the following describes the market structure of oligopoly?**

- (a) many firms with some control over price, differentiated products, and strong barriers to entry
- (b) many firms with no control over price, identical products, and very weak barriers to entry

- (c) a few firms with some control over price and strong barriers to entry  
(d) a few firms with no control over price and very weak barriers to entry

- 748. The primary characteristic of oligopoly which is rare in other market structures is**  
(a) product differentiation  
**(b) the interdependence of firms**  
(c) strong barriers to entry  
(d) advertising and other nonprice competition
- 749. Oligopolists are more sensitive to the pricing and output policies of their rivals when**  
**(a) all firms produce identical products**  
(b) their products are highly differentiated  
(c) there is freedom of entry and exit  
(d) there are many firms in the industry
- 750. Which of the following is not an example of oligopolistic barriers to entry?**  
**(a) diseconomies of scale**  
(b) legal restrictions  
(c) advertising and brand proliferation  
(d) high start-up costs
- 751. Collusion is easier to achieve and maintain in oligopoly when**  
(a) there are many firms in the industry  
**(b) the firms' products are homogeneous**  
(c) the firms' cost structures are very different  
(d) there are very weak barriers to entry
- 752. For oligopolists, which of the following is not an advantage of operating a cartel?**  
(a) the opportunity for increased economic profit  
(b) decreased uncertainty  
(c) increased barriers to entry  
**(d) increased output for each firm**
- 753. The kinked demand curve model is used to explain**  
(a) the industry's long-run price and output in an oligopolistic market structure  
(b) why oligopoly prices are stable, even in the face of changing costs  
**(c) why prices are stable in an oligopolistic market.**  
(d) None of above
- 754. The marginal revenue curve associated with a kinked demand curve is**  
(a) a horizontal line  
(b) a straight line sloping upward  
(c) a straight line sloping downward  
**(d) discontinuous at the quantity of output associated with the kink**
- 755. A comparison of oligopoly and perfect competition reveals that**  
**(a) prices and economic profit are usually higher in oligopoly**  
(b) prices are usually lower in oligopoly due to economies of scale, and economic profit is usually higher in oligopoly due to barriers to entry  
(c) prices are usually higher in oligopoly and economic profit is usually lower in oligopoly, due to product differentiation  
(d) none of above
- 756. A country's gross national product (GNP) is**  
**(a) the value of all final goods and services produced by its factors of production and sold on the market in a given time period.**  
(b) the value of all intermediate goods and services produced by its factors of production and sold on the market in a given time period.  
(c) the value of all final goods produced by its factors of production and sold on the market in a given time period.  
(d) the value of all final goods and services produced by its factors of production and sold on the market.



- 757. For most macroeconomists,**  
(a) **national income accounts and national output accounts are equal to each other.**  
(b) national income accounts exceed national output accounts.  
(c) national output accounts exceed national income accounts.  
(d) it is impossible to tell whether national income accounts are equal to national output accounts.
- 758. For most macroeconomists,**  
(a) **gross national income and gross national product are the same.**  
(b) gross national income exceeds gross national product.  
(c) gross national product exceeds gross national product.  
(d) it is hard to tell whether gross national income equals gross national product.
- 759. The highest component of GNP is**  
(a) the current account.  
(b) investment.  
(c) government purchases.  
(d) **consumption.**
- 760. Which one of the following statements is the most accurate?**  
**The sale of a used textbook does generate income for factors of production.**  
(a) **The sale of a used textbook does not generate income for any factor of production.**  
(b) The sale of a used textbook sometimes does and sometimes does not generate income for factors of production.  
(c) It is hard to tell whether a sale of a used textbook does or does not generate income for factors of production.  
(d) None of the above.
- 761. Which one of the following statements is the most accurate?**  
**GNP plus depreciation is called net national product (NNP).**  
(a) **GNP less depreciation is called net national product (NNP).**  
(b) GNP less depreciation is called net factor product (NFP).  
(c) Answers A and C are both correct.  
(d) None of the above.
- 762. National income equals GNP**  
(a) less depreciation, less net unilateral transfers, less indirect business taxes.  
(b) less depreciation, plus net unilateral transfers, plus indirect business taxes.  
(c) plus depreciation, plus net unilateral transfers, less indirect business taxes.  
(d) **less depreciation, plus net unilateral transfers, less indirect business taxes.**
- 763. The United States began to report its gross domestic product (GDP) only since**  
(a) 1900  
(b) 1931  
(c) 1941  
(d) **1991**
- 764. GDP is supposed to measure**  
(a) **the volume of production within a country's borders.**  
(b) the volume of services generated within a country's borders.  
(c) the volume of production of a country's output.  
(d) GNP plus depreciation.
- 765. GNP equals GDP**  
(a) minus net receipts of factor income from the rest of the world.  
(b) plus receipts of factor income from the rest of the world.  
(c) minus receipts of factor income from the rest of the world.  
(d) **plus net receipts of factor income from the rest of the world.**
- 766. Movements in GDP**  
(a) and GNP usually do not differ greatly.  
(b) **and GNP usually do not differ greatly, as a practical matter.**  
(c) and GNP usually do differ greatly.



- (d) are usually smaller than those of GNP movements, in practice.
- (e) None of the above.

**767. In open economies,**

- (a) saving and investment are necessarily equal.
- (b) as in a closed economy, saving and investment are not necessarily equal.
- (c) saving and investment are not necessarily equal as they are in a closed economy.**
- (d) saving and investment are necessarily equal contrary to the case of a closed economy.

**768. In the United States since the Korean War, the fraction of GNP devoted to consumption has fluctuated in a range of about**

- (a) 42 to 49 percent.
- (b) 32 to 39 percent.
- (c) 82 to 89 percent.
- (d) 62 to 69 percent.**

**769. Purchases of inventories by**

- (a) firms are not counted in investment spending.
- (b) firms are also counted in investment spending.**
- (c) households are also counted in investment spending.
- (d) households and firms are also counted in investment spending.

**770. Investment is usually**

- (a) more variable than consumption.**
- (b) less variable than consumption.
- (c) as variable as consumption.
- (d) It is hard to tell from the data whether investment is more or less variable than consumption.

**771. Any goods**

- (a) purchased by federal, state, or local governments are classified as government purchases.
- (b) and services purchased only by federal or state governments are classified as government purchases.
- (c) and services purchased by federal, state, or local governments are classified as government purchases.**
- (d) None of the above.

**772. Government transfer payments such as social security and unemployment benefits are**

- (a) included in government purchases.
- (b) not included in government purchases.**
- (c) not included in government purchases, but they are included in the consumption component of GNP.
- (d) not included in government purchases, but they are part of the investment component of GNP.

**773. Government purchases currently take up about**

- (a) 18 percent of U.S. GNP, and this share has not changed much since the late 1950s.**
- (b) 38 percent of U.S. GNP, and this share has not changed much since the late 1950s.
- (c) 18 percent of U.S. GNP, and this share has been increasing since the late 1950s.
- (d) 18 percent of U.S. GNP, and this share has been decreasing since the late 1950s.

**774. In 1929, government purchases accounted for**

- (a) only 18.5 percent of U.S. GNP.
- (b) only 8.5 percent of U.S. GNP.**
- (c) 28.5 percent of U.S. GNP.
- (d) 38.5 percent of U.S. GNP.

**775. Which one of the following expressions is the most accurate?**

- (a)  $CA = EX - IM$ .**
- (b)  $CA = IM - EX$ .
- (c)  $CA = EX = IM$ .
- (d)  $CA = EX + IM$ .

- 776. A country's current account**  
(a) **balance equals the change in its net foreign wealth.**  
(b) balance equals the change in its foreign wealth.  
(c) surplus equals the change in its foreign wealth.  
(d) None of the above.
- 777. The CA is equal to**  
(a)  $Y - (C+I+G)$ .  
(b)  $Y + (C+I+G)$ .  
(c)  **$Y - (C+I+G)$ .**  
(d)  $Y - (C+I-G)$ .
- 778. Which one of the following statements is the most accurate?**  
(a) It is not hard to measure accurately a country's net foreign wealth.  
(b) **It is surprisingly hard to measure accurately a country's net foreign wealth.**  
(c) It is surprisingly hard to measure a country's foreign wealth.  
(d) It is surprisingly hard to measure accurately a country's foreign transactions.
- 779. Over the 1980s,**  
(a) there is no question that a large increase in U.S. foreign assets did occur.  
(b) there is a question whether a large decrease in U.S. foreign assets did occur.  
(c) **there is no question that a large decrease in U.S. foreign assets did occur.**  
(d) None of the above.
- 780. In a closed economy, national saving**  
(a) sometimes equals investment.  
(b) **always equals investment.**  
(c) is always less than investment.  
(d) is always more than investment.
- 781. The leakage and injections approach implies that the government surplus is equal to**  
(a) private saving less private investment plus net exports.  
(b) **private investment less private saving plus net exports.**  
(c) private investment plus private saving plus net exports.  
(d) None of the above
- 782. A change in nominal GDP sums up changes in**  
(a) prices alone.  
(b) physical production alone.  
(c) physical production and hours of production time.  
(d) **physical production and prices.**
- 783. In the consumption function, when disposable income is zero, consumption is**  
(a)  $C_a$ .  
(b)  $-cT$ .  
(c)  $+cT$ .  
(d)  $-C_a$ .
- 784. Which element of total planned expenditure is not included in "autonomous planned spending?"**  
(a)  $cY$   
(b)  $-cT$   
(c)  $NX$   
(d)  $I_p$
- 785. The multiplier is defined as the ratio of a change in income to the**  
(a) marginal propensity to save.  
(b) marginal propensity to consume.  
(c) change in the marginal propensity to consume causing it.  
(d) **change in planned autonomous spending causing it.**
- 786. The three ways of reducing a government budget deficit are to**  
(a) decrease government spending, reduce consumption, increase the tax rate.  
(b) increase government spending, decrease real income, reduce the tax rate.

- (c) decrease government spending, increase real income, reduce the tax rate.  
(d) **decrease government spending, increase real income, increase the tax rate.**

**787. Domestic Income is equal to**

- (a) GDP-Indirect Business Taxes  
(b) **GDP-Indirect Business Taxes-depreciation**  
(c) GDP-Indirect Business Taxes-depreciation-Social security contributions –corporate taxes  
(d) none of the above

**788. The article advocating “Green NNP” argues that**

- (a) GDP must be adjusted downwards for the depletion of natural resources  
(b) GDP must be adjusted downwards for the depreciation of physical assets  
(c) NNP must be adjusted downwards for the depreciation of physical assets  
(d) **A and B**

**789. If the interest rate were to fall, we expect that**

- (a) the supply of money will fall.  
(b) the supply of money will rise.  
(c) **autonomous planned spending will rise.**  
(d) the demand for money will fall.

**790. The “velocity” of money is**

- (a) **the ratio of real GDP to the real money supply.**  
(b) the real money supply divided by the real GDP.  
(c) the money supply divided by the price level.  
(d) the money supply multiplied by the price level.

**791. Along a downward-sloping money demand schedule, as the interest rate falls**

- (a) the quantity of money demanded falls.  
(b) **the quantity of money demanded rises.**  
(c) real income rises.  
(d) real income falls.

**792. For open economies,**

- (a)  $S = I$ .  
(b)  **$S = I + CA$ .**  
(c)  $S = I - CA$ .  
(d)  $S > I + CA$ .

**793. An open economy**

- (a) can save only by building up its capital stock.  
(b) can save only by acquiring foreign wealth.  
(c) cannot save either by building up its capital stock or by acquiring foreign wealth.  
(d) **can save either by building up its capital stock or by acquiring foreign wealth.**

**794. A closed economy**

- (a) can save either by building up its capital stock or by acquiring foreign wealth.  
(b) **can save only by building up its capital stock.**  
(c) can save only by acquiring foreign wealth.  
(d) cannot save either by building up its capital stock or by acquiring foreign wealth.

**795. When economists refer to the word government, they usually mean**

- (a) only the federal government.  
(b) only the federal and state governments.  
(c) **the federal, state, and local governments.**  
(d) only the federal and local governments.

**796. Disposable income is National income**

- (a) less taxes collected from households and firms by the government.  
(b) plus net taxes collected from households and firms by the government.  
(c) less net taxes collected from households and firms by the government  
(d) **less net taxes collected from households and firms by the government.**

**797. Government savings,  $S^g$ , is equal to**

- (a)  **$T - G$ .**

- (b)  $T + G$ .
- (c)  $T = G$ .
- (d)  $T + G - I$ .

**798. In a closed economy, private saving,  $S^p$ , is equal to**

- (a)  $I - (G - T)$ .
- (b)  $I + (G - T)$ .**
- (c)  $I + (G + T)$ .
- (d)  $I - (G + T)$ .

**799. In an open economy, private saving,  $S^p$ , is equal to**

- (a)  $I - CA + (G - T)$ .
- (b)  $I + CA - (G - T)$ .
- (c)  $I + CA + (G - T)$ .**
- (d)  $I - CA - (G - T)$ .

**800. Every international transaction automatically enters the balance of payments**

- (a) A. once either as a credit or as a debit.
- (b) twice, once as a credit and once as a debit.**
- (c) C. once as a credit.
- (d) D. twice, both times as debit.

**801. The Lerner index is a:**

- (a) Measure of monopoly power.**
- (b) Measure of industrial concentration.
- (c) Measure of total deadweight loss.
- (d) None of the above.

**802. The Lerner index is:**

- (a) Always equal to unity for a monopolist.
- (b) Always equal to zero for a perfectly-competitive firm.
- (c) The negative inverse of the price elasticity of demand.
- (d) Both B and C are correct.**

**803. Suppose that a group of venture capitalists organize a syndicate to acquire every firm in a perfectly competitive industry. The most likely result will be:**

- (a) A higher price and greater output.
- (b) A higher price and lower output.**
- (c) No change in price or output.
- (d) A lower price and greater output.

**804. An innovator firm in perfect competition will be able to**

- (a) raise the price of its product
- (b) earn economic profit in the long run**
- (c) earn economic profit until other firms adopt the innovation
- (d) achieve monopoly power in the market

**805. A price-maker can \_\_\_\_\_ while a price-taker must \_\_\_\_\_ to maximize profits.**

- (a) raise price; lower price
- (b) select price; accept the market price**
- (c) dictate prices to others; follows the price lead of the price-dictating firm
- (d) advertise; rely on brand loyalty to control price

**806. A firm will obtain its profit maximizing level of employment where:**

- (a) marginal revenue product equals value of marginal product**
- (b) marginal revenue product equals marginal wage cost
- (c) value of marginal product equals marginal wage cost
- (d) marginal product equals marginal revenue product

**807. Which one of the following is generally considered a characteristic of a perfectly competitive labor market?**

- (a) A few workers of varying skills and capabilities
- (b) Wage-setting behavior by firms
- (c) Numerous firms hiring labor from the same pool of qualified workers**
- (d) Costly information

**808. In effect, the assertion that the firms in a perfectly competitive market are price takers in the output market means that:**

- (a) The actions of an individual firm have only a limited effect on market price**
- (b) The firm in the market take the prices of productive input as given
- (c) In order to raise market price firms must collude with one another
- (d) the only option a firm has for enhancing its profitability is to lower its cost of production

**809. The budget line will shift parallel to the left if:**

- (a) income increases.
- (b) the price of the good on the vertical axis decreases.
- (c) income decreases.**
- (d) the price of the good on the vertical axis increases.

**810. Which of the following products has the most elastic demand?**

- (a) all Ben and Jerry's ice cream
- (b) all ice cream
- (c) all premium ice cream
- (d) Ben and Jerry's Chunky Monkey ice cream in the pint container**

**811. Becky demands more raisins as her income increases. From this, we can conclude that, for Becky:**

- (a) raisins are an inferior good.
- (b) raisins are a normal good.**
- (c) raisins are a substitute good.
- (d) raisins are a complementary good.

**812. Price discrimination:**

- (a) tends to decrease the allocative inefficiency of a monopolist.
- (b) will provide more total revenue to the firm than the profit-maximizing price the monopolist would set in the absence of such discrimination.
- (c) when it is perfect, causes the monopolist to produce where marginal social cost is just equal to marginal social benefit.
- (d) all of the above.**

**813. When a monopoly firm is operating in a range of output where total revenue is rising as output rises, then marginal revenue:**

- (a) is also rising.
- (b) is constant.
- (c) is falling but is greater than zero.**
- (d) is falling but is less than zero.

**814. Which of the following does not reflect a short-run decision?**

- (a) Should production be reduced when sales fall off?
- (b) Should a plant be closed down when sales decrease?
- (c) Should a new plant be built if sales increase?**
- (d) all of the above reflect short-run decisions.

**815. In a given market, consumers' surplus would, all else equal, be increased by:**

- (a) leftward shifts of the demand and supply curves that leave price unchanged.
- (b) a decrease in supply.
- (c) an increase in price.
- (d) an increase in supply.**

## Section B – Business Fundamentals

1. Property of the company belongs to  
**(a) Company**  
(b) Share holders  
(c) Members  
(d) Promoters
2. Which company shares can be freely transferable  
**(a) Private Company**  
(b) Public Company  
(c) Both (a) & (b)  
(d) None of the above
3. Minimum number of members in case of public company  
(a) 1  
(b) 2  
(c) 5  
**(d) 7**
4. Minimum number of members in case of private company is  
(a) 1  
**(b) 2**  
(c) 3  
(d) 7
5. Maximum no. of members in case of private company is  
**(a) 50**  
(b) 100  
(c) 150  
(d) 200
6. Maximum no. of members in case of public company is  
(a) 0  
**(b) unlimited**  
(c) 50  
(d) 100
7. Liability of a member in case of a private company is  
(a) Limited  
(b) Unlimited  
**(c) Both (a) or (b)**  
(d) None of the above
8. Minimum paid up share capital in case of a private company is \_\_\_\_\_  
**(a) 1 Lakh**  
(b) 2 Lakhs  
(c) 3 Lakhs  
(d) 4 Lakhs
9. Minimum paid up share capital in case of a public company is \_\_\_\_\_  
(a) 1 Lakh  
(b) 3 Lakhs  
**(c) 5 Lakhs**  
(d) 7 Lakhs
10. Minimum no. of Directors in case of a public company is \_\_\_\_\_  
(a) 1  
(b) 2  
**(c) 3**  
(d) 4

11. **Minimum no. of Directors in case of private company is \_\_\_\_\_**  
(a) 1  
**(b) 2**  
(c) 3  
(d) 4
12. **The liability of members if company is limited by guarantee.**  
(a) Unpaid value of shares  
**(b) Guarantee amount**  
(c) Unlimited liability  
(d) None of the above
13. **The liability of members if company is limited by shares**  
**(a) Unpaid value of shares**  
(b) Guarantee amount  
(c) Unlimited liability  
(d) None of the above
14. **Generally Company liability is**  
**(a) Limited**  
(b) Unlimited  
(c) Situation does not arise  
(d) None of above
15. **Generally partnership firm liability is**  
(a) Limited  
**(b) Unlimited**  
(c) Situation does not arise  
(d) None of above
16. **How many members should sign the MOA in case of public company \_\_\_\_\_**  
(a) 1  
(b) 3  
(c) 5  
**(d) 7**
17. **How many members should sign the MOA in case of private company \_\_\_\_\_**  
(a) 1  
**(b) 2**  
(c) 3  
(d) 4
18. **In case of appointment of Directors \_\_\_\_\_ form is to be filed**  
**(a) 29**  
(b) 32  
(c) 18  
(d) 1
19. \_\_\_\_\_ is the conclusive evidence in case of company that statutory requirements have complied with  
**(a) Certificate of Incorporation**  
(b) Certificate of commencement of Business  
(c) Both  
(d) None of the above
20. **Private company can start its business immediately after the issue of**  
(a) Certificate of commencement of Business  
**(b) Certificate of Incorporation**  
(c) Both  
(d) None of the above
21. **The doctrine of indoor management is an \_\_\_\_\_ to the doctrine of constructive notice**  
(a) Exception  
**(b) Extension**



- (c) Alternative  
(d) None of the above
22. The doctrine of \_\_\_\_\_ does not apply to acts void ab initio.  
(a) Ultra virus  
(b) Intra virus  
(c) constructive notice  
**(d) Indoor management**
23. A company can change its name at its own discretion by passing \_\_\_\_\_.  
(a) Ordinary resolution  
**(b) Special resolution**  
(c) Boards resolution  
(d) None of the above
24. Any change in the address of the registered office must be communicated to the registrar with in:  
(a) 15 days  
(b) 25 days  
**(c) 1 Month**  
(d) 12 months
25. An act ultra virus the directors can be rectified if it is not ultra vires  
(a) the articles  
(b) the memorandum  
**(c) Company Act**  
(d) None of the above
26. The lending of funds ultra vires, the company has no rights  
**(a) under the company's Act**  
(b) contract Act  
(c) under equity  
(d) None of the above
27. If a new company get registered with a name which resembles the name of existing company then it should apply to whom?  
**(a) NCLT**  
(b) SEBI  
(c) ROC  
(d) None of the above
28. Companies are now allotted a \_\_\_\_\_ in addition to their name  
(a) PAN  
(b) SIN  
(c) PIN  
**(d) CIN**
29. In how many days did the company have its registered office after incorporation  
(a) 10  
(b) 20  
**(c) 30**  
(d) 40
30. In case of forgeries acts done in the name of the company are  
(a) Valid  
(b) Void  
**(c) Void ab initio**  
(d) None of the above
31. Signature of memorandum and articles should be done by \_\_\_\_\_ number of persons in case of public company  
**(a) 7**  
(b) 5  
(c) 4  
(d) None of these

32. Signature of memorandum and articles should be done by \_\_\_\_\_ number of persons in case of private company  
(a) 3  
(b) 4  
(c) 2  
(d) None of these
33. MOA should be in form \_\_\_\_\_ in case of company limited by shares  
(a) Table A  
(b) Table B  
(c) Table C  
(d) Table D
34. MOA should be in form \_\_\_\_\_ in case of company limited by guarantee not having share capital  
(a) Table A  
(b) Table B  
(c) Table C  
(d) Table D
35. MOA should be in form \_\_\_\_\_ in case of company limited by guarantee and having share capital  
(a) Table A  
(b) Table B  
(c) Table C  
(d) Table D
36. MOA should be in form \_\_\_\_\_ in case of a unlimited liability  
(a) Table A  
(b) Table B  
(c) Table E  
(d) None of these
37. In the MOA there are 6 classes. We can alter all clauses expect one clause. What is that clause?  
(a) Objects clause  
(b) Name clause  
(c) Association clause  
(d) None of these
38. If anybody wants to file a case against the company they should file at what place \_\_\_\_\_  
(a) Company  
(b) Registered Office  
(c) BOD  
(d) Books of accounts
39. Address of the registered office is situated in  
(a) MOA  
(b) AOA  
(c) Prospectus  
(d) None of these
40. Which of the following need not have MOA  
(a) Public company  
(b) Private company  
(c) Government company  
(d) Statutory Corporation.
41. A company can change its name by passing  
(a) Ordinary resolution  
(b) Special resolution  
(c) Either by special resolution or by ordinary resolution  
(d) None of the above

42. **Ultra vires means**  
(a) **Beyond the power**  
(b) within the power  
(c) Both  
(d) None of the above
43. **Ultra vires loans granted by the company are**  
(a) **Void**  
(b) Voidable  
(c) Valid  
(d) None of the above
44. \_\_\_\_\_ **is the charter of a company.**  
(a) **Memorandum**  
(b) Articles  
(c) Both a) and b)  
(d) None of the above
45. **The granting of the certificate of incorporation renders the illegal objects include in the memorandum:**  
(a) Legal  
(b) **Void**  
(c) Voidable  
(d) None of the above
46. **Change in objects clauses can be effected**  
(a) For any reason  
(b) **For special reason only**  
(c) to comply with C.G order  
(d) None of the above
47. **The capital clause of a company can be changed with the permission of \_\_\_\_\_**  
(a) Company law board  
(b) Registrar  
(c) **Court**  
(d) None of the above
48. \_\_\_\_\_ **conceives the idea of the business**  
(a) **Promoters**  
(b) Directors  
(c) Auditors  
(d) None of the above
49. \_\_\_\_\_ **stands in the fiduciary position of the company**  
(a) Directors  
(b) **Promoters**  
(c) Auditors  
(d) None of the above
50. \_\_\_\_\_ **are the contracts entered into by promoters on behalf of a prospectus company.**  
(a) Provisional contracts  
(b) Pre Incorporation contracts  
(c) Preliminary contracts  
(d) **Both a) & b)**
51. **Contracts made after incorporation but before the grant of Certificate of commencement of Business \_\_\_\_\_**  
(a) Provisional contracts  
(b) Pre incorporation contracts  
(c) **Preliminary contracts**  
(d) Both (b) & (c)

52. Pre-incorporation contract is also known as \_\_\_\_\_  
(a) Provisional  
**(b) Preliminary**  
(c) illegal  
(d) legal
53. A public company can borrow money \_\_\_\_\_  
(a) before incorporation  
(b) Soon after incorporation  
(c) after issuing a proposal  
**(d) after obtaining certificate to commerce business.**
54. A private company can borrow funds  
**(a) after incorporation**  
(b) after obtaining certificate to commerce business  
(c) after holding first annual general meeting  
(d) None of the above
55. When there is a untrue statement in a prospectus who can sue  
**(a) Subscribed in primary market**  
(b) Subscribed in secondary market  
(c) Rights issue  
(d) None of the above
56. Which of the following are not required to issue prospectus?  
(a) Private company  
(b) Incase of right issue  
(c) Sweat equity issue  
**(d) All the above**
57. \_\_\_\_\_ are the prospectus issued instead of full prospectus  
**(a) Abridged**  
(b) Statement in lieu  
(c) Shelf  
(d) Red herring
58. Which one of the following has a right to claim compensation for any loss due to misstatement in prospectus  
**(a) Purchasing shares in Primary Market**  
(b) Secondary Market  
(c) Subscribers to memo  
(d) All the above
59. \_\_\_\_\_ years of imprisonment will be imposed in case of issue of prospectus with untrue statements  
(a) 1  
**(b) 2**  
(c) 3  
(d) 4
60. \_\_\_\_\_ is issued in acknowledgement of any indebtedness  
**(a) Debenture certificate**  
(b) Share certificate  
(c) Share warrant  
(d) None of the above
61. Own funds are called \_\_\_\_\_  
(a) Debenture capital  
**(b) Share capital**  
(c) Loan capital  
(d) None of the above

62. Debenture forms part of \_\_\_\_\_  
(a) Capital  
**(b) Loan**  
(c) Fund  
(d) None of the above
63. Share holders are \_\_\_\_\_  
**(a) Owners**  
(b) Creditors  
(c) Debtors  
(d) None of the above
64. Debenture holders are \_\_\_\_\_  
(a) Owners  
**(b) Creditors**  
(c) Debtors  
(d) None of the above
65. Which of the following have voting rights \_\_\_\_\_  
**(a) Share holders**  
(b) Debenture holder  
(c) Both (a) & (b)  
(d) None of the above
66. \_\_\_\_\_ is payable even if there are no profits  
**(a) Interest**  
(b) Dividend  
(c) Commission  
(d) None of the above
67. Debentures payable to a holder of certificate is called \_\_\_\_\_  
**(a) Bearer**  
(b) Unregistered  
(c) Secured  
(d) Both (a) & (b)
68. Debentures payable to person whose name appears both on Debenture Certificate and company's register is called \_\_\_\_\_  
(a) Bearer  
(b) Unregistered  
(c) Registered  
(d) None of the above
69. Debentures which have the charge on the property of the company is \_\_\_\_\_  
**(a) Secured**  
(b) Unsecured  
(c) Registered  
(d) None of the above
70. Debenture which are repayable only on the happening of an event of winding up is called  
(a) Redeemable  
(b) Irredeemable  
(c) Perpetual  
**(d) Both (b) & (c)**
71. What is the time limit for conducting statutory meeting?  
(a) 1 to 5 months  
**(b) 1 to 6 months**  
(c) 1 to 9 months  
(d) None of these
72. Notice of statutory meeting should be given with a period not less than  
**(a) 21 clear days**  
(b) 14 clear days

- (c) 7 clear days  
(d) None of these
- 73. Notice of statutory meeting should be attested by at least.**  
(a) 3 directors  
**(b) 2 directors**  
(c) 3 directors  
(d) None of these
- 74. The time gap between two AGM's shall not exceed.**  
**(a) 15 months**  
(b) 18 months  
(c) 16 months  
(d) None of these
- 75. First AGM must be held within \_\_\_\_\_ from the incorporation of the company**  
(a) 15 months  
**(b) 18 months**  
(c) 12 months  
(d) None of these
- 76. XYZ co, incorporated on 1 st Jan 2011. The AGM should be held on 1 st July 2012. ROC extended that time to 1 st Sep.2012.Is the AGM valid.**  
(a) Valid  
**(b) Invalid**  
(c) Situation does not arise  
(d) None of above
- 77. Every AGM must be held with \_\_\_\_\_ from the date of the Balance Sheet.**  
(a) 4 months  
(b) 6 months  
**(c) 9 months**  
(d) None of these
- 78. First AGM must be held with in \_\_\_\_\_ from the date of the balance sheet**  
(a) 6months  
**(b) 9months**  
(c) 5months  
(d) None of these
- 79. AGM should be held at**  
(a) Company  
**(b) Registered office**  
(c) Corporate office  
(d) None of these
- 80. In case of Public Company the quorum should be**  
**(a) 5 members**  
(b) 7 members  
(c) 2 members  
(d) None of these
- 81. In case of private company the quorum should be**  
**(a) 2 members**  
(b) 3 members  
(c) 4 members  
(d) None of these
- 82. \_\_\_\_\_ meeting given an opportunity to the member to know discuss on promotion & formation of the company.**  
(a) General  
(b) EGM  
**(c) Statutory**  
(d) None of the above

83. \_\_\_\_\_ report is send by the directors to its members.  
(a) Statutory  
(b) Audit  
(c) **Annual**  
(d) None of the above
84. In the given below who are not required to hold Statutory General Meeting  
(a) Private company  
(b) Government Company  
(c) Public company  
(d) **Both (a) & (b)**
85. In the given below who are required to hold A.G.M \_\_\_\_\_  
(a) **Public company**  
(b) Private company  
(c) Government company  
(d) All the three
86. The time period for conduction of AGM is extended by ROC for how many months  
(a) 1  
(b) 2  
(c) **3**  
(d) 4
87. Proxy need not be a \_\_\_\_\_ of the company  
(a) Shareholders  
(b) Members  
(c) **Both a) and b)**  
(d) None of the above
88. If the notice contain a special business then an \_\_\_\_\_ statement shall be enclosed:  
(a) **Explanatory**  
(b) Enquiry  
(c) Both a) and b)  
(d) None of the above
89. Proxies cannot vote on \_\_\_\_\_  
(a) **Show of hands**  
(b) Poll  
(c) Both a) & b)  
(d) None of the above
90. \_\_\_\_\_ is the official recording of the proceedings of a meeting  
(a) Quorum  
(b) **Minutes**  
(c) Both a) & b)  
(d) None of the above
91. Minutes should be recorded with in \_\_\_\_\_ days from the date of conclusion of every meeting  
(a) 10  
(b) 20  
(c) **30**  
(d) 40
92. Directors are \_\_\_\_\_ of the company  
(a) Employees  
(b) Employers  
(c) Both a) & b)  
(d) **None of the above**
93. Which of the following meeting can be held more than once in a calendar year?  
(a) **E.G.M**  
(b) S.G.M  
(c) A.G.M  
(d) None of the above



94. In which one of the following cases an ordinary resolution may be passed \_\_\_\_\_  
(a) Commencement of a new business  
(b) alteration of articles  
**(c) Compulsory winding up of the company**  
(d) none of the above
95. A company must inform the registrar about redemption of preference shares with in  
(a) 21 days  
(b) 15 days  
**(c) 30 days**  
(d) None of the above
96. Share premium amount is treated as the \_\_\_\_\_ capital of a company  
(a) issued  
**(b) Reserve**  
(c) Subscribe  
(d) None of the above
97. A company can create 'reserve capital' by passing \_\_\_\_\_  
(a) an ordinary resolution  
**(b) a special resolution**  
(c) a board resolution  
(d) None of the above
98. The capital which is part of the uncalled capital of the company which can be called up only in the event of its winding up it is called  
(a) Issued capital  
(b) Nominal capital  
(c) Authorised Capital  
**(d) Reserve capital**
99. What is the maximum period for redemption in case of preference shares issued by the company  
(a) 10 years  
(b) 15 years  
**(c) 20 years**  
(d) None of these
100. Capital redemption reserve must be used for issue of \_\_\_\_\_  
(a) Fully paid bonus shares  
(b) Fully paid equity shares  
(c) Preference shares  
(d) None of the above.
101. Part of the issued capital taken by public is called \_\_\_\_\_  
**(a) Subscribed**  
(b) Called – up capital  
(c) Un called capital  
(d) Paid up capital
102. Part of authorized capital which is offered by the company for subscription.  
(a) subscribed  
**(b) Issued**  
(c) Un called  
(d) called up

103. Stamp duty on registration of the company is payable based on \_\_\_\_\_ capital.  
(a) Nominal  
(b) Authorized  
(c) **Both (a) & (b)**  
(d) None
104. Deferred shares are also known as \_\_\_\_\_ shares  
(a) **Founders**  
(b) Equity  
(c) Preference  
(d) None
105. \_\_\_\_\_ Preference shares carry the right to cumulate the dividends  
(a) Converted  
(b) **Cumulative**  
(c) Nonconverted  
(d) None
106. Paying back of capital is called  
(a) **Redemption**  
(b) Conversion  
(c) Participation  
(d) None
107. Premium amount on the securities are transferred to \_\_\_\_\_ account  
(a) Securities premium  
(b) Reserve fund  
(c) Capital Reserve  
(d) None
108. Maximum rate of discount that can be allowed on issue of shares  
(a) 5%  
(b) **10%**  
(c) 15%  
(d) 20%
109. To issue the shares at discount company at least how many years should complete \_\_\_\_  
(a) **1**  
(b) 2  
(c) 3  
(d) 4
110. \_\_\_\_\_ are the shares issued by the company to its employees or directors for consideration other than cash  
(a) Bonus  
(b) **Sweat**  
(c) Right  
(d) None of the above
111. Cumulative preference share holders have voting right if dividend are in arrears for years  
(a) 1  
(b) **2**  
(c) 3  
(d) 4
112. \_\_\_\_\_ form is to be filled in case of variation rights of share holders  
(a) 23  
(b) **19**  
(c) 18  
(d) 20

113. \_\_\_\_\_ is an aggregate of fully paid share that have been legally consolidated.  
(a) Share  
**(b) Stock**  
(c) Both a) & b)  
(d) None of the above
114. \_\_\_\_\_ have fixed denomination  
**(a) Share**  
(b) Stock  
(c) Both a) & b)  
(d) None of the above
115. Court order the company to add \_\_\_\_\_ after reducing its share capital  
**(a) And reduced**  
(b) Ltd  
(c) Both a) or b)  
(d) None of the above
116. For reducing its share capital it should give notice to whom?  
(a) Debtors  
**(b) Creditors**  
(c) Both a) & b)  
(d) None of the above
117. Reduction & diminution is done under which sec.  
**(a) 100 & 94**  
(b) 94 & 100  
(c) 100 & 96  
(d) 96 & 100
118. The premium amount that can be charged as per companies Act.  
(a) 10%  
(b) 15%  
(c) 20%  
**(d) None of these**
119. A company to issue sweat equity shares must pass a.  
**(a) Special resolution**  
(b) Ordinary resolution  
(c) Unanimous resolution  
(d) None of these
120. The notice offering right shares must allow the members \_\_\_\_\_ to exercise their option to accept, reject or renounce it  
(a) 10 days  
(b) 14 days  
**(c) 15 days**  
(d) 20 days
121. A bull is —  
(a) A speculator who expects price to fall  
**(b) A speculator who expects price to rise**  
(c) A speculator who invests in mutual fund  
(d) A speculator who invests in government bonds.
122. One share one vote is applicable to  
**(a) Joint stock company**  
(b) Co-operative society  
(c) Partnership firm  
(d) Joint Hindu family

**123. Liability clause is contained in**

- (a) Articles of Association
- (b) Prospectus
- (c) Memorandum of Association**
- (d) Special Resolution

**124. The SWOT analysis stands for**

- (a) Strength, Weaknesses, Opportunities, Threats**
- (b) Science, Wisdom, Opportunities, Triumph
- (c) Success, Wisdom, Opportunities, truth
- (d) Simple, Weakness, Opportunities, Threats

**125. Various objectives of business are**

- (a) Economic objectives
- (b) Social objectives
- (c) Human objectives
- (d) All of the above**

**126. OTCEI is —**

- (a) An export organization
- (b) Funding agency for industries
- (c) A public facility to get scheduled drugs
- (d) Assisting small and medium firms to get access to share market nationwide.**

**127. Characteristics of the sole proprietorship are :**

- (a) Capital contribution
- (b) Unlimited liabilities
- (c) Limited area of operation
- (d) All the above**

**128. Semantic barrier to communication is referred as the —**

- (a) Receiver misinterpreting the symbols used by the sender
- (b) Sender misusing the symbols
- (c) Receiver clarifying the symbols with sender**
- (d) Receiver not being able to decode the symbols used by the sender

**129. Mention which of the following are not counted in a private limited company to make the maximum strength of members to 50 :**

- (a) Present employees and shareholders
- (b) Past employees and present shareholders
- (c) None of the above**
- (d) A and B both

**130. A holding company can control**

- (a) Only one subsidiary company
- (b) One or more subsidiary companies**
- (c) Only three companies
- (d) Any number of companies

**131. A resolution requiring special notice is**

- (a) Not an independent class of resolution**
- (b) An independent class of resolution
- (c) A kind of ordinary resolution
- (d) None of the above

**132. Examples of statutory companies are**

- (a) Reserve Bank of India
- (b) Damodar Valley Corporation
- (c) State Bank of India
- (d) All of the above**

**133. Various objectives of business are**

- (a) Economic objectives

- (b) Social objectives
- (c) Human objectives
- (d) All of the above**

**134. Which of the following is not an advantage of verbal communication?**

- (a) Easily understandable
- (b) Less expensive and quicker
- (c) Removes distances and barriers in communication
- (d) Difficult to act on it due to missing details.**

**135. Listing in stock exchange is**

- (a) Mandatory
- (b) Optional**
- (c) Desirable
- (d) Publishing the details

**136. Salient features of a co-operative society are :**

- (a) Voluntary association
- (b) Service motive
- (c) Equality
- (d) All the above**

**137. Advantages of limited partnership are :**

- (a) Enables people to invest**
- (b) Mobilizes large financial resources
- (c) More stable
- (d) All the above

**138. In a stock exchange**

- (a) Any security can be transacted**
- (b) Only listed securities can be transacted
- (c) Only securities of private companies be traded
- (d) Any common person can conduct transaction directly.

**139. Which of the following is not a social obligation for a firm :**

- (a) Avoiding anti-social practices**
- (b) Maintaining a healthy environment
- (c) Ensuring job satisfaction of employees
- (d) Earning adequate profit

**140. Ravi Kumar and Sons, an HUF, maintain a current account. The Karta of the HUF dies and leaves behind three family members i.e. his wife and two minor sons. How will you deal with the account:**

- (a) Bank will stop operations in the account
- (b) Account can be operated by minor son being male member
- (c) Account would be operated by widow being guardian of eldest male member to be called Karta**
- (d) account can be operated by any of the two sons

**141. Which of the following is a business objective?**

- (a) Social objective
- (b) Economic objective
- (c) Human objective
- (d) All of above**

**142. Which of the following is an organic objective of a business?**

- (a) Survival
- (b) Growth, expansion and diversification
- (c) Creating goodwill, resting and recognition.
- (d) All of above**

**143. A sole proprietorship is a business where all of the following are true except that**

- (a) the owner has complete control over decision making
- (b) profits are only taxed once as the proprietor's income
- (c) the proprietor is liable for losses to the extent of his or her personal assets
- (d) the proprietor can sell stock to increase its capital resources**

- 144. Unlimited liability for sole proprietors means that**  
(a) they can lose everything they own if their businesses fail  
(b) they should form corporations instead  
(c) proprietors are liable for all the value of all the shares they own in a business  
(d) a partnership appears relatively more attractive
- 145. In a partnership, the owners**  
(a) are sheltered somewhat from unlimited liability  
(b) may have access to more venture capital, but each loses some independence in decision making  
(c) enjoy limited liability  
(d) cannot be sued separately in the event of a business failure
- 146. The limited liability associated with the corporate form of ownership results from**  
(a) corporations existing as legal entities, separate and apart from their owners  
(b) corporations being much less likely to experience losses  
(c) banks that offer loans to corporations at low interest rates  
(d) lower taxes on dividends
- 147. All of the following are characteristics of sole proprietorships except that**  
(a) there is a single owner  
(b) profits are taxed twice  
(c) liability is unlimited  
(d) they are the most numerous type of business
- 148. Which of the following is not an essential requirement of partnership?**  
(e) An association of two or more persons  
(f) Existence of a contract  
(g) Sharing of profit  
(h) Mandatory registration
- 149. How partnership has been defined under section 4 of the Partnership Act?**  
(a) Relation between persons who have agreed to share the profits of a business carried on by all or any of them  
(b) An association for profits only  
(c) An association of persons sharing loss of business  
(d) Relation between persons carrying on business on behalf of active partners only
- 150. X and Y formed a partnership firm to undertake construction of a Railway Bridge for Northern Railway at Patna. This partnership is**  
(a) Limited Partnership  
(b) Partnership at will  
(c) Particular Partnership  
(d) None of above
- 151. X is a partner in XYZ Associates. He agrees to share his profit with an outsider. This arrangement is called**  
(a) Extended partnership  
(b) Sub-partnership  
(c) Unlimited partnership  
(d) None of above
- 152. Which of the following cannot be admitted as a partner in a firm**  
(a) Minor  
(b) Person of unsound mind  
(c) Widower  
(d) Bachelor
- 153. Cooperative society is set up to protect economically the ----- sections of the society**  
(a) Middle  
(b) Poor  
(c) Wealthy  
(d) None of above

- 154. Which of the following is not disqualified for admission as a partner**  
(a) Insolvent person  
(b) Alien Enemy  
**(c) Retired Government official**  
(d) Person of unsound mind
- 155. A person not being a partner but represent himself to be a partner is called a**  
(a) Sub-partner  
**(b) Partner by estoppels**  
(c) Sleeping partner  
(d) Dormant partner
- 156. Which of these rights is available to a partner under the Partnership Act**  
(a) Salary for taking part in business  
(b) Interest on capital  
**(c) Right to share profits**  
(d) Drawing
- 157. In which circumstances a public notice is required to be given**  
**(a) By a retiring partner on his retirement**  
(b) By incoming partner on his admission  
(c) By a dormant partner that he is not taking part in management  
(d) By a nominal partner that he is sharing profits only.
- 158. Under which of these circumstances interest on capital is allowed**  
**(a) When partnership deed provides for it**  
(b) As per Partnership Act in all circumstances  
(c) Under none of these circumstances  
(d) Under both of these circumstances
- 159. How profit and loss of the firms are shared by the partners**  
(a) Equally  
**(b) According to the partnership deed**  
(c) According to the partnership ratio  
(d) According to qualifications and seniority
- 160. Which of these events does not cause reconstitution of the firm**  
(a) Admission of a partner  
(b) Death  
(c) Retirement of partner  
**(d) Illness of a partner**
- 161. Which of these is not an implied authority of a partner in the absence of any specific provisions in the partnership deed**  
(a) To buy or sell goods on behalf of the firm  
(b) To receive payment on behalf of the firm  
(c) To sue on behalf of the firm and defend suit in the name of the firm  
**(d) To submit a dispute relating to the firm for arbitration**
- 162. Which of these are covered under implied authority of a partner**  
(a) To open a bank account in his name on behalf of the firm  
(b) To enter into a partnership on behalf of the firm  
**(c) To employ or engage staff for the firm**  
(d) To acquire immovable property on behalf of the firm
- 163. Which of these is not the duties of a partner**  
(a) To account for private profit  
**(b) Not to attend his duties diligently**  
(c) To indemnify the firm for willful or neglect  
(d) To contribute to loss
- 164. Which of the following enjoys limited liability?**  
(a) A general partnership  
**(b) A corporation**  
(c) A sole proprietorship  
(d) None of above
- 165. Maria, a limited liability partnership member, is sued by Stan who was injured when Maria hit him with a truck she was driving on partnership business. Maria:**  
**(a) may be sued by Stan**  
(b) may not be sued by Stan



- (c) may require that Stan only sue the partnership
- (d) may not be sued by Stan, but Stan may sue Maria's partners

**166. Which of the following is the merit of State Enterprise**

- (a) Economy
- (b) Justice and equality for all the employees
- (c) Planned production and equitable distribution
- (d) All of the above**

**167. Which of the following is the demerit of State Enterprise**

- (a) Lack of efficiency
- (b) Rigid control
- (c) Political interference
- (d) All of the above**

**168. In a limited partnership, at least one partner has \_\_\_\_\_ liability.**

- (a) Shared
- (b) Unlimited**
- (c) Predetermined
- (d) Business

**169. Which is NOT a condition of a limited partnership?**

- (a) Limited partners are expected to have an active role in management.**
- (b) A limited partner's liability will be limited to his/her investment.
- (c) One partner of the limited partnership must be a general partner.
- (d) Limited partnerships will have more than one class of partner.

**170. Which of the following are the objectives of listing ?**

- (b) To assure constant marketing facilities
- (c) To ensure liquidity
- (d) To facilitate negotiation
- (e) All of the above**

**171. An order which is one where the client does not prescribe any time limit for the execution of the order and it is kept in operation so long as it is not cancelled by "the client" is known as**

- (a) Open order**
- (b) Stop-loss Order
- (c) Discretionary Order
- (d) None of above

**172. Which is not an advantage of Clearing House Settlement?**

- (a) Settlement becomes delayed**
- (b) It is economical as intermediaries are eliminated
- (c) It amounts to saving of currency-payment because only the net dues are sold in cash.
- (d) None of above

**173. Which of the following are the characteristics of communication?**

- (a) Establishing interpersonal relationship
- (b) Flow of information
- (c) Conveying a message
- (d) All of the above**

**174. Which of the following partners of a limited liability partnership (LLP) may avoid personal liability when a partner commits a negligent act?**

- (a) All the partners.
- (b) The supervisor of the negligent partner.
- (c) All the partners other than the negligent partner.
- (d) All the partners other than the supervisor of, and, the negligent partner.**

**175. A partnership firm is compulsorily dissolved under which of these circumstances**

- (a) On the death of a partner
- (b) On insolvency of any partner
- (c) On running into losses
- (d) If the business of the firm becomes unlawful due to the happening of some event**

**176. A partnership cannot be formed with the name**

- (a) Emperor**

- (b) Diamond  
(c) Universal  
(d) Avon
- 177. An application for registration of firm does not contain which of the following particulars**  
(a) Name and place of the firm  
(b) Names and addresses of each partner  
(c) **Circumstances when a partnership will be dissolved**  
(d) Duration of partnership
- 178. Which of the following words can be used as a part of a firm's name**  
(a) Crown  
(b) Queen  
(c) Royal  
(d) **Sterling**
- 179. The social responsibilities of a business should be studied and appreciated under which of the following heads?**  
(a) Objectives which protect consumer interests  
(b) Objectives which protect the interests of workers  
(c) None of the above  
(d) **both (a) and (b)**
- 180. How the interest of the workers' could be safeguarded by the business?**  
(a) Payment of fair wages  
(b) Providing labour welfare  
(c) Providing better working condition  
(d) **All of the above**
- 181. \_\_\_\_\_ includes the rules and regulations, necessary to manage the internal affairs of the company.**  
(a) Memorandum of Association  
(b) **Article of Association**  
(c) Prospectus  
(d) All of the given option
- 182. General information like Appointment, election and powers of directors, voting rights and transfer of shares mention in \_\_\_\_\_.**  
(a) Charter of Company  
(b) Article of Association  
(c) **Prospectus**  
(d) None of the given option
- 183. Which of the following business type has longest life time?**  
(a) Sole proprietorship  
(b) Partnership  
(c) **Joint stock company**  
(d) All of the given options
- 184. Normally some part of Capital is kept for the payment of debts at the time of winding up, is called as:**  
(a) **Reserve capital**  
(b) Un-Issued Capital  
(c) Un-Called up Capital  
(d) All of the given option
- 185. The following person cannot make a petition to the court to get an order for winding up of a company.**  
(a) **Petition by debtor**  
(b) Petition by creditor  
(c) Petition by contributory  
(d) All of the above