M.Com – Part – I : Semester – I

Economics For Business Decisions

1. The nature of economic and business problems is:
a. Identical b. Similar
c. Different d. None of these

2. The central problem of economic and business is ______ of resources:
a. Plenty b. Scarcity
c. Variety d. None of these

3. To be successful manager the knowledge of _____ and _____ is very essential:
a. Economics and politics
b. Microeconomics and Macroeconomics
c. Internal and international trade
d. None of the above

4. Macroeconomics is concerned with the analysis of behaviour of ______:
a. Firm b. Whole economy
c. Industry d. None of these

5. _____ studies the problem related to measurement of national income:
a. Microeconomics b. International economics
c. Macroeconomics d. None of these

6. In every economy resources are ________
a. Scare b. Plenty
c. Available d. None of these

7. Human wants refer to all the goods and services individual ______
a. Need b. Desire
c. Have d. None of these

8. Problem of ______ is an universal problem
a. Resources b. Scarcity
c. Wants d. None of these

9. _______ efficiency occurs when goods and services are distributed according to consumer preferences
a. Technical b. Allocative
c. Productive d. None of these

10. ___________ principal is integral to short - run decision about profit maximisation

a. Equi – marginal b. Marginal
c. Efficiency d. None of these

11. The most notable incentive in economics is ________

a. Profit b. Price
c. Revenue d. None of these

12. Price mechanism is the system in a ______ economy which brings about equality between demand and supply

a. Market b. Socialist
c. Mixed d. None of these

13. If the production is not efficient the economy will be _________ the PPC.

a. Inside b. Outside
c. On d. None of these

14. The trade offs people and society face helps us to understand the concept of _____ cost

a. Money b. Opportunity
c. Total d. None of these

15. An accountant's concept of profit is the __________ profit

a. Business b. Economic
c. Total d. None of these

16. Market economic suffers from ________ which are responsible for problems like inflation, unemployment, etc.

a. Imperfections b. Lack of resources
c. Inefficiency d. Perfection

17. Imperfect information posses the problems of ______information

a. Asymmetric b. Inefficient
c. Lack of d. None of these

18. Market failure takes place due to ___________

a. Perfect information b. Externalities
c. Private goods d. None of these

19. The goods having the features of non – rivals in consumption and non – excludability are called _____ goods

a. Public b. Private
c. Merit d. None of these

20. We can improve economic efficiency by correcting _______

a. Market failure
b. Inflation
c. Unemployment
d. Property

21. In the case of goods with______ externalities the firms produce too little of goods

a. Negative
b. Positive externalities
c. Zero
d. None of these

22. A fall in the price of a commodity

a. Increases the consumer's nominal economy
b. Increases the consumer's real income
c. Decreases the consumer's real income
d. None of the above

23. Which of the following is not the assumption of the law of demand

a. Consumer's income does not change
b. No change in consumer's taste and preferences
c. No change in the price of inputs
d. None of the above

24. A change in the price of a commodity, with no change in other determinants result in

a. Change in quantity demanded
b. A shift in the demand curve
c. An increase or decreases in demand
d. None of the above

25. The band wagon effect makes the market demand curve to be more _______

a. Less elastic
b. More elastic
c. Flatter
d. Steeper

26. The Veblen effect give rise to _______ market demand curve

a. Flatter
b. Less elastic
c. No change
d. None of these

27. __________ Price is the maximum which the seller must get in order to offer a part or the whole stock of goods for sale

a. Reservation
b. Supply
c. Selling
d. None of these

28. supply refers to the amount of a commodity that produces are _______to offer for sale

a. Able
b. Willing
c. Able and willing
d. None of these

29. According to the law of supply, the relationship between price and supply is __________

a. Positive
b. Inverse
c. Proportional
d. Negative

30. Change in ______ brings about a movement along the supply curve

a. Price
b. Input prices
c. Exports
d. None of these

31. A change in _________ shifts the supply curve

a. Price
b. Government policy
c. Taste
d. None of these

32. When the elasticity of supply is less than one the supply curve ______

a. Steeper
b. Flatter
c. Vertical
d. None of these

33. When the supply is perfectly elastic the supply curve is _____

a. Vertical
b. Horizontal
c. Upward slopping
d. Downward slopping

34. Price elasticity of demand is defined as

a. The change in quantity demanded resulting from one percentage change in price
b. The percentage change in price resulting from one unit change in quantity demanded
c. The percentage change in quantity demanded resulting from one percentage change in price
d. The change in the price of a good divided by the resulting change in its quantity demanded

35. The price elasticity of demand for a particular brand of chocolate is estimated to be 2. If quantity demanded has increased by 10 percent, price must have

a. Fallen by 5 percent
b. Risen by 5 percent
c. Fallen by 10 percent
d. Risen by 10 percent

36. Along any straight line negatively sloping demand curve

a. The price elasticity and slope will both vary
b. The price elasticity varies, but the slope remains the same
c. The slope varies but the price elasticity remains the same
d. The price elasticity and slope remain the same

37. A price elasticity of 1 means that
a. The demand curve is vertical
b. The demand curve is horizontal
c. The relative changes in price and quantity are equal
d. Expenditure on the good would increase if price is reduced

38. Which of the following will not be a determinant of the price elasticity of demand for a commodity?
a. Availability of substitute for the good
b. The range of price change
c. The cost of producing the commodity
d. The length of time period to which the demand curve pertains

39. If TR increases due to fall in the price of the product, then
a. Price elasticity is equal to one
b. Price elasticity is less than one
c. Price elasticity is zero
d. Price elasticity is greater than one

40. If a rise in price increases TR, the producer is operating on
a. The segment below the mid-point of the demand curve
b. The segment above the mid-point of the demand curve
c. The mid-point of the demand curve
d. The Y intercept of the demand curve

41. When demand is relatively inelastic, price and total revenue changes take place in the _____direction
a. Same
b. Opposite
c. Negative
d. Different

42. When TR is increasing with every fall in price, the price elasticity of demand is
a. Equal to one
b. Greater than one
c. Less than one
d. Equal to zero

43. Cross elasticity of demand for complementary goods is
a. Negative
b. Positive
c. Zero
d. One

44. The reason for the paradox of bumper harvest is that demand food items is
a. Elastic
b. Inelastic
c. Unitary elastic
d. None of these

45. Any government policy lending to reduction in the supply of farm products is beneficial for whom?
a. Consumers
b. Farmers
c. Government
d. None of these

46. The incidence of tax on a good is more on buyers when demand is ________ relative to supply.
a. Inelastic b. Elastic
c. More elastic d. None of these

47. The important factor determining the incidence of tax is relative elasticities of
a. Demand b. Supply
c. Demand and Supply d. None of these

48. When the price ceiling is below the equilibrium price it is
a. Binding b. Not binding
c. Having no effect d. None of these

49. Minimum wage is an example of
a. Price ceiling b. Price floor
c. Firm's policy d. None of these

50. Indifference curve measures satisfaction in
a. Cardinal numbers b. Ordinal numbers
c. Geometrical method d. None of these

51. An indifference curve must be
a. Convex b. Concave
c. Neither convex nor concave to the origin d. None of these

52. Two indifference curves can not be
a. Parallel b. Intersecting
c. Identical d. None of these

53. A higher level of satisfaction is shown by shifting the indifference curve
a. Outward b. Inward
c. Neither (a) nor (b) d. Backward

54. On the same indifference curve, satisfaction at different points is
a. Different b. Same
c. Increases d. None of the above

55. An indifference curve cannot be
a. Vertical b. Horizontal
c. Upward sloping d. All of the above

56. The necessary condition of consumer's equilibrium is
a. $MRSxy > Px / Py$ b. $MRSxy = Px / Py$
c. $MRSxy < Px / Py$ d. None of these

57. Income effect refers to a change in consumer's equilibrium when his _____ along charges
a. Price b. Taste
c. Income d. None of the above

58. An inferior good is one, the consumption of which ______ as income increases
a. Increases b. Decreases
c. Remains constant d. None of the above

59. When demand for a commodity increases with an increase in income, it is called ______ commodity
a. Giffen commodity b. Normal commodity
c. Inferior commodity d. None of the above

60. A backward sloping PCC indicates ______ price effect.
a. Positive b. Neutral
c. Negative d. None of the above

61. In case of inferior goods ICC slopes
a. Upward b. Downward
c. Either to the left or right d. None of the above

62. Compensatory variation in income leaves the consumer on
a. Higher level of satisfaction b. Same level of satisfaction
c. Lower level of satisfaction d. None of the above

63. When price effect is negative, PCC slopes
a. Backward b. Vertical
c. Horizontal d. None of the above

64. Inferior good is one when
a. Price effect is negative b. Income effect is negative
c. Both (a) and (b) d. None of the above

65. Giffen good is one when
a. Income effect is positive but price effect is negative
b. Income and price effects are positive
c. Income and price effects are negative
d. None of the above

66. Indifference curve analysis is applicable to
a. Only substitutes b. Only complementaries
c. For both d. None of the these

67. In the short run, increasing marginal returns take place due to
a. Variability of all factors b. Abundance of fixed factors
c. Abundance of variable factors d. Economies of scale

68. Increasing marginal returns come to an end when
a. AP intersects MP b. TP begins to decline
c. TP begins to rise at a diminishing rate d. MP becomes negative

69. When TP is maximum, MP is
a. Zero b. Negative
c. Maximum d. Constant

70. When AP is maximum, the following statement is true
a. TP is rising at an increasing rate
b. TP is constant
c. TP is rising at a diminishing rate
d. TP is declining

71. When MP is maximum, which of the following is true?
a. AP is equal to MP b. AP is declining
c. AP is maximum d. AP is rising

72. Which of the following is not an assumption of the law of variable proportions?
a. The state of technology is given and constant
b. All factors are variable
c. All units of variable factors are homogeneous
d. At least one factor remain constant

73. In the short run, which of the following statements describes the presence of diminishing returns?
a. The marginal product of a factor is positive and rising
b. The marginal product of a factor is positive and falling
c. The marginal product of a factor is positive and negative
d. The marginal product of a factor is constant

74. Negative marginal returns occur due to
a. Relative abundance of variable factors
b. Relative abundance of fixed factors
c. Relative scarcity of variable factors
d. Scarcity of fixed and variable factors

75. In case of decreasing returns to scale, the distance between subsequents isoquants
a. Remain constant b. Increase
c. Decrease d. None of the above

76. Returns to scale determine the behaviour of
a. Short run average cost b. Marginal cost
c. Average fixed cost d. Long run average cost

77. If a simultaneous and equal percentage increase in the use of all inputs leads to a similar percentage increase in output. A firms production function is said to indicate
a. Decreasing return to scale b. Constant return to scale
c. Increasing returns to scale d. Diseconomies of scale

78. Which is true statement?
a. Decreasing returns to scale and diminishing marginal returns are two ways of stating the same thing
b. Increasing returns to scale is a short run concept and diminishing marginal returns is a long run concept
c. Constant returns to scale is a short run concept and decreasing returns to scale is a long run concept
d. Increasing returns to scale is a long run

79. Which of the following is not an example of internal example of scale?
a. Cheaper materials and equipment
b. Division of labour and specialisation
c. Smaller percentage of inventories to total output held
d. Use of specialised capital equipment

80. Which of the following is not due to external economies of scale?
a. Growth of technical know how
b. Managerial division of functions
c. Growth of subsidiary industries
d. Development of information services

81. Transport bottlenecks due to excessive location of industries is an example of
a. Internal economies of scale
b. Internal diseconomies of scale
c. External diseconomies of scale
d. External economies of scale

82. An important cause of internal diseconomies of scale is
a. Rising factor costs
b. Diminishing returns to management
c. Transport congestions
d. Pollution and health hazards

83. In the short run. A firm's fixed cost
a. Is zero
b. Will always have to be incurred
c. Can be zero if production is zero
d. Will decline with every increase in output

84. Which of the following would be an implicit cost for a firm?
a. Payment of wages and salaries of workers
b. Payment to the supplier of raw materials
c. Salary that the business owner would have earned by working elsewhere
d. Interest to the bank for borrowed funds

85. Accounting cost does not include
a. Payment made to the accountants
b. Rent paid to the landlord
c. Interest of own money invested by the entrepreneur
d. None of the above

86. Average fixed cost
a. Declines over a certain output range
b. Declines over the entire output range
c. Is a long run concept only
d. Is influenced by decreasing returns to scale

87. If average fixed cost is Rs. 40 and average variable cost is Rs. 80 for an output level of 10, then the total cost is

a. Rs. 1200	b. Rs. 120
c. Rs. 40	d. Rs. 400

88. The slope of the total cost curve equals

a. Average variable cost	b. Marginal cost
c. Average cost	d. Marginal physical product

89. Which of the following statements about the relationship between marginal cost and average cost is correct?
a. When MC is rising, AC always rises
b. MC equals AC at MC's minimum point
c. When MC exceeds AC, AC will rise
d. When AC exceeds MC, MC will rise

90. If the short run average variable costs of production for a firm are rising, then this indicates that:
a. Average total costs are at a maximum
b. Average fixed costs are constant
c. Marginal costs are above average variable costs

d. Average variable costs are below average fixed costs
91. Which of the following statements is true of the long run average cost curve?
a. Its shape is influenced by the laws of returns to scale
b. Its shape is influenced by the laws of variable proportions
c. It is a declining function of output
d. None of the above

92. LAC used to determine
a. The lowest possible AC for producing various levels of output
b. The maximum output at lowest variable cost
c. The output at which fixed cost is minimised
d. The optimum firm size
93. In perfect competition at any given time, price for a commodity is
a. Same b. Different
c. Discounted d. Noe of these

94. Demand curve of a firm in perfect competition is
a. Fixed b. Vertical
c. Downward sloping d. Upward sloping

95. In the long run all costs are
a. Fixed b. Variable
c. Avoidable d. None of the above

96. A firm's equilibrium output is produced at a point
a. MC = MR b. MC > MR
c. MC < MR d. None of these

97. In perfect competition, the actions of an individual buyer or seller will
a. Have no impact on the market price
b. Have some impact on production
c. Have a significant impact on market supply
d. Have a significant impact on market demand

98. For a firm in a perfectly competitive market, the price of the good is always
a. Equal to marginal revenue
b. Equal to total revenue
c. Greater than average revenue
d. Equal to the firm's efficient scale of output

99. If a firm in a perfectly competitive market double the number of units of output sold, then total revenue will
a. More than triple b. Halve
c. Exactly double d. Remain constant

100. Sellers will have little reason to charge less than the going market price because
a. There will be few buyers in the market
b. There will be few sellers in the market
c. Buyers will have greater advantage
d. Goods sold are homogeneous

101. Which of the following is not a characteristic of perfectly competitive market?
a. There is a large number of buyers
b. Every seller is price taker
c. Pricing policy of one seller will affect pricing policy of rivals
d. Products are homogeneous

102. The demand curve faced by an individual seller in perfect competition is
a. Perfectly elastic b. Perfectly inelastic
c. Relatively elastic d. Unitary elastic

103. A firm in perfect competition, might decide to set its price below the market price because
a. This would result in higher total revenue
b. This would result in higher profits
c. This would result in lower marginal cost
d. None of these

104. Suppose a firm in a competitive market produces and sells 100 units of output and has a marginal revenue of Rs. 8. What would be the firm's total revenue?
a. Rs. 1600 b. Rs. 1000
c. Rs. 800 d. Rs. 2000

105. If a firm in perfect competition earns Rs.1000 in total revenue and has marginal revenue of Rs.10. What is the average revenue and how many units were sold?
a. Rs. 5 and 50 b. Rs. 5 and 100
c. Rs. 10 and 50 d. Rs. 10 and 100

106. Suppose a firm in a perfectly competitive market sells 2000 units and earns total revenue of Rs. 50000, what is marginal revenue of the firm?
a. Rs. 50 b. Rs. 25
c. Less than Rs.25 d. None of these

107. Changes in the output of a perfectly competitive firm, without any changes in the price of product, will change the firm's
a. Total revenue b. Marginal revenue
c. Average revenue d. All of above

108. A firm in perfect competition selling commodity X, continue production. If the market price for X falls below the firm's average total cost, but still lies above average variable cost, the firm

a. Will shut down b. Should raise the price

c. Will incur losses but will continue to produce

d. All of the above

109. Which of the following statements is true about the decision of a profit maximising firm in a competitive market when price falls below the minimum of average variable cost?

a. The firm will continue to produce to meet its fixed costs

b. The firm will immediately stop production to minimise its losses

c. The firm will stop production as soon as it is able to pay its sunk costs

d. The firm will continue to produce in the short run but will likely exit the market in the long run.

110. A profit maximising firm will shut down in the short run when

a. Price is less than average variable cost

b. Price is less than average total cost

c. Average revenue is greater marginal cost

d. Average revenue is greater than average fixed cost

111. Which of the following statements is correct regarding a firm's decision making?

a. The decision to shut down and decision to exit are both short run decisions

b. The decision to shut down and decision to exit are both long run decisions

c. The decision to shut down is a short run decision, whereas the decision to exit is a long run decision

d. The decision to exit is a short run decision, whereas the decision to shut down is a long run decision

112. A monopolistic usually produces

a. Less than optimum output b. More than optimum output

c. Optimum output d. None of these

113. A monopolist is a price

a. Taker b. Maker

c. Neither d. None of these

114. For a monopoly firm

a. AR = MR b. AR > MR

c. AR < MR d. None of these

115. In the long run a monopolistic usually earns

a. Excess profit b. Normal profit

c. Sub normal profit d. None of these

116. Excess profit is earned when
a. AR > AC
b. AR = AC
c. AR < AC
d. None of these

117. Demand for a monopoly firm's product
a. Perfectly elastic
b. Less elastic
c. Perfectly inelastic
d. None of these

118. Which of the following statement is true of monopoly?
a. A monopolistic can decide about both the price and output to be sold
b. A monopolistic poses no barrier to entry of new firms
c. A monopolistic usually earns excess profit in the long run
d. A monopolistic produces at minimum average cost

119. Which of the following is an example of source of monopoly power?
a. A key resource is owned by a single firm
b. Technology
c. Legal protection
d. All of the above

120. A fundamental source of monopoly market power arises from
a. Perfectly elastic demand
b. Perfectly inelastic demand
c. Barriers to entry of a new firm
d. All of the above

121. A monopolistic faces
a. A downward sloping demand curve and can sell as much output as he desires at the market price
b. A downward sloping demand curve and can sell only a limited quantity of output at each price
c. A horizontal demand curve and can sell as much output as he desires at the market price
d. A horizontal demand curve and can sell only a limited quantity of output at each price

122. If a profit maximising monopolistic faces a downward sloping market demand curve, its
a. Average revenue is less than the price of the product
b. Average revenue is less than marginal revenue
c. Marginal revenue is less than the price of the product
d. Marginal revenue is greater than the price of the product

123. A profit maximising monopolistic will produce the level of output at which
a. Average revenue is equal to average total cost
b. Average revenue is equal to marginal cost
c. Marginal revenue is equal to marginal cost

d. Total revenue is equal to opportunity cost

124. For a profit maximising monopolist

a. P > MR = MC b. P = MR = MC

c. P > MR > MC d. MR < MC < P

125. Price discrimination refers to

a. Charging different prices for different commodities

b. Charging different prices for same buyers at different times

c. Charging different prices for same commodity to different buyers

d. None of the these

126. First degree price discrimination refers to

a. Each customer is charged different price for the same commodity

b. Each market segment is charged different price

c. Different prices are charged for same commodity in different market

d. None of these

127. Price discrimination is possible when

a. A commodity is non transferable

b. When customers do not meet each other

c. When customers are ignorant about price differentials

d. All of the above

128. Price discriminations is profitable when

a. Elasticity of demand is the same in different markets

b. Elasticity differs in different market

c. When demand in different markets is perfectly elastic

d. None of these

129. A price discriminating monopolist distributes total output between the markets till the point

a. Where MR in all the markets is same

b. Where MR differs in different markets

c. Where AR in different markets is same

d. None of these

130. Dumping takes place when a monopolist

a. Has monopoly in the world as well as home market

b. Has monopoly in the world market

c. Has monopoly in the home market and competitive world market

d. None of these

131. Under dumping a monopolist's demand curve in the world market is

a. Downward sloping and less elastic

b. Perfectly elastic

c. A kinky demand curve

d. None of these

132. In the perfect competition a firm does not enjoy the monopoly power because of

a. Large number of forms b. Homogeneous commodity

c. Free Entry d. All of the above

133. Monopoly power depends on the difference between

a. P and AC b. P and MC

c. P and variable cost d. None of these

134. Degree of monopoly power is high if elasticity of demand is

a. More elastic b. More inelastic

c. Equal to 1 d. None od these

135. To restrict the monopoly power, India established

a. Election commission b. Law Commission

c. Competition commission d. None of these

136. In monopolistic competition there are

a. Few sellers b. Many sellers

c. Two sellers d. Single seller

137. Product sold in monopolistic competition is

a. Homogeneous b. Differentiated

c. Inferior d. None of these

138. A firm in a monopolistic market requires to incur

a. Production cost b. Selling cost

c. Both d. None of these

139. Nature of demand curve of monopolistic firm is

a. Less elastic b. More elastic

c. Perfectly inelastic d. Perfectly elastic

140. A monopolistic competitive firm produces

a. Less than optimum b. Optimum

c. More than optimum d. None of these

141. Which of the following is not a characteristic of monopolistic competition?

a. Many number of sellers b. Firms are price takers

c. Product differentiation d. There is free entry into the market

142. Monopolistic competition differs from perfect competition because in monopolistically competitive markets

a. There are no barriers to entry

b. All firms can earn normal profit in the long run

c. Each of the sellers offers a somewhat different product

d. Firms are interdependent

143. A similarity between monopoly and monopolistic competition is that, in both market structures

a. Firms are interdependent

b. There are few sellers

c. Sellers are price makers and not price takers

d. Product differentiation is done

144. A firm in monopolistic competition, faces a demand curve that is

a. Negatively sloping and relatively elastic

b. Negatively sloping and relatively inelastic

c. Negatively sloping and unitary elastic

d. None of the above

145. The profit maximising firm in a monopolistic competition reaches equilibrium output where its

a. Marginal revenue is equal to marginal cost

b. Average total cost is equal to marginal revenue

c. Average total cost is equal to price

d. Average revenue exceeds average total cost

146. Due to product differentiation, firm's demand curve takes the following shapes

a. Horizontal b. Vertical

c. Downward sloping d. None of these

147. In the long run, a firm in monopolistic competition, will earn

a. Excess profit b. Loss

c. Normal profit d. May earn any of the above

148. An oligopolist is

a. Certain about his decision b. uncertain about his decision

c. totally depends on others d. None of these

149. An oligopolist faces

a. A smooth downward sloping demand curve

b. Horizontal demand curve

c. Kinked demand curve

d. None of these

150. Collusive oligopoly is beneficial to

a. Consumer b. Producer

c. New entrants d. None of these

151. Price leadership avoids

a. Price war b. New entrants to the market

c. Promotes produces differentiation d. None of these

152. An oligopoly is a market in which
a. There are only a few sellers selling differentiated or homogenous product
b. Firms are price takers
c. Firms are not interdependent
d. There are few sellers selling products that have no close substitutes

153. A kinked demand curve indicates
a. price flexibility in non – collusive oligopoly
b. Price flexibility in collusive oligopoly
c. Price rigidity in collusive oligopoly
d. Price rigidity in non – collusive oligopoly

154. Which theory has numerous applications
a. Game b. Monopoly
c. Oligopoly d. Perfect competition

155. Game theory is concerned with the choice of an optimal strategy in which situation
a. Non – conflict b. Conflict
c. Fighting d. None of these

156. Who are the decision makers in game theory
a. Players b. Consumers
c. Produces d. None of these

157. What are the potential choices available to the players
a. Alternatives b. Strategies
c. Profits d. None of these

158. A dominant strategies is one that produces ______ pay off no matter what the other players in a game choose
a. Higher b. Lower
c. Minimum d. Maximum

159. A game is said to be in which equilibrium if each player's strategy is the best he can choose, given the other players choices.
a. Dominant b. Nash
c. Pareto d. None of these