F.Y.B.Com : Semester – II
Business Economics

1. Which of the following is not true of a market?
a. It brings buyers and sellers in contact
b. It is confined to place
c. Its structure is determined by nature of commodity
d. It is shaped by technology

2. Which of the following factors determine the structure of a market?
a. Nature of commodity
b. Number of sellers
c. Use of selling costs
d. All the above

3.What prevents a seller in perfect competition to influence the price?
a. Large number of sellers
b. Similarity of products
c. Effective advertising by other sellers
d. Interdependence of firms

4. Which of the following is a feature of oligopoly?
a. Products are always identical
b. Products do not have any substitute
c. Products may be differentiated
d. None of the above

5. A new firm can easily enter a / an _____ market
a. Oligopoly
b. Monopoly
c. Perfectly Competitive
d. All the above

6. Which market structure is clearly visible in the retail trade ?
a. Monopolistic competition
b. Perfect competition
c. Oligopoly
d. Monopoly

7. Demand curve faced by an individual seller under perfect competition is
a. Downward and gradual
b. Downward and steep
c. Vertical
d. Horizontal

8. Cartel formation is most likely to happen under
a. Perfect competition
b. Monopoly
c. Oligopoly
d. Monopolistic Competition

9. In Perfect Competition at any given time, price for a commodity is
a. Same
b. Different
c. Discounted
d. None of the above

10. Demand curve of a firm in perfect competition is
a. Horizontal
b. vertical
c. Downward sloping
d. None of these

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

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

13. Under perfect competition price is determined by
a. total demand and supply
b. price leader
c. the government
d. None of these

14. In a perfectly competitive market, a firms
a. Price =AR=MR
b. Price >AR= MR
c. Price= AR> MR
d. None of these

15. A perfectly competitive firm produces its equilibrium output at a point

a. MC= MR and MC declining
b. MC= MR and MC constant
c. MC= MR and MC is increasing
d. None of these

16. A firms short run supply curve under perfect competition is equal to
a. MC curve above the lowest point of SAC
B. MC curve above the lowest point of SAVC
C. The entire MC curve
d. None of these

17. The long- run supply curve of a firm under perfect competition is equal to
a. upward sloping AC curve
b. entire MC curve
c. MC curve above the lowest price of AC curve
d. None of these

18. The short-run industry supply under perfect competition is obtained by
a. adding supply of all the firms
b. adding cost of all the firms
c. both (a) and (b)
d. None of these

19. A firms equilibrium output is produced at a point
a. MC=MR
b. MC > MR
c. MC< MR
D. None of the above

20. In the long run all cost are
a. Fixed
b. Variable
c. avoidable
d. None of these

21. 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 significant impact on market demand

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

d. Remain constant

23. 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 homogenous

24. A firm in perfect competition, might decide to set its price below the market price
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 the above is correct

25. 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 firms total revenue if it instead produces and sold 200 units of output?
a. Rs. 1600.00
b. Rs. 1000.00
c. Rs. 800.00
d. Rs. 2000.00

26. Changes in the output of a perfectly competitive firm, without any change in the price of the product, will change the firms
a. Total revenue
b. Marginal revenue
c. Average revenue
d. All above are the correct

27. A firm in perfect competition selling commodity x , maximizes profit. If the Market price for x falls below the firms 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 the above

28. 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 cost
b. The firm will immediately stop production to minimize 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

29. A profit maximizing 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

30. Which of the following statements is correct regarding a firms decision making?
a. The decision to shut down and the decision to exit are both short run decisions
b. The decision to shut down and the 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, where as the decision to shut down is a long run decision

31. A monopolist usually produces
a. Less than optimum output
b. More than optimum output
c. Optimum output
d. None of the above

32. A monopolist is a price
a. Taker
b. Maker
c. Neither
d. None of these

33. For a monopoly firm
a. AR = MR
b. AR > MR
c. AR < MR
d. None of these

34. In the long run a monopolist usually earns
a. Excess profit
b. Normal profit
c. Sub-normal profit
d. None of these

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

36. Demand for a monopoly firms product
a. Perfectly elastic

b. Less elastic
c. Perfectly inelastic
d. None of these
37. Which of the following statements is true of monopoly?
a. A monopolist decides both the price and output to be sold
b. A monopolist poses no barrier to entry of new firms
c. A monopolist usually earns excess profit in the long run
d. A monopolist produces at minimum ave5rage cost

38. 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 the above

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

40. A monopolist 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 cure 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 given market price
d. A horizontal demand curve and they can sell only a limited quantity of output at each price

41. If a profit-maximizing monopolist 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

42. A profit-maximizing monopolist 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

43. For a profit -maximising monopolist
a. P>MR=MC

b. P=MR=MC
c. P>MR >MC
d. MR<MC<P
44. Which of the following is not the feature of perfect competition?
a. Price taker
b. Homogeneous product
c. Free entry and exit
d. Government intervention

45. Perfect competition assume ____ commodities
a. Homogeneous
b. Heterogeneous
c. Homogeneous and Heterogeneous
d. None of these

46. When price is lower than average total cost there will be_____
a. Shut down point
b. Equilibrium point
c. Loss point
d. Profit point

47. Under perfect competition, the firm is in equilibrium when
a. MR = MC
b. MC curve should cut MR curve from below
c. Both a and b
d. None of these

48. A pure competition becomes perfect when there is :
a. Perfect factor mobility
b. No government intervention
c. No transportation cost involved
d. All of the above

49. Firms under perfect competition are
a. Profit seekers
b. Price taker
c. Price setter
d. Price leaders

50. Which of the following is not a feature of perfect competition?
a. Identical goods
b. Large number of sellers
c. Advertising
d. Free entry

51.The demand curve for the firm under perfect competition is:

a. Flatter
b. Horizontal
c. Vertical
d. Steeper

52. Which is correct for the perfect competition?
a. Sellers exceeding buyer in number
b. Buyer exceeding sellers in number
c. Buyers and sellers are in equal number
d. The entry barriers

53. Price x Quantity =
a. AR revenue
b. MR revenue
c. Total revenue
d. Equilibrium

54.TR > TC implies:
a. Pure business profit
b. Excess profit
c. Super – normal profit
d. All of the above

55. _____ is a situation of no profit no loss
a. Super Normal profit
b. Profit zone
c. Super normal zone
d. None of the above

56. TC > TR implies :
a. Loss zone
b. Profit zone
c. Super normal zone
d. None of the above

57. A monopolist maximizes profits:
a. By equaling price with MC
b. By equaling marginal revenue with MC
c. By equaling price with average revenue
d. Never possible

58. Formation of monopoly due to patent rights is attributed to:
a. Natural barrier
b. Legal barrier
c. Economic barrier
d. Structural barrier

59. A natural monopoly is attributed to :
a. Government policy
b. Big market
c. Control over the concerned raw materials
d. Economies of scale

60. A monopoly firm is a
a. Price taker
b. Price maker
c. Supply manager
d. All of the above

61. A monopoly price is
a. Always higher than the competitive price
b. Can be lower than the competitive price
c. Equal to average cost
d. All of the above

62. The monopolist faces
a. The negatively sloping market demand curve
b. Vertical demand curve
c. Steeper demand curve
d. Rectangular hyperbola demand curve

63. Under monopoly there is _____ seller
a. single
b. Few
c. Large
d. Ten

64. ________ is termed as monopoly power
a. Normal profit
b. Super normal profit
c. Loss
d. None of these

65. 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 above

66. First degree price discrimination refers to
a. Each customer is charged different price for same commodity
b. Each market segment is charged different price
c. Different prices are charged for same commodity in different market

d. None of the above

67. Price discrimination is possible when
a. A commodity is non-transferable
b. When customer do not meet each other
c. When customers are ignorant about price differentials
d. All the above

68. Price discrimination is profitable when
a. Elasticity demand is same in different market
b. Elasticity differs in different markets
c. When demand in different market is perfectly elastic
d. None of the above

69. 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 the above

70. 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 the above

71. When dumping is of a temporary nature it is called
a. Persistant dumping
b. Predatory dumping
c. Sporadic dumping
d. None of the above

72. Under dumping monopolist demand curve in the world market is
a. Downward sloping and less elastic
b. Perfectly elastic
c. A kinky demand curve
d. None of the above

73. Marginal cost pricing is generally followed by
a. Private enterprises
b. Small and medium enterprises
c. Public sector enterprises

d. Large private MNCs

74. Marginal cost pricing may be charged for which of the following reasons?
a. Maximizing profit
b. To control monopoly
c. Minimising losses
d. Prevent shut down of the firm

75. While determining the full cost price, the firm uses
a. Fully allocated average cost
b. Only average variable cost
c. Only overhead costs
d. Marginal cost

76. Which of the following is not a feature of full cost pricing method?
a. Avoids frequent price change
b. Most popular method
c. Based on marginal cost
d. An ideal which most firms aim at

77. Which pricing strategy uses various class distinctions?
a. Marginal cost pricing
b. Price discrimination
c. Product line pricing
d. Mark-up pricing

78. In which situation will the consumers enjoy consumer's surplus
a. Prices charged is equal to the marginal utility
b. Prices charged is less than marginal utility
c. First degree price discrimination
d. None of the above

79. In the third degree price discrimination, the seller follows principle of
a. Maximisation of utility
b. Maximisation of output
c. Equimarginal revenue
d. None of the above

80. The following is not a condition for price discrimination to take place

a. Perfect competition
b. Ignorance of buyers
c. Distance between markets
d. Legal sanction

81. Pick out the factors which makes price discrimination not possible
a. Differences in packing
b. Quality differences
c. Differences in tastes
d. Elasticity conditions same in different markets

82. The discriminating monopolist maximized profits when,
a. AC=MC
b. AR=MR
c. $MR_1=MR_2$
d. None of the above

83. The method of pricing in which the cost of a product is calculated and a margin of profit is added is known as
a. Marginal cost pricing
b. Full cost pricing
c. Average cost pricing
d. None of the above

84. The method of pricing which considers allocation of resources as the base for pricing is known as
a. Mark-up pricing
b. Full cost pricing
c. Marginal cost pricing
d. None of the above

85. Which of the pricing methods are used for pricing of public undertakings?
a. Marginal cost pricing
b. Mark up pricing
c. Multi product pricing
d. None of the above

86. In multiproduct pricing the following conditions is necessary to make profits
a. AR=MR
b. AC=MC

c. $MR_1=AR_2=MC$
d. $MR_1=MR_2=MC$

87. In which market situation, will there be optimum allocation of resources
a. Monopolistic competition
b. Oligopoly
c. Duopoly
d. Perfect competition

88. ___ is an intra- firm trading of goods and services
a. Dumping
b. Marginal cost pricing
c. Cost plus pricing
d. Transfer pricing

89. Charging different prices to different buyers for the same product is referred to as
a. Price differentiation
b. Price discrimination
c. Oligopoly pricing
d. All of the above

90. In multi-product pricing strategy, the firms consider that
a. The demands for various products are inter-related
b. They have to manipulate market demand in their favour
c. Look into inelasticity of demand
d. None of the above

91. Transfer pricing is essentially
a. Inter firm pricing
b. Determined by government
c. Intra firm pricing
d. A fiscal phenomenon

92. Which of the following are not the objectives of price policy
a. Survival
b. Money making
c. Market share
d. Transformation

93. Goal of price discrimination is
a. Increasing sales and profit maximisation
b. Social justification
c. Exploitation
d. Poverty alleviation

94. Cost plus pricing
a. Ignores consumers preference
b. Has stardadisatices
c. Has government approval
d. Refers to all of the above

95. The objectives of price policy is
a. Survival
b. Sales maximization
c. Market share
d. All of these

96. When a monopolist charges different prices in different market located at different places is called
a. Age discrimination
b. Geographical discrimination
c. Use discrimination
d. Time discrimination

97. ___ refers to companies charging lower prices for higher quantities
a. First degree price discrimination
b. Second degree price discrimination
c. Third degree price discrimination
d. None of these

98. ___ implies different prices in the domestic and foreign markets
a. Dumping
b. Marginal cost pricing
c. Cost plus pricing
d. Multiple product pricing

99. Under marginal cost pricing, _____ costs are ignored
a. Variable cost
b. Fixed cost

c. Both a. and b.
d. None of these

100. Cost plus pricing is also known as
a. Transfer pricing
b. Dumping
c. Full cost pricing
d. Marginal cost pricing

101. Pricing of a variety of goods produced by a single firm is called
a. Dumping
b. Marginal cost pricing
c. Multi product pricing
d. Cost plus pricing

102. ____ ignores the role of the consumers
a. Cost plus pricing
b. Dumping
c. Marginal cost pricing
d. Transfer pricing

103. The methods for computing transfer pricing
a. Market based transfer price
b. Cost based transfer price
c. Cost plus pricing
d. All of these

104. In monopolistic competition there are
a. Few sellers
b. Many sellers
c. Two sellers
d. None of the above

105. Product sold in monopolistic competition is
a. Homogeneous
b. Differentiated
c. Inferior
d. None of the above

106. A firm in monopolistic market requires to incur

a. Production cost
b. Selling cost
c. Both
d. None of the above

107. Nature of demand curve of monopolistic firm is
a. Less elastic
b. More elastic
c. Perfectly inelastic
d. None of the above

108. A monopolistic competitive firm produces
a. Less than optimum
b. Optimum
c. More than optimum
d. None of the above

109. Which of the following is not the characteristic of monopolistic competition ?
a. Many number of less sellers
b. Firms are price takers
c. There is free entry into the market
d. Product differentiation

110. 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. None of the above

111. 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

112. 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

113. The profit maximizing firm in 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

114. Due to product differentiation, a firm's demand curve takes the following shapes
a. Horizontal
b. Vertical
c. Downward sloping
d. None of the above

115. Since a firm in a monopolistically competitive market faces a
a. Downward sloping demand curve, it will always operate with excess capacity
b. Downward sloping demand curve, it will always operate at its efficient scale
c. Perfectly elastic demand curve, it will always operate with excess capacity
d. Perfectly inelastic demand curve, it will always operate at efficient scale

116. In the long run, a firm in monopolistic competition, will learn
a. Excess profit
b. Loss
c. Normal profit
d. May earn any of the above

117. An oligopolist is
a. Certain about his decision
b. Uncertain about his decision
c. Totally depends on others
d. None of the above

118. An oligopolist faces
a. A smooth downward sloping demand curve
b. Horizontal demand curve
c. Kinked demand curve
d. None of the above

119. Collusive oligopoly is beneficial to
a. Consumers
b. Producers
c. New entrants
d. None of the above

120. Price leadership avoids
a. Price war
b. New entrants to the market
c. Promotes product differentiation
d. None of the above

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

122. Monopolistic competition is associated with the economist
a. Alfred Marshall
b. Edward Chamberlin
c. Adam smith
d. David Ricardo

123. Under monopolistic competition we have
a. Homogeneous products
b. Heterogeneous products
c. Peculiar products
d. None of the above

124. Which of the following is not the feature of monopolistic competition
a. Large numbers of sellers and buyers
b. Group equilibrium
c. Price discrimination
d. Selling cost

125. Oligopoly is associated with the economist
a. Joan Robinson
b. J R Hicks

c. J M Keynes
d. Paul Sweezy

126. In oligopoly there are
a. Two sellers
b. One seller
c. Few sellers
d. None of the above

127. Oligopoly is characterized by
a. Price flexibility
b. Price friendly
c. Price rigidity
d. None of the above

128. Selling cost is the feature of ___ competition
a. Perfect competition
b. Monopoly
c. Monopolistic competitive
d. None of these

129. In the long run a firm under monopolistic competition will get ___
a. Super normal profit
b. Both a. and b.
c. Normal profit
d. None of these

130. Increase in the selling costs ____ demands for the product
a. Increase
b. Decrease
c. Equates
d. None of these

131. Waste of expenditure in the form of cross transport is found in
a. Project competition
b. Monopoly
c. Monopolistic competition
d. Oligopoly

132. Under monopolistic competition, the products are ___

a. Homogeneous
b. Both a. and b.
c. Heterogeneous
d. None of these

133. In monopolistic competition, the demand curve is

a. Less elastic
b. Inelastic
c. Perfectly elastic
d. More elastic

134. Monopolistic competition is associated with the following types of wastes ____

a. Excess capacity
b. Unemployment
c. Cross transport
d. All of the above

135. ____ incurred in the form of advertising and publicity expenditure

a. Production cost
b. Selling cost
c. Both a. and b.
d. None of these

136. Monopolistic competition is distinctly characterized by _____

a. Price discrimination
b. Product differentiation
c. Monopoly
d. All of the above

137. Monopolistic competition is distinctly featured by____

a. Competition
b. Selling costs
c. Product variations
d. Advertising elasticity

138. Greater degree of product differentiation implies ______

a. Smaller profits
b. High costs
c. Less elastic demand curve

d. Highly interest competition

139. The striking difference between monopolistic competition and perfect competition is ____

a. The degree of product differentiation
b. The monopoly element
c. Lesser profit
d. Supply management

140. Under monopolistic competition a firm earns above normal profit in short run, on the account of_____

a. Ability
b. Product differentiation
c. Imperfect competition
d. All of the above

141. Selling costs has become integral part of monopolistic competition, because of___

a. Stiff competition
b. Product different
c. Large number of firms
d. Globalization

142. Monopolistic competition has unique features of_____

a. Non price competition
b. Heterogeneity competition
c. Supply management competition
d. Trade mark competition

143. A major difference between a competition and monopolistically competition firm pertains to ______

a. Price taking and price setting
b. Number of firm
c. Seer markets
d. None of the above

144. Which of the following markets structures is characterized as having a few sellers

a. Monopoly

b. Oligopoly
c. Monopolistic competition
d. Oligopsony

145. Which of the following is a distinct features of oligopoly
a. Steep demand curve
b. Kinkey demand curve
c. Broken demand curve
d. Kinked demand curve

146. Oligopoly usually encounters
a. A high degree of cost price elasticities of demand for their products
b. A low degree of cross elasticities of demand
c. Negative price elasticities
d. None of the above

147. In oligopoly theory, discontinuous marginal revenue curve explains phenomenon of
a. Price behaviour
b. Price rigidity
c. Price discrimination
d. All of the above

148. Which of the following is not the pattern of oligopolistic behaviour
a. Price war
b. Price leadership
c. Collusion
d. Price control

149. Oligopoly is defined as
a. Competition among few
b. Competition among the rids
c. Markets with cross elasticities
d. None of the above

150. The concept of kinked demand curve was stated by
a. Paul samuelion
b. Paul sweezy
c. Stigler
d. Peter drucber

151. Oligopoly is characterized by
a. Singe sellers
b. Too many sellers
c. Few sellers
d. Single buyer

152. Sellers under oligopoly market behave like a
a. Group
b. Firm
c. Industry
d. None of these

153. Which of the following is not the feature of oligopoly
a. Price rigidity
b. Selling costs
c. Group behavior
d. Large number of sellers

154. Firm in a oligopolistic market have a ____ demand curve of their product
a. Horizontal
b. Vertical
c. Indeterminate
d. None of these

155. The various form of price leadership are ____
a. Price leadership by a low cost firm
b. Price leadership by dominant firm
c. Barometric price leadership
d. All of these

156. The aim of the cartel is maximizing _____ profit
a. Accounting
b. Joint
c. Government
d. Individual

157. ____ oligopoly occurs when the firm combine together instead of competing and follow common policy

a. Collusive
b. Non collusive
c. Open
d. Closed

158. In____ firms jointly fix price and outputs through agreements

a. Price leadership
b. Cartel
c. Both a. and b.
d. None of these

159. NPV is a better measure than IRR, since
a. IRR considers cost of capital
b. NPV suggests maximisation of shareholders wealth
c. NPV is a long term phenomenon
d. None of the above

160. Projects are ranked in order of
a. The higher values of the NPV
b. The incremental rate of return (IRR)
c. The time period involved
d. None of the above

161. The expected value against the investment revenue is referred to as
a. Incremental rate of return
b. Profitability indice
c. Net present value
d. Return on capital

163. NPV is an ideal measure to
a. Evaluate the projects
b. Discriminate the projects
c. For decision making
d. None of the above

164. IRR does not take into consideration
a. The cost of capital
b. Rate of return
c. Present value
d. Discount rate

165. Profitability index is measured as the
a. Ratio of present value of cash inflows to present values of cash outflows

b. Ratio of maximum profit to minimum profit
c. Revenue exceeding costs
d. Total revenue minus total cost

166. A project refers to:
a. A scheme for investing resources
b. An assignment
c. Business project
d. Profitable phenomenon

167. Capital budgeting relates to :
a. Long term investment decisions
b. Short term business projects
c. Investment term
d. All of the above

168. Pay cash period is measured as:
a. Initial investment outlay / Annual cash inflow
b. Total investment / Total cash flows
c. Ratio of profits to years
d. None of the above

169. Payback period method:
a. Simple and easy to calculate
b. More realistic
c. Favours less risky projects
d. All of the above

170. If NPV of the project is positive, the project is ____
a. Acceptable
b. Rejected
c. Indifference in choice
d. None of the above

171. ______ decide about the project to be undertaken for execution.
a. Feasibility study
b. Decision making
c. Implementation
d. Performance review

172. The major steps involved in investment appraisal
a. Search of new proposals
b. Classification of projects
c. Feasibility study
d. All of the above

173. ______ deals with the whole range of annual returns earned during the life time of the project.
a. Pay-back period method
b. Discounted Present value method
c. Internal Rate of Return
d. None of the above

174. Perfectly competitive firm face _______ demand curve
a. Horizontal
b. Positively sloped
c. Vertical
d. Negatively sloped

175. The firm will choose to shut down when ____
a. revenues no longer cover variable costs
b. Losses are larger than fixed costs
c. Both (a) and (b)
d. Neither (a) nor (b)

176. Economists call a market that has only one producer____
a. Perfect competition
b. Monopoly
c. Monopolistic competition
d. Oligopoly

177. Group equilibrium in monopolistic competition assumes____
a. Uniformity
b. Symmetry
c. Both (a) and (b)
d. None of the above
178. Oligopoly is a form of market in which there exists________
a. A single firm
b. Two firm
c. Few firms
d. Many firms

179. Paul Sweezy's model has a _______ demand curve
a. Vertical
b. Horizontal
c. Diagonal
d. Kinked

180. Mark – up pricing is ____ for a firm trying to enter a market
a. Not suitable
b. Suitable
c. Appropriate

d. Eligible

181. Under marginal cost pricing ________
a. P = MC
b. P = MR
c. P = AC
d. All of the above

182. Price discrimination is used in the case of ______
a. Bus tickets
b. Electricity charges
c. Sports events
d. All of the above

183. Investment to replace obsolete equipment is generally done for ______
a. Expansion of production capacity
b. Expansion into new markets
c. Diversification into new production lines
d. None of the above

184. Payback period method is more suitable to _______
a. The short run
b. The long run
c. Both (a) and (b)
d. Neither (a) and (b)

185. A project is profitable if the IRR is _____
a. Greater than the market rate of interest
b. Less than the market rate of interest
c. Equal to the market rate of interest
d. All of the above

186. Perfectly competitive firms are described as ____
a. Price makers
b. Price takers
c. Price producers
d. Price givers

187. The zero profit point will occur where ________
a. MC = P
b. MC = MU
c. AC = P
d. MR = MP

188. Under imperfect competition producers face _____ demand curve for their products.

a. A horizontal
b. An upward sloping
c. A downward sloping
d. A vertical

189. Cartels are _______
a. Organisation of independent firms, producing similar products, that work together to raise prices and restrict output
b. Usually illegal
c. Oligopolies
d. All of the above

190. A monopolistically competitive firm earns supernormal profits in the short run because of _______
a. Product differentiation
b. Free entry and exit of firms
c. Perfect knowledge
d. Interdependent decision making

191. A firm in monopolistic competition _______
a. Considers reactions of rival firms
b. Colludes with others
c. Has market sharing agreements
d. Decides its own price

192. Marginal cost pricing can be adopted by_____
a. A private monopoly firm
b. A public sector monopoly
c. Both (a) and (b)
d. None of the above

193. Transfer pricing has gained significant importance with the growth of _____
a. Multinationals
b. Les developed countries
c. Mergers
d. None of the above

194. _____ is an advantage of mark-up pricing.
a. Cost recovery
b. Assured profit
c. Both (a) and (b)
d. None of the above

195. Capital expenditure decision are irreversible because ______
a. Of absence of second hand markets
b. Fluctuation in rate of interest

c. Profit of capital assets is difficult to estimate
d. None of the above

196. Payback period method focuses on _______
a. Rate of profit
b. Rate of interest
c. Innovation
d. None of the above

197. A project is profitable if its NPV is _____
a. Positive
b. Negative
c. Zero
d. All of the above

198. Which of the following is not a characteristic of capital expenditure?
a. It is a current outlay of funds with future expectations
b. It may be sourced through borrowed funds
c. It is scarce
d. It is incurred only by private sector

199. Capital budgeting pertains to investment decision
a. Regarding acquiring capital assets
b. Balancing sources of funds and use of funds
c. To help choose between alternatives
d. All the above

200. Capital expenditure decisions are often irreversible because
a. There is little or no market for many types of second hand capital
b. Rate of interest keeps fluctuating
c. It is difficult to estimate profitability of capital assets
d. None of the above

201. Investment to replace working but obsolete equipment with more efficient ones is generally done for
a. Expansion of existing production capacity
b. Cost reduction
c. Expansion into new markets
d. None of the above

202. Pay back period method of capital budgeting primarily focuses on
a. The current rate of interest
b. The rate of profitability of assets
c. Time period required to recover original investment
d. The cost of acquiring capital assets

203. Future value may be defined as
a. The discounted value of future cash flows
b. The interest rate earned on future cash flows
c. The compounded value of future cash flows
d. The opportunity costs of future cash flows

204. Present value may be defined as
a. The discounted value of future cash flows
b. The interest rate earned on future cash flows
c. The compounded value of future cash flows
d. The opportunity costs of future cash flows

205. A project is profitable if NPV is
a. Zero
b. One
c. Negative
d. Positive

206. IRR refers to the
a. Rate of return that will make the present value of all future net cash flows equal to original investment
b. Rate of interest
c. Rate at which capital depreciates
d. All the above

207. According to the IRR method of capital budgeting , a project will accepted if
a. IRR is less than the market rate of interest
b. IRR is equal to market rate of interest
c. IRR is equal to NPV
d. IRR is greater than market rate of interest