UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

BA Economics (2011 Admission Onwards)

I Semester

Core Course

MICRO ECONOMICS-I

QUESTION BANK

1. The curve showing the possibilities of production of desired good is known as:
   (A) Indifference curve (B) Production possibility curve
   (C) Revealed preference curve (D) None of these

2. Which one of the following definition of Economics is associated with the name of Lionel Robbins?
   (A) Welfare definition (B) Scarcity definition
   (C) Growth definition (D) Wealth definition

3. A hypothesis is tested by:
   (A) The realism of its assumptions
   (B) The lack of realism of its assumptions
   (C) Its ability to predict accurately an outcome that follows logically from the assumptions
   (D) None of these

4. In a free enterprise economy, the problems of what, how and for whom to produce are solved by :
   (A) A Planning Committee
   (B) The Price mechanism
   (C) The Planning Commission
   (D) None of these.

5. Who considered Political Economy as "an enquiry into the nature and causes of the wealth of nations"?
   (A) Adam Smith (B) J.B.Say
   (C) Marshall (D) Keynes

6. Which of the following definitions of Economics include the economic concept of ‘scales of Preferences’?
   (A) Wealth definition (B) Welfare definition
   (C) Scarcity definition (D) Growth definition

7. Which of the following embodies a more widely accepted definition of economics?
   (A) Science of material welfare
   (B) Science of wealth
   (C) A study of mankind in the ordinary business of life
   (D) Science of making choice.

8. The fundamental problem faced by an economy is one of :
   (A) Exchange
   (B) Decision making by the government
   (C) Economic welfare
   (D) Scarcity of resources and multiplicity of wants.

9. Production possibilities curve does not show:
   (A) What to produce
   (B) How to produce
   (C) For whom to produce
   (D) Productive potential under conditions of underemployment

10. State whether Economics is :
    (A) A positive science only
    (B) Neither a positive science
    (C) A science but not art
    (D) A science or an art depending on who uses Economics and for what purpose.

11. Who of the following emphasized the normative aspect of Economics as a science?
    (A) The English classical school
    (B) Lionel Robbins
    (C) The German historical school
    (D) None of these.

12. Of the following economists who is considered as master of partial analysis?
    (A) Alfred Marshall (B) A.C.Pigou
    (C) J.M.Keynes (D) J.S.Mill.

13. Find out the correct statement:
    - (A) Deductive method descends from general to the particular
    - (B) Inductive method descends from general to the particular
    - (B) The classical economists stood for inductive method
    - (D) Deductive method depends on experimentation.

14. Which of the following statements has been drawn by inductive method?
    - (A) A consumer will buy from the cheapest market
    - (B) All businessmen wish to buy at low price and sell at high price
    - (C) A private firm will try to maximize its profits
    - (D) The larger the stock of money with a person, the lower is the utility that he derives from it.

15. What is true for deductive method?
    - (A) Abstract
    - (B) Realistic
    - (C) Economic conditions assumed to be changing
    - (D) Supported by historical school.

16. What is true for inductive method?
    - (A) Hypothetical
    - (B) Empirical
    - (C) Ignores experimentation
    - (D) Static

17. Find out the correct statement:
    - (A) Prediction of economic models cannot be refuted by empirical evidence
    - (B) Models transform verbal expressions in to more scientific expressions
    - (C) Models make no assumptions
    - (D) Economic models are comprehensive and not partial

18. Micro economic theory studies how a free enterprise economy determines:
    - (A) The Price of goods
    - (B) The price of services
    - (C) The price of resources
    - (D) All of these.

19. Which aspect of taxation involves normative economics?
    - (A) The incidence of the tax
    - (B) The fairness of the tax
    - (C) The effect of the tax on incentives to work
    - (D) All of the above

20. Microeconomics deals primarily with:
    - (A) Comparative statics, general equilibrium and positive economics
    - (B) Comparative statics, partial equilibrium and normative economics
    - (C) Dynamics, partial equilibrium and positive economics
    - (D) Comparative statics, partial equilibrium and positive economics.

21. Which of the following is incorrect?
    - (A) Microeconomics is concerned primarily with the problem of what , how and for whom to produce
    - (B) Microeconomics is concerned primarily with the economic behavior of individual decision making units when at equilibrium
    - (C) Microeconomics is concerned primarily with the time path and processes by which one equilibrium position evolves into another
    - (D) Microeconomics is concerned primarily with comparative statics rather than dynamics.

22. Which of the following statements is most closely associated with general equilibrium analysis?
    - (A) Everything depends on everything else
    - (B) The equilibrium price of a factor depends on the balancing of the forces of demand and supply for that factor
    - (C) The equilibrium price of a good or service depends on the balancing of the forces of demand and supply for that good or service
    - (D) None of these

23. The meaning of the word 'economic' is most closely associated with the word:
    - (A) Free
    - (B) Scarce
    - (C) Unlimited
    - (D) Unrestricted

24. The market equilibrium for a commodity is determined by
    - (A) The market demand for the commodity
    - (B) The market supply of the commodity
    - (C) The balancing of the forces of demand and supply for the commodity
    - (D) Any of these

25. Microeconomics studies the decision making behavior of:
    - (A) Society as a whole
    - (B) An individual or household
    - (C) A group of individuals
    - (D) Economy as a whole

26. The word micro was first used in Economics by:
    - (A) Keynes
    - (B) Ragnar Frisch
    - (C) J.R.Hicks
    - (D) Marshall

27. A function refers to :
    - (A) The demand for a commodity
    - (B) The supply of a commodity
    - (C) The demand and supply of a commodity service or resource
    - (D) The relationship between one dependent variable and one or more independent variables.

28. The validity of an economic theory is judged by its power to:
    (A) Explain an economic phenomenon
    (B) Predict the course of an economic phenomenon
    (C) Prove or disprove a hypothesis
    (D) Reveal the economic laws

29. The subject matter of economics is the study of:
    (A) Wealth (B) Welfare
    (C) Scarcity (D) Scarcity and Choice

30. To whom do you attribute the 'growth' definition of economics?
    (A) Paul Samuelson (B) Lionel Robbins
    (C) Milton Friedman (D) Alfred Marshall

31. The first economist who coined the terms micro economics and macroeconomics
    (A) Ragnar Frisch (B) Keynes
    (C) Marshall (D) Friedman

32. Microeconomics deals with:
    (A) The theory of factor pricing (B) The theory of product pricing
    (C) The theory of economic welfare (D) All the above

33. Prof. Robbin's definition of Economics is:
    (A) Scarcity definition (B) Growth definition
    (C) Welath definition (D) Welfare definition

34. A theory is:
    (A) An assumption (B) A validated hypothesis
    (C) An 'if then' proposition (D) A hypothesis

35. The book 'Principles of Economics' was written by:
    (A) Keynes (B) Marshall
    (C) Samuelson (D) Pigou

36. Average revenue is :
    (A) TR - TC (B) TR / No. of units sold
    (C) TC / TR (D) MC / AR

37. A hypothesis is a :
    (A) Statement of facts
    (B) Statement of observations made by a researcher
    (C) Statement of expected out of research
    (D) A proposition the validity of which is to be tested

38. In the classical system, the basic economic problems are solved by:
    (A) Government (B) Price mechanism
    (C) Economists (D) Central bank

39. Growth definition of economics was concerned with:
    (A) Scarcity (B) Welfare
    (C) Wealth (D) Economic growth

40. A market:
    (A) Necessarily refers to a meeting place between buyers and sellers
    (B) Does not necessarily refer to a meeting place between buyers and sellers
    (C) Extends over the entire nation
    (D) Extends over a city.

41. The curve showing the possibilities of production of desired good is known as:
    (A) Indifference curve (B) Production possibility curve
    (C) Revealed preference curve (D) None of these

42. The average fixed cost is obtained by :
    (A) TFC / Q (B) MC / Q
    (C) TAC / Q (D) AVC / Q

43. Average Revenue curve under monopoly is :
    (A) Upward slopping (B) Downward slopping
    (C) Horizontal straight line (D) None of these

44. _______ investigations examine an individual's relationship with and interaction in society
    A) Natural science
    B) Physical science
    C) Life science
    D) Social science

45. In the 19th century _________ argued that ideas pass through three rising stages namely, Theological, Philosophical and Scientific.
    A) Auguste Comte B) B. Plato
    C) Aristotle D) Socrates

46. _________ is distinctive for much greater use of mathematics than the other social sciences, a development made possible by the development of a concept of utility
    A) Sociology B) Political science
    C) Economics D) Anthropology

47. The most important founder of German sociology, __________ , was keenly interested in maintaining the relationship between economics and sociology.
    - A) Max Adler
    - B) Max Weber
    - C) Karl Marx
    - D) Joseph W. Eaton

48. International Social Science Associations were founded under the auspices of___________
    - A) UNESCO
    - B) World Bank
    - C) IMF
    - D) USA

49. ________ social science discipline deals with the integration of different aspects of the Social Sciences, Humanities, and Human Biology
    - A) Criminology
    - B) Demography
    - C) Geography
    - D) Anthropology

50. Social science can help to appreciate the values enshrined in the Indian Constitution such as justice, liberty, equality and fraternity and the unity and integrity of the nation and the building of a socialist, secular and democratic society.
    - A) True
    - B) False
    - C) None

51. ______is primarily done by observing or testing on real-life data or analysing the pattern of some specific events in order to identify the nature or the class of trend that specific phenomenon maintains.
    - A) Empirical research
    - B) Action research
    - C) Laboratory research
    - D) Exploratory research

52. _____ has distinguished between different types of societies on basis of economic system.
    - A) Joseph W. Eaton
    - B) Max Webber
    - C) Karl Marx
    - D) Alphons Silbermann

53. Mannheim defines ________as the sum of those methods by which a society tries to influence human behavior to maintain a given order.
    - A) Social control
    - B) Constitution
    - C) Policing
    - D) Democracy

54. Implicit costs are:
    - A) Equal to total fixed costs.
    - B) Comprised entirely of variable costs.
    - C) "Payments" for self-employed resources.
    - D) Always greater in the short run than in the long run.

55. Which would be an implicit cost for a firm? The cost:
    A) Of worker wages and salaries for the firm.
    B) Paid for leasing a building for the firm.
    C) Paid for production supplies for the firm.
    D) Of wages foregone by the owner of the firm.

56. If a firm's revenues just cover all its opportunity costs, then:
    A) Normal profit is zero.
    B) Economic profit is zero.
    C) Total revenues equal its explicit costs.
    D) Total revenues equal its implicit costs.

57. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true?
    A) The firm will earn accounting and economic profits.
    B) The firm will face accounting and economic losses.
    C) The firm will face an accounting loss, but earn economic profits.
    D) The firm may earn accounting profits, but will face economic losses.

58. Suppose that a firm produces 200,000 units a year and sells them all for Rs.10 each. The explicit costs of production are Rs.1,500,000 and the implicit costs of production are Rs. 300,000. The firm has an accounting profit of:
    A) Rs. 500,000 and an economic profit of Rs. 200,000.
    B) Rs. 400,000 and an economic profit of Rs. 200,000.
    C) Rs. 300,000 and an economic profit of Rs. 400,000.
    D) Rs. 200,000 and an economic profit of Rs. 500,000.

59. The short run is a time period in which:
    A) All resources are fixed.
    B) The level of output is fixed.
    C) The size of the production plant is variable.
    D) Some resources are fixed and others are variable.

60. The law of diminishing returns states that:
    A) As a firm uses more of a variable resource, given the quantity of fixed resources, the average product of the firm will increase.
    B) As a firm uses more of a variable resource, given the quantity of fixed resources, marginal product of the firm will eventually decrease.
    C) In the short run, the average total costs of the firm will eventually diminish.
    D) In the long run, the average total costs of the firm will eventually diminish.

61. The law of diminishing returns only applies in cases where:
   A) There is increasing scarcity of factors of production.
   B) The price of extra units of a factor is increasing.
   C) There is at least one fixed factor of production.
   D) Capital is a variable input.

62. The marginal product of labor curve shows the change in total product resulting from:
   A) One-unit increase in the quantity of a particular resource used, letting other resources vary.
   B) One-unit increase in the quantity of a particular resource used, holding constant other resources.
   C) Change in the cost of a variable resource.
   D) Change in the cost of a fixed resource.

63. When the total product curve is falling, the:
   A) Marginal product of labor is zero.
   B) Marginal product of labor is negative.
   C) Average product of labor is increasing.
   D) Average product of labor must be negative

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64. When marginal product reaches its maximum, what can be said of total product?
   A) Total product must be at its maximum
   B) Total product starts to decline even if marginal product is positive
   C) Total product is increasing if marginal product is still positive
   D) Total product levels off

65. Variable costs are:
   A) Sunk costs.
   B) Multiplied by fixed costs.
   C) Costs that change with the level of production.
   D) Defined as the change in total cost resulting from the production of an additional unit of output.

66. Which is not a fixed cost?
   A) Monthly rent of Rs. 1,000 contractually specified in a one-year lease
   B) An insurance premium of Rs. 50 per year, paid last month
   C) An attorney's retainer of Rs. 50,000 per year
   D) A worker's wage of Rs. 15 per hour

67. If you know that with 8 units of output, average fixed cost is Rs. 12.50 and average variable cost is Rs. 81.25, then total cost at this output level is:
    A) Rs. 93.75. B) Rs. 97.78.
    C) Rs. 750. D) Rs. 880.

68. With fixed costs of Rs. 400, a firm has average total costs of Rs. 3 and average variable costs of Rs. 2.50. Its output is:
    A) 200 units. B) 400 units.
    C) 800 units. D) 1,600 units.

69. The reason the marginal cost curve eventually increases as output increases for the typical firm is because:
    A) Of diseconomies of scale.
    B) Of minimum efficient scale.
    C) Of the law of diminishing returns.
    D) Normal profit exceeds economic profit.

70. 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.

71. If a more efficient technology was discovered by a firm, there would be:
    A) An upward shift in the AVC curve.
    B) An upward shift in the AFC curve.
    C) A downward shift in the AFC curve.
    D) A downward shift in the MC curve.

72. The firm's short-run marginal-cost curve is increasing when:
    A) Marginal product is increasing. C) Total fixed cost is increasing.
    B) Marginal product is decreasing. D) Average fixed cost is decreasing.

73. A firm encountering economies of scale over some range of output will have a:
    A) Rising long-run average cost curve.
    B) Falling long-run average cost curve.
    C) Constant long-run average cost curve.
    D) Rising, then falling, then rising long-run average cost curve.

74. When a firm doubles its inputs and finds that its output has more than doubled, this is known as:

A) Economies of scale.
B) Constant returns to scale.
C) Diseconomies of scale.
D) A violation of the law of diminishing returns.

75. The larger the diameter of a natural gas pipeline, the lower is the average total cost of transmitting 1,000 cubic feet of gas 1,000 miles. This is an example of:

A) Economies of scale.
B) Normative economies.
C) Diminishing marginal returns.
D) An increasing marginal product of labour.

76. If all resources used in the production of a product are increased by 20 percent and output increases by 20 percent, then there must be:

A) Economies of scale. B) Diseconomies of scale.
C) Constant returns to scale. D) Increasing average total costs.

77. Economies and diseconomies of scale explain why the:

A) Short-run average fixed cost curve declines so long as output increases.
B) Marginal cost curve must intersect the minimum point of the firm's average total cost curve.
C) Long-run average total cost curve is typically U-shaped.
D) Short-run average variable cost curve is U-shaped.

78. In any production process the marginal product of labour equals:

A) Total output divided by total labour inputs.
B) Total output minus the total capital stock.
C) The change in total output resulting from a 'small' change on the labour input.
D) Total output produced by labour inputs.

79. Which of the following statements best describes the general form of a production function:

(i) It is a purely technological relationship between quantities of input and quantities of output.
(ii) It represents the technology of an organisation, sector of an economy.
iii) Prices of inputs or of the output do not enter into the production function.
(iv) It is a flow concept describing the transformation of inputs into output per unit of time.

A) (i),(ii) and (iv) B) (i) and (ii)
C) (i) and (iv) D) All of the above

80. Which of the following statements describes the presence of diminishing returns. Holding at least one factor constant …....
    A) The marginal product of a factor is positive and rising.
    B) The marginal product of a factor is positive but falling.
    C) The marginal product of a factor is falling and negative.
    D) The marginal product of a factor is constant.

81. Which of the following statements describes increasing returns to scale:
    A) Doubling the inputs used leads to double the output.
    B) Increasing the inputs by 50% leads to a 25% increase in output.
    C) Increasing inputs by 1/4 leads to an increase in output of 1/3.
    D) None of the above.

82. Economies of scale exist if:
    A) As the amount of capital increases, the cost of producing per unit rises
    B) As the amount of capital increases, the cost of producing per unit falls
    C) As the amount of capital increases, the marginal cost rises
    D) As the amount of capital increases, the marginal physical product falls

83. A basic distinction between the long run and the short run is that
    A) If a firm produces no output in the long run it still incurs a cost, while in the short run a firm incurs a cost only if produces output.
    B) The opportunity costs of production are constant in the long run, while the opportunity costs of production are variable in the long run.
    C) In the long run some inputs are fixed, while in the short run all inputs are variable.
    D) In the short run complete adjustment of all inputs is impossible, while in the long-run all inputs can be adjusted.

84. Whenever marginal product is declining with increasing use of an input,
    A) Total product is declining as input increases.
    B) Average product is declining as input use increases
    C) Marginal product is greater than average product
    D) Total product is increasing at a decreasing rate as input use increases.

85. Whenever marginal product is increasing with increasing use of an input,
    A) Total product is increasing at a decreasing rate
    B) Total product is increasing at an increasing rate
    C) Marginal product is less than average product
    D) Average product is decreasing.

86. When average product is at a maximum, marginal product is
    - A) Zero
    - B) Increasing
    - C) Equal to average product
    - D) Greater than average product
    - E)

87. Whenever average product is declining, with increases in input usage,
    - A) Marginal product is less than average product
    - B) Total product is declining with increases in input
    - C) Total product is increasing with increases in input
    - D) Marginal product is greater than average product

88. The total product curve may initially show output increasing at an increasing rate as more labour is hired because of the:
    - A) Declining quality of the labor force.
    - B) Principle of comparative advantage.
    - C) Law of diminishing marginal returns.
    - D) Increase in marginal physical product.

89. If labour is the only variable resource and its marginal physical product falls as more workers are hired:
    - A) The law of diminishing marginal returns is at work.
    - B) Marginal cost is rising.
    - C) Average cost may still be declining.
    - D) Average physical product may still be rising.

90. When both average and total product are greater than zero, and marginal product equals average product, then total product:
    - A) Is at a maximum.
    - B) Is positive and rising.
    - C) Is falling.
    - D) Is negative but rising.

91. Costs incurred only when production occurs are known as:
    - A) Explicit costs.
    - B) Fixed costs.
    - C) Variable costs.
    - D) Technological expenses.

92. The law of diminishing marginal returns is encountered as increasing amounts of labour are hired because:
    - A) As production rises, the additional labor hired is less and less skilled.
    - B) Experienced workers are hired before the less skilled.
    - C) Each extra worker hired decreases the amounts of land and capital per worker, so the work place becomes more congested and managerial control becomes more difficult.
    - D) As more and more is produced, selling it requires cutting prices.

93. Which of the following is irrelevant for rational decision making?
    A) Total variable cost (TVC) B) Explicit cost.
    C) Average fixed cost (AFC). D) Marginal cost (MC).

94. A curve that can never be "U" shaped is the:
    A) Average variable cost curve. B) Marginal cost curve.
    C) Average fixed cost curve. D) Average total cost curve.

95. Diminishing marginal returns are most compatible with:
    A) Economies of scale.
    B) Advantages from specialization.
    C) Positively-sloped marginal cost curves
    D) Depreciation of the capital stock.

96. If average variable costs fall as output grows:
    A) Marginal costs must also be declining.
    B) Fixed cost must also be declining.
    C) Total cost must also be declining.
    D) Average cost must be below average variable cost.

97. In economic theory the costs of a firm
    A) Tend to be less than the everyday use of the term costs would suggest
    B) Includes implicit as well as explicit outlays
    C) Always decline as more output is produced
    D) Are usually defined in such a way that profits will be larger than the everyday use of the term costs would imply

98. The average total costs of the firm as defined in standard economic theory
    A) Are the sum of the fixed and any variable costs divided by the number of units of labour input
    B) Are the sum of the fixed and any variable costs
    C) Are the sum of the average fixed and the total variable costs
    D) Are the sum of the fixed and variable costs divided by the number of units of output

99. The short run as the term is used in connection with the theory of the firm is a period of time:
    A) Too short for the firm to vary all its inputs
    B) No more than a week
    C) Long enough for the firm to vary the quantity of all its inputs
    D) In which the fixed costs are zero

100. According to the principle of diminishing marginal physical productivity, in the short run

A) As output increases, costs per unit of output must eventually decline

B) Marginal product will decrease continually as output is expanded

C) As output is increased, the quantity of inputs needed to produce additional units of output will increase, causing costs per unit of output to increase

D) Total output will become negative once marginal product begins to decline

101. Economies of scale

A) Set in as soon as diminishing marginal physical productivity is experienced

B) Are usually considered to be a phenomenon of the long run

C) Are not always available in the short run

D) Help ensure that industries will be competitive rather than monopolized

102. If the long run average cost curve for a typical firm in an industry is downward sloping to the right it becomes difficult to sustain the assumption of

A) Diminishing returns

B) Perfect competition

C) Ceteris paribus

D) Rising marginal costs in the short run

103. Marginal costs and average variable costs are equal when

A) Average variable cost is a maximum

B) Average variable cost is rising

C) Average variable cost is falling

D) Average variable cost is a minimum

104. Theory of demand examines the behaviour of the--------

A. Consumer	B. Producer
C. Firm	D. Industry

105. The want satisfying power of a commodity:

A. Satisfaction	B. Utility
C. Value	D. Marginal Utility

106. Utility is the concept which is:

A. Objective	B. Subjective
C. Both	D. None

107. Change in utility resulting from one unit change in consumption is called:
- A. Total Utility
- B. Extra Utility
- C. Marginal Utility
- D. Average Utility

108. When Total Utility is maximum, Marginal Utility is :
- A. Zero
- B. Negative
- C. Positive
- D. One

109. When Marginal Utility is negative, Total Utility:
- A. Declines
- B. Increases
- C. Remains the same
- D. None of these

110. Saturation point is the point where:
- A. TU = 0
- B. MU = 0
- C. MU is +ve
- D. TU = 1

111. Measurable utility is the postulate of:
- A. Neo-Classical school
- B. Ordinalist school
- C. Behaviourist school
- D. Keneysians

112. Which of the following is Gossen's first law:
- A. Law of Diminishing Marginal Utility
- B. Law of Equi Marginal Utility
- C. Law of substitution
- D. Law of Diminishing Returns

113. In the case of a free good, the consumer will be in equilibrium when:
- A. MU = P
- B. MU = 0
- C. TU = 0
- D. TU =1

114. Change in demand due to a change in the price of related good :
- A. Cross demand
- B. Price demand
- C. Income demand
- D. None of these

115. The Price and quantity relationship for an inferior good is:
- A. Direct
- B. Inverse
- C. Positive
- D. Indirect

116. In the case of normal goods, the quantity demanded varies inversely with:
- A. Price of good
- B. Income of the consumer
- C. Fashion of the good
- D. Savings

117. Which of the following is a cardinalist approach to demand analysis:
   A. Marshallian utility analysis
   B. Indifference Curve Analysis
   C. Revealed Preference Theory
   D. None of these

118. Which is relevant for an indifference curve:
   A. Convex to the origin B. Concave to the origin C. Sloping upward from Left to Right D. Two ICs intersect each other.

119. The convexity of an indifference curve shows:
   A. Diminishing MRS B. Increasing MRS
   C. Constant MRS D. None

120. A movement from one point to another along an indifference curve makes the satisfaction:
   A. Increasing B. Decreasing
   C. Unaltered D. None

121. In the case of an indifference curve
   A. $dU/dX > dU/dY$ B. $dU/dX = dU/dY$
   C. $dU/dX < dU/dY$ D. $dU/dX \leq dU/Dy$

122. An Indifference Curve to the right of another represents combinations which are:
   A. Indifferent B. Preferable
   C. Inferior D. Superior

123. As moving from left to right through an indifference curve, the MRS of X for Y
   A. Increases B. Remains the same
   C. Decreases D. Both A and C

124. The slope of an indifference curve represents:
   A. Price ratio of good X and Y B. $MRTS_{L,K}$
   C. $MRS_{x,y}$ D. MRS

125. In the case of perfect complementaries, the MRS between goods is:
   A. Zero B. Positive C. Negative D. None

126. Horizontal indifference curve indicates:
   A. Good X is a neuter
   B. Good Y is a neuter
   C. None of these

127. In a combination of X and Y, if price of Y alone changes, the X intercept will :
   A. Rotate upwards
   B. Rotate downwards
   C. Not be changed
   D. Parallel

128. At the point of tangency of an indifference curve with a budget line:
   A. MRSxy =Px/Py
   B. MRSxy>Px/PY
   C. MRSxy<Px/PY
   D. MRSxy≥Px/PY

129. Commodities bought in larger quantities when income rises are called:
   A. Normal goods
   B. Inferior goods
   C. Giffen goods
   D. None

130. The curve showing the quantity of a good that would be purchased at various income levels:
   A. Income Consumption Curve
   B. Price Consumption Curve
   C. Engel Curve
   D. Indifference Curve

131. Change in demand due to change in relative price alone is called:
   A. Income effect
   B. Substitution effect
   C. Price effect
   D. Ratchet effect

132. Substitution Effect is:
   A. Always negative
   B. Always positive
   C. Seldom negative
   D. Zero

133. If income effect works in the same direction to that of substitution effect, the good is a:
   A. Normal good
   B. Inferior good
   C. Giffen good
   D. Superior Good

134. If income effect works in the direction opposite to that of substitution effect, the good is not:
   A. Giffen good
   B. Inferior good
   C. Normal good
   D. Superior Good

135. Introspection is not the basis of :

A. Marshallian utility analysis
B. Indifference Curve Analysis
C. Revealed Preference Hypothesis
D. Demand Analysis

136. The theory which is based on observation:

A. Cardinal utility analysis
B. Indifference Curve analysis
C. Revealed Preference Theory

137. The ordering of combinations on an indifference curve is:

A. Weak
B. Strong
C. Average
D. None

138. Strong ordering is a distinguishing feature of the theory given by:

A. Marshall
B. Hicks
C. Samuelson
D. Adam Smith

139. Father of Economics:

A. Marshall
B. David Ricardo
C. Adam Smith
D. J.M. Keynes

140. The Wealth of Nations is the work of:

A. Marshall
B. J.S. Mill
C. Adam Smith
D. Lionel Robins

141. Indifference Approach is related with:

A. Marshall
B. J.R. Hicks
C. Samuelson
D. Sismondi

142. Which one of the following is an example of close substitute:

A. Tea and Coffee
B. Milk and water
C. Bread and Butter
D. Pen and pencil

143. The addition to the total revenue by the sale of an additional unit is:

A. Total revenue
B. Average revenue
C. Value added
D. Marginal revenue

144. Which cost is to be incurred by a firm even if output is zero:
   - A. Opportunity cost
   - B. Fixed cost
   - C. Variable Cost
   - D. Total cost

145. The marginal utility theory is contributed by:
   - A. Marshall
   - B. David Ricardo
   - C. Adam Smith
   - D. Samuelson

146. The factor earning of entrepreneur is:
   - A. Rent
   - B. Wage
   - C. Interest
   - D. Profit

147. The Scarcity definition of Economics is the contribution of:
   - A. Samuelson
   - B. Adam Smith
   - C. Lionel Robbins
   - D. Marshall

148. Average Revenue is equal to:
   - A. Price
   - B. Cost
   - C. Profit
   - D. None of these

149. Total Revenue is the maximum when Marginal Revenue is ----------
   - A. Positive
   - B. Negative
   - C. One
   - D. Zero

150. Market economy is also known as:
   - A. Socialist economy
   - B. Capitalist economy
   - C. Mixed economy
   - D. Developing economy

151. If the demand curve is linear and negatively sloped, the marginal revenue curve has a slope:
   - A. Negative
   - B. Positive
   - C. Neither negative nor positive
   - D. Either negative or positive

152. Other things remaining the same, the quantity of a product demanded increases with ----- in price.
   - A. Increase
   - B. Decrease
   - C. Variation
   - D. None of the above

153. For complementary goods, the cross elasticity of demand:
   - A. Positive
   - B. Negative
   - C. Zero
   - D. None

154. Relation between price of a commodity and demand for another commodity is measured by:
   A. Price elasticity
   B. Income elasticity
   C. Cross elasticity
   D. Elasticity of substitution

155. The demand curve for Giffen's goods:
   A. Vertical
   B. Horizontal
   C. Negative slope
   D. Positive slope

156. When Q = f (P), the elasticity coefficient is measured by:
   A. $\Delta Q/\Delta P$ / P/Q
   B. $\Delta P/\Delta Q$ * Q/P
   C. $\Delta Q/\Delta P$ * P/Q
   D. P/ΔQ / Q/P

157. Income elasticity of demand for inferior goods is:
   A. Negative
   B. Positive
   C. Zero
   D. Unity

158. In the case of luxury goods, the income elasticity of demand will be:
   A. Less than unity
   B. Unity
   C. More than unity
   D. All the above

159. Income elasticity is positive, but less than unity in the case of:
   A. Necessity
   B. Luxury
   C. Inferior
   D. Substitutes

160. The change in demand is due to the change in :
   A. Income
   B. Own price
   C. Prices of related products
   D. Expectations

161. Supply curve represents -------- relationship between quantity and price
   A. Direct
   B. Inverse
   C. Either direct or inverse
   D. None of the above

162. A market:
   A. Necessarily refers to a meeting place between buyer and sellers
   B. Does not necessarily refers to a meeting place between buyer and sellers
   C. Extends over the entire country
   D. Extends over a city

163. The market equilibrium for a commodity is determined by:
   A. Market demand
   B. Market supply
   C. Balancing of the forces of demand and supply
   D. Any of the above

164. In drawing an individual demand curve for a commodity, all but which of the following are kept constant:
   - A. Individual's money income
   - B. The prices of the related commodity
   - C. Price of the commodity under consideration
   - D. Tastes of the consumer

165. A fall in the price of the commodity holding everything else constant results in:
   - A. Increase in demand
   - B. Decrease in demand
   - C. Increase in quantity demanded
   - D. Decrease in quantity demanded

166. When an individual's income rises, when everything else remains the same, his demand for normal goods:
   - A. Rises
   - B. Falls
   - C. Remains the same
   - D. Any of the above is possible

167. When an individual's income falls, when everything else remains the same, his demand for inferior goods:
   - A. Increases
   - B. Decreases
   - C. Remains unchanged
   - D. Cannot say

168. When the price of the substitute commodity of X falls, the demand for X:
   - A. Rises
   - B. Falls
   - C. Remains unchanged
   - D. All of the above is possible

169. When both the price of a substitute and the price of complement of X rises, the demand for X:
   - A. Rises
   - B. Falls
   - C. Remains unchanged
   - D. All of the above is possible

170. If the supply curve of the commodity is having a positive slope, a rise in the price of the commodity, results in:
   - A. Increase in supply
   - B. Increase in quantity supplied
   - C. Decrease in supply
   - D. Decrease in quantity supplied

171. From the position of stable equilibrium, the market supply of a commodity decreases, while the market demand remains unchanged, then:
   - A. Equilibrium price falls
   - B. Equilibrium quantity rises
   - C. Both equilibrium price and equilibrium quantity decreases
   - D. Equilibrium price rises, but equilibrium quantity falls

172. If the percentage increase in the quantity demanded of a commodity is smaller than the percentage fall in its price, the coefficient of price elasticity:

A. Greater than one B. Equal to one
C. Smaller than one D. Zero

173. A fall in the price of the commodity whose demand curve is a rectangular hyperbola causes total expenditure on the commodity:

A. Increases B. Decreases
C. Remains unchanged D. None of the above

174. If the quantity demanded remains unchanged as the price of the commodity falls, the coefficient of price elasticity of demand is

A. Greater than One B. Equal to one
C. Smaller than one D. Zero

175. An increase in the price of the commodity when demand is inelastic causes the total expenditure of consumers of the commodity to:

A. Increase B. Decrease
C. Remains unchanged D. Any of the above

176. A negative income elasticity of demand for a commodity indicates that as income falls, the amount of the commodity purchased:

A. Rises B. Falls
C. Remains unchanged D. None of the above

177. If the income elasticity of demand is greater than one, then the commodity is:

A. Necessity B. Luxury
C. Inferior D. Non-related commodity

178. If the amount of the commodity purchased remains unchanged when the price of another commodity changes, the cross elasticity of demand between them will be:

A. Positive B. Negative
C. Zero D. One

179. If the income elasticity of demand for a commodity is found to be 0.4, then the commodity concerned is

A. Luxury B. Necessity
C. Giffen's goods D. Independent good

180. Elasticity of supply for a positively sloped straight line supply curve that intersects the price axis is:

A. Equal to zero B. Equal to one
C. Greater than one D. Constant

181. If a positively sloped linear supply curve crosses the quantity axis, the elasticity of supply is:
   A. Inelastic   B. Elastic
   C. Unitary elastic   D. Perfectly elastic

182. If a positively sloped linear supply curve passes through the origin, the elasticity of supply is:
   A. Inelastic   B. Elastic
   C. Unitary elastic   D. Perfectly elastic

183. The horizontal supply curve parallel to quantity axis represents:
   A. Elastic supply   B. Inelastic supply
   C. Perfectly elastic supply   D. Perfectly inelastic supply

184. A fall in income of the consumer, other things being equal, causes:
   A. Increase in demand   B. Decrease in demand
   C. Increase in quantity demanded   D. Decease in quantity demanded

185. Which of the following causes an increase in supply:
   A. Fall in price of inputs
   B. Increase in number of producers
   C. Decrease in the price of production substitutes
   D. All of the above

186. Which of the following Elasticities measure movement along a curve, rather than a shift in the curve:
   A. Price elasticity of demand
   B. Income elasticity of demand
   C. Cross elasticity of demand
   D. None of the above

187. Cross elasticity of demand in the case of substitutes:
   A. Zero   B. Negative   C. Positive   D. Infinity

188. A movement down the given demand curve shows:
   A. Increase in demand   B. Decrease in demand
   C. Extension in demand   D. Contraction in demand

189. Which of the following results in an increase in an increase in demand:
   A. Fall in prices of substitutes
   B. Increase in price of complementary goods
   C. Fall in consumer's income
   D. None of the above

190. Change in quantity supplied of a product can result from:
    A. Changes in own price
    B. Changes in cost of production
    C. Change in technology
    D. Change in price of related products

191. An increase in supply means:
    A. Movement down given supply curve
    B. Movement upward given supply curve
    C. Leftward shift in supply curve
    D. Rightward shift in supply curve

192. At prices above the equilibrium price:
    A. Quantity supplied exceeds quantity demanded
    B. Quantity demanded exceeds quantity supplied
    C. There is shortage
    D. All of the above is possible

193. An increase in market supply, demand remaining the same causes:
    A. Increase in equilibrium price
    B. Decrease in equilibrium quantity
    C. Decrease in equilibrium price and increase in equilibrium quantity
    D. Both equilibrium price and quantity rises

194. An increase in market demand, supply remaining the same results in:
    A. Decrease in equilibrium price
    B. Decrease in equilibrium quantity
    C. Decrease in equilibrium price and increase in equilibrium quantity
    D. Both equilibrium price and quantity rises

195. A fall in the market demand, supply remaining the same results in:
    A. Increase in equilibrium price
    B. Increase in equilibrium quantity
    C. Increase in equilibrium price and decrease in equilibrium quantity
    D. Both equilibrium price and quantity falls

196. Which one of the following elasticities takes the average of prices and quantities:
    A. Point elasticity of demand
    B. Arc elasticity of demand
    C. Income elasticity of demand
    D. Cross elasticity of demand

197. As a result of a fall in the price total expenditure on the commodity decreases, the coefficient of elasticity will be:
    - A. Equal to one
    - B. Greater than one
    - C. Less than one
    - D. Cannot say

198. If a small change in price leads to infinitely large change in quantity demanded, then the demand is:
    - A. Perfectly elastic
    - B. Perfectly inelastic
    - C. Elastic
    - D. Inelastic

199. When demand curve is rectangular hyperbola, the value of price elasticity of demand will be:
    - A. Zero
    - B. One
    - C. Greater than one
    - D. Infinity

200. On a linear demand curve, the coefficient of price elasticity is unity, then the value of MR will be:
    - A. Positive
    - B. Zero
    - C. Negative
    - D. One

ANSWER KEY

MICRO ECONOMICS-I EC1-B01

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
1	B	26	B	51	A	76	C
2	B	27	D	52	C	77	C
3	C	28	A	53	A	78	C
4	B	29	D	54	C	79	D
5	A	30	A	55	D	80	B
6	C	31	A	56	B	81	C
7	D	32	D	57	D	82	B
8	D	33	A	58	A	83	D
9	D	34	B	59	D	84	D
10	D	35	B	60	B	85	B
11	C	36	B	61	C	86	C
12	A	37	D	62	B	87	B
13	A	38	B	63	B	88	D
14	B	39	D	64	C	89	A
15	A	40	B	65	C	90	B
16	B	41	B	66	D	91	C
17	B	42	A	67	C	92	C
18	A	43	B	68	C	93	A
19	B	44	D	69	C	94	C
20	D	45	A	70	C	95	B
21	C	46	C	71	D	96	C
22	A	47	B	72	B	97	B
23	B	48	A	73	B	98	D
24	C	49	D	74	A	99	A
25	B	50	A	75	A	100	C

Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
101	B	126	A	151	A	176	A
102	B	127	C	152	B	177	A
103	D	128	A	153	B	178	C
104	A	129	A	154	C	179	B
105	B	130	C	155	D	180	C
106	B	131	B	156	C	181	A
107	C	132	A	157	A	182	C
108	A	133	A	158	C	183	C
109	A	134	C	159	A	184	A
110	B	135	C	160	B	185	D
111	A	136	C	161	A	186	A
112	A	137	A	162	B	187	C
113	B	138	C	163	C	188	C
114	A	139	C	164	C	189	D
115	B	140	C	165	C	190	A
116	A	141	B	166	A	191	D
117	A	142	A	167	A	192	A
118	A	143	D	168	B	193	C
119	A	144	B	169	D	194	D
120	C	145	A	170	B	195	D
121	B	146	D	171	D	196	B
122	B	147	C	172	C	197	C
123	C	148	A	173	C	198	B
124	C	149	D	174	D	199	B
125	A	150	B	175	C	200	B