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Multiple Choice Questions are an important part of Term 1 and Term 2 exams for Grade 12 Economics and if practiced properly can help you to get higher marks. Refer to more Chapter-wise MCQs for [NCERT Class 12 Economics](#) and also download more latest study material for all subjects

Consumers Equilibrium and Demand Class 12 Economics MCQ

Class 12 Economics students should refer to the following multiple-choice questions with answers for Consumers Equilibrium and Demand in standard 12. These MCQ questions with answers for Grade 12 Economics will come in exams and help you to score good marks

Consumers Equilibrium and Demand MCQ Questions Class 12 Economics with Answers

Question : Law of Diminishing Marginal Utility states that when more and more units of a commodity are consumed, marginal utility:

- a) begins to increase
- b) remains constant
- c) begins to decrease
- d) becomes zero

Answer : begins to decrease

Question : When total utility is maximum, marginal utility becomes :

- a) Unity
- b) Negative

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- c) Zero
- d) Positive

Answer : Zero

Question : If the consumer consume only one commodity 'X' he will be in equilibrium when :

[Here, MU_x = Marginal utility of the good X (in terms of money); P_x = Price of good -X]

- a) $MU_x < P_x$
- b) $MU_x = P_x$
- c) $MU_x > P_x$
- d) None of these

Answer : $MU_x = P_x$

Question : What will be the condition of total utility when marginal utility stays positive ?

- a) Maximum
- b) Diminishing
- c) Increasing
- d) Minimum

Answer : Increasing

Question : When TU is increasing at a diminishing rate, MU must be :

- a) Increasing
- b) Decreasing
- c) Constant
- d) Negative

Answer : Decreasing

Question : Marginal utility of a particular commodity at the point of saturation is :

- a) Zero
- b) Unity
- c) Greater than unity
- d) less than unity

Answer : Zero

Question : Which of the following equations is incorrect ?

- a) $MU = TU_{n+2} - TU_{n+1}$
- b) $MU = TU/Q$
- c) $MU = TU_n - TU_{n-1}$
- d) $TU = \sum MU$

Answer : $MU = TU/Q$

Question : In which analysis can utility be measured in definite numbers such as 1,2,3,4 etc ?

- a) Cardinal utility analysis
- b) Ordinal utility analysis
- c) Both of these
- d) None of these

Answer : Cardinal utility analysis

Question : Diagrammatic presentation of consumer's indifference set is called ?

- a) Indifference curve
- b) Utility curve

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- c) Budget line
- d) Transformation curve

Answer : Indifference curve

Question : Budget line indicates :

- a) Price ratio
- b) Income ratio
- c) Cost ratio
- d) None of these

Answer : Price ratio

Question : Attainable combinations of X and Y are drawn on the assumption that P_x and P_y are

- a) Constant
- b) Variable
- c) Change in the same ratio
- d) Equal to each other

Answer : Constant

Question : According to IC analysis , a consumer attains equilibrium when :

- a) $MRS_{xy} = P_x/P_y$
- b) $MRS_{xy} > P_x/P_y$
- c) $MRS_{xy} < P_x/P_y$
- d) None of these

Answer : $MRS_{xy} = P_x/P_y$

Question : Given the fact that MRS between goods X and Y is diminishing , IC is:

- a) Convex to the origin
- b) Concave to the origin
- c) Straight line
- d) None of these

Answer : Convex to the origin

Question : An indifference curve is related to

- a) Choice and preferences of the consumer
- b) Consumer's income
- c) Prices of goods X and Y
- d) Total utility from goods X and Y

Answer : Choice and preferences of the consumer

Question : The slope of indifference curves is measured by

- a) Marginal rate of transformation
- b) Marginal rate of substitution
- c) Marginal rate of technical substitution
- d) None of these

Answer : Marginal rate of substitution

Question : How are goods X and Y when, as a result of rise in the price of good-X , demand for good-Y increases ?

- a) Substitute goods
- b) Complementary goods
- c) Normal goods
- d) Inferior goods

Answer : Substitute goods

Question : In case of normal goods, demand curve shows :

- a) A negative slope
- b) A positive slope
- c) Zero slope
- d) None of these

Answer : A negative slope

Question : Law of demand must fall in case of :

- a) Normal goods
- b) Giffen goods
- c) Inferior goods
- d) None of these

Answer : Giffen goods

Question : Inferior goods are those whose income effect is :

- a) Negative
- b) Positive
- c) Zero
- d) None of these

Answer : Negative

Question : Shift in demand curve means :

- a) Fall in demand due to rise in own price of the commodity
- b) Rise in demand due to fall in own price of the commodity
- c) Change in demand due to factors other than the change in own price of the commodity
- d) None of these

Answer : Change in demand due to factors other than the change in own price of the commodity

Question : Which of the following pairs represents substitute goods ?

- a) Car and petrol
- b) Coffee and tea
- c) Bread and butter
- d) All of the above

Answer : Coffee and tea

Question : In case of Giffen's Paradox the slope of demand curve is

- a) Negative
- b) Positive
- c) Parallel to X-axis
- d) Parallel to Y-axis

Answer : Positive

Question : As a result of rise in consumer's income , demand curve for coarse grain (inferior good) :

- a) Shifts to the left
- b) Shifts to the right
- c) Becomes a horizontal straight line
- d) Becomes a vertical straight line

Answer : Shifts to the left

Question : If two goods are complementary then rise in the price of one results in

- a) Rise in demand for the other
- b) Fall in demand for the other
- c) Rise in demand for both
- d) None of these

Answer : Fall in demand for the other

Question : The graphic presentation of a table showing price and demand relationship for a commodity in the market is called :

- a) Individual demand curve
- b) Producer's demand curve
- c) Market demand curve
- d) Consumer's demand curve

Answer : Market demand curve

Question : When there is no change in quantity demand in response to any change in price, it is a situation of :

- a) Zero price elasticity
- b) Infinite price elasticity
- c) Unitary price elasticity
- d) None of these

Answer : Zero price elasticity

Question : When total expenditure increases in response to decrease in the price of the commodity the elasticity of demand is :

- a) Greater than unity
- b) Less than unity
- c) Unity
- d) Infinity

Answer : Greater than unity

Question : $E_d > 1$ represents

- a) Elastic demand
- b) Inelastic demand
- c) Unitary elastic demand
- d) None of these

Answer : Elastic demand

Question : On all points of rectangular hyperbola demand curve, elasticity of demand is

- a) Equal to unity
- b) Zero
- c) Greater than unity
- d) Less than unity

Answer : Equal to unity

Question : When demand curve is parallel to X-axis, elasticity of demand is

- a) Unity
- b) Zero
- c) Greater than unity
- d) Infinity

Answer : Unity

Question : At the mid-point of as straight line downward sloping demand curve, elasticity of demand (Ed) is

- a) 2
- b) 1/2
- c) 1
- d) 4

Answer : 1

Question : When percentage change in demand is less than percentage change in price, demand is:

- a) Perfectly inelastic
- b) Perfectly elastic
- c) More than unitary elastic
- d) less than unitary elastic

Answer : less than unitary elastic

Question : When percentage change in demand is more than percentage change in price, demand is:

- a) Inelastic
- b) Elastic
- c) Perfectly inelastic
- d) Unitary

Answer : Elastic

Question : What will be the elasticity of demand (Ed) when demand curve is parallel to Y-axis?

- a) Unity
- b) Zero
- c) Less than unity
- d) More than unity

Answer : Zero

Question : If due to fall in price, total expenditure (Ed) when demand curve is parallel to Y-axis?

- a) A case of inferior good
- b) Price elasticity of demand is less than unity
- c) Price elasticity of demand is greater than unity
- d) Price elasticity of demand is infinity

Answer : Price elasticity of demand is less than unity

Question : A consumer demands 5 units of a commodity at the price of Rs4 per unit. He demands 10 units when the price falls to Rs3 per unit. Price elasticity of demand is equal to :

- a) 3
- b) 4
- c) 2
- d) 1.5

Answer : 4

Question : Using total expenditure method , what is Ed when price and demand are as under :

Price	10	15
Demand	40	20

- a) Ed=1

- b) $E_d < 1$
- c) $E_d > 1$
- d) $E_d = 0$

Answer : $E_d > 1$

Question : Per unit production of the variable factor is called

- a) Total product
- b) Average product
- c) Marginal product
- d) None of these

Answer : Average product

Question : Which of the following equations is correct ?

(AP= Average product)

(Q= Output)

(L=Variable factor)

(MP= Marginal Product)

- a) $AP = Q/L$
- b) $MP = Q/\Delta L$
- c) $MP = \Delta Q/L$
- d) None of these

Answer : $AP = Q/L$

Question : Which of the following equations is correct ?

- a) $MP = TP_n - TP_{n-2}$
- b) $MP = AP/L$
- c) $MP = TP/L$
- d) $MP = \Delta TP / \Delta L$

Answer : $MP = \Delta TP / \Delta L$

Question : Variable proportions type production function exists:

- a) When with change in the level of output there is change in factor ratio
- b) When it is possible to increase output by increasing the application of the variable factor
- c) When scale of production changes with change in the level of output
- d) Both (a) and (b)

Answer : Both (a) and (b)

Question : What will be the state of total output when marginal product turns negative?

- a) Total output will begin to fall
- b) Total output will begin to rise
- c) Total output will remain constant
- d) None of these

Answer : Total output will begin to fall

Question : When average product (output) increase, marginal product is :

- a) Equal to average product
- b) Greater than average product
- c) Less than average product
- d) Zero

Answer : Greater than average product

Question : Which one of the following leads to the law of variable proportions ?

- a) Some factors are constant
- b) Some factors are more efficient than other
- c) Specialization of factors
- d) None of these

Answer : Some factors are constant

Question : In case of diminishing returns :

- a) Total product increases at diminishing rate
- b) Total product increases at increasing rate
- c) Marginal product diminishes
- d) Both(a) and (c)

Answer : Both(a) and (c)

Question : When more and more units of a variable factor are combined with the fixed factor, the resulting law is called :

- a) Law of variable proportions
- b) Law of increasing Returns to Scale
- c) Law of Decreasing Return to Scale
- d) Law of Constant Return Scale

Answer : Law of variable proportions

Question : What does break- even point indicate?

- a) $TR > TC$
- b) $TR < TC$
- c) $TR = TC$
- d) $TC = 0$

Answer : $TR = TC$

Question : Difference between TR and TC is maximum when

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

Answer : $MR = MC$

Question : Under perfect competition, for the producer to be in equilibrium :

- a) $AR = MR = AC$ and AC must be rising
- b) $AR = MR = MC$ and MC must be falling
- c) $AR = MR = MC$ and MC must be rising
- d) $AR = MR = TC$ and TC must be rising

Answer : $AR = MR = MC$ and MC must be rising

Question : In the context of producer's equilibrium which one is wrong

- a) Minimum difference between TR and TC
- b) $MR=MC$
- c) Producer gets maximum profit
- d) In equilibrium situation producer has no tendency to change his production.

Answer : Minimum difference between TR and TC

Question : Which of the following utility approach is based on the theory of Alfred Marshall?

1. Ordinal utility approach
2. Cardinal utility approach
3. Independent utility approach
4. None of the above

Answer : Cardinal utility approach.

Question : An individual bought 50 units of a product at Rs. 4 per unit. When the price falls by 25% it demand rises to 100 unit. Find the price elasticity of demand.

Answer : Elasticity of demand is 4.

Question : Which utility is added to the total utility by consuming one additional unit of the commodity?

1. Ordinal Utility
2. Total Utility
3. Marginal Utility
4. Average Utility

Answer : Marginal Utility

Question : State the law of equi-marginal utility.

Answer : The law of equi-marginal utility refers to a balanced position where a consumer distributes his income between different goods in such a way that the value derived from the last rupees is the same as the first one.

Question : What is the reason behind a convex indifference curve?

Answer : The reason behind a convex indifference curve is the diminishing marginal rate of substitution.

Question : What is a consumer surplus?

Answer : Consumer surplus is defined as the difference between what the customers are want to pay for a product and what he is able to pay.

Question : What is the point of society?

Answer : The point of society is when the marginal utility becomes zero.

Question : Price elasticity of demand for flour is equal to unity and a household demands 40kg of flour when the price is Rs. 1 per kg. At what price will the household demand 36 kg of flour.

Answer : The cost of the flour rises to Rs. 1.10 per kg.

Question : Is the demand for the following elastic, moderate elastic, inelastic? Give reason.

1. Demand for petrol
2. Demand for textbooks
3. Demand for cars
4. Demand for milk

Answer : (1) The demand for petrol is moderately elastic as when the cost of petrol rises, the customers will decrease the use of it.

(2) The demand for textbooks is inelastic because even if the price rises the demand will never change.

(3) The demand for cars is elastic as it is a luxury good so when the price of a car goes up, the demand for it comes down

(4) The demand for milk is elastic because when the price of the milk increases the consumer starts taking less quantity of milk.

Question : Describe the assumption which is made to determine the consumer's equilibrium position.

Answer : The assumption which is made to determine the consumer's equilibrium position are mentioned below.

- Rationality- The consumer has a rational behavior, they want to consume maximum from his given income and price
- Utility in Ordinal- It is assumed that the consumer ranks his performances according to that satisfaction from each combination of products.
- The Consistency of Choice- It is also assumed that the customer's choices are consistent.
- Perfect Competition- The perfect competition in the market is from where the customers are purchasing the goods from.
- Total Utility- This depends on the total quantities of product consumed by the consumer.

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Question : The costs which vary as the level of output varies are called:

- a) Prime costs
- b) Indirect costs
- c) Real costs
- d) None of these

Answer : Prime costs

Question : Per unit cost of a good is called

- a) Total fixed cost
- b) Variable cost
- c) Average cost
- d) None of these

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Answer : Average cost

Question : What happens to ATC when $MC < ATC$?

- a) ATC will rise
- b) ATC will fall
- c) ATC will remain constant
- d) None of these

Answer : ATC will fall

Question : Under perfect competition :

- a) MR curve is below AR curve
- b) Price = AR = MR
- c) AR remains constant
- d) both (b) and (c)

Answer : both (b) and (c)

Question : Under monopoly MR can be negative only when :

- a) AR is increasing
- b) AR is decreasing
- c) AR is constant
- d) $AR = 0$

Answer : AR is decreasing

Question : When MR zero, then

- a) TR is minimum
- b) TR is zero
- c) TR is maximum
- d) TR is equal to MR

Answer : TR is maximum

Question : Which of the following equations is correct ?

- a)
 $AR = \frac{P \times Q}{Q} = P$
- b)
 $AR = P + Q$
- c)
 $AR = P - Q$
- d)
 $AR = P \div Q$

Answer :

$AR = \frac{P \times Q}{Q} = P$

Question : When TR increases at constant rate, MR should be:

- a) Increasing
- b) Decreasing

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- c) Constant
- d) Zero

Answer : Constant

Question : Which of the following statements is appropriate in case of monopoly?

- a) AR curve slopes upwards while MR curve slopes downwards
- b) Slope of both AR and MR curves is upwards
- c) Slope of both AR and MR curves is downwards and MR curve is below AR curve
- d) Slope of both AR and MR curves is downwards and MR curve is above AR curve

Answer : Slope of both AR and MR curves is downwards and MR curve is below AR curve

Question : Average revenue :

- a) Can be negative
- b) Cannot be negative
- c) Is zero when TR is zero
- d) Both (b) and (c)

Answer : Both (b) and (c)

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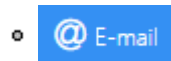
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Question : Which of the following indicates AD in an open economy?

- a) Private (household) Consumption Expenditure
- b) Household Investment Expenditure
- c) Government expenditure + private consumption expenditure
- d) Household consumption expenditure+ investment expenditure + government expenditure + net exports

Answer : Household consumption expenditure+ investment expenditure + government expenditure + net exports

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Question : Consumption function is a functional relationship between:

- a) Income and saving
- b) Price and consumption
- c) Income and consumption
- d) Income, consumption and saving

Answer : Income and consumption

Question : Propensity to consume means:

- a) Tendency of the consumer towards higher consumption
- b) Ratio of consumption to income
- c) Level of income at which consumption expenditure is equal to income
- d) Additional income to be spent on consumption

Answer : Ratio of consumption to income

Question : Average propensity to consume (APC) equal to :

- a) $\frac{Y}{C}$
- b) $\frac{\Delta Y}{\Delta C}$
- c) $\frac{C}{Y}$
- d) $\frac{\Delta C}{\Delta Y}$

Answer :

$\frac{C}{Y}$

Question : MPC being equal to 0.5, what will be , if income increases by Rs.100?

- a) Rs. 60
- b) Rs. 50
- c) Rs. 40
- d) Rs. 70

Answer : Rs. 50

Question : Propensity to save means:

- a) Ratio of saving to income
- b) level of income at which saving is equal to income
- c) Additional income that is not to be saved
- d) None of these

Answer : Ratio of saving to income

Question : If MPS is 0.6,what will be ΔS when income increases by Rs.100 ?

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- a) Rs. 60
- b) Rs. 50
- c) Rs. 40
- d) Rs.70

Answer : Rs. 60

Question : Average propensity (APS) is equal to:

- a) $\frac{Y}{S}$
- b) $\frac{\Delta Y}{\Delta S}$
- c) $\frac{S}{Y}$
- d) $\frac{\Delta S}{\Delta Y}$

Answer :

$$\frac{S}{Y}$$

Question : Which of the following is correct ?

- a) $MPC \div MPS = 1$
- b) $1 - MPC = MPS$
- c) $1 - MPS = MPC$
- d) All of these

Answer : All of these

Question : If MPC is 40 per cent, MPS will be

- a) 70 percent
- b) 60 percent
- c) 50 percent
- d) 40 percent

Answer : 60 percent

Question : Since $As = C + S$ and $AD = C + I$ the equilibrium will be established where $C + S = C + I$, or where:

- a) $S = I$
- b) $S > I$
- c) $S < I$
- d) All the above

Answer : $S = I$

Question : Equilibrium level of income/ output and employment is viewed from which of the following approaches ?

- a) $AS = AD$ approach
- b) $S = I$ approach

- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : On account of injections and withdrawals, equilibrium level of income undergoes :

- a) A shift
- b) No shift
- c) A dispersal
- d) No change

Answer : A shift

Question : According to Keynes, equality (equilibrium) between AD and AS can take place in a situation

- a) Less than full employment
- b) Full employment
- c) Beyond full employment
- d) All of these

Answer : All of these

Question : If MPC = 0.9, than value of multiplier will be:

- a) 6
- b) 9
- c) 10
- d) 12

Answer : 10

Question : Multiplier=

- a) $\Delta Y/\Delta S$
- b) $\Delta Y/\Delta I$
- c) $\Delta I/\Delta Y$
- d) $\Delta Y/\Delta C$

Answer : $\Delta Y/\Delta I$

Question : Multiplier is estimated as:

- a) $1/\text{MPC}$
- b) $1/1-\text{MPC}$
- c) $1/1+\text{MPC}$
- d) $1/1+\text{MPS}$

Answer : $1/1-\text{MPC}$

Question : If MPS = $1/4$, the value of multiplier will be :

- a) 4
- b) 2
- c) 8
- d) 6

Answer : 4

Question : If $MPC = 0$, the multiplier will be:

- a) 1
- b) 0
- c) 2
- d) X

Answer : 1

Question : If an investment of Rs. 10 crore results in an increase in income by Rs 50 crore, then the multiplier will be:

- a) 5
- b) 4
- c) 2
- d) None of these

Answer : 5

Question : Deficient demand leads to :

- a) Deflationary Gap
- b) Inflationary Gap
- c) Both and (a) and (b)
- d) None of these

Answer : Deflationary Gap

Question : Deflationary gap is measured as :

- a) $AD_F + AD_U$
- b) $AD_F \div AD_U$
- c) $AD_F - AD_U$
- d) None of these

Answer : $AD_F - AD_U$

Question : Which of the following does not lead to fall in AD ?

- a) Fall in private consumption expenditure
- b) Fall in export
- c) Fall in Import
- d) Fall in Government Expenditure

Answer : Fall in Import

Question : Deficient or excess demand can be corrected through

- a) Fiscal Policy
- b) Monetary Policy
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : With a view to correcting deflationary gap or deficient demand, which of the following fiscal policy measures should be adopted ?

- a) Reduction in taxes
- b) Increase in public expenditure
- c) Reduction in public debt
- d) All of these

Answer : All of these

Question : Which of the following leads to increase in AD ?

- a) Fall in imports
- b) Increase in investment expenditure
- c) Increase in government expenditure
- d) All of these

Answer : All of these

Question : Of the following, what are the quantitative measures of monetary policy ?

- a) Repo rate
- b) Open market operations
- c) SLR
- d) All of these

Answer : All of these

Question : A tax the burden of which can be shifted on to others, is called :

- a) Indirect Tax
- b) Direct Tax
- c) Ad Valorem
- d) Specific Tax

Answer : Indirect Tax

Question : The difference between fiscal and interest payment is called :

- a) Revenue Deficit
- b) Primary Deficit
- c) Budget Deficit
- d) Capital Deficit

Answer : Primary Deficit

Question : If the value exports exceeds the value of visible imports, the current account deficit will be:

- a) Positive
- b) Negative
- c) Positive or Negative
- d) None of these

Answer : Positive or Negative

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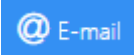
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Question : The exchange rate at which demand for foreign currency becomes equal to its supply called

- a) Equal rate of exchange
- b) Unequal rate of exchange
- c) Equilibrium rate
- d) All of these

Answer : Equilibrium rate

Question : According to adjustable peg system (or Bretton Woods System) of Exchange Rate :

- a) Different currencies were pegged to one currency (US dollar)

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- b) US dollar was assigned gold value at a fixed price
- c) Parity between two currencies was determined by the quantity of gold contained in them
- d) All of these

Answer : All of these

Question : What is the relationship between demand for foreign exchange and exchange rate ?

- a) Inverse
- b) Direct
- c) One to one
- d) No to relationship

Answer : Inverse

Question : What is the relationship between supply of foreign exchange and exchange rate?

- a) Inverse
- b) Direct
- c) One to one
- d) No to relationship

Answer : Direct

Question : Spot market is that market where in :

- a) Only spot or current transactions are handled
- b) Foreign exchange transactions are meant for future delivery
- c) Exchange rate is determined instantly
- d) Both (a) and (c)

Answer : Both (a) and (c)

Question : Forward market is that market which :

- a) Handled transactions of foreign exchange meant for future delivery
- b) Handled current transactions
- c) Handled current as well as future transactions
- d) None of these

Answer : Handled transactions of foreign exchange meant for future delivery

Question : If Rs. 150 ate required to buy \$ 2, instead of Rs.100 earlier, then :

- a) Domestic currency has depreciated
- b) Domestic currency has appreciated
- c) Rupee value of import bill will increase
- d) Both (a) and (c)

Answer : Both (a) and (c)

Question : BoP is measured as :

- a) Difference between visible items of exports and imports
- b) Difference between invisible items of exports and imports
- c) Difference between external and internal flow of gold

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- d) Difference between all receipts of foreign exchange and payments of foreign exchange

Answer : Difference between all receipts of foreign exchange and payments of foreign exchange

Question : Balance of trade is measured as :

- a) Difference between import and export goods
- b) Difference between import and export services
- c) Difference between import and export of capital
- d) Difference between all export and all imports

Answer : Difference between import and export goods

Question : In which of the following categories are economic transactions of balance of trade recorded ?

- a) Visible items
- b) Invisible items
- c) Capital transfers
- d) All the above

Answer : Visible items

Question : Which of the following transactions are recorded in the current account of the balance of payments ?

- a) Import and export of goods and services
- b) Transfers from one country to the other
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : Which of the following items relate to BoP which :

- a) Foreign investment
- b) Loans
- c) NRI remittance
- d) All of these

Answer : All of these

Question : Autonomous items are related to those transactions which :

- a) Are determined by motive of profit
- b) Are not concerned with the equilibrium status of BoP
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : Accommodating items are those items of Bop which :

- a) Are not determined by profit motive
- b) Are conditioned by the positive or negative BoP status
- c) Deal with capital transfers only
- d) Both (a) and (b)

Answer : Both (a) and (b)

Question : Disequilibrium in balance of payments means:

- a) Surplus balance of payments
- b) Deficit balance of payments
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : If balance of trade is (-) Rs.600 crore and value of exports is rs.500 crore then the value of imports will be :

- a) Rs.1,300 crore
- b) Rs. 300 crore
- c) Rs.1,100 crore
- d) Rs. 1,200 crore

Answer : Rs.1,100 crore

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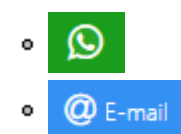
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Forms of Market and Price Determination MCQ Questions Class 12 Economics with Answers

Question : In which kind of market, a firm is a price- taker?

- a) Perfect Competition
- b) Monopoly
- c) Monopolistic competition
- d) Oligopoly

Answer : A

Question : Firm's demand curve under monopoly shows:

- a) No relationship between price and demand
- b) Inverse relationship between price and demand
- c) Positive relationship between price and demand
- d) None of these

Answer : B

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Question : Charging different prices from different buyers for the same good is called :

- a) Price extension
- b) Price contraction
- c) Price discrimination
- d) Price control

Answer : C

Question : What is the shape of the average revenue curve in perfect competition?

- a) Horizontal straight line
- b) Vertical straight line
- c) Rectangular hyperbola
- d) Downward to the right

Answer : A

Question : Under perfect competition ‘Average Revenue’ and ‘Marginal Revenue’ are indicated by :

- a) A common horizontal straight line
- b) A common vertical straight line
- c) A common rectangular hyperbola
- d) Different lines sloping downward

Answer : A

Question : In the context of monopolistic competition one of the following statements is correct?

- a) Firm has full control over price
- b) Horizontal straight line in demand curve of the firm
- c) Freedom of entry and exit
- d) Selling costs do not exist

Answer : C

Question : Which characteristic of monopolistic competition is compatible with monopoly?

- a) One seller and large number of buyers
- b) Full control over price
- c) Demand curve slopes downward
- d) Freedom of entry and exit

Answer : C

Question : Which market induces trusts and cartels?

- a) Perfect competition
- b) Monopoly
- c) Oligopoly
- d) None of them

Answer : C

Question : If the demand curve of a firm is a horizontal straight line :

- a) A firm can sell any amount at the existing price
- b) A firm can sell only a specified amount at the existing price
- c) All firms will sell equal amount of a commodity
- d) Firms can differentiate their product

Answer : B

Question : Compared with monopolistic competition, a firm’s demand curve under monopoly is :

- a) Equally elastic
- b) Less elastic
- c) More elastic
- d) Infinitely elastic

Answer : B

Question : A market situation in which there are only two producers is called :

- a) Monopoly
- b) Duopoly
- c) Oligopoly
- d) None of these

Answer : C

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- c) All firms will sell equal amount of a commodity
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Answer : A

Question : Compared with monopolistic competition, a firm's demand curve under monopoly is :

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- b) Less elastic
- c) More elastic
- d) Infinitely elastic

Answer : B

Question : A market situation in which there are only two producers is called :

- a) Monopoly
- b) Duopoly
- c) Oligopoly
- d) None of these

Answer : B

Question : In monopolistic competition the products are:

- a) Homogeneous only
- b) Homogeneous supported with advertisement
- c) Differentiated only
- d) Differentiated supported with advertisement

Answer : B

Question : Under perfect competition, equilibrium price of the commodity is determined by:

- a) Demand for the commodity alone
- b) Supply of commodity alone
- c) Both demand and supply
- d) The government

Answer : C

Question : Supply being perfectly inelastic, what will be the effect of increase or decrease in demand on price and equilibrium quantity?

- a) Price increases or decreases respectively
- b) No effect on equilibrium quantity
- c) Both (a) and (b)
- d) None of these

Answer : C

Question : When will increase in supply bring down the price, leaving the quantity demanded unchanged?

- a) When demand for the commodity is perfectly elastic
- b) When demand for the commodity is perfectly inelastic
- c) When demand for the commodity is less elastic
- d) When demand for the commodity is more elastic

Answer : B

Question : What will be the effect on equilibrium price if supply is decreased without any change in demand?

- a) No change in price
- b) Price will fall
- c) Price will rise
- d) None of these

Answer : C

Question : The period of time, when supply is fully adjusted to change in demand is called:

- a) Short – period
- b) Very short- period
- c) Mid-period
- d) long- period

Answer : D

Question : Market supply curve of perishable goods is a vertical straight line parallel to Y- axis. It happens in which of the following periods?

- a) Long- period
- b) Short – period
- c) Very short- period
- d) Market- period

Answer : C

Question : What would price ceiling lead to when the maximum price is fixed lower than the equal price?

- a) Excess demand
- b) Excess supply
- c) Deficient demand
- d) Deficient supply

Answer : A

Question : If demand for a product falls, equilibrium price will :

- a) Fall
- b) Rise
- c) Either of the two
- d) Neither of the two

Answer : A

Question : The market price is related to:

- a) Short period
- b) Very short period
- c) Long period
- d) Very long period

Answer : B

Question : Which is a characteristic of the market ?

- (a) One Area
- (b) Presence of both Buyers and Sellers
- (c) Single Price of the Commodity
- (d) All the above

Answer : D

Question : Which of the following is a feature of perfect competition ?

- (a) Large Number of Buyers and Sellers
- (b) Homogeneous Units of the Product
- (c) Perfect Knowledge of the Market
- (d) All the above

Answer : D

Question : Which of the following is true in perfect competition ?

- (a) Firm is price-taker, not price-maker
- (b) Firm's demand curve is perfectly elastic
- (c) $AR = MR$
- (d) All the above

Answer : D

Question : Which one of the following is true for monopoly ?

- (a) Firm is price-maker
- (b) Demand curve slopes downward
- (c) Price discrimination possibility arises
- (d) All the above

Answer : D

Question : A market in which there is free entry and exit, the market is:

- (a) Monopolistic Competitive Market
- (b) Imperfect Competitive Market
- (c) Perfectly Competitive Market
- (d) None of these

Answer : C

Question : Price discrimination is found in which market ?

- (a) Pure Competition
- (b) Perfect Competition
- (c) Monopoly
- (d) Monopolistic Competition

Answer : C

Question : Market situation where there is only one buyer is:

- (a) Monopoly
- (b) Monopsony
- (c) Duopoly
- (d) None of these

Answer : B

Question : Which of the following is not a feature of perfect competition ?

- (a) Large number of buyers and sellers
- (b) Homogeneity of product
- (c) Advertisement and selling cost
- (d) Perfect knowledge of the market

Answer : C

Question : Which factor determines Equilibrium Price ?

- (a) Demand for Commodity
- (b) Supply of Commodity
- (c) Both (a) and (b)
- (d) None of the above

Answer : C

Question : Price of a commodity is determined at a point where :

- (a) Demand exceeds
- (b) Supply exceeds
- (c) Demand equals supply
- (d) None of these

Answer : C

Question : Who gave the concept of 'Time Element' in price determination process ?

- (a) Ricardo
- (b) Walras
- (c) Marshall
- (d) J. K. Mehta

Answer : C

HOTs Questions

Question. Product differentiation is in which market form?

Answer : Monopolistic Market Competition

Question. What is patent right?

Answer : Patent right is an exclusive license or right conferred to an organization to manufacture particular goods or services under a specific technology.

Question. What is a price taker company?

Answer : A price taker company are those companies who have no option but to accept the price determined by the industry.

Question. What is cooperative oligopoly?

Answer : A cooperative oligopoly is a situation of the market where the different companies cooperate with each other in fixing the price of goods or services.

Question. What is meant by a normal profit?

Answer : A normal profit is the least amount of profit that a firm needs to keep the production going on for a long run.

Question. Define the implication of the following:

1. Interdependence between firms in Oligopoly

2. A large number of sellers in perfect competition

Answer : a) Oligopolies are composed of a few large companies and these companies action can affect the market condition. Therefore, the other contender company will be aware of the market actions and will respond appropriately. Mutual interdependence survives when the action of one company has a significant impact on the other company in the industry. b) A perfectly competitive market is controlled by the existence of a large number of sellers and buyers of a product, which means no buyers or sellers whose purchase and sell is so large that it will impact the total purchase and sale in the market.

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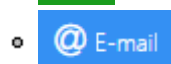
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Question : In the context of government budget, which of the following statements is correct ?

- a) Budget is a statement of expected annual receipts and expenditure is correct?
- b) It is a detail of actual receipts and expenditures of the government in a financial year
- c) It offers a detailed description of achievements of the government during the 5 year plans
- d) It indicates BoP status of the economy

Answer : Budget is a statement of expected annual receipts and expenditure is correct?

Question : Which of the following are the objectives of government budget ?

- a) Redistribution of income and wealth
- b) Economy stability
- c) Both (a) and (b)

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- d) None of these

Answer : Both (a) and (b)

Question : Which of the following is a non- tax receipt ?

- a) Gift tax
- b) Sales tax
- c) Gift and grants
- d) Excise duty

Answer : Gift and grants

Question : Regressive tax is that which is :

- a) Charged at an increasing rate when income of the individual increases
- b) Charged at a decreasing rate when income of the individual increases
- c) Relatively a low percentage of an individual's income
- d) A fixed percentage of an individual's income

Answer : Charged at a decreasing rate when income of the individual increases

Question : Which one of the following is indirect tax ?

- a) Wealth tax
- b) Excise duty
- c) Income tax
- d) None of these

Answer : Excise duty

Question : Which of the following are capital receipts of the government ?

- a) Recovery of loans
- b) Borrowings
- c) Disinvestment
- d) All of these

Answer : All of these

Question : Capital expenditure is that estimated expenditure of the government which?

- a) Assets are increased
- b) liability is decreased
- c) Both (a) and (b)
- d) Assets and liabilities do not change

Answer : Both (a) and (b)

Question : Deficit budget refers to that situation in which government's budget expenditure is :

- a) less than its budget receipts
- b) More than its budget receipts
- c) Equal to its budget receipts
- d) None of these
- **Answer : More than its budget receipts**

Question : Fiscal deficit=

- a) Total expenditure – total receipt other than borrowing
- b) Revenue expenditure- revenue receipts
- c) Capital expenditure – capital receipts
- d) Revenue expenditure + Capital expenditure - revenue receipts

Answer : Total expenditure – total receipt other than borrowing

Question : Surplus budget is that budget where in :

- a) Estimated revenue of the government < estimated expenditure of the government
- b) Estimated revenue of the government > estimated expenditure of the government
- c) Estimated revenue of the government = estimated expenditure of the government

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- d) None of these

Answer : Estimated revenue of the government > estimated expenditure of the government

Question : Which of the following is the capital expenditure of the government?

- (a) Interest Payment
- (b) Purchase of House
- (c) Expenses on Machinery
- (d) All of the above

Answer: (a) Interest Payment

Question : When government spends more than it collects by way of revenue, it incurs _____

- (A) Budget surplus
- (B) Budget deficit
- (C) Capital expenditure
- (D) Revenue expenditure

Answer: (B) Budget deficit

Question : Which of the following statement is true?

- (a) Fiscal deficit is the difference between total expenditure and total receipts
- (b) Primary deficit is the difference between total receipt and interest payments
- (c) Fiscal deficit is the sum of primary deficit and interest payment
- (d) All of these

Answer: (c) Fiscal deficit is the sum of primary deficit and interest payment

Question : Which is included in the Direct Tax?

- (a) Income Tax
- (b) Gift Tax
- (c) Both (a) and (b)
- (d) Excise Duty

Answer: (c) Both (a) and (b)

Question : The fiscal deficit is the difference between the government's total expenditure and its total receipts excluding _____

- (A) Interest
- (B) Taxes
- (C) Spending
- (D) Borrowings

Answer: (D) Borrowings

Question : Which is included in Indirect Tax?

- (a) Excise Duty
- (b) Sales Tax
- (c) Both (a) and (b)
- (d) Wealth Tax

Answer: (c) Both (a) and (b)

Question : What is the annual statement of the government's fiscal revenue and fiscal expenditure known?

- (A) Budget
- (B) Fiscal Budget
- (C) Capital Budget
- (D) All of these

Answer: (B) Fiscal Budget

Question : An annual statement of the estimated receipts and expenditure of the government over the fiscal year is known as

- (A) Budget
- (B) Income estimates
- (C) Account
- (D) Expenditure

Answer: (A) Budget

Question : How many types of revenue receipts are there?

- (A) 2
- (B) 3

- (C) 4
- (D) 6

Answer: (A) 2

Question : Who issues 1 rupee note in India:

- (a) Reserve Bank of India
- (b) Finance Ministry of India
- (c) State Bank of India
- (d) None of these

Answer: (b) Finance Ministry of India

Question : The amount collected by the government as taxes and duties is known as _____

- (A) Capital receipts
- (B) Tax revenue receipts
- (C) Non-tax revenue receipts
- (D) All of these

Answer: (B) Tax revenue receipts

Question : Which is included in indirect tax?

- (a) Income tax
- (b) Wealth tax
- (c) Excise Duty
- (d) Gift tax

Answer: (c) Excise Duty

Question : The amount collected by the government in the form of interest, fees, and dividends is known as.....

- (A) Tax-revenue receipts
- (B) Capital receipts
- (C) Non-tax revenue receipts
- (D) None of these

Answer: (C) Non-tax revenue receipts

Question : Direct tax is called direct because it is collected directly from:

- (A) The producers on goods produced
- (B) The sellers on goods sold
- (C) The buyers of goods
- (D) The income earners

Answer: (D) The income earners

Question : Which objectives government attempts to obtain by Budget

- (a) To Promote Economic Development
- (b) Balanced Regional Development
- (c) Redistribution of Income and Wealth
- (d) All the above

Answer: (d) All the above

Question : Which of the following is an example of direct tax?

- (A) VAT
- (B) Excise duty
- (C) Entertainment tax
- (D) Wealth tax

Answer: (D) Wealth tax

Question : Which is a component of the Budget Receipt?

- (a) Revenue Receipt
- (b) Capital Receipt
- (c) Both (a) and (b)
- (d) None of the above

Answer: (c) Both (a) and (b)

Question : Which of the following is the component of a budget?

- (A) Fiscal budget
- (B) Capital budget

- (C) Both of these
- (D) None of these

Answer: (C) Both of these

Question : Tax revenue of the Government includes :

- (a) Income Tax
- (b) Corporate Tax
- (c) Excise Duty
- (d) All of these

Answer: (d) All of these

Question : Budget speech in Lok Sabha is given by:

- (a) President
- (b) Prime Minister
- (c) Finance Minister
- (d) Home Minister

Answer: (c) Finance Minister

Question : The expenditures which do not create assets for the government is called :

- (a) Revenue Expenditure
- (b) Capital Expenditure
- (c) Both (a) and (b)
- (d) None of the above

Answer: (a) Revenue Expenditure

Question : What is the period of a fiscal year?

- (A) 1 April to 31 March
- (B) 1 January to 31 December
- (C) 1 March to 28 February
- (D) None of these

Answer: (A) 1 April to 31 March

Question : Direct tax is :

- (a) Income Tax
- (b) Gift Tax
- (c) Both (a) and (b)
- (d) None of these

Answer: (c) Both (a) and (b)

Question : Which of the following is not a revenue receipt?

- (a) Recovery of Loans
- (b) Foreign Grants
- (c) Profits of Public Enterprise
- (d) Wealth Tax

Answer: (a) Recovery of Loans

Question : From the following which is included in the direct tax:

- (a) Income Tax
- (b) Gift Tax
- (c) Both (a) and (b)
- (d) Excise Tax

Answer: (c) Both (a) and (b)

Question : In India, one rupee note is issued by:

- (a) Reserve Bank of India
- (b) Finance Ministry of Government of India
- (c) State Bank of India
- (d) None of these

Answer: (b) Finance Ministry of Government of India

Question : The non-tax revenue in the following is:

- (A) Export duty
- (B) Import duty

(C) Dividends

(D) Excise

Answer: (C) Dividends

Question : Capital budget consist of:

(a) Revenue Receipts and Revenue Expenditure

(b) Capital Receipts and Capital Expenditure

(c) Direct and Indirect Tax

(d) None of these

Answer: (b) Capital Receipts and Capital Expenditure

Question : Financial Year in India is:

(a) April I to March 31

(b) January 1 to December 31

(c) October 1 to September 30

(d) None of the above

Answer: (a) April I to March 31

Question : Which of the following is an indirect tax?

(a) Excise Duty

(b) Sales Tax

(c) Custom Duty

(d) All of these

Answer: (d) All of these

Question : Borrowing in the government budget is:

(A) Revenue deficit

(B) Fiscal deficit

(C) Primary deficit

(D) Deficit in taxes

Answer: (B) Fiscal deficit

Question : What is the duration of a Budget?

(a) Annual

(b) Two Years

(c) Five Years

(d) Ten Years

Answer: (a) Annual

Question : Which of the following is included in fiscal policy?

(a) Public Expenditure

(b) Tax

(c) Public Debt

(d) All of these

Answer: (d) All of these

Question : The budget may include:

(a) Revenue Deficit

(b) Fiscal Deficit

(c) Primary Deficit

(d) All of these

Answer: (d) All of these

Question : Budget:

(a) is a description of income-expenditure of government

(b) is a document of the economic policy of the government

(c) is a description of non-programs of the government

(d) All of these

Answer: (d) All of these

Question : In an unbalanced budget:

(a) Income is greater than expenditure

(b) Expenditure is higher relative to income

- (c) Deficit is covered by loans or printing of notes
- (d) Only (b) and (c)

Answer: (d) Only (b) and (c)

Question : Which one of the following is a pair of direct tax?

- (a) Excise duty and Wealth Tax
- (b) Service Tax and Income Tax
- (c) Excise Duty and Service Tax
- (d) Wealth Tax and Income Tax

Answer: (d) Wealth Tax and Income Tax

Question : Which of the following is a correct measure of the primary deficit?

- (a) Fiscal deficit minus revenue deficit
- (b) Revenue deficit minus interest payments
- (c) Fiscal deficit minus interest payments
- (d) Capital expenditure minus revenue expenditure

Answer: (c) Fiscal deficit minus interest payments

Question : The primary deficit in a government budget will be zero, when _____

- (A) Revenue deficit is zero
- (B) Net interest payments are zero
- (C) Fiscal deficit is zero
- (D) Fiscal deficit is equal to interest payment

Answer: (D) Fiscal deficit is equal to interest payment

Question : The duration of the Government budget is:

- (a) 5 years
- (b) 2 years
- (c) 1 year
- (d) 10 years

Answer: (c) 1 year

Question : Budget is presented in the Parliament by:

- (a) Prime Minister
- (b) Home Minister
- (c) Finance Minister
- (d) Defence Minister

Answer: (c) Finance Minister

Question : Which of the following budget is suitable for developing economies?

- (a) Deficit Budget
- (b) Balanced Budget
- (c) Surplus Budget
- (d) None of these

Answer: (a) Deficit Budget

Question : Professional tax is imposed by:

- (a) Central Government
- (b) State Government
- (c) Municipal Corporation
- (d) Gram Panchayat

Answer: (b) State Government

Question : Which type of expenditure is made in bridge construction?

- (a) Capital Expenditure
- (b) Revenue Expenditure
- (c) Both (a) and (b)
- (d) None of the above

Answer: (a) Capital Expenditure

Fill in the blanks:

Question : _____ is a document containing income and expenditure of the government.

Answer: Budget

Question : _____ tax is that in which the final burden of the tax fall on the person who pays it.

Answer: Direct

Question : Service tax is levied by the _____

Answer: Central

Question : Tax is a legally compulsory payment imposed by the _____ on income and property of persons and companies.

Answer: Government

Question : Finance bill contains _____ proposals.

Answer: Tax

Question : Primary Deficit = Fiscal Deficit minus _____

Answer: Interest on Debt

Question : The government can influence the allocation of resources through the implementation of appropriate _____

Answer: fiscal policy

Question : Recovery of loan is treated as capital receipt because it leads to _____

Answer: reduction of assets

Question : Income tax is _____ tax.

Answer: Direct

Question : A deficit budget is that in which total expenditure is _____ total receipts.

Answer: greater than

Question : _____ tax is levied on the value of the goods.

Answer: Advalorem

Question : _____ budget is considered good for the country.

Answer: Deficit

Question : _____ are levied on goods and services.

Answer: Indirect taxes

Question : Government budget is presented on the last day of _____

Answer: February

Question : Revenue deficit is that in which revenue receipts are _____ revenue expenditure.

Answer: less than

Question : _____ does not have any impact on the asset-liability status of the government.

Answer: Revenue budget

State true or false :

Question : Grants by the government are treated as revenue expenditure.

Answer: True

Question : The three functions of allocation, redistribution, and stabilization are operated through the expenditure and receipts of the government.

Answer: True

Question : During deflation surplus budget is made.

Answer: True

Question : The deficit decreases in a recession and increases in a boom, even without any change in fiscal policy.

Answer: False

Question : Electricity tax is levied by the State Government.

Answer: True

Question : Payment of salaries to the government employees is a capital payment.

Answer: False

Question : The rail budget is generally not included in the annual budget.

Answer: True

Question : Public borrowing is a capital receipt.

Answer: True

Question : There is a feasible way of excluding anyone from enjoying the benefits of public goods.

Answer: False

Question : Recovery of loan is a revenue receipt.

Answer: False

Question : Service tax is a direct tax.

Answer: False

Question : Public goods are collectively consumed.

Answer: True

Question : Indirect taxes are not convenient to realise.

Answer: False

Question : A deficit budget is not considered a good budget.

Answer: False

Question : Expenditure made on the establishment of the metro rail line in Delhi is a capital expenditure.

Answer: True

Question : The budget speech is given by the Finance Minister.

Answer: True

Question : Excess of capital expenditure over capital receipt is called revenue deficit.

Answer: False

Question : Central excise duty is a direct tax.

Answer: False

Question : The interest payment is a planned item.

Answer: False

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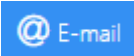
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Question : Interest rates and bond prices are;

- a) positively related
- b) negatively related
- c) not related
- d) Either A or B

Answer : B

Question : ("Economics is a science of logic)" Who said it ?

- a) Hicks
- b) Keynes
- c) Robbins
- d) Marshall

Answer : C

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Question : The deficiency of aggregate demand during depression period leads to

- a) Seasonal unemployment
- b) Voluntary unemployment
- c) Involuntary unemployment
- d) Frictional unemployment

Answer : C

Question : An increase in planned investment spending causes aggregate output to;

- a) increase by an amount equal to the change in investment spending.
- b) increase by an amount less than the change in investment spending.
- c) increase by an amount greater than the change in investment spending.
- d) decrease by an amount less than the change in investment

Answer : A

Question : Which among the following does not have the application of multiplier

- a) Determination of income
- b) Fiscal policy
- c) Monetary policy
- d) Foreign direct investment

Answer : C

Question : Broker's commission on sale and purchase of second hand goods is included in national income because:

- a) It is a part of compensation of employees
- b) It is a part of GROSS Domestic Capital Formation
- c) it is an income earned for rendering productive services
- d) None of these

Answer : C

Question : Study of aggregates is known as _____

- a) Macroeconomics
- b) Microeconomics
- c) Price theory
- d) Factor price determination

Answer : A

Question : Economy may be classified as:

- a) Capitalist
- b) Socialist
- c) Mixed
- d) All of these

Answer : D

Question : The reason for downward shape of production possibility curve is:

- a) Increasing opportunity cost
- b) Decreasing opportunity cost
- c) Same opportunity cost
- d) Negative opportunity cost

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Answer : B

Question : The central problem of an economy is:

- a) What to produce ?
- b) How to produce ?
- c) How to distribute produced goods ?
- d) All of these

Answer : D

Question : Mr. Skund Kumar wants to study the national income. Which branch of economics will he have to study?

- a) Microeconomics
- b) Price theory
- c) Factor price determination
- d) Macroeconomics

Answer : D

Question : The basic factors of production are land, labour, capital, and ____.

- a) Enterprise
- b) Investment
- c) Machinery
- d) Resources

Answer : A

Question : Multiplier is the ratio of

- a) change in income to change in investment
- b) change in investment to change in income
- c) change in income to change in interest
- d) None of the above

Answer : A

Question : Which one is included in National Income?

- a) winning from lottery
- b) milk purchase by a dairy shop
- c) national debt interest
- d) none of these.

Answer : D

Question : LM curve represents the combination of ;

- a) price and out put
- b) Demand for money and supply of money
- c) income and investment
- d) Money supply and investment

Answer : B

Question : Who is known as the father of modern macroeconomics?

- a) Adam Smith
- b) J.M.Keynes

- c) Samuelson
- d) Hicks

Answer : B

Question : Which of the following is studied under Micro Economics ?

- a) Individual unit
- b) Economic Aggregate
- c) National Income
- d) None of these

Answer : D

Question : Mr. Skund Kumar wants to study the national income. Which branch of economics will he have to study?

- a) Microeconomics
- b) Price theory
- c) Factor price determination
- d) Macroeconomics

Answer : D

Question : Macro-static equilibrium implies:

- a) A complete absence of change
- b) A change at an unchanged rate
- c) A change in only absolute values
- d) None of these

Answer : A

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

- a) The Wealth of Nation
- b) The General Theory of Employment, Interest, and Money
- c) Political Economy
- d) None of these

Answer : B

Question : Which of the following is studied under Macro Economics ?

- a) National Income
- b) Full. Employment
- c) Total Production
- d) All of these

Answer : D

Question : What is known as the study of individual units?

- a) Macroeconomics
- b) Microeconomics
- c) Income and Employment Theory
- d) Development economics

Answer : B

Question : Which of the following is not an economic activity and hence not included while estimating national income in india?

- a) medical services rendered by a dispensary
- b) a housewife doing household work
- c) a lawyer doing his practice
- d) a maid working full time with a family

Answer : B

Question : When was the famous book of Prof. Keynes published?

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

Answer : C

Question : Under which type of activity would you categorise the sale of shares of another firm whilst preparing the cash flow statement?

- a) Financing activity
- b) Investing and financing
- c) Operating activity
- d) Investing activity

Answer : D

Question : Who used the word 'micro' for the first time:

- a) Marshall
- b) Boulding
- c) Keynes
- d) Ragnar Frisch

Answer : D

Question : Which of the following is the salient feature of factors (or resources) ?

- a) These are limited as compared to wants
- b) These have alternative uses
- c) Both a) and b)
- d) None of the above

Answer : C

Question : Which of the following is NOT a flow variable?

- a) Income
- b) Wealth
- c) Saving
- d) Investment

Answer : B

Question : When did the great depression occur?

- a) 1929-30
- b) 1934-35
- c) 1938-39
- d) 1941-42

Answer : A

Question : What is a good in economics

- a) It is a service.
- b) It can be a service.
- c) It is something that appears appealing.
- d) It is something that satisfies wants and needs.

Answer : D

Question : Cotton yarns purchased by handloom worker is

- a) An intermediate good
- b) A consumer good
- c) A capital good
- d) None of these

Answer : A

Question : Defects in SNA include

- a) Neglects depletion of natural capital
- b) Neglects environmental pollution
- c) Expenditure to defend the effects of pollution
- d) All of the above

Answer : D

Question. Which among the following is not a feature of Keynesian theory?

- a) Short run
- b) Wage price flexibility
- c) Fiscal policy
- d) Underemployment equilibrium

Answer : B

Question : Under classical theory, rate of interest is determined by

- a) Demand for money and supply of money
- b) Demand for capital and supply of savings
- c) Demand for investment and price level
- d) Demand for investment and supply of money

Answer : B

Question : In the classical view, the price level is determined by

- a) aggregate supply
- b) aggregate demand and supply
- c) supply of money
- d) aggregate demand

Answer : C

Question : Under Keynesian theory of income determination, investment

- a) Depends on income
- b) Endogenous
- c) Exogenous
- d) Depends on money supply

Answer : C

Question : A laptop purchased by consumer is an example of

- a) An intermediate good
- b) A consumer good
- c) Intermediate consumption
- d) None of the above

Answer : B

Question : Under Keynesian model aggregate expenditure is measures along

- a) Vertical axis
- b) Horizontal axis
- c) Vertical intercept
- d) 450 line

Answer : A

Question : The value of MPC in Keynesian model is:

- a) greater than zero and less than one
- b) $MPC=1$
- c) MPC greater than one
- d) None of the above

Answer : A

Question : Two sector economy consists of:

- a) Households, firms
- b) Households, Government
- c) Firms, Foreign sector
- d) Firms, Government.

Answer : A

Question : If factor cost is greater than Market price, then it means that:

- a) Indirect taxes > subsidies
- b) Indirect taxes = subsidies
- c) Indirect Taxes < Subsidies
- d) Indirect taxes = and > subsidies

Answer : C

Question : Market price ad factor cost would be equal when there is:

- a) no direct tax
- b) no indirect tax
- c) no subsidy
- d) no indirect tax and no subsidy

Answer : D

Question : In which type of economy, domestic income is equal to national income?

- a) Open economy
- b) Closed Economy
- c) Both a and b
- d) Neither a nor b

Answer : B

Question : National income is equal to:

- a) Domestic product plus factor income earned from abroad
- b) domestic product plus net factor income earned from abroad
- c) Domestic product mins factor income earned from abroad
- d) Domestic product plus export minus imports

Answer : B

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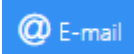
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Question : Which of the following is not concerned with the problem of choice ?

- a) Excessive income
- b) Alternative use of resources
- c) Unlimited wants
- d) Limited (scarce) resources

Answer : Excessive income

Question : Example of micro economic variable is:

- a) Wholesale price index
- b) National income
- c) Market demand
- d) Aggregate demand

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Answer : Market demand

Question : Who controls economic activities under centrally planned economics ?

- a) Industrialists
- b) Private firms
- c) Government
- d) Consumers

Answer : Government

Question : Slope of production curve is:

- a) a straight line
- b) convex to the point of origin 'O'
- c) concave to the point of 'O'
- d) none of these

Answer : concave to the point of 'O'

Question : The problem of 'what to produce' relates to:

- a) The choice of technique
- b) Distribution of income
- c) Market value of the goods and services
- d) The choice of goods and services

Answer : The choice of goods and services

Question : Increase (growth) of resources implies that production possibility curve :

- a) Shifts to the Right
- b) Shifts to the left
- c) Rotates to the right
- d) None of these

Answer : Shifts to the Right

Question : The following table show the production of cricket bats and sarres of an imaginary economy :

Production of Cricket Bats (thousand)	0	1	2	3	4	5
Production of Sarees (in la)	75	70	62	50	30	0

If the production of cricket bats is increased from 3 thousand to 4 thousand, how much production of sarees will he to be sacrificed by the economy ?

- a) Zero
- b) 8 lakh sarees
- c) 30 lakh sarees
- d) 20 lakh sarees

Answer : 20 lakh sarees

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- a) Consumption
- b) Utility
- c) Production
- d) Value addition

Answer : Utility

Question : Consuming two goods, consumer attains equilibrium when :

- a) $MU_1 > MU_2$
- b) $MU_2 > MU_1$
- c) $MU_1 = MU_2$
- d) $TU_1 = TU_2$

Answer : $MU_1 = MU_2$

Question : When marginal utility is negative, total utility is :

- a) Zero
- b) Diminishing
- c) Maximum
- d) Minimum

Answer : Diminishing

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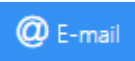
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Question : Barter system refers to that system where in:

- a) Goods are exchanged for goods
- b) Goods are not exchanged at all
- c) Goods are exchanged for domestic currency
- d) Goods are exchanged for foreign currency

Answer : Goods are exchanged for goods

Question : Which of the following is related to barter system of exchange ?

- a) Double coincidence of wants
- b) Common unit of value
- c) Limited exchange
- d) Both (a) and (c)

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Answer : Both (a) and (c)

Question : Out of the following , which is the primary function of money supply?

- a) Store of value
- b) Transfer of value
- c) Measure of value
- d) Bases of credit

Answer : Measure of value

Question : Which of the following is the adequate definition of money?

- a) Any goods which is commonly used as a store of value
- b) Any goods which is exchanged for gold at a fixed rate
- c) Any goods which is acceptable to a bank
- d) Any goods which is commonly accepted as a medium of exchange

Answer : Any goods which is commonly accepted as a medium of exchange

Question : Which of the following is the component of M₁ measure of money supply?

- a) Time deposit
- b) Bill of exchange
- c) Treasury bill
- d) None of these

Answer : None of these

Question : Full- bodied money is that money, whose money value and commodity value are:

- a) Equal
- b) Proportionately equal
- c) Different
- d) None of these

Answer : Equal

Question : Bank money is that money which is:

- a) Printed by RBI
- b) Printed by the government
- c) Generated in the form of credit creation
- d) None of these

Answer : Generated in the form of credit creation

Question : Which of the following system governs note issuing in India

- a) Proportionate system
- b) Minimum reserve system
- c) Fixed fiduciary issue system
- d) Simple deposit system

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Answer : Minimum reserve system

Question : In India there are four alternative measures of money supply M_1 , M_2 , M_3 and M_4 of these M_1 =

- a) Currency with people
- b) Currency with people + demand deposits
- c) Currency with people + demand deposits + other deposits with the reserve bank
- d) None of these

Answer : Currency with people + demand deposits + other deposits with the reserve bank

Question : Which of the following is not the function of commercial bank?

- a) To accept deposits
- b) To offer loans
- c) To provide overdraft facility
- d) To fix CRR

Answer : To fix CRR

Question : A commercial bank is a bank that:

- a) Gives long-term loans
- b) Creates credit
- c) Gives short-term loans
- d) All of these

Answer : All of these

Question : Which of the following is not concerned with banking organization?

- a) Bank rate
- b) Fiscal deficit
- c) Credit creation
- d) Cash reserve ratio

Answer : Fiscal deficit

Question : Non- chequeable deposits are those:

- a) Against which no cheque can be drawn at any time
- b) Against which no money can be withdrawn
- c) Which are called fixed deposit
- d) All of these

Answer : All of these

Question : Credit cards issued by the banks:

- a) Encourage Consumer Spending
- b) Increase Aggregate Demand In the Economy
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

Question : Central bank is an apex bank of the country that:

- a) Controls the entire banking system of the country
- b) Issues currency
- c) Acts as a banker to the government
- d) All of these

Answer : All of these

Question : Credit control means:

- a) Contraction of credit only
- b) Extension of credit only
- c) Extension and contraction of money supply
- d) None of these

Answer : Extension and contraction of money supply

Question : Which of the following is not the instrument of credit control?

- a) CRR
- b) SLR
- c) Repo rate
- d) Managed floating

Answer : Managed floating

Question : The minimum percentage of a bank's total deposits which is required to be kept with the RBI is called:

- a) CRR
- b) Repo rate
- c) SLR
- d) Reverse Repo Rate

Answer : CRR

Question : Which of the following leads to increase in AD ?

- a) Fall in imports
- b) Increase in investment expenditure
- c) Increase in government expenditure
- d) All of these

Answer : All of these

Question : Deficient or excess demand can be corrected through

- a) Fiscal Policy
- b) Monetary Policy
- c) Both (a) and (b)
- d) None of these

Answer : Both (a) and (b)

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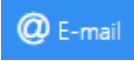
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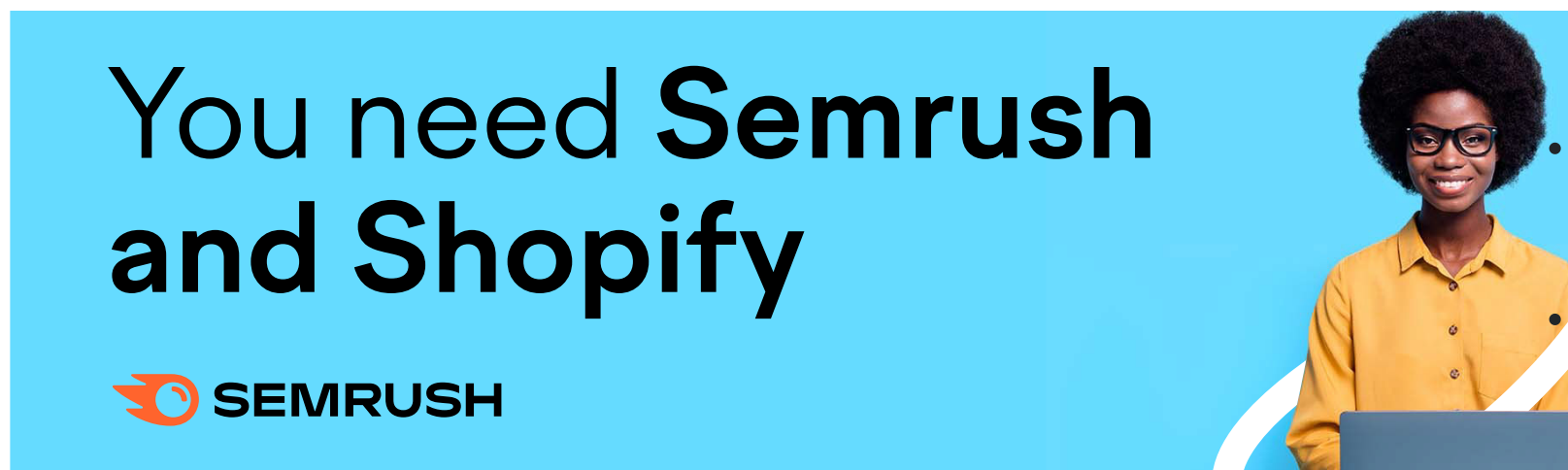


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Question : Net investment is equal to

- a) Gross investment + depreciation
- b) Gross investment – depreciation
- c) Gross investment × depreciation
- d) Gross investment ÷ depreciation

Answer : B

Question : Capital goods are those goods

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- a) Which are used in the production process for several years
- b) Which are used in the production process for few years
- c) Which Involve depreciation losses
- d) Both (a) and (c)

Answer : D

Question : Net capital formation causes

- a) Increase in production capacity
- b) Increase in depreciation
- c) Increase in profits
- d) Increase in cost

Answer : A

Question : In the production of sugar, sugarcane is

- a) A final good
- b) A capital good
- c) An Intermediate good
- d) None of these

Answer : C

Question : Those goods which satisfy human wants directly are called

- a) Intermediate goods
- b) Consumer goods
- c) Capital goods
- d) None of these

Answer : B

Question : Increase in the stock of capital is known as

- a) Capital loss
- b) Capital gain
- c) Capital formation
- d) None of these

Answer : C

Question : Which of the following leads to unexpected obsolescence?

- a) Change in demand
- b) Natural calamities
- c) Change in technology

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- d) None of these

Answer : B

Question : Income of the family is the example of which variable?

- a) Stock
- b) Flow
- c) Both stock and flow
- d) Neither stock nor flow

Answer : B

Question : 9 Which of the following leads to depreciation?

- a) Normal wear and tear
- b) Damages due to floods
- c) Damages due to market – crash
- d) None of these

Answer : A

Question : Which of the following is a semi-durable goods?

- a) Radio
- b) Clothes
- c) Milk
- d) Petrol

Answer : B

Question : Which one refers to Net Indirect Taxes?

- a) Indirect taxes + subsidies
- b) Indirect taxes - subsidies
- c) Direct taxes - subsidies
- d) None of the above

Answer : B

Question : Basis of the difference between the concepts of market Price and Factor Cost is:

- a) Direct taxes
- b) Indirect taxes
- c) Subsidies
- d) Net indirect taxes

Answer : D

Question : Which of the following is not correct?

- a) NNP at Market Price : GNP at Market Price + Depreciation
- b) NDP at Market Price : NNP at Market Price - Net Factor Income from Abroad
- c) NDP at Factor Cost : NDP at Market Price - Indirect taxes + Subsidies
- d) GDP at Factor Cost : NDP at Factor Cost + Depreciation

Answer : A

Question : Which one leads to Factor Cost?

- a) Marker Price - indirect Taxes
- b) Marker Price - Net Indirect Taxes
- c) Marker Price + Indirect Taxes
- d) Marker Price + Net Indirect Taxes

Answer : B

Question : Domestic product is equal to:

- a) National product + net factor income from abroad
- b) National product - net factor income from abroad
- c) National product \div net factor income from abroad
- d) National product \times net factor income from abroad

Answer : B

Question : Which of the following is a flow variable

- a) Consumption
- b) Wealth
- c) Quantity of money
- d) None of these

Answer : A

Question : Market price of the final goods and services (Including depreciation) produced within the domestic territory of a country during an accounting year is called:

- a) GDP at Market Price
- b) GNP at Factor Cost
- c) NNP at Factor cost
- d) GDP at Factor Cost

Answer : A

Question : Which one includes depreciation?

- a) GNP at Market Price

- b) NNP at Market Price
- c) NNP at Factor Cost
- d) None of these

Answer : A

Question : A quantity measured per unit of time period is known as

- a) Stock variable
- b) Flow variable
- c) Inventory
- d) None of these

Answer : B

Question : Which one is correct?

- a) National Income : NDP at Factor Cost - Net Factor Income from Abroad
- b) GNP at Factor Cost : GNP at Market Price + Net Indirect Tax
- c) Personal Income : Private Income - Corporate Tax - Corporate Saving
- d) Disposable Income : Saving of Household Sector - Consumption of Household Sector

Answer : C

Question : Which of the following is not transfer payment?

- a) Interest on national debt
- b) Retirement pensions
- c) Old- age pensions
- d) Donations

Answer : B

Question : GNP at market price is measured as:

- a) GDP at market price – Depreciation
- b) GDP at market price + Net factor Income from abroad
- c) GNP at market price + subsidies
- d) NDP at factor cost + Net factor income from abroad

Answer : B

Question : Which of the following items is not included while estimating GNP of a country at market prices?

- a) Salaries and wages before taxes
- b) Indirect taxes
- c) Remittances by NRIs

- d) Subsidy

Answer : C

Question : Which of these is a limitation in the measurement of social welfare using GDP at constant prices as an index?

- a) Increase in population size
- b) Change in working conditions
- c) Composition of production
- d) All of these

Answer : D

Question : Value added method measured the contribution of which of the following within the domestic territory of a country?

- a) One producing enterprise only
- b) All producing enterprises
- c) A few producing enterprises
- d) None of these

Answer : B

Question : Which of the following items is not included while estimating national Income by Income method?

- a) Rent
- b) Mixed income
- c) Fixed investment
- d) Undistributed profits

Answer : C

Question : In India, suppliers of money are:

- a) Government of the country
- b) Banking system of the country
- c) Both (a) and (b)
- d) None of these

Answer : C

Question : As a result of double counting, national incomes is:

- a) Over- estimated
- b) Under- estimated
- c) Correctly - estimated
- d) Not estimated for the entire year of accounting

Answer : A

Question : Real national income means:

- a) National income at current prices
- b) National income at factor prices
- c) National income at constant prices
- d) National income at average prices of the past 10 years

Answer : C

Question : Which of the following is not included in final consumption expenditure?

- a) Household expenditure on food
- b) Government final consumption expenditure
- c) Household expenditure on education
- d) Expenditure on raw material

Answer : D

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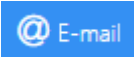
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Question : Those goods which satisfy human wants directly are called

- a) Intermediate goods
- b) Consumer goods
- c) Capital goods
- d) None of these

Answer : **Consumer goods**

Question : In the production of sugar, sugarcane is

- a) A final good
- b) A capital good

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- c) An Intermediate good
- d) None of these

Answer : An Intermediate good

Question : Which of the following is a semi-durable goods?

- a) Radio
- b) Clothes
- c) Milk
- d) Petrol

Answer : Clothes

Question : Capital goods are those goods

- a) Which are used in the production process for several years
- b) Which are used in the production process for few years
- c) Which Involve depreciation losses
- d) Both (a) and (c)

Answer : Both (a) and (c)

Question : Increase in the stock of capital is known as

- a) Capital loss
- b) Capital gain
- c) Capital formation
- d) None of these

Answer : Capital formation

Question : Net investment is equal to

- a) Gross investment + depreciation
- b) Gross investment – depreciation
- c) Gross investment × depreciation
- d) Gross investment ÷ depreciation

Answer : Gross investment – depreciation

Question : Net capital formation causes

- a) Increase in production capacity
- b) Increase in depreciation
- c) Increase in profits
- d) Increase in cost

Answer : Increase in production capacity

Question : Which of the following leads to depreciation?

- a) Normal wear and tear
- b) Damages due to floods
- c) Damages due to market – crash
- d) None of these

Answer : Normal wear and tear

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Question : Which of the following leads to unexpected obsolescence?

- a) Change in demand
- b) Natural calamities
- c) Change in technology
- d) None of these

Answer : Natural calamities

Question : Income of the family is the example of which variable?

- a) Stock
- b) Flow
- c) Both stock and flow
- d) Neither stock nor flow

Answer : Flow

Question : A quantity measured per unit of time period is known as

- a) Stock variable
- b) Flow variable
- c) Inventory
- d) None of these

Answer : Flow variable

Question : Which of the following is a flow variable

- a) Consumption
- b) Wealth
- c) Quantity of money
- d) None of these

Answer : Consumption

Question : Domestic product is equal to:

- a) National product + net factor income from abroad
- b) National product - net factor income from abroad
- c) National product ÷ net factor income from abroad
- d) National product × net factor income from abroad

Answer : National product - net factor income from abroad

Question : Which of the following is not correct?

- a) $NNP \text{ at Market Price} = GNP \text{ at Market Price} + \text{Depreciation}$
- b) $NDP \text{ at Market Price} = NNP \text{ at Market Price} - \text{Net Factor Income from Abroad}$
- c) $NDP \text{ at Factor Cost} = NDP \text{ at Market Price} - \text{Indirect taxes} + \text{Subsidies}$
- d) $GDP \text{ at Factor Cost} = NDP \text{ at Factor Cost} + \text{Depreciation}$

Answer : $NNP \text{ at Market Price} = GNP \text{ at Market Price} + \text{Depreciation}$

Question : Which one is correct?

- a) $\text{National Income} = NDP \text{ at Factor Cost} - \text{Net Factor Income from Abroad}$
- b) $GNP \text{ at Factor Cost} = GNP \text{ at Market Price} + \text{Net Indirect Tax}$
- c) $\text{Personal Income} = \text{Private Income} - \text{Corporate Tax} - \text{Corporate Saving}$

- d) Disposable Income = Saving of Household Sector - Consumption of Household Sector

Answer : Personal Income = Private Income - Corporate Tax - Corporate Saving

Question : Basis of the difference between the concepts of market Price and Factor Cost is:

- a) Direct taxes
- b) Indirect taxes
- c) Subsidies
- d) Net indirect taxes

Answer : Net indirect taxes

Question : Which one refers to Net Indirect Taxes?

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- b) Indirect taxes - subsidies
- c) Direct taxes - subsidies
- d) None of the above

Answer : Indirect taxes - subsidies

Question : Which one leads to Factor Cost ?

- a) Marker Price - indirect Taxes
- b) Marker Price - Net Indirect Taxes
- c) Marker Price + Indirect Taxes
- d) Marker Price + Net Indirect Taxes

Answer : Marker Price - Net Indirect Taxes

Question : Which one includes depreciation?

- a) GNP at Market Price
- b) NNP at Market Price
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Answer : GNP at Market Price

Question : Market price of the final goods and services (Including depreciation) produced within the domestic territory of a country during an accounting year is called:

- a) GDP at Market Price
- b) GNP at Factor Cost
- c) NNP at Factor cost
- d) GDP at Factor Cost

Answer : GDP at Market Price

Question : GNP at market price is measured as:

- a) GDP at market price – Depreciation
- b) GDP at market price + Net factor Income from abroad
- c) GNP at market price + subsidies
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Answer : GDP at market price + Net factor Income from abroad

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- a) One producing enterprise only
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- a) Household expenditure on food
- b) Government final consumption expenditure
- c) Household expenditure on education
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Question : As a result of double counting, national incomes is:

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- b) Under- estimated
- c) Correctly - estimated
- d) Not estimated for the entire year of accounting

Answer : Over- estimated

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Answer : Retirement pensions

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- d) Subsidy

Answer : Remittances by NRIs

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- b) Mixed income
- c) Fixed investment
- d) Undistributed profits

Answer : Fixed investment

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Answer : National income at constant prices

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Answer : Both (a) and (b)

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Question : Measures to improve the adverse balance of payment includes:

- (a) Currency devaluation
- (b) Import substitution
- (c) Exchange control
- (d) All of the above

Answer : D

Question : Monopolistic competition differs from perfect competition primarily because—

- (a) in monopolistic competition firms can differentiate their products.
- (b) in perfect competition firms can differentiate their products.
- (c) in monopolistic competition entry into the industry is blocked.
- (d) in monopolistic competition there are relatively few barriers to entry.

Answer : A

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Question : When there is unfavourable balance of trade?

- (a) $X > M$
- (b) $X = M$
- (c) $X < M$
- (d) None of these

Answer : C

Question : The firm and the industry are one and the same in:

- (a) Monopolistic competition
- (b) Monopoly
- (c) Duopoly
- (d) Oligopoly

Answer : B

Question : Which items are included in the Balance of Payments?

- (a) Visible Items
- (b) Invisible Items
- (c) Capital Transfers
- (d) All the above

Answer : D

Question : The demand curve of Oligopoly is?

- (a) Kinked
- (b) Vertical
- (c) Horizontal
- (d) Rising left to Right

Answer : A

Question : Under monopoly form of market, TR is maximum when

- (a) MR is maximum
- (b) $MR < 0$
- (c) $MR > 0$
- (d) MR is zero

Answer : D

Question : Market which has two firms is known as

- (a) Duopoly
- (b) Monopolistic Competition
- (c) Oligopoly
- (d) None of These

Answer : A

Question : One characteristic not typical of Oligopolistic industry is its:

- (a) Horizontal demand curve.
- (b) Too much importance to non-price competition.
- (c) Price leadership.
- (d) A small number of firms in the industry.

Answer : A

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Question : In perfect competition, a company earns an abnormal profit when average revenue exceeds the?

- (a) Total revenue
- (b) Average cost
- (c) Total fixed cost
- (d) Marginal revenue

Answer : B

Question : Which one is a merit of the flexible exchange rate?

- (a) Simple System
- (b) Continuous Adjustments
- (c) Improves Balance of Payments
- (d) All the above

Answer : D

Question : In perfect competition, when the marginal revenue and marginal cost are equal, profit is?

- (a) Zero
- (b) Average
- (c) Maximum
- (d) Negative

Answer : C

Question : Other things remaining unchanged, when in a country the price of foreign currency rises, national income is:

- (a) Likely to rise
- (b) Likely to fall
- (c) Likely to rise and fall both
- (d) Not affected

Answer : A

Question : Which market has characteristic of product differentiation?

- (a) Monopolistic competition
- (b) Oligopoly
- (c) Monopoly
- (d) Perfect competition

Answer : A

Question : The market where the national currencies are traded for one another is known as _____

- (a) Domestic exchange market
- (b) Foreign exchange market
- (c) Bazaar
- (d) Shop

Answer : B

Question : Which one is the item of the Current Account?

- (a) Import of Visible Items
- (b) Expenses of Tourists
- (c) Exports of Visible Items
- (d) All the above

Answer : D

Question : In the monopolistic market, which curves lie below the demand curve and slopes downward?

- (a) Marginal cost
- (b) Average cost
- (c) Average revenue
- (d) Marginal revenue

Answer : A

Question : In monopolistic competition the goods are.

- (a) Durable
- (b) Differentiated
- (c) Heterogeneous
- (d) Homogeneous

Answer : B

Question : What is the cause of the devaluation of any country's currency?

- (a) Increase in the domestic inflation rate
- (b) Domestic real interest rates are less than foreign interest rates
- (c) Much increase in the income
- (d) All of these

Answer : D

Question : Which market has characteristics of product differentiation

- (a) Monopolistic competition
- (b) Oligopoly
- (c) Monopoly
- (d) Perfect competition

Answer : A

Question : Hybrid in management of fixed and flexible exchange rate is known as _____

- (a) Managed to float
- (b) Crawling Peg
- (c) Wider Bands
- (d) None of these

Answer : A

Question : A monopolist is a price

- (a) Acceptor
- (b) Taker
- (c) Giver
- (d) Maker

Answer : D

Question : When was the gold standard abandoned?

- (a) 1930's
- (b) 1920's

- (c) 1940's
- (d) 1950's

Answer : B

Question : The demand curve of a monopoly firm will be—————

- (a) upward sloping
- (b) downward sloping
- (c) horizontal
- (d) vertical

Answer : B

Question : Cartels exist in.Oligopoly

- (a) Duopoly
- (b) Monopoly
- (c) Perfect competition
- (d) None of these

Answer : B

Question : Price discrimination can take place only in

- (a) Perfect competition
- (b) Oligopoly
- (c) Monopolistic competition
- (d) Monopoly

Answer : D

Question : Oligopoly having identical products is known as

- (a) Pure oligopoly
- (b) Collusive oligopoly
- (c) Independent oligopoly
- (d) None of above

Answer : A

Question : Which of the following is not a characteristic feature of imperfect competition?

- (a) Prices vary from seller to seller
- (b) All the products are homogeneous
- (c) Profits of the seller is included in the price
- (d) None of above

Answer : B

Question : Under which of the following forms of market structure a firm has no control over the price of its product?

- (a) Monopoly
- (b) Perfect competition
- (c) Oligopoly
- (d) Monopolistic competition

Answer : B

Question : The concept of the supply curve is relevant only for?

- (a) Oligopoly
- (b) Monopoly
- (c) Monopolistic Competition
- (d) Perfect Competition

Answer : D

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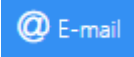
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Ministry of Education, Govt. of India vide D.O No. 12-4/2021-IS.4 dated 04.01.2022 intimated that 12 January 2022 will be celebrated as "National Youth Day" and "Birth Anniversary of Swami Vivekananda". All Schools affiliated to CBSE may celebrate 12 January 2022 as...

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Question : Increase in the value of foreign commodities is known as _____

- (a) Revaluation
- (b) Devaluation
- (c) Inflation
- (d) None of these

Answer : B

Question : Measures to improve adverse balance of payment includes :

- (a) Currency devaluation
- (b) Import substitution
- (c) Exchange control
- (d) All of the above.

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Answer : D

Question : When the import and export of visible items are equal, the situation is known as

- (a) Balance of Trade
- (b) Balance of Payment
- (c) Trade Surplus
- (d) Trade Deficit

Answer : A

Question : Types of Foreign Exchange Market are:

- (a) Spot market
- (b) Forward market
- (c) Both (a) and (b)
- (d) None of these

Answer : C

Question : Foreign exchange is determined by:

- (a) Demand for foreign currency
- (b) Supply of foreign currency
- (c) Demand and supply in the foreign exchange market
- (d) None of the above

Answer : C

Question : Hybrid in management of fixed and flexible exchange rate is known as _____

- (a) Managed to float
- (b) Crawling Peg
- (c) Wider Bands
- (d) None of these

Answer : A

Question : Balance of Trade means :

- (a) Capital Transaction
- (b) Import and export of goods
- (c) Total debit and credit
- (d) All the above

Answer : B

Question : Which one is the visible item of Balance of Payments?

- (a) Machine
- (b) Cloth
- (c) Cement
- (d) All of these

Answer : D

Question : Which among the following is a source of supply of foreign exchange?

- (a) Donations given
- (b) Imports
- (c) Exports
- (d) Gifts

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Answer : C

Question : When there is a favourable balance of trade?

- (a) $X > M$
- (b) $X = M$
- (c) $X < M$
- (d) None of these

Answer : A

Question : Which one is the king of the exchange rate?

- (a) Fixed Exchange Rate
- (b) Flexible Exchange Rate
- (c) Both (a) and (b)
- (d) None of the above

Answer : C

Question : The records of exports and imports in goods and services and transfer payments is known as

- (a) Current account
- (b) Budget surplus
- (c) Economic leakage
- (d) degree of openness

Answer : A

Question : Which one is a merit of the fixed exchange rate?

- (a) Promotes Foreign Trade
- (b) Induces Foreign Capital
- (c) Increases Capital Formation
- (d) All the above

Answer : D

Question : If Rs 150 are required to buy \$ 2, instead of Rs100 earlier, then:

- (a) Domestic currency has depreciated;
- (b) Domestic currency has appreciated;
- (c) Rupee value of import bill will increase;
- (d) Both (a) and (c) (d)

Answer : D

Question : Which one is a demerit of the flexible exchange rate?

- (a) Bad Results of Low Rate
- (b) Uncertainty
- (c) Instability in Foreign Exchange
- (d) All the above

Answer : D

Question : Which of the following is a merit of the fixed exchange rate?

- (a) Ensures the supply of the fixed exchange rate
- (b) Ensures the demand for the fixed exchange rate

- (c) Ensures the stability for the fixed exchange rate
- (d) None

Answer : C

Question : Which one is the item of Capital Account?

- (a) Government Transaction
- (b) Priva Transactions
- (c) Foreign Direct Investment
- (d) All the above

Answer : D

Question : The foreign exchange rate is determined by:

- (a) Government
- (b) Bargaining
- (c) World Bank
- (d) Demand and Supply forces

Answer : D

Question : The Gold Standard was prevalent in the world from:

- (a) 15th century to 18th century
- (b) 9th century to 18th century
- (c) From 1870 till First World War
- (d) From 1670 till First World War

Answer : C

Question : Which one is a merit of fixed exchange rate ?

- (a) Promotes Foreign Trade
- (b) Induces Foreign Capital
- (c) Increases Capital Formation
- (d) All the above

Answer : D

Question : Foreign exchange transactions dependent on other foreign exchange transactions are called:

- (a) Current account transactions
- (b) Capital account transactions
- (c) Autonomous transactions
- (d) Accommodating transactions

Answer : D

Question : The operation of future delivery in the foreign exchange market is known as __

- (a) Spot market
- (b) Current market
- (c) Forward market
- (d) Domestic market

Answer : C

Question : Structure of balance of payment includes which account:

- (a) Current account
- (b) Capital account
- (c) Both (a) and (b)
- (d) None of these.

Answer : C

Question : Which account is included in the composition of Balance of Payments ?

- (a) Current Account
- (b) Capital Account
- (c) Both (a) and (b)
- (d) None of the above

Answer : C

Question : The operation of daily nature in the foreign exchange market is known as

- (a) Spot market
- (b) Forward market
- (c) Domestic market
- (d) International market

Answer : A

Question : Other things remaining unchanged, when in a country the price of foreign currency rises, national income is:

- (a) Likely to rise
- (b) Likely to fall
- (c) Likely to rise and fall both
- (d) Not affected

Answer : A

Question : The forms of foreign exchange market is/are :

- (a) Spot market
- (b) Forward market
- (c) Both (a) and (b)
- (d) None of these

Answer : C

Question : The exchange rate at which demand for foreign currency becomes equal to its supply, is called:

- (a) Equal rate of exchange;
- (b) Unequal rate of exchange;
- (c) Equilibrium rate;
- (d) All of these

Answer : C

Question : Which one is a kind of fixed exchange rate?

- (a) Gold Standard System of Exchange Rate
- (b) Bretton Woods System of Exchange Rate
- (c) Both (a) and (b)
- (d) None of the above

Answer : C

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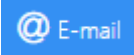
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Question : $MC=MR=AC=AR$ refers to long term equilibrium of

- a) Competitive firm
- b) Oligopoly firm
- c) Monopoly firm
- d) None of these

Answer : Competitive firm

Question : A firm reaches shut down point when

- a) $TR=TVC$
- b) $TR=TC$
- c) $TC = AVC$

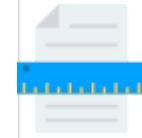


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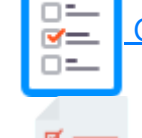
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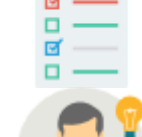
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- d) $MC=AC$

Answer : $TR=TVC$

Question : $TR>TC$ is a situation of

- a) Normal profit
- b) Normal losses
- c) Abnormal profits
- d) Abnormal losses

Answer : Abnormal profits

Question : Normal profits occur when

- a) $AR>AC$
- b) $AR=AC$
- c) $AR<AC$
- d) $TR>TC$

Answer : $AR=AC$

Question : At break-even point , a firm makes :

- a) Normal profits
- b) Extra normal profits
- c) Extra normal losses
- d) None of these

Answer : Normal profits

Question : Which of the following statements is correct?

- a) There is difference between supply and stock
- b) Supply does not depend on governments tax- policy
- c) Stock refers to the quantity which comes to market for sale
- d) Stock and supply are always equal

Answer : There is difference between supply and stock

Question : When supply curve is a vertical straight-line, it indicates:

- a) Unitary elastic supply
- b) Perfectly elastic supply
- c) Perfectly inelastic supply
- d) Relatively elastic supply

Answer : Perfectly inelastic supply

Question : If elasticity of supply is equal to unity, what will be the percentage increase in supply as a result of 15 percent rise in price of a commodity?

- a) 8%
- b) 12%
- c) 0%
- d) 15%

Answer : 15%

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Question : If 8% rise in price causes 27% increase in supply, elasticity of supply will be :

- a) 1.5
- b) 0.5
- c) 3.5
- d) 2.5

Answer : 1.5

Question : Movement along the supply curve occurs due to :

- a) Increase in own price of the commodity
- b) Decrease in own price of the commodity
- c) Factor other than own price of the commodity
- d) Both (a) and (b)

Answer : Both (a) and (b)

Question : The rise in supply due to rise in price is called:

- a) Increase in supply
- b) Decrease in supply
- c) Extension of supply
- d) None of these

Answer : Extension of supply

Question : When supply falls due to factors other than own price of the commodity it indicates

- a) Contraction in supply
- b) Decrease in supply
- c) Extension in supply
- d) None of these

Answer : Decrease in supply

Question : An upward sloping straight line supply curve shooting from the X- axis indicates that:

- a) Elasticity of supply is equal to zero
- b) Elasticity of supply is equal to one
- c) Elasticity of supply is greater than one
- d) Elasticity of supply is less than one

Answer : Elasticity of supply is less than one

Question : Which one of the following is correct?

- a) $TC = TFC \times TVC$
- b) $TC = TFC / TVC$
- c) $TC = TFC + TVC$
- d) $TC = TFC - TVC$

Answer : $TC = TFC + TVC$

Question : Average fixed cost (AFC) is indicated by:

- a) Rectangular hyperbola
- b) a straight line parallel to X- axis
- c) a straight line parallel X- axis
- d) U- shaped curve

Answer : Rectangular hyperbola

Question : Which of the following indicates fixed cost?

- a) Electricity bill
- b) Expenses on raw material
- c) Wages of daily workers
- d) Interest on fixed capital

Answer : Interest on fixed capital

Question : When production is zero, total cost (TC) will be:

- a) Zero
- b) Equal to variable cost
- c) Equal to total fixed cost
- d) Equal to marginal cost

Answer : Equal to total fixed cost

Question : When MC curve cuts AC curve:

- a) $AC = MC$
- b) $AC < MC$
- c) $AC > MC$
- d) Both AC and MC are falling

Answer : $AC = MC$

Question : When production level is zero, then fixed cost is:

- a) Zero
- b) Negative
- c) Positive
- d) Equal to variable cost

Answer : Positive

Question : The costs which do change with change in the quantity of output are called:

- a) Supplementary costs
- b) Money costs
- c) Real costs
- d) None of these

Answer : Supplementary costs

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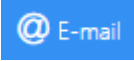
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Question : Perfect competition is an industry with

- a) a few firms producing identical goods.
- b) many firms producing goods that differ somewhat.
- c) a few firms producing goods that differ somewhat in quality.
- d) many firms producing identical goods.

Answer : D

Question : Firms use marketing to

- a) influence a consumer's buying decision.
- b) convince customers that their product is worth its price.
- c) persuade buyers that their product is superior to others.
- d) All of the above answers are correct.

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Answer : D

Question : In perfect competition, the elasticity of demand for the product of a single firm is

- a) infinite, because many other firms produce identical products.
- b) zero, because many other firms produce identical products.
- c) zero, because the firm produces a unique product.
- d) infinite, because the firm produces a unique product.

Answer : A

Question : Price of a goods is determined at a point where :

- a) Demand > Supply
- b) Demand < Supply
- c) Demand = Supply
- d) None of these

Answer : C

Question : Total economic profit is

- a) total revenue minus total opportunity cost.
- b) marginal revenue minus marginal cost.
- c) total revenue divided by total cost.
- d) marginal revenue divided by marginal cost.

Answer : A

Question : If you have found the percentage of the value of sales accounted for by the four largest firms in an industry, you have found the

- a) elasticity of supply value.
- b) Herfindahl-Hirschman Index.
- c) elasticity of demand value.
- d) four-firm concentration ratio.

Answer : D

Question : The figure above portrays a total revenue curve for a perfectly competitive firm. Curve A is straight because the firm

- a) has perfect information.
- b) wants to maximize its profits.
- c) is a price taker.
- d) faces constant returns to scale

Answer : C

Question : In the above table, if the quantity sold by the firm rises from 6 to 7, its marginal revenue is

- a) \$90.
- b) \$30.
- c) \$105.
- d) \$15.

Answer : D

Question : In the above table, the firm

- a) must be in a perfectly competitive industry, because its marginal revenue is constant.
- b) cannot be in a perfectly competitive industry, because its short-run economic profits are greater than zero.
- c) cannot be in a perfectly competitive industry, because its long-run economic profits are greater than zero.
- d) must be in a perfectly competitive industry, because its marginal cost curve eventually rises

Answer : A

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Question : The above figure illustrates a firm's total revenue and total cost curves. Which one of the following statements is FALSE?

- a) At output Q1 the firm makes zero economic profit.
- b) At an output above Q3 the firm incurs an economic loss.
- c) Economic profit is the vertical distance between the total revenue curve and the total cost curve.
- d) At output Q2 the firm incurs an economic loss.

Answer : D

Question : Which of the following is the best example of a natural monopoly?

- a) owning the only licensed taxicab in town
- b) the United States Postal Service
- c) ownership of the only ferry across Puget Sound for twenty miles
- d) the cable television company in your hometown

Answer : D

Question : Which of the following is NOT correct about patents?

- a) Patents stimulate innovation.
- b) A patent is a barrier to entry.
- c) Patents enable a firm to be a permanent monopoly.
- d) Patents encourage invention of new products.

Answer : C

Question : For a firm in perfect competition, a diagram shows quantity on the horizontal axis and both the firm's marginal cost (MC) and its marginal revenue (MR) on the vertical axis. The firm's profit-maximizing quantity occurs at the point where the

- a) MC curve intersects the MR curve from above, going from left to right.
- b) slope of the MC curve is zero.
- c) MC curve intersects the MR curve from below, going from left to right.
- d) MC and MR curves are parallel.

Answer : C

Question : A perfectly competitive firm's marginal cost exceeds its marginal revenue at its current output. To increase its profit, the firm will

- a) increase its output.
- b) raise its price.
- c) lower its price.
- d) decrease its output.

Answer : D

Question : Which of the following is different about perfect competition and monopolistic competition?

- a) Firms in monopolistic competition compete on their product's price as well as its quality and marketing.
- b) In monopolistic competition, entry into the industry is unblocked.
- c) Perfect competition has a large number of independently acting sellers.
- d) Only firms in monopolistic competition can earn an economic profit in the short run.

Answer : A

Question : Which statement is correct ?

- a) In very short period, supply is perfectly inelastic, price is affected by both demand conditions.
- b) Supply curve elasticity depends on time period
- c) Both a) and b)
- d) None of the above

Answer : C

Question : The concept of supply curve is relevant only for?

- a) Monopoly
- b) Monopolistic competition
- c) Perfect competition
- d) Oligopoly

Answer : C

Question : In perfect competition, since the firm is a price taker, the _____ curve is straight line

- a) Total cost
- b) Marginal cost
- c) Total revenue
- d) Marginal revenue

Answer : D

Question : A firm that shuts down and produces no output incurs a loss equal to its

- a) marginal costs.
- b) total fixed costs.
- c) total variable costs.
- d) marginal revenue.

Answer : B

Question : In perfect competition, which of the following curves generally lies below the demand curve and slopes downward?

- a) Average revenue
- b) Average cost
- c) Marginal revenue
- d) Marginal cost

Answer : C

Question : While a seller under perfect competition equates price and MC to maximize profits a monopolist should equate?

- a) MR and MC
- b) AR and MR
- c) AR and MC
- d) TC and TR

Answer : A

Question : Based on the table above which shows Chip's costs, if rice sells for \$600 a ton, Chip

- a) earns an economic profit, but should shut down in the short run.
- b) incurs an economic loss, but should stay open in the short run.
- c) incurs an economic loss and should shut down in the short run.
- d) earns an economic profit and should stay open in the short run.

Answer : B

Question : In the above figure, if the firm increases its output from Q2 to Q1, it will

- a) reduce its marginal revenue
- b) increase its profit.
- c) increase its marginal revenue.
- d) decrease its profit.

Answer : D

Question : Which one is a feature of monopolistic competition ?

- a) Differentiated Product
- b) Selling Cost
- c) Imperfect Knowledge of the Market
- d) All the above

Answer : D

Question : Which of the following is an example of perfect competition?

- a) Agriculture
- b) Banking sector
- c) Car manufacturing
- d) Railways

Answer : A

Question : In perfect competition, a firm earns profit when _____ exceeds the _____?

- a) Total revenue, total fixed cost
- b) Marginal cost, marginal revenue
- c) Average revenue, average cost"
- d) Total cost, total revenue

Answer : C

Question : The short-run supply curve for a perfectly competitive firm is its

- a) marginal cost curve above the horizontal axis.
- b) average cost curve above the horizontal axis.
- c) average cost curve above its shutdown point.
- d) marginal cost curve above its shutdown point.

Answer : D

Question : The figure represents a firm in a perfectly competitive market. If the firm does not shut down, the least amount of output that it will produce is

- a) 10 units.
- b) 8 units.
- c) 5 units.
- d) less than 5 units

Answer : B

Question : . Which of the following market types has a large number of firms that sell similar but slightly different products?

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

Answer : C

Question : In a perfectly competitive market, the type of decision a firm has to make is different in the short run than in the long run. Which of the following is an example of a perfectly competitive firm's short-run decision?

- a) what price to charge buyers for the product
- b) whether or not to enter or exit an industry
- c) the profit-maximizing level of output
- d) how much to spend on advertising and sales promotion

Answer : C

Question : In a perfectly competitive industry, the industry supply curve is the sum of the

- a) average total cost curves of all the individual firms.
- b) supply curves of all the individual firms.
- c) average variable cost curves of all the individual firms.
- d) average fixed cost curves of all the individual firms.

Answer : B

Question : Which of the following would create a natural monopoly?

- a) requirement of a government license before the firm can sell the good or service
- b) technology enabling a single firm to produce at a lower average cost than two or more firms
- c) an exclusive right granted to supply a good or service
- d) ownership of all the available units of a necessary input

Answer : B

Question : An industry with a large number of firms, differentiated products, and free entry and exit is called

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

Answer : C

Question : Firms face competition when the good they produce

- a) is in a market with natural barriers to entry.
- b) is unique.
- c) is in a market with legal barriers to entry.
- d) has a close substitute.

Answer : D

Question : All of the following are examples of product differentiation in monopolistic competition EXCEPT

- a) new and improved packaging.
- b) lower price.
- c) acceptance of more credit cards than the competition.
- d) location of the retail store.

Answer : B

Question : Suppose the cost curves in the above figure apply to all firms in the industry. If the initial price is P1, firms are

- a) making an economic profit and some firms will leave the industry.
- b) incurring an economic loss and some firms will leave the industry.
- c) making an economic profit and some firms will enter the industry.
- d) incurring an economic loss and some firms will enter the industry.

Answer : B

Question : Market situation where there is only one buyer is:

- a) Monopoly
- b) Monopsony
- c) Duopoly
- d) None of these

Answer : B

Question : Can TR be a horizontal Straight line?

- a) May be
- b) Can't say
- c) Yes
- d) No

Answer : D

Question : Which of the following market types has all firms selling products so identical that buyers do not care from which firm they buy?

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

Answer : A

Question : If the cost curves shown in the above figure apply to all firms in the industry and the initial price is P1, in the long run the price will be

- a) greater than P1.
- b) zero.
- c) equal to P1.
- d) less than P1

Answer : D

Question : External economies are factors beyond the control of an individual firm that _____ as the total industry output increases.

- a) raise its marginal revenue
- b) raise its costs
- c) lower its costs
- d) lower its profit

Answer : C

Question : In perfect competition, a firm:

- a) Determines price
- b) Obtains price
- c) Both a) and b)
- d) None of these

Answer : B

Question : If demand for a seller's product is perfectly elastic, which of the following is correct?

- a) There is no incentive to sell at a price below the market price.
- b) It will not sell any output at all if it tries to price its product above the market price.
- c) There are a very large number of perfect substitutes for the seller's product.
- d) All of the above answers are correct.

Answer : D

Question : If the slope of the long-run supply curve for a perfectly competitive industry is positive, the industry experiences

- a) internal economies.
- b) external economies.
- c) external diseconomies.
- d) internal diseconomies

Answer : C

Question : Among the obstacles to the efficient allocation of resources are all of the following EXCEPT

- a) competition.
- b) monopoly.
- c) external benefits.
- d) external costs.

Answer : A

Question : In the short run, a perfectly competitive firm can

- a) earn a normal profit.
- b) incur an economic loss.
- c) earn an economic profit.
- d) earn an economic profit, earn a normal profit, or incur an economic loss.

Answer : D

Question : The demand for a product produced in a perfectly competitive market permanently increases. In the short run the price

- a) rises and each firm produces less output.
- b) does not change because each firm produces more output.
- c) rises and each firm produces more output.
- d) does not change as new firms enter the industry.

Answer : C

Question : Which is a characteristic of the market ?

- a) One Area
- b) Presence of both Buyers and Sellers
- c) Single Price of the Commodity
- d) All the above

Answer : D

Question : In perfect competition, in the long run, _____?

- a) There are large profits for the firm
- b) There is no profit and no loss for the firm
- c) There are negligible profits for the firm
- d) There are large losses for the firm

Answer : B

Question : The elasticity at a point on a straight line supply curve passing through the origin will be

- a) 3.0
- b) 1.0
- c) 4.0
- d) 2.0

Answer : B

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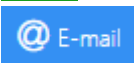
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