

CHAPTER-1

1. Whose definition of economics is classificatory?

(A) Adam Smith (B) Marshall (C) Pigou (D) Robbins

2. Who is considered as the father of economics?

(A) Adam Smith (B) Marshall (C) Pigou (D) Robbins

3. The economists who presented wealth oriented definition of Economics:

(A) Classical (B) Neo classical (C) Modern (D) Keynesian

4. The economists who presented welfare oriented definition of Economics:

(A) Classical (B) Neo classical (C) Modern (D) Keynesian

5. The economists who presented growth oriented definition of Economics:

(A) Adam Smith (B) Marshall (C) Samuelson (D) Robbins

6. Who authored the book title 'An Inquiry into the Nature and Causes of Wealth of Nations?'

(A) Adam Smith (B) Marshall (C) J.B.Say (D) J.S.Mill

7. The author of 'An Essay on the Nature and Significance of Economic Science.'

(A) Adam Smith (B) Marshall (C) Samuelson (D) Robbins

8. The root of economic problem

(A) Ends (B) Means (C) Scarcity (D) Greed

9. The concept of Scarcity is:

(A) Absolute concept (B) relative concept

(C) Scientific concept (D) ethical

10. According to Robbins, Economics is a:

(A) Positive Science (B) Normative Science (C) Natural Science (D) Social Science

11. The economist who popularized the terms 'micro' and 'macro':

(A) Samuelson (B) Benham (C) Keynes (D) Ragnar Frisch

12. Who expressed the view that economics is neutral between ends?

(A) Adam Smith (B) Marshall (C) Samuelson (D) Robbins

13. Which of the following does not belong to Micro-Economics?

(A) Growth rate of GNP

(B) Prices of Petroleum products

- (C) Production of cement in the country
- (D) Total employment in small scale industries

14. The problem of resource allocation belongs to:

- (A) Micro Economics (B) Macro Economics
- (C) Statistics (D) Econometrics

15. The law of scarcity applies to:

- (A) a capitalist economy (B) a poor economy
- (C) Statistics (D) all economies

16. Scarcity of resources implies that:

- (A) People are greedy.
- (B) We should curtail our wants.
- (C) We should increase resources
- (D) We cannot satisfy all wants at the same time.

17. Material things refers:

- (A) Service of a teacher (B) Service of doctor
- (C) T.V. set (D) Neither

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	B	10	A
2	A	11	D
3	A	12	D
4	B	13	C
5	C	14	A
6	A	15	D
7	D	16	D
8	C	17	C
9	B		

CHAPTER-2

1. Utility implies

- (A) Pleasure (B) Health
- (C) Usefulness (D) a commodity's capacity to satisfy wants

2. A rational consumer aims at

- (A) Maximum quantity (B) maximum welfare

(C) Maximum income (D) maximum utility

3. Marginal utility means

(A) Utility of the first unit (B) utility of the additional unit

(C) Utility of the last unit (D) neither

4. What is the nature of relationship between marginal utility and consumption?

(A) Positive (B) inverse (C) parallel (D) neither

5. At what rate does total utility increase with consumption after a point?

(A) Increasing (B) diminishing (C) stable (D) proportional

6. When MU is zero, TU is

(A) Minimum (B) maximum (C) Zero (D) negative

7. When MU is zero, what happens to TU with the increase in consumption?

(A) Increase (B) decreases (C) remains constant (D) become negative

8. What is the shape of MU curve?

(A) Negative (B) positive (C) parallel to X-axis (D) parallel to Y-axis

9. The change in TU caused by one unit change in consumption is called

(A) Average utility (B) marginal utility

(C) Total utility (D) positive utility

10. On what does MU depend?

(A) Price (B) quality of commodity

(C) Quantity of consumption (D) income

11. In the beginning what happens to TU with the increase in consumption?

(A) Falls (B) increases (C) remains constant (D) becomes zero

12. Its MU can never be zero:

(A) Commodity (B) Service

(C) Wealth (D) Money

13. Which law has been derived from the law of diminishing marginal utility?

(A) Law of supply (B) Law of diminishing return

(C) Law of consumption (D) Law of demand

14. The law of diminishing marginal utility applies to

(A) Production (B) consumption (C) population (D) supply

15. Marshall failed to explain the behavior of the demand for

- (A) Superior goods (B) inferior goods
(C) Common goods (D) Luxurious goods

16. Consumer's equilibrium implies

- (A) Maximum income (B) Maximum expenditure
(C) Maximum consumption (D) Maximum utility

17. The consumer is equilibrium when the following condition is fulfilled

- (A) $\frac{Mux}{PX} < \frac{Muy}{PY}$ (B) $\frac{Mux}{Px} = \frac{Muy}{Py}$
(C) $\frac{Mux}{PX} > \frac{Muy}{PY}$ (D) Neighter

18. A consumer is in equilibrium when

- (A) Price line cuts MU curve
(B) Price line is tangent to MU curve
(C) Price line is parallel to MU curve
(D) Price line is below MU curve.

19. The concept of utility is a

- (A) Relative (B) Subjective (C) Introspective (D) All above

20. Its marginal utility can never be zero

- (A) A book (B) A long (C) A house (D) Money

21. Cardinal number refers-

- (A) 1,2,3
(B) 1ST, 2ND, 3RD
(C) Good, very good, best
(D) Neither

22. Well known eco-associated with the law of equi-marginal utility is :-

- (A) Prof Marshall
(B) Prof Pigou
(C) Prof Keynes
(D) Prof Hicks

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	D	12	D
2	D	13	D
3	B	14	B

4	B	15	B
5	B	16	D
6	B	17	B
7	B	18	B
8	A	19	D
9	B	20	D
10	C	21	A
11	B	22	A

CHAPTER-3

1. According to the law of demand, the relation between price and demand is:

(A) Inverse (B) direct (C) positive (D) neither

2. According to the law, of demand, when price falls, demand:

(A) Increase (B) decreases (C) expands (D) contracts

3. If more is demand at the same price, it is called:

(A) Expansion of demand (B) increase in demand

(C) Expands (D) decrease in demand

4. In most cases, relation between price and demand for inferior goods is:

(A) Inverse (B) direct (C) negative (D) neither

5. What happens to the demand for prestige goods, when their prices fall?

(A) Increase (B) decreases (C) expands (D) contracts

6. What is the shape of demand curve?

(A) Positive (B) negative (C) parallel to y-axis (D) parallel to x-axis

7. What does the rightward shift of demand curve imply?

(A) Increase in demand (B) decreases in demand

(C) Expansion of demand (D) contraction of demand

8. What does the rightward movement on a given demand curve imply?

(A) Increase in demand (B) decreases in demand

(C) Expansion of demand (D) contraction of demand

9. Law of demand is

(A) A psychological law (B) A social law

(C) A conditional statement (D) A commandment

10. The effect of change in relative prices on demand is known as:

(A) Income effect (B) substitution effect

(C) Price effect (D) neither

11. The effect of change in consumer's real income on demand is called:

(A) Income effect (B) substitution effect

(C) Price effect (D) neither

12. In case of these goods, demand tends to fall with the increase in consumer's income.

(A) Luxury goods (B) inferior goods (C) comforts (D) primary necessities

13. Law of demand is concerned with

(A) Individual demand (B) market demand

(C) Joint demand (D) complementary demand

14. What happens to consumer's real income when price falls?

(A) Increase (B) decreases (C) remain constant (D) uncertain

15. Giffen goods are

(A) Luxury goods (B) inferior goods (C) capital goods (D) prestige goods

16. Demand for a commodity refers to

(A) Desire (B) need (C) quantity purchased at a price

(D) Quantity purchased at a price during a definite period of a time.

17. Contraction of demand refers to

(A) Decrease in the number of buyers

(B) Decrease in the income of buyers

(C) Increase in the prices of related goods

(D) Increase in the price of the commodity concerned

18. While drawing a demand curve, which of the following factors is allowed to change?

(A) Consumer's income (B) consumer's preferences

(C) Price of the commodity concerned (D) Price of related goods.

19. All of the following are determinants of demand except:

(A) Consumer's income (B) consumer's tastes and preferences

(C) Quantity supplied (D) prices of related goods.

20. If the price of motor cars falls, demand for petrol:

(A) Will decrease (B) will certain (C) will remain constant (D) not certain

21. If the price of tea falls, demand for coffee will...

(A) Increase (B) decreases (C) remain constant (D) uncertain

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	A	8	C	15	B
2	C	9	C	16	C
3	B	10	B	17	A
4	B	11	A	18	C
5	D	12	B	19	C
6	B	13	A	20	A
7	A	14	A	21	B

CHAPTER-4

1. What is the value of E_p , when demand is inelastic?

(A) Unity (B) less than one (C) greater than one (D) zero

2. What would be E_p , when x and y are substitute goods?

(A) Positive (B) negative (C) zero (D) infinity

3. What would be E_c , when x and y are complementary goods?

(A) Positive (B) negative (C) zero (D) infinity

4. Demand tends to change with the change in price or income or prices of related goods or any other factor. This tendency of demand is called

- (A) Price elasticity of demand
- (B) Income elasticity of demand
- (C) Cross elasticity of demand
- (D) Elasticity of demand

5. What would be E_p when consumers' expenditure remains constant inspite of the change in price?

(A) Unity (B) less than unity (C) greater than unity (D) zero

6. What would be E_p , at the middle point when demand curve is a downward sloping straight line?

(A) Unity (B) infinity (C) zero (D) less than unity

7. Ratio of percentage change in D_x , to percentage change in P_y is called:

(A) Price elasticity of demand

- (B) Income elasticity of demand
- (C) Cross elasticity of demand
- (D) Elasticity of demand

8. If $E_p=0$, demand curve would be

- (A) Parallel to X-axis (B) parallel to Y-axis
- (C) Upward sloping (D) downward sloping

9. If $E_d= \alpha$, demand curve would be

- (A) Parallel to X-axis (B) parallel to Y-axis
- (C) Upward sloping (D) downward sloping

10. Identify the factor which keeps price elasticity of demand for a commodity low:

- (A) Close substitutes
- (B) High proportion of income spent on it
- (C) Low price of the commodity concerned
- (D) Alternative uses of the commodity concerned.

11. Income elasticity of demand for an inferior commodity is....

- (A) Positive (B) negative (C) zero (D) infinity

12. for a luxury, income elasticity of demand is

- (A) Positive and less than one (B) positive and greater than one
- (C) Negative and less than one (D) negative and greater than one

13. In which case, total expenditure of the buyers would increase?

- (A) $E_p = 1$ and price falls (B) $E_p > 1$ and price rises
- (C) $E_p < 1$ and price falls (D) $E_p < 1$ and price rises

14. In which case, firm's total revenue will increase with the fall in the price of its product?

- (A) $E_p < 1$ (B) $E_p > 1$ (C) $E_p = 1$ (D) $E_p=0$

15. A firm's total revenue will increase with the rise in price of its product if:

- (A) $E_p < 1$ (B) $E_p > 1$ (C) $E_p = 1$ (D) $E_p=0$

16. If total outlay decrease with the fall in the price, demand is said to be

- (A) Elastic (B) Inelastic (C) Zero elastic (D) Unit elastic

17. What would be elasticity of demand, when x and y are substitute

- (A) Positive (B) Negative (C) Zero (D) Infinity

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	B	7	C	13	
2	A	8	B	14	B
3	B	9	A	15	A
4	D	10	C	16	B
5		11	B	17	A
6	A	12	B		

CHAPTER-5

1. Supply of a commodity means:

- (A) Actual production (B) total stock
- (C) Quantity offered for sale at a definite price unit of time
- (D) Quantity sold

2. A vertical supply curve parallel to Y-axis implies that elasticity of supply is

- (A) Zero (2) infinite (3) equal to unity (4) less than one

3. According to the law of supply the relationship between price and supply is

- (A) Inverse (B) direct (C) uncertain (D) negative

4. Other things remaining constant, if greater quantity is supplied, it is called

- (A) Increase (B) decrease (C) expand (D) contract

5. Price of the product remaining constant, if greater quantity is supplied, it is called

- (A) Expansion of supply (B) contraction of supply
- (C) Increase in supply (D) decrease in supply

6. An increase in supply of a commodity is caused by

- (A) Improvement in technology
- (B) Fall in its price
- (C) Rise in prices of related goods
- (D) Neither

7. In the diagram, increase in supply is shown y

- (A) Rightward movement on the given supply curve
- (B) Leftward movement on the given supply curve
- (C) Upward shift of the supply curve
- (D) Downward shift of the supply curve

8. Elasticity of supply of a commodity refers to responsiveness of supply to a change in

- (A) Factor prices
- (B) technology
- (C) demand
- (D) price of the commodity

9. Contraction of supply is the result of

- (A) Decrease in the number of producers
- (B) Decrease in the price of the commodity concerned
- (C) Increase in the prices of the commodity concerned
- (D) Decrease in population

10. The portion of output brought in the market at a given price is called

- (A) Stock
- (B) sale
- (C) supply
- (D) demand

11. With the fall in production costs, supply tends to

- (A) Increase
- (B) decrease
- (C) expand
- (D) contract

12. When price is expected to rise in future, supply tends to

- (A) Increase
- (B) decrease
- (C) expand
- (D) contract

13. What types of statements, the law of supply is?

- (A) Unconditional
- (B) conditional
- (C) unrealistic
- (D) unethical

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	C	8	D
2	A	9	A
3	B	10	C
4	C	11	A
5	C	12	D
6	A	13	B
7	A		

CHAPTER-6

1. Which product has a local market?

(A) Gold (B) Wheat (C) Brick (D) Tooth paste

2. In which market, the number of sellers is too large?

(A) Monopoly (B) Duopoly (C) Oligopoly (D) Perfect competition

3. In which market, there are a few sellers of a product?

(A) Monopoly (B) Duopoly (C) Oligopoly (D) Monopolistic competition

4. Which market contains the elements of competition and monopoly both?

(A) Pure competition (B) Perfect competition

(C) Monopoly (D) Monopolistic competition

5. Product differentiation is an important feature of

(A) Pure competition (B) Perfect competition

(C) Monopoly (D) Monopolistic competition

6. It is a market in which one seller is faced with one buyer:

(A) Monopoly (B) Bilateral monopoly (C) Oligopoly (D) Monopsony

7. It is a market in which there are two sellers facing a large number of buyers:

(A) Monopoly (B) Bilateral monopoly (C) Duopoly (D) Monopsony

8. The control of OPEC countries over the production of petroleum products is an example of

(A) Legal monopoly (B) Natural monopoly

(C) Bilateral monopoly (D) pure monopoly

9. Indian railways provides an example of

(A) Legal monopoly (B) Natural monopoly

(C) Duopoly (D) pure monopoly

10. Which of the following is not an essential condition of pure competition?

(A) Large number of buyers and sellers

(B) Homogenous product

(C) Freedom of entry

(D) Absence of transport cost

11. What is the shape of the demand curve facing a firm under perfect competition?

(A) Vertical (B) Horizontal (C) Upward sloping (D) Downward sloping

12. Supply remaining constant, a decrease in demand leads to

- (A) Fall in price and increase in quantity
- (B) Fall in price and decrease in quantity
- (C) Rise in price and decrease in quantity
- (D) Rise in price and increase in quantity

13. Which of the following is not a condition of perfect competition?

- (A) Large number of buyers and sellers
- (B) Homogenous product
- (C) Freedom of entry
- (D) Selling cost

14. In which market, a firm has largest control over price?

(A) Monopoly (B) Oligopoly (C) Duopoly (D) Monopsony

15. In which market, a firm has no control over price?

- (A) Oligopoly (B) Perfect competition
- (C) Monopoly (D) Monopolistic competition

16. Which of the following is not the characteristic of oligopoly?

- (A) Important of selling costs (B) a small number of firms
- (C) Horizontal demand curve (D) price leadership

17. In which market a firm can earn super normal profit even in long run?

(A) Perfect competition (B) Oligopoly (C) Monopoly (D) Duopoly

18. Which of the following is not a condition of monopoly?

- (A) Single seller (B) Homogeneous units
- (C) Abnormal profit (D) Easy entry of rivals

19. Selling cost is an important feature of

- (A) Monopoly (B) Perfect competition
- (C) Mopolistic competition (D) Monopsony

Answer of MCQ

MCQ.NO	ANSWER	MCQ.NO	ANSWER
1	C	11	B
2	D	12	C
3	C	13	D
4	D	14	A
5	D	15	B
6	B	16	C
7	C	17	C
8	B	18	D
9	A	19	C
10	D		