

CBCSS B.Com Programme Semester – II
PRINCIPLES OF BUSINESS DECISIONS

- 1 Macro economics is also called _____ economics.
 - a. applied
 - b. aggregate
 - c. experimental
 - d. none of the above

- 2 A study of how the increase in corporate income tax rate will affect the nation unemployment rate is an example of
 - a. macro economics
 - b. descriptive economics
 - c. micro economics
 - d. normative economics

- 3 Which of the following does not suggest a macro approach for India?
 - a. determining the GNP of India
 - b. finding the cause of failure of X and Co.
 - c. identifying the cause of inflation in India
 - d. analyse the causes of failure of industry in providing large scale employment

- 4 From the national point of view which of the following indicates micro approach?
 - a. per capita income of India
 - b. underemployment in agricultural sector
 - c. lock out in TELCO
 - d. total savings in India

- 5 Which of the following is not a subject matter of micro economics?
 - a. the price of mangoes
 - b. the cost of producing a fire truck for the fire department of Delhi, India
 - c. the quantity of mangoes produced for mangoes market
 - d. the national economy's annual rate of growth

- 6 Scarcity is a situation in which _____
 - a. wants exceed the resources available to satisfy them
 - b. something is being wasted
 - c. people are poor
 - d. none of the above

- 7 Macro economics is the study of _____
 - a. all aspect of scarcity
 - b. the national economy and global economy as whole
 - c. big business
 - d. the decisions of individual business and people

- 8 Demand for a commodity refers to:
 - a. desire for the commodity
 - b. need for the commodity
 - c. quantity demanded of that commodity
 - d. quantity of the commodity demanded at certain price during particular period of time

- 9 Contraction of demand is the result of :
- decrease in the number of consumers
 - increase in the price of the good concerned
 - increase the price of the other good
 - decrease in the income of the purchaser
- 10 Which of the following pairs of goods is an example of substitutes?
- tea and sugar
 - tea and coffee
 - pen and ink
 - shirt and trousers
- 11 In case of a straight line demand curve meeting the two axes , the price elasticity of demand at the mid-point of the line would be :
- 0
 - 1
 - 1.5
 - 2
- 12 The law of demand, assuming other things to remain constant , establishes the relationship between :
- income of the consumer and the quantity of goods demanded by him
 - price of a good and the quantity demanded
 - price of a good and the demand for its substitute
 - quantity demanded of a good and the relative price of its complementary goods
- 13 Identify the factor which generally keeps the price elasticity of demand for a good low :
- variety of uses for that good
 - its low price
 - close substitutes for that good
 - high proportion of the consumer's income spent on it.
- 14 Identify the coefficient of price elasticity of demand when the percentage increase in the quantity of a goods demanded is smaller than the percentage fall in its price :
- equal to 1
 - greater than 1
 - smaller than 1
 - equal to 0
- 15 In the case of an inferior good, the income elasticity of demand is :
- positive
 - zero
 - negative
 - infinite
- 16 If the demand for a good is inelastic, an increase in its price will cause the expenditure of the consumer of that good to :
- remain the same
 - increase
 - decrease
 - any of these
- 17 Suppose the price of Pepsi increases, we will expect demand curve of Coca Cola to :

- a. shift towards left
- b. shift towards right
- c. initially shift towards left and then to right
- d. remain the same level

- 18 If the price of Pepsi decrease relative to the price of Coke and 7-up , the demand for :
- a. coke will decrease
 - b. 7-up will decrease
 - c. coke and 7-up will increase
 - d. coke and 7-up will decrease
- 19 If a good is a luxury , its income elasticity of demand is :
- a. positive and less than 1
 - b. negative but greater than -1
 - c. positive and greater than 1
 - d. zero
- 20 The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is :
- a. elastic
 - b. inelastic
 - c. unitarily elastic
 - d. perfectly elastic
- 21 If the quantity demanded of mutton increases by 5% when price of chicken increases by 20% , the cross price elasticity of demand between mutton and chicken is
- a. -0.25
 - b. 0.25
 - c. -4
 - d. 4
- 22 The price elasticity of demand is defined as the responsiveness of
- a. price to a change in quantity demanded
 - b. quantity demanded to a change in price
 - c. price to a change in income
 - d. quantity demanded to a change in income
- 23 Suppose a department store has sale on its silverware. If the price of a plate-setting is reduced from 300 to 200 and the quantity demanded increases from 3000 plates to 5000 plates. What is the price elasticity of demand for silverware?
- a. .8
 - b. 1.0
 - c. 1.25
 - d. 1.50
- 24 A discount store has a special offer on CDs. It reduces their price from 150-100. Suppose the store manager observes that the quantity demanded increased from 700-1300 CDs. What is the price elasticity of demand for CDs?
- a. .8
 - b. 1.0
 - c. 1.25
 - d. 1.50
- 25 Suppose the demand for meals at medium –priced restaurant is elastic. If the management of the

restaurant is considering raising price , it can expect a relatively:

- a. large fall in quantity demanded
- b. large fall in demand
- c. small fall in quantity demanded
- d. small fall in demand

- 26 Point elasticity is useful for which of the following situations?
- a. the bookstore is considering doubling the price of notebooks
 - b. a restaurant is considering lowering the price of its most expensive dishes by 50%
 - c. an auto producer is interested in decreasing their expense by rupees. 100
 - d. none of the above
- 27 Demand for a good will tends to be more elastic if it exhibits which of the following characteristics
- a. its represents a small part of consumer's income
 - b. the good has many substitutes available
 - c.it is a necessity
 - d. there is little time for the consumer to adjust to the price change.
- 28 Demand for a good will tends to be more inelastic if it exhibits which of the following characteristics
- a. the good has many substitutes
 - b. the good is a luxury
 - c. the good is a small part of the consumer's income
 - d. there is a great deal of time for the consumer to adjust to the change in price
- 29 Total utility is maximum when :
- a. marginal utility is zero
 - b. marginal utility is at its highest point
 - c. marginal utility is equal to average utility
 - d. average utility is maximum
- 30 A choice that one makes about something after thinking about several possibilities
- a. decision making
 - b. planning
 - c. organising
 - d. controlling
- 31 Decisions taken without conscious thoughts and analysis.
- a. rational decisions
 - b. spontaneous decisions
 - c. analytical decisions
 - d. programmed decisions
- 32 Which of the following is the first step in decision making?
- a. discovering alternatives
 - b. evaluating alternatives
 - c. selecting the best alternative
 - d. problem identification
- 33 In case of a giffen goods, the demand curve will be :
- a. horizontal
 - b. downward-sloping to the right

- c. vertical
 - d. upward sloping to the right
- 34 The quantity purchased remain constant irrespective of the change in income. This is known as
- a. negative income elasticity of demand
 - b. income elasticity of demand less than one
 - c. zero income elasticity of demand
 - d. income elasticity of demand is greater than one.
- 35 A good which cannot be consumed more than once is known as
- a. durable good
 - b. non-durable good
 - c. producer good
 - d. none of the above
- 36 The quantity demanded of a good or service is the amount that
- a. consumer plan to buy during a given time period at a given price
 - b. first are willing to sell during a given time period at a given price
 - c. a consumer would like to buy but might not be able to afford
 - d. is actually bought during a given time period at a given price
- 37 Demand is
- a. unlimited wants of consumers
 - b. entire relationship between the quantity demanded and price of a good
 - c. willingness to pay for a good if income is larger enough
 - d. ability to pay for a good
- 38 With a fall in the price of a commodity :
- a. consumer's real income increase
 - b. consumer's real income decreases
 - c. there is no change in the real income of the consumer
 - d. none of the above
- 39 In economics, when demand for a commodity increase with a fall in its price it is known as :
- a. contraction of demand
 - b. expansion of demand
 - c. no change in demand
 - d. none of the above
- 40 Which of the following goods is likely to have perfectly inelastic demand?
- a. car
 - b. salt
 - c. cabbage
 - d. sugar
- 41 Which of the following is considered production in economics?
- a. tilling a soil
 - b. singing a song before friends
 - c. preventing a child from falling into a manhole on the road
 - d. painting a picture for pleasure
- 42 Diminishing marginal returns implies:
- a. decreasing average variable cost

- b. decreasing marginal costs
 - c. increasing marginal costs
 - d. decreasing average fixed costs
- 43 The short run, as economist use the phrase ,is characterized by:
- a. at least one fixed factor of production and firms neither leaving nor entering the industry
 - b. a period where law of diminishing returns does not hold
 - c. no variable inputs – that is all factors of production are fixed
 - d. all inputs being variable
- 44 To economist , the main difference between the short run and long run is that:
- a. In the short run all inputs are fixed , while in long run all inputs are variable
 - b. in the short run firm varies all its input to find the least cost combination of inputs
 - c. in the short run, at least one of the firm’s input level is fixed
 - d. in the long run , the firm is making a constrained decision about how to use existing plant efficiently
- 45 Which is the best definition of “production function” ?
- a. the relationship between market price and quantity supplies
 - b. the relationship between the firm’s total revenue and the cost of production
 - c. the relationship between the quantity of inputs needed to produce a given level of output
 - d. the relationship between the quantity of input and the firm’s marginal cost of production
- 46 The “law of diminishing returns” applies to
- a. the short run, but not the long run
 - b. the long run, but not the short run
 - c. both the short run and the long run
 - d. neither the short run nor the long run
- 47 Diminishing returns occurs :
- a. when units of a variable input are added to fixed input and total product falls
 - b. when units of a variable input are added to a fixed input and ,marginal product falls
 - c. when the size of the plant is increased in the long run
 - d. when the quantity of the fixed input is increased and returns to the variable input falls
- 48 Which of the following cost curve is never ‘U’ shaped?
- a. average cost curve
 - b. marginal; cost curve
 - c. average variable cost curve
 - d. average fixed cost curve
- 49 Which cost increases continuously with the increase in production ?
- a. average cost
 - b. marginal cost
 - c. fixed cost
 - d. variable cost
- 50 Which one of the following is a variable cost?
- a. cost of raw materials
 - b. cost of equipment
 - c. interest payment on past borrowings
 - d. payment of rent on building

- 51 In short run, when the output of a firm increase, its average fixed cost :
- increases
 - decreases
 - remain constant
 - first declines and then rises
- 52 Which one of the following is also known as planning curve?
- long run average cost curve
 - short run average cost curve
 - average variable cost curve
 - average total cost curve
- 53 The cost of one thing in terms of the alternative given up is known as
- production cost
 - physical cost
 - real cost
 - opportunity cost
- 54 With which of the following is the concept of marginal cost closely related
- variable cost
 - fixed cost
 - opportunity cost
 - economic cost
- 55 Which of the following statement is incorrect?
- when the average cost is rising, the marginal cost must also be rising
 - when the average cost is rising, the marginal cost must be falling
 - when the average cost is rising, the marginal cost is above the average cost
 - when the average cost is falling, the marginal cost must be rising
- 56 Which of the following is an example of “explicit cost”?
- the wages a proprietor could have made by working as an employee of a large firm
 - the income that could have been earned in alternative uses by the resourced owned by the firm
 - the payment of wages by the firm
 - the normal profit earned by a firm
- 57 Which of the following is an example of “implicit cost”?
- interest that could have been earned on retaining earnings used by the firm to finance expansion
 - the payment of rent by the firm for the building in which it is housed
 - the interest payment made by the firm for funds borrowed from the bank
 - the payment of wages by the firm
- 58 Marginal cost is defined as :
- the change in total cost due to a unit change in output
 - total cost divided by output
 - the change in output due to one unit change in an input
 - total product divided by the quantity of input
- 59 Which of the following is correct ?
- $ATC=AFC-AVC$
 - $AVC=AFC+ATC$
 - $AFC=ATC+AVC$

d. $AFC=ATC-AVC$

- 60 Which of the following is correct
- $TC=TFC-TVC$
 - $TVC=TFC-TC$
 - $TFC=TC-TVC$
 - $TC=TVC-TFC$
- 61 Suppose output increase in the short run. Total cost will:
- increase due to an increase in fixed cost only
 - increase due to an increase in variable costs only
 - increase due to an increase in both fixed and variable cost
 - decrease if the firm is in the region of diminishing returns
- 62 The production function is a relationship between a given combination of input and :
- another combination that yields the same output
 - the highest resulting output
 - the increase in output generated by one unit increase in one output
 - all level of output that can be generated by those inputs
- 63 The average product of labour is maximized when marginal product of labour :
- equals the average product of labour
 - equals zero
 - is maximized
 - none of the above
- 64 Identify the fixed cost from the following :
- labour cost
 - electricity bill
 - salary of watchman
 - cost of raw materials
- 65 Which of the following is a variable cost in the short run
- rent of the factory
 - wages paid to the factory labour
 - interest payment on borrowed financial capital
 - payment on the lease for factory equipment
- 66 If marginal cost equals average total cost ,
- average total cost is falling
 - average total cost is rising
 - average total cost is maximized
 - average total cost is minimized
- 67 In long run
- all inputs are fixed
 - all inputs are variable
 - at least one inputs is variable and one input is fixed
 - at most one input is variable and one input is fixed
- 68 Average product is defined as
- total product divided by the total cost
 - total product divide by the marginal product

- c. total product divided by the variable input
- d. marginal product divided by the variable input

- 69 Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is:
- a. 50
 - b. 100
 - c. 150
 - d. 200
- 70 The difference between average total cost and average variable cost
- a. is constant
 - b. is total fixed cost
 - c. gets narrow as output decreases
 - d. is average fixed cost
- 71 In the long-run, some firms will exit the market if the price of the good offered for sale is less than
- a. marginal revenue
 - b. marginal cost
 - c. average total cost
 - d. average revenue
- 72 Marginal cost changes due to change in_____
- a. total cost
 - b. average cost
 - c. variable cost
 - d. quantity of output
- 73 Which of the following statements is correct?
- a. fixed costs vary with change in output
 - b. if we add total variable cost and total fixed cost we get the average cost
 - c. marginal cost is the result of total cost divided by number of units produced
 - d. total cost is obtained by adding up the fixed cost and total variable cost

- 74 Assume that when price is Rs. 20, quantity demanded is 9 units, and when price is Rs. 19, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.
- a. 20
 - b. 19
 - c. 10
 - d. 1

- 75 Assume that when price is Rs.20, quantity demanded is 15 units, and when price is Rs.18, quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?
- a. 18
 - b. 16
 - c. 12
 - d. 28

- 76 Suppose a firm is producing a level of output such that $MR > MC$. What should be firm do to maximize its profits?
- a. The firm should do nothing.

- b. The firm should hire less labour.
- c. The firm should increase price.
- d. The firm should increase output.

- 77 Marginal Revenue is equal to :
- a. the change in price divided by the change in output.
 - b. the change in quantity divided by the change in price.
 - c. the change in $P \times Q$ due to a one unit change in output.
 - d. price, but only if the firm is a price .

- 78 Suppose that a sole proprietorship is earning total revenues of Rs. 1,00,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that :
- a. the firm is incurring an economic loss.
 - b. implicit costs are Rs. 25,000.
 - c. the total economic costs are Rs. 1,00,000.
 - d. the individual is earning an economic profit of Rs. 25,000.

- 79 Which of the following is not an essential condition of pure competition?
- a. Large number of buyers and sellers
 - b. Homogeneous product
 - c. Freedom of entry
 - d. Absence of transport cost

- 80 What is the shape of the demand curve faced by a firm under perfect competition?
- a. horizontal
 - b. vertical
 - c. positive sloped
 - d. negative sloped

- 81 Which is the first order condition for the profit of a firm to be maximum?
- a. $AC=MR$
 - b. $MC=MR$
 - c. $MR=AR$
 - d. $AC=AR$

- 82 Which of the following is not a characteristic of a “price taker”?
- a. $TR = P \times Q$
 - b. $AR = Price$
 - c. Negatively – sloped demand curve
 - d. $Marginal Revenue = Price$

- 83 Which of the following statements is false?
- a. Economic costs include the opportunity costs of the resources owned by the firm.
 - b. Accounting costs include only explicit costs.
 - c. Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs.
 - d. Accounting profit is equal to total revenue less implicit costs.

- 84 Decisions taken after systematic study and logical analysis of all the alternative solutions to a particular problem.
- a. rational decisions
 - b. spontaneous decisions

- c. analytical decisions
- d. programmed decisions

- 85 Decisions relating to employee's remuneration, leave, credit period to customers etc. are examples of
- a. Non-programmed decisions
 - b. Programmed decisions
 - c. Spontaneous decisions
 - d. Short run decisions
- 86 Which of the following is not a condition of perfect competition?
- a. A large number of firms.
 - b. Perfect mobility of factors.
 - c. Informative advertising to ensure that consumers have good information.
 - d. Freedom of entry and exit into and out of the market.
- 87 Which of the following is not a characteristic of a perfectly competitive market?
- a. Large number of firms in the industry.
 - b. Outputs of the firms are perfect substitutes for one another.
 - c. Firms face downward-sloping demand curves.
 - d. Resources are very mobile.
- 88 Which of the following is not a characteristic of monopolistic competition?
- a. Ease of entry into the industry.
 - b. Product differentiation.
 - c. A relatively large number of sellers.
 - d. A homogenous product.
- 89 All of the following are characteristics of a monopoly except :
- a. there is a single firm.
 - b. the firm is a price taker.
 - c. the firm produces a unique product.
 - d. the existence of some advertising.
- 90 Oligopolistic industries are characterized by :
- a. a few dominant firms and substantial barriers to entry.
 - b. a few large firms and no entry barriers.
 - c. a large number of small firms and no entry barriers.
 - d. one dominant firm and low entry barriers.
- 91 Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness?
- a. The individual firm must have fewer than 10 employees.
 - b. The individual firm faces a downward-sloping demand curve.
 - c. The individual firm has assets of less than Rs. 20 lakh.
 - d. The individual firm is unable to affect market price through its output decisions.
- 92 For the price-taking firm :
- a. marginal revenue is less than price.
 - b. marginal revenue is equal to price.
 - c. marginal revenue is greater than price.
 - d. the relationship between marginal revenue and price is indeterminate.

- 93 Monopolistic competition differs from perfect competition primarily because
- in monopolistic competition, firms can differentiate their products.
 - in perfect competition, firms can differentiate their products.
 - in monopolistic competition, entry into the industry is blocked.
 - in monopolistic competition, there are relatively few barriers to entry.
- 94 When accurate, measurable and reliable information on which to base decisions is available is called
- Decision making under uncertainty
 - Decision making under certainty
 - Decision making under risk
 - None of these
- 95 A monopolist is able to maximise his profits when :
- his output is maximum.
 - he charges a high price.
 - his average cost is minimum.
 - his marginal cost is equal to marginal revenue.
- 96 In which form of the market structure is the degree of control over the price of its product by a firm very large?
- monopoly
 - imperfect competition
 - oligopoly
 - perfect competition
- 97 Which is the other name that is given to the average revenue curve?
- profit curve
 - demand curve
 - average cost curve
 - indifference curve
- 98 Under which of the following forms of market structure does a firm have no control over the price of its product?
- Monopoly
 - Monopolistic competition
 - Oligopoly
 - Perfect competition
- 99 Discriminating monopoly implies that the monopolist charges different prices for his commodity :
- from different groups of consumers
 - for different uses
 - at different places
 - any of the above.
- 100 Price discrimination will be profitable only if the elasticity of demand in different market in which the total market has been divided is :
- uniform
 - different
 - less
 - zero

- 101 The Kinked demand hypothesis is designed to explain in the context of oligopoly
- Price and output determination
 - Price rigidity
 - Price leadership
 - Collusion among rivals.
- 102 The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that
- the firm has some, but not complete, control over its product price.
 - there are so many buyers and sellers in the market that any individual firm cannot affect the market.
 - each firm produces a homogeneous product.
 - there is easy entry into or exit from the market place.
- 103 Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that
- the firm operates in a perfectly competitive market.
 - the firm can sell all that it wants to at the established market price.
 - the XYZ Co. is not a price taker in the market because it must lower price to sell additional units of output.
 - the XYZ Co. will not be able to maximise profits because price and revenue are subject to change.
- 104 Which concept measures the impact of a decision alternative on both cost and revenue.
- concept of time perspective
 - incremental concept
 - opportunity concept
 - discounting concept
- 105 A company has temporary idle capacity. A customer places an order of 5000 units at the rate of Rs. 4 per unit. The variable cost of producing one unit is Rs. 3 per unit. Which of the following principle should the company consider either to accept or reject the order?
- discounting principle
 - opportunity cost principle
 - principle of time perspective
 - principle of incremental cost and revenue
- 106 Which of the following principle is based on time value of money?
- discounting principle
 - opportunity cost principle
 - principle of time perspective
 - principle of incremental cost and revenue
- 107 Which of the following concept considers that money earned in an earlier period is more valuable than the same amount of money earned in a later period
- concept of time value of money
 - incremental concept
 - opportunity cost concept
 - equi-marginal concept
- 108 The process of making objective assessment of demand for the product during a given future

- period in order to evolve an effective production plan for the period.
- a. inventory management
 - b. capital budgeting
 - c. demand forecasting
 - d. production management
- 109 Which of the following is a method of demand forecasting?
- a. survey method
 - b. market experimental method
 - c. statistical method
 - d. all of the above
- 110 One characteristic not typical of oligopolistic industry is
- a. horizontal demand curve.
 - b. too much importance to non-price competition.
 - c. price leadership
 - d. a small number of firms in the industry.
- 111 The structure of the toothpaste industry in India is best described as
- a. perfectly competitive
 - b. monopolistic.
 - c. monopolistically competitive
 - d. oligopolistic
- 112 The structure of the cold drink industry in India is best described as
- a. perfectly competitive.
 - b. monopolistic.
 - c. monopolistically competitive
 - d. oligopolistic.
- 113 Which of the following statements is incorrect?
- a. Even monopolistic can earn losses.
 - b. Firms in a perfectly competitive market are price takers.
 - c. It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
 - d. Kinked demand curve is related to an oligopolistic market.
- 114 Which of the following is not a survey method of demand forecasting?
- a. direct interview method
 - b. expert opinion method
 - c. delphi method
 - d. market experimental method
- 115 The method of demand forecasting in which opinions about the future demand for a product are collected from a panel of experts.
- a. delphi method
 - b. market experimental method
 - c. test marketing
 - d. statistical method
- 116 Which of the following are market experimental methods of demand forecasting?
- a. test marketing
 - b. controlled experiments
 - c. both (a) and (b)
 - d. survey method

- 117 Which method of demand forecasting is usually used for new products.
- trend projection method
 - statistical method
 - test marketing
 - none of these
- 118 Agricultural goods markets depict characteristics close to
- perfect competition.
 - oligopoly.
 - monopoly.
 - monopolistic Competition.
- 119 Which of the following is not a characteristic of a competitive market?
- There are many buyers and sellers in the market.
 - The goods offered for sales are largely the same
 - Firms generate small but positive super normal profits in the long run.
 - Firms can freely enter or exit the market.
- 120 Which of the following markets would most closely satisfy the requirements for a perfectly competitive market?
- Electricity
 - Cable television
 - Cola
 - Milk
- 121 The competitive firm maximizes profit when it produces output up to the point where
- price equals average variable cost
 - marginal revenue equals average revenue
 - marginal cost equals total revenue
 - marginal cost equals marginal revenue
- 122 The market for hand tools (such as hammers and screwdrivers) is dominated by Draper, Stanley, and Craftsman. This market is best described as
- Monopolistically competitive
 - a monopoly
 - an oligopoly
 - perfectly competitive
- 123 A market structure in which many firms sell products that are similar but not identical is known as
- monopolistic competition
 - monopoly
 - perfect competition
 - oligopoly
- 124 Which method of demand forecasting uses past sales data of a particular product.
- trend projection method
 - test marketing
 - survey method
 - expert opinion method
- 125 Which of the following is not a characteristic of a monopolistically competitive market?

- a. Free entry and exit
 - b. Abnormal profits in the long run
 - c. Many sellers
 - d. Differentiated products
- 126 In a very short period market :
- a. the supply is fixed
 - b. the demand is fixed
 - c. demand and supply are fixed
 - d. none of the above
- 127 Total revenue =
- a. price \times quantity
 - b. price \times income
 - c. income \times quantity
 - d. none of the above
- 128 Average revenue is the revenue earned
- a. per unit of input
 - b. per unit of output
 - c. different units of input
 - d. different units of output
- 129 Average Revenue can be symbolically written as;
- a. MR/Q
 - b. price \times quantity
 - c. TR/Q
 - d. none of the above
- 130 AR is also known as:
- a. price
 - b. income
 - c. revenue
 - d. none of the above
- 131 Marginal revenue can be defined as the change in total revenue resulting from the:
- a. purchase of an additional unit of a commodity
 - b. sales of an additional unit of a commodity
 - c. sale of subsequent units of a product
 - d. none of the above
- 132 The term market refers to a:
- a. place where buyer and seller bargain a product or service for a price
 - b. place where buyer does not bargain
 - c. place where seller does not bargain
 - d. none of the above
- 133 In perfect competition firm is the_____
- a. price maker and not price taker
 - b. price taker and not price maker
 - c. neither price maker nor price taker
 - d. none of the above

- 134 A Monopolist is the price
a. maker
b. taker
c. adjuster
d. none of the above
- 135 Price discrimination is one of the features of _____
a. monopolistic competition
b. monopoly
c. perfect competition
d. oligopoly
- 136 Under monopoly, degree of control over price is:
a. none
b. some
c. very considerable
d. none of the above
- 137 Generally, market for perishable like butter, eggs, milk, vegetables etc., will have
a. regional market
b. local market
c. national market
d. none of the above
- 138 Durable goods and industrial items exist in
a. local market
b. regional market
c. national market
d. secular market
- 139 Which of the following method of demand forecasting is not a statistical method?
a. expert opinion method
b. trend projection method
c. correlation and regression analysis
d. econometric method
- 140 Stock exchange market is the example for
a. unregulated market
b. regulated market
c. spot market
d. none of the above
- 141 The market for the ultimate consumers is known as
a. whole sale market
b. regulated market
c. unregulated market
d. retail market
- 142 The condition for pure competition is a
a. large number of buyer and seller, free entry and exist
b. homogenous product
c. both (a) and (b)
d. large number of buyer and seller, homogenous product, perfect knowledge about the product

- 143 Pure oligopoly is based on the _____ products
- differentiated
 - homogeneous
 - unrelated
 - none of the above
- 144 When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as
- first degree of price discrimination
 - second degree of price discrimination
 - third degree of price discrimination
 - none of the above.
- 145 Under _____ the monopolist will fix a price which will take away the entire consumers' surplus.
- second degree of price discrimination
 - first degree of price discrimination
 - third degree of price discrimination
 - none of the above
- 146 Price discrimination is related to
- time
 - size of purchase
 - income
 - any of the above
- 147 In describing a given production technology, the short run is best described as lasting
- up to six months from now
 - up to five years from now
 - as long as all inputs are fixed
 - as long as at least one input is fixed
- 148 Which of the following is the first step in demand forecasting?
- selection of a method of forecasting
 - data collection and analysis
 - identification of objectives
 - interpretation of results
- 149 Under which of the following approach of demand forecasting for new product, the demand is considered as an extension of demand of an existing product.
- substitute approach
 - evolutionary approach
 - growth curve approach
 - opinion poll approach
- 150 Under which of the following approach of demand forecasting for new product, the responses of customers are analysed indirectly through the dealers.
- substitute approach
 - evolutionary approach
 - growth curve approach
 - vicarious approach

- 151 Which of the following is not a limitation of demand forecasting?
(a) chances of errors
(b) exactness in predicting the future
(c) time consuming
(d) requires large amount of money
- 152 The economies of large scale operations are classified as
(a) internal economies
(b) external economies
(c) both (a) and (b)
(d) None of these
- 153 The costs which can be avoided or reduced if a business firm cut short its business activities
(a) escapable cost
(b) abandonment cost
(c) shut down cost
(d) all of these

- If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of:
(a) Constant returns to scale.
(b) Increasing returns to scale.
(c) Decreasing returns to scale.
(d) None of these.

- 155 The vertical difference between TVC and TC is equal to:
(a) MC.
(b) AVC.
(c) TFC.
(d) None of these
- 156 Price taker firms:
(a) Advertise to increase the demand for their products.
(b) Do not advertise because most advertising is harmful for the society.
(c) Do not advertise because they can sell as much as they want at the current price.
(d) Who advertise will get more profits than those who do not.
- 157 The AR curve and industry demand curve are same:
(a) In the case of monopoly.
(b) In the case of oligopoly.
(c) In the case of perfect competition.
(d) None of the above
- 158 When the price of a substitute of X commodity falls, the demand for X ———.
(a) Rises
(b) Falls
(c) Remains unchanged
(d) Any of the above.
- 159 The law of variable proportions come into being when ————.
(a) There are only two variable factors.
(b) There is a fixed factor and a variable factor.

- (c) All factors are variable.
(d) Variable factors yield less
- 160 _____ is an implicit cost of production.
(a) Wages of the labour.
(b) Charges for electricity.
(c) Interest on owned money capital.
(d) Payment for raw material.
- 161 Which of the following is an unavoidable cost
(a) variable cost
(b) historical cost
(c) shut down cost
(d) fixed cost
- 162 The cost at which an asset is originally purchased
(a) replacement cost
(b) current cost
(c) historical cost
(d) future cost
- 163 Cost of idle time of workers is an example of
(a) shut down cost
(b) replacement cost
(c) abandonment cost
(d) future cost
- 164 Which of the following is short run cost?
(a) fixed cost
(b) variable cost
(c) both (a) and (b)
(d) none of these
- 165 Monopoly situation in which there is only a single seller of product having no close substitute.
(a) imperfect monopoly
(b) perfect monopoly
(c) both (a) and (b)
(d) none of these
- 166 Monopoly situation in which there is only a single seller of product having close substitute.
(a) imperfect monopoly
(b) perfect monopoly
(c) both (a) and (b)
(d) none of these
- 167 Monopoly situation where the monopoly firm charges different price to different customers for the same product.
(a) private monopoly
(b) public monopoly
(c) discriminating monopoly
(d) technological monopoly
- 168 Monopoly situation where a number of business firms acquire monopoly position through

amalgamation, cartels etc.

- (a) private monopoly
 - (b) public monopoly
 - (c) discriminating monopoly
 - (d) joint monopoly
- 169 Monopoly situation which emerges on account of trademarks, patents, copy rights etc.
- (a) natural monopoly
 - (b) legal monopoly
 - (c) technological monopoly
 - (d) private monopoly
- 170 Price leadership is a feature of
- (a) monopoly
 - (b) oligopoly
 - (c) perfect competition
 - (d) all of these
- 171 Which of the following is a democratic form of price leadership?
- (a) barometric price leadership
 - (b) aggressive price leadership
 - (c) both (a) and (b)
 - (d) none of these
- 172 Which of the following is an example of collusive oligopoly?
- (a) cartel
 - (b) OPEC
 - (c) both (a) and (b)
 - (d) none of these
- 173 Which of the following is autocratic form of price leadership?
- (a) barometric price leadership
 - (b) aggressive price leadership
 - (c) both (a) and (b)
 - (d) none of these
- 174 A market situation in which there are only two sellers either selling identical or differentiated products.
- (a) monopsony
 - (b) bilateral monopoly
 - (c) duopoly
 - (d) oligopsony
- 175 A market situation in which there is only one buyer in the market.
- (a) Monopsony
 - (b) bilateral monopoly
 - (c) duopoly
 - (d) oligopsony
- 176 A market situation in which there is only a single seller and a single buyer.
- (a) monopsony
 - (b) bilateral monopoly
 - (c) duopply

- (d) oligopsony
- 177 Law of demand explains inverse relationship between
(a) price and demand
(b) income and demand
(c) demand and income
(d) none of these
- 178 The law of variable proportion is associated with
(a) short period
(b) long period
(c) both short and long period
(d) neither short nor long period
- 179 Iso-quant is also known as
(a) production possibility curve
(b) production indifference curve
(c) indifference curve
(d) none of these
- 180 If equilibrium is present in a market, then
(a) quantity demanded is equal to quantity supplied
(b) quantity demanded exceeds quantity supplied
(c) quantity supplied exceeds quantity demanded
(d) the price of the product will tend to rise
- 181 Decisions taken by the board of directors is an example of
(a) individual decision
(b) group decision
(c) both (a) and (b)
(d) None of these
- 182 Fixed cost curve is normally
(a) starts from the origin
(b) U shaped
(c) vertical
(d) horizontal
- 183 Which cost increases continuously with the increase in production?
(a) Average cost
(b) Marginal cost
(c) Fixed cost
(d) Variable cost
- 184 As the price of commodity increases, normally its supply
(a) decreases
(b) remain unchanged
(c) increases
(d) can't be determined
- 185 The law of demand refers to _____.
(a) price-supply relationship
(b) price-cost relationship

- (c) price-demand relationship
 - (d) price-income relationship
- 186 Increasing returns imply _____.
- (a) constant average cost
 - (b) diminishing cost per unit of output
 - (c) optimum use of capital and labour
 - (d) external economies
- 187 Total utility starts decreasing when
- (a) marginal utility is positive
 - (b) marginal utility is negative
 - (c) marginal utility is zero
 - (d) none of these
- 188 Marginal utility from the consumption of a commodity would be zero when
- (a) total utility is zero
 - (b) total utility is rising
 - (c) total utility is highest
 - (d) total utility is falling
- 189 In a typical demand schedule, quantity demanded:
- (a) varies directly with price
 - (b) varies proportionately with price
 - (c) varies inversely with price
 - (d) is independent of price
- 190 The concept of returns to scale is related with
- (a) very short period
 - (b) short period
 - (c) long period
 - (d) none of these
- 191 Which curve is also called envelop curve?
- (a) long run MC curve
 - (b) MC curve
 - (c) long run average cost curve
 - (d) none of these
- 192 If 20% fall in price of commodity brings 40% increase in demand, then the demand for commodity is treated as
- (a) inelastic
 - (b) elastic
 - (c) highly elastic
 - (d) perfectly elastic
- 193 The following are some of the costs of a clothing manufacturer. State which among them will you consider as fixed cost?
- (a) Cost of cloth
 - (b) Piece wages paid to workers
 - (c) Depreciation on machines owing to time
 - (d) Cost of electricity for running machines

- 194 Law of diminishing returns is applicable in
(a) agriculture
(b) manufacturing industry
(c) neither (a) nor (b)
(d) all economic activities at a point of time
- 195 The sale of branded articles is common in a situation of _____.
(a) excess capacity
(b) monopolistic competition
(c) monopoly
(d) pure competition
- 196 Which of the following market situations explains marginal cost equal to price for attaining equilibrium?
(a) Perfect competition.
(b) Monopoly
(c) Oligopoly.
(d) Monopolistic competition
- 197 The period of time in which the plant capacity can be varied is known as
(a) The short period
(b) The market period
(c) The long period
(d) All of the above.
- 198 When price elasticity of demand is zero, the slope of the demand curve will be
(a) horizontal
(b) vertical
(c) sloping downwards
(d) none of these
- 199 Which of the following is not microeconomic subject matter?
(a) The price of apples.
(b) The cost of producing a fire truck for the fire department of Delhi, India
(c) The quantity of apples produced for the apple market.
(d) The national economy's annual rate of growth.
- 200 Giffen goods are those goods _____
(a) For which demand increases as price increases
(b) That have a high income elasticity of demand
(c) That are in short supply
(d) None of these