SEMESTER 3

MICRO ECONOMIC ANALYSIS

1. Given the supply of a commodity in the market period , the price of the commodity is determined by;
   a. The market demand curve alone
   b. The market supply curve alone
   c. The market demand curve and the market supply curve
   d. None of the above

2. Total profits are maximised where;
   a. TR equals TC
   b. The TR curve and TC curve are parallel
   c. The TR curve and TC curve are parallel and TC exceeds TR
   d. The TR curve and the TC curve are parallel and TR exceeds TC
3. At the best or optimum, short run level of output , the firm will be;
   a. Maximising total profits
   b. Minimizing total losses
   c. Either maximising total profits or minimising total losses
   d. Maximising profits per unit
4. The best ,or optimum, short run level of output for a perfectly competitive firm is given by the point where
   a. MR equals AC
   b. MR equals MC
   c. MR exceeds MC by the greatest amount
   d. MR equals MC and MC is rising
5. If price (P) exceeds AVC but is smaller than AC at the best level of output , the firm is
   a. Making a profit
   b. Incurring a loss but should continue to produce in the short run
   c. Incurring a loss and should stop producing immediately
   d. Breaking even
6. At the shut- down point
   a. P = VC
   b. TR = TVC
   c. The total losses of the firm equal TFC
   d. All of the above
7. The short- run sup-ply curve of the perfectly competitive firm is given by ;
   a. The rising portion of its MC curve over and above the shut- down point.
   b. The rising position of its MC curve over and above the break- even point.
   c. The rising portion of its MC curve over and above the AC curve.
   d. The rising of position of its MC curve
8. When the perfectly competitive firm and industry are both in long- run equilibrium
   a. P =MR = SMC = LMC
   b. P = MR = SAC =LAC
   c. P = MR= lowest point on the LAC curve

d. All of the above

9. When the perfectly competitive firm but not the industry is in long run equilibrium
   a. P =MR = SMC = SAC
   b. P = MR= LMC = LAC
   c. P = MR = SMC = LMC ≠ SAC= LAC
   d. P = MR = SMC = LMC ≠SAC = lowers point on the LAC curve
10. An increase in output in a perfectly competitive and constant cost industry which is in long run equilibrium will come ;
    a. Entirely from new firms.
    b. Entirely from existing firms.
    c. Either entirely from new firms or entirely from existing firms.
    d. Partly from new firms and partly from existing firms.
11. If factors prices and factor quantities move in the same direction ,we have
    a. A constant cost industry
    b. An increasing cost industry
    c. A decreasing cost industry
    d. Any of the above
12. Which type of competition leads to exploitation of consumer
    a. Monopoly
    b. Monopolistic competition
    c. Oligopoly
    d. All of the above
13. A situation in which the numbers of competitive firms is very large is known as,
    a. Monopoly
    b. Perfect competition
    c. Oligopoly
    d. Duopoly
14. Which of the following curve is not U shaped
    a. AVC
    b. AFC
    c. AC
    d. D.MC
15. If the demand curve confronting an individual firm is perfectly elastic, then firm is;
    a. Price taker
    b. Adjust output
    c. Adjust price
    d. All of these
16. Under perfect competition an individual firm is
    a. Price maker
    b. Price taker
    c. Price controller
    d. All of the above
17. Which of the following is/ are the assumption (s) of perfect competition.
    a. Large number of buyers and seekers
    b. Homogenous product
    c. Freedom of entry and exist
    d. All of the above
18. When the demand curve is elastic, MR is ;
    a. 1
    b. 0

c. positive
d. negative

19. When elasticity is equal to one, the MR will be
    a. zero
    b. one
    c. negative
    d. infinitive
20. When elasticity of demand is less – elastic the MR will be;
    a. zero
    b. one
    c. negative
    d. infinitive
21. The MR will be zero , when;
    a. Elasticity of demand equal to one
    b. Elasticity of demand will be zero
    c. Elasticity of demand is infinitive
    d. All of the above
22. The best, or optimum, level of output for the pure monopolist occurs at the point where;
    a. STC is minimum
    b. TR = STC
    c. TR is maximum
    d. The TR and STC curves are parallel
23. At the best , or optimum, level of output for the pure monopolist
    a. MR = SMC
    b. P = SMC
    c. P = lowest SAC
    d. P is highest
24. In the short run, the monopolist
    a. Breaks even
    b. Incurs a loss
    c. Makes a profit
    d. Any of the above
25. If the monopolist incurs losses in the short run, then in the long run;
    a. The monopolist will go out of the business
    b. The monopolist will stay in the business
    c. The monopolist will break even
    d. Any of the above is possible
26. The monopolist who is in ;
    a. Short- run equilibrium will also be in a long run equilibrium
    b. Long- run equilibrium will also be in short run equilibrium
    c. Long –run equilibrium may or may not be in short run equilibrium
    d. None of the above
27. In the long run equilibrium , the pure monopolist can make pure profits because of;
    a. Blocked entry
    b. High selling price
    c. Low LAC costs
    d. Advertising
28. The position of a maximum price at the point where the monopolists SMC curve intersects the D (demand) curve causes the monopolist to

a. Break even
b. Incur losses
c. Make profits
d. Any of the above

29. The imposition of a per –unit tax causes monopolists'
    a. SAC curve alone to shift up
    b. SAC and SMC curves to shift up because per – unit tax is like a fixed cost.
    c. SAC and SMC curves to shift up because per unit tax is like a variable cost.
    d. None of the above
30. Which form of monopoly regulation is most advantageous for the consumer
    a. Price control
    b. Lump- sum tax
    c. Per unit tax
    d. All of the above
31. If the demand curves for a monopolist commodity are identical in two separate markets, then ,by practicing third- degree price determination, the monopolist:
    a. will increase TR and total profits
    b. can increase TR and total profits
    c. cannot increase TR and total profits
    d. will charge a different price in different markets
32. Price discrimination is the practice adopted by ………………….. market
    a. perfect completion
    b. monopoly
    c. oligopoly
    d. monopolistic competition
33. Dumping relates to;
    a. price discrimination
    b. shut – down
    c. interdependence
    d. monopolistic competition
34. Market with one Buyer and one seeler is called,
    a. monopsony
    b. monopoly
    c. bilateral monopoly
    d. none of the above
35. Factors responsible for creating conditions for emergence and growth of monopoly are
    a. patents
    b. control over strategic raw materials
    c. licensing
    d. all of the above
36. A situation with only one buyer is called
    a. Monopoly
    b. Oligopoly
    c. Monopsony
    d. Perfect competition
37. The act related with the regulation of monopoly
    a. MRTP
    b. FERA
    c. FEMA
    d. FRBM

38. There is a single seller of a commodity which has no close substitutes can be termed as
   a. Pure oligopoly
   b. Pure monopoly
   c. Monopoly
   d. Oligopoly
39. When the TR and STC curves are parallel , it shows the point where the monopolist reaches
   a. Best level of profit only
   b. Best level of out put
   c. Best level of rivals price
   d. All of the above
40. In the long run , due to blocked entry pure profits can be made by
   a. Pure monopolist
   b. Pure oligopolist
   c. Pure duopolistic
   d. None of the above
41. The monopolist shift up the SAC and SMC curve because of the imposition of;
   a. A per unit tax
   b. A per unit price
   c. Lump sum tax
   d. All of the above
42. Price control is one of the monopoly regulation which is most advantageous for;
   a. The consumer
   b. The government
   c. The producer
   d. All of these
43. The AR curve and industry demand curve are some;
   a. In case of monopoly
   b. In case of perfect competition
   c. In case of pure competition
   d. In case of oligopoly
44. The author of the book the "Economics of Welfare "
   a. J.M. Keynes
   b. J.R. Hicks
   c. A.C. Pigou
   d. J. Bhagavathi
45. The three degrees of price discrimination related with
   a. J.M Keynes
   b. A.C.Pigou
   c. E. Chamberlin
   d. J. Bhagavathi
46. The demand curve becomes the MR curve of the monopolist;
   a. In case of first degree price discrimination.
   b. In case of second degree price discrimination
   c. In case of third degree price discrimination
   d. All of the above cases
47. The practice of selling same product at different prices to different customers is called ………………………
   a. Price determination
   b. Price discrimination

c. Price rationing
d. Price ceiling

48. The assumption not related with pure competition;
    a. Large numbers of sellers and buyers
    b. Product homogeneity
    c. Free entry and exit of firms
    d. Perfect knowledge
49. The assumption not related with pure competition
    a. Free entry and exit of firms
    b. Perfect mobility of factors of production
    c. Product homogeneity
    d. Profit maximization
50. The condition not applicable to pure competition
    a. Perfect knowledge
    b. Free entry and exit of firms
    c. Product homogeneity
    d. Large numbers of sellers and buyers
51. In monopolistic competition , we have ;
    a. Few firms selling a differentiated product
    b. Many firms selling a homogenoces product
    c. Few firms selling a homogenoces product
    d. Many firms selling a differentiated product
52. The short run equilibrium level of output for a monopolistic competitor is given by the point where
    a. P = SMC
    b. P = SAC
    c. The MR curve intersects the SMC curve
    d. The MR curve intersects the SMC curve from the below and P ≥ AVC
53. The short run supply curve of the monopolistic competitor,
    a. Cannot be defined
    b. is given by the rising portion of monopolistic competitors SMC curve
    c. is given by the rising portion of monopolistic competitors SMC curve over and above AVC
    d. can be defined only if factor prices remain constant
54. When the industry is in long – run equilibrium the monopolistic competitor will produce at the lowest point on its LAC curve.
    a. Always
    b. Never
    c. Some times
    d. Cannot say
55. The theory of monopolistic competition is developed by
    a. E.H. Chamberlin
    b. Cournot
    c. Mrs. Joan Robinson
    d. Adam smith
56. Chamberlains concepts of “product group”may be defined as,
    a. Products that have infinite cross elasticity of demand.
    b. Products that are close technological and economic substitutes.
    c. Homogenous products with different brand names
    d. Product that have infinite elasticity of substitution

57. Under monopolistic competition there can be freedom of entry in the sense of freedom to produce.
   a. Close substitutes
   b. Perfect substitutes
   c. Complementary goods
   d. Perfect complementary goods
58. The sale of ‘branded’ articles is common in a situation of
   a. Excess capacity
   b. Monopolistic competition
   c. Monopoly
   d. Pure competition
59. Monopolistic competition takes account of all the following except
   a. Selling cost
   b. Product differentiation
   c. Price competition
   d. Reaction function
60. Chamberlin’s measure of excess capacity is.
   a. More than what is normally understood an excess capacity
   b. The same what is normally understood an excess capacity
   c. Less than what is normally understood an excess capacity
   d. Zero
61. Selling cots are incurred under monopolistic competition to
   a. Attract more customers
   b. Prevent its customers from going to others
   c. Establish superiority of its product vis – a – vis other
   d. All of the above
62. The term ‘ group equilibrium ‘ is related to
   a. Perfect competition
   b. Oligopoly
   c. Duopoly
   d. Monopolistic competition
63. The author of the book ‘ Theory of Monopolistic Competition’
   a. E. Chamberlin
   b. J. Robinson
   c. Piero sraffa
   d. Cournot
64. The author of the book ‘ the economics of imperfect of imperfect c competition’
   a. E. Chamberlin
   b. J. Robinson
   c. Piero sraffa
   d. Cournot
65. Product differentiation gives rise to a ………………. demand curve for the product of the firm.
   a. Negatively sloping
   b. Positively sloping
   c. Inelastic
   d. Perfectly inelastic
66. Under monopolistic competition, individual demand curve is
   a. Planned sales curve
   b. Market demand curve

c. Kinked demand curve
d. Indifference curve

67. Product differentiation creates
    a. Price
    b. Product
    c. Brand loyalty
    d. Price discrimination
68. The assumption related with monopolistic competition.
    a. There is large number of sellers and buyers in the 'group'
    b. The products of the sellers are differentiated
    c. There is free entry and exit of firms in the group
    d. All of the above
69. The assumption related to monopolistic competition
    a. Homogenous product
    b. Price discrimination
    c. Differentiated products
    d. All of the above
70. Chamberlin argues that the selling cost curve is
    a. L shaped
    b. U shaped
    c. Saucer shaped
    d. Vertical straight line
71. Under monopolistic competition , the U shaped selling cost, added to the U shaped production cost yields,
    a. U Shaped ATC Curve
    b. S shaped ATC curve
    c. Upward ATC curve
    d. None of these
72. Non price competition is the characteristics of
    a. Perfect competition
    b. Pure competition
    c. Monopoly
    d. Monopolistic competition
73. Selling cost is the characteristics of
    a. Perfect competition
    b. Pure competition
    c. Monopoly
    d. Monopolistic competition
74. In the kinked demand curve models the oligopolists,
    a. Recognize their interdependence
    b. Do not collude
    c. Tend to keep prices constant
    d. All of the above
75. The centralized cartel
    a. Leads to the monopoly solution
    b. Behaves as the multi plant monopolist if it wants to minimize the total costs of production
    c. Domestic formation is illegal
    d. All of the above
76. A market sharing cartel will reach the monopoly solution

a. Some times
b. Always when the product is homogenous
c. Always when the product is differentiated
d. Never

77. In case of price leadership of the dominant firm all the firms in the purely oligopolistic industry will produce their best level of output.

a. Always
b. Never
c. Sometimes
d. Often

78. If an oligopolist incurs losses in the short run, then in the long run

a. The oligopolist will go out of business
b. The oligopolist will stay in business
c. The oligopolist will break even
d. Any of the above is possible

79. Competition among the few related to

a. Perfect competition
b. Monopoly
c. Duopoly
d. Oligopoly

80. The number of seller under duopoly

a. One
b. Two
c. Large
d. Few

81. The number of sellers under oligopoly

a. One
b. Two
c. Large
d. Few

82. Which of the following is the assumption of oligopoly

a. Large number of firms
b. No close substitutes
c. Interdependence
d. Administered price

83. Which of the following is not an assumption of oligopoly

a. Interdependence
b. Advertising and selling cost
c. Few firms
d. Government regulated prices

84. Which of the following is the assumption of oligopoly

a. Interdependence
b. Advertising and selling cost
c. Few firms
d. All the above

85. Indeterminateness of the demand curve is the feature of ………………..

a. Oligopoly
b. Monopoly
c. Perfect competition
d. Monopolistic competition

86. Collusive agreements are the feature of

a. Oligopoly
b. Monopoly
c. Perfect competition
d. Monopolistic competition

87. The author of the ‘Competition Among the Few’

a. E Chamberlin
b. Cournot
c. W. Fellner
d. Paul M Sweezy

88. Cartels aiming at ‘joint profit maximization’ is identical with

a. Multiplant monopolist
b. Oligopolist
c. Monopolist
d. None of these

89. Oligopoly with homogenous products related to
    a. Pure oligopoly
    b. Differentiated oligopoly
    c. Perfect oligopoly
    d. None of these

90. Direct (Secret) agreements among the competing oligopolist with the aim of reducing the uncertainty arising from their mutual independence are called………………..
    a. Pure oligopoly
    b. Differentiated oligopoly
    c. Cartels
    d. Perfect oligopoly

91. Cartels included in the category of
    a. Collusive oligopoly
    b. Non collusive oligopoly
    c. Price leadership
    d. All of the above

92. Price leaderships included in the category of
    a. Non collusive oligopoly
    b. Collusive oligopoly
    c. Cartels
    d. All of the above

93. The practice of setting price by one firm and the other firms follow the price is known as
    a. Price leadership
    b. Price imitation
    c. Price competition

d. All of the above

94. The name associated with the traditional theory of price leadership

a. Adam smith
b. Fellner
c. Cournot
d. W. W Haynes

95. Which of the following is related with theory of price leadership

a. The model of low cost firm
b. The model of large (dominant) firm
c. Barometric price leadership model
d. All of the above

96. Under dominant firm model of price leadership the small firms are

a. Price takers
b. Price makers
c. Price competitors
d. Price setters

97. Barometric price leadership may be established due to

a. Rivalry between several large firms in the industry may make it impossible to accept one among them as the leader
b. Followers avoid the continuous recalculations of costs as economic conditions change
c. The barometric firm usually has proved itself a reasonably good forecaster of changes in cost and demand conditions in the particular industry and the economy as a whole
d. All of the above

98. …………………………introduced the kinked – demand curve as an operational tool for the determination of the equilibrium in the oligopolistic market

a. P. Sweezy
b. Cournot
c. J Bertrand
d. Adam Smith

99. Price rigidity is expressed in

a. Kinked demand curve
b. More elastic demand curve
c. Market demand curve
d. Individual demand curve

100. As per kinked demand model, price rigidity is the characteristic of

a. Monopoly
b. Oligopoly
c. Perfect competition
d. Monopolistic competition

101. The upper section of kinked demand curve

a. More price elastic
b. Less price elastic
c. Unitary elastic
d. All of the above

102. The lower section of kinked demand curve is

a. More price elastic
b. Less price elastic
c. Unitary elastic
d. All of the above

103. The name associated with Limit Pricing Theory

a. J R Hicks
b. J Bain
c. R G D Allen
d. F Modiglian

104. In collusive oligopoly for joint profit maximization

a. The highest cost firm makes the highest profit
b. The lowest cost firm makes the highest profit
c. The lowest cost firm produces the largest output
d. None of the above is true

105. A kinked demand curve is most consistent with which one of the following market situation?

a. Pure competition
b. Pure monopoly
c. Oligopoly
d. Monopolistic competition

106. A kinked demand curve has

a. A lower elasticity above the point of kink and a higher elasticity below it
b. A higher elasticity above the point of kink and a lower elasticity below it
c. A uniform elasticity both above and below the point of kink
d. None of the above

107. The kinked demand model explained……………………….

a. Price rigidity
b. Price flexibility
c. Demand flexibility
d. Demand rigidity

108. The kinked demand curve is reflected in a discontinuing in the …………………….

a. T R curve
b. MC Curve
c. AR Curve
d. MR Curve

109. Limit pricing based on scale – barriers to entry was introduced by

a. Clark
b. Sylos – Labini
c. W Andrews
d. Walras

110. Kinked demand curve is theory of

a. Monopoly
b. Collusive oligopoly

c. Non collusive oligopoly
d. None of these

111. Price leadership can be on the basis of
a. Low cost price leader
b. Dominant firm price leader
c. Both of the above
d. None of the above

112. Bain’s Limit Pricing Theory gives emphasis on
a. Threat of potential entry
b. Threat of actual eatery
c. Price war
d. Non- price war

113. The theory of factor prices is known as
a. Theory of distribution
b. Theory of production
c. Theory of consumption
d. Theory of savings

114. Distribution of national income among various individuals or persons in a society is called
a. Functional distribution
b. Personal distribution
c. Both of the above
d. None of the above

115. Factor rewords consider under
a. Functional distribution
b. Personal distribution
c. Income distribution
d. All of the above

116. Theory of functional distribution means
a. Theory of consumption

b. Theory of investment

c. Theory of factor pricing

d. All of the above

117. The distribution of national income to groups of productive factors is called................

a. Personal distribution

b. Functional distribution

c. Redistribution

d. All of these

118. The total number of units of a commodity produced by a specific number of units of a particular factor of production is called……………

a. TPP

b. APP

c. TRP

d. ARP

119. The number of units of a commodity produced per unit of a productive factor is called………………..

a. TPP

b. APP

c. TRP

d. ARP

120. The ratio of total physical product to the number of units employed of a factor is called…………..

a. TPP

b. APP

c. TRP

d. ARP

121. If TPP = 1000 , number of factor units = 10, the amount of APP will be

a. 1000

b. 100

c. 10

d. 50

122. The addition made to the total physical product by employing one more unit of a given factor of production is called…………….

a. TPP
b. APP
c. MPP
d. MRP

123. The name associated with neo – classed marginal productivity theory

a. J.B clark
b. Wickstead
c. Jevons
d. All of the above

124. According to neo classical marginal productivity theory the price of a factor is determined by ………….

a. The marginal product
b. The marginal cost
c. The marginal benefit
d. The marginal rate of technical substitution

125. The earliest enunciation of the marginal productivity theory of distribution was attempted by,

a. Ricardo
b. Longfield
c. Henry George
d. All of them

126. The demand for productive factor is

a. Direct Demand
b. Derived Demand
c. Individual demand
d. None of these

127. The amount of money received by the producer from the sale of total physical product turned out by a creation number of units of a productive factor is called ---------------.

a. TPP
b. TRP
c. TP

d. None of these

128. The revenue product per unit of a given factor employed through the sale of the total product is known as…………………

a. TRP
b. TPP
c. ARP
d. APP

129. The ratio of total revenue product to the number of units of a factor of production is known as……………..

a. TRP
b. TPP
c. ARP
d. APP

130. According David Ricardo, rent is a
a. Surplus
b. Cost
c. Revenue
d. None of these

131. Quasi Rent was introduced by
a. Marshall
b. J .S. mill
c. J. M .Keynes
d. Davis Ricardo

132. The author of ‘The Principles of Political Economics’
a. Adam Smith
b. J. S mill
c. Davis Ricardo
d. Marshall

133. By “original and indestructible power of the soil” David Ricardo means
a. Fertility of the soil
b. Rent of soil
c. Value of the soil
d. None of these

134. In the long run, quasi rent will be
a. Zero
b. Negative
c. Positive
d. Infinitive

135. According to Ricardo, increase in population will lead to
a. Increase in price of food grains
b. Increase in rent

c. Both of the above
d. None of these

136. According to the Ricardian Theory rent is
    a. Difference of product of superiors land and inferior land
    b. Difference of income between smaller farmers and bigger farmers
    c. Surplus of product of all categories of land above the marginal land
    d. None of these
137. According to the Modern theory, rent arises on
    a. Labour only
    b. Land only
    c. Capital only
    d. All factors
138. According to the Modern Theory, rent is the difference between
    a. Actual earnings and transfer earnings
    b. A land's produce and B land's produce
    c. Reward of marginal and sub marginal units of a factor
    d. All of these
139. Quasi rent is a
    a. Short period phenomenon
    b. Long period phenomenon
    c. Time phenomenon
    d. None of the above
140. The modern Theory of rent has been developed by
    a. J.M. Keynes
    b. Alfred Marshall
    c. Joan Robinson
    d. D .H .Robertson
141. The rent of land is a return for the use of the original and indestructible powers of the soil was the essence of the theory proposed by
    a. Adam smith
    b. J M Keynes
    c. David Ricardo
    d. J S Mill
142. The modern theory of rent was originally developed by
    a. J S Mill
    b. J B Say
    c. J M Keynes
    d. Marshall
143. Quasi rent is
    a. Excess of total product over total cost
    b. Excess of total revenue over total variable cost
    c. Excess of total utility over average utility
    d. All of the above
144. Economic rent is earned by a factor when its
    a. Supply is perfectly elastic
    b. Supply is inelastic
    c. Supply is more than its demand
    d. Demand is less than its supply
145. The quantity of goods and services that a worker can buy through money wages received by him can be regarded as his ………………..wages

a. Real
b. Nominal
c. Flexible
d. Rigid

146. The classical theory of interest is associated with
a. Marshall
b. Pigou
c. Cassel
d. All of the above

147. The classical theory of interest is not associated with
a. Knight
b. Taussig
c. Marshall
d. Sen

148. Which theory is called as the Neo – classical theory of rate of interest
a. The Keynesian theory
b. Liquidity preference theory
c. The time preference theory
d. Loanable fund theory

149. In the classical theory the rate of interest is determined by the
a. Supply of investment and saving
b. Demand for investment and saving
c. Equality between the demand for and supply of investment and saving
d. None of these

150. The classical theory of interest lays more emphasis on
a. Real factors
b. Monetary factors
c. Liquidity preference
d. All of these

151. According to the Neo – classical theory of interest the equilibrium rate of interest is determined by
a. Demand for lonable funds
b. Supply of lonable funds
c. Demand for and supply of lonable funds
d. None of these

152. Demand for lonable funds includes
a. Hoarding
b. Investment
c. Dissaving
d. All of the above

153. Supply of lonable funds includes
a. Savings
b. Dishoarding
c. Bank money
d. All of the above

154. Supply of lonable fund include
a. Disinvestment
b. Dishoarding
c. Bank money
d. All of the above

155. Neo classical theory of interest is also known as
   a. Real theory
   b. Lonable funds theory
   c. Real bill theory
   d. Liquidity preference theory
156. Interest is paid for postponing
   a. Consumption
   b. Saving
   c. Investment
   d. None of these
157. "Interest is the reward for parting with liquidity" according to
   a. Alfred Marshall
   b. J M Keynes
   c. Von Haberler
   d. B Ohlin
158. Liquidity preference theory of interest is related with
   a. J M Keynes
   b. Hugh Dalton
   c. A K Sen
   d. Adolph Wagner
159. The motive(s) related with demand for money
   a. Transaction motive
   b. Precautionary motive
   c. Speculative motive
   d. All of the above
160. Which statement is correct
   a. Money demanded for transactions motive is a direct function of the level of income
   b. The demand for transactions motive is independent of the rate of interest
   c. The precautionary demand for money is independent of the rate of interest
   d. All of the above
161. Which statement is correct
   a. The demand for transactions motive is independent of the rate of interest
   b. The precautionary demand for money is independent of the rate of interest
   c. Liquidity preference for speculative motive is an inverse function of the rate of interest.
   d. All of the above
162. Most liquid asset
   a. Cash
   b. Demand deposits
   c. Bonds
   d. Time deposit
163. Most liquid asset
   a. Debentures
   b. Cash
   c. Bonds
   d. All of the above
164. Identify the correct statement
   a. Money demanded for transactions motive is a direct function of the level of income

b. The demand for money for transactions motive is independent of the rate of interest
c. Both a and b
d. None of these

165. The factor (s) which influence precautionary demand for money
a. The level of income
b. Psychology of people
c. Access to the credit market
d. All of the above

166. The precautionary demand for money is determined by
a. Degree of financial conservatism
b. Existence of social insurance
c. The level of income
d. All of the above

167. The transactions motive depend up on
a. Level of income
b. Frequency of receipt of income
c. Level of spending
d. All of the above

168. The risk bearing theory of profit was developed by
a. David Ricardo
b. H B Hawley
c. Joseph A Schumpeter
d. F H Knight

169. The innovation theory of profit was developed by
a. J A Schumpeter
b. F H Knight
c. David Ricardo
d. H B Hawley

170. Innovation theory provides ……….explanation of profits
a. Psychological
b. Political
c. Technological
d. None of these

171. The commercial exploitation of technical inventions and new ideas related to business organization, management and marketing is called
a. Invention
b. Innovation
c. Profit
d. Risk bearing

172. Innovation include
a. Introduction of a new product
b. Introduction of new machine
c. Introduction of new process of production
d. All of the above

173. Innovation include
a. Change in the organization of business
b. Discovery of a new source of raw materials
c. Introduction of products in new markets
d. All of the above

174. Innovation include
   a. Introduction of new machine
   b. Change in the organization of business
   c. Introduction of a new product
   d. All of the above
175. …………………is that part of general economic theory which attempts to evaluate the social desirability of the alternative social states.
   a. Micro economics
   b. Public economics
   c. Welfare economics
   d. Economics of development
176. The statement "the greatest good for the greatest number" related with
   a. Bentham's criterion
   b. Pareto Criterion
   c. Compensation criterion
   d. None of these
177. The statement "the greatest good for the greatest number" related with
   a. Jeremy Bentham
   b. Vilfred Pareto
   c. J R Hicks
   d. N Kaldor
178. Which criterion of social welfare was advocated by adam smith?
   a. Social; welfare function
   b. GNP
   c. Compensatory criterion
   d. None of the above
179. Which criteria of welfare economics advocate equal distribution of national income
   a. GNP
   b. Social welfare function
   c. Cardinalstic criterion
   d. None of the above
180. Box diagram was introduced by
   a. Edge worth
   b. Arrow
   c. A K Sen
   d. Marshall
181. A situation in which it is impossible to make any one better off without making some one worse off is said to be ……………….
   a. Pareto optimal
   b. Pareto efficient
   c. Both Pareto optimal and Pareto efficient
   d. None of the above
182. A situation in which it is impossible to make any one better off without making some one worse off is said to be………………..
   a. Pareto optimal
   b. Welfare promotion
   c. Welfare creation
   d. Welfare reduction

183. Which criterion holds that any change that makes at least one individual better off and no one worse off is an improvement in social welfare?
   a. Bentham Criterion
   b. Ricardo Criterion
   c. Cardinalist Criterion
   d. Pareto Criterion
184. Which field of economics is concerned with the evaluation of alternative economic situations from the society's well being?
   a. Welfare economics
   b. Development economics
   c. Public economics
   d. Monetary economics
185. Pareto optimality can take place at any point on
   a. Indifference curve
   b. Demand curve
   c. Contract curve
   d. Engel curve
186. The optimum allocation of two factors labour (L) and capital (K) between two firm X and Y occurs when,
   a. $MRTS^{X}_{L,K} = MRTS^{Y}_{L,K}$
   b. $MRTS^{X}_{L,K} > MRTS^{Y}_{L,K}$
   c. $MRTS^{X}_{L,K} < MRTS^{Y}_{L,K}$
   d. All of the above
187. The optimum allocation of commodities X and Y between the two individuals A and B take place when
   a. $MRS^{A}_{X,Y} = MRTS^{B}_{X,Y}$
   b. $MRS^{A}_{X,Y} > MRS^{B}_{X,Y}$
   c. $MRS^{A}_{X,Y} \neq MRS^{B}_{X,Y}$
   d. $MRS^{A}_{X,Y} < MRS^{B}_{X,Y}$
188. The condition of Pareto optimum can be fulfilled under
   a. Monopoly
   b. Oligopoly
   c. Monopolistic competition
   d. Perfect competition
189. For welfare maximization, Pareto optimality is
   a. Necessary condition
   b. Sufficient condition
   c. Sufficient and Necessary condition
   d. None of the above
190. The marginal condition (s) related with Pareto optimality
   a. Efficiency of distribution of commodities among consumers
   b. Efficiency of allocation of factors among firm/ producers
   c. Efficiency in the composition of output
   d. All of the above
191. Efficiency in the composition of output is a point where
   a. $MRPT_{XY} > MRS^{A}_{XY} = MRS^{B}_{XY}$
   b. $MRPT_{XY} = MRS^{A}_{XY} = MRS^{B}_{XY}$
   c. $MRPT_{XY} = MRTS^{A}_{XY}$
   d. $MRTS^{A}_{XY} = MRTS^{B}_{XY}$

192. The marginal condition (s) related with Pareto optimal – state in the economy
   a. The MRS_{XY} between any two goods be equal for all consumers.
   b. The $MRTS_{LK}$ between any two inputs be equal in the production of all commodities
   c. The $MRPT_{XY}$ be equal to the MRS_{XY} for any two goods
   d. All of the above
193. The work 'Manual of Political Economy' related with
   a. Vilfredo Pareto
   b. A C Pigou
   c. Alfred Marshall
   d. A K Sen
194. Which of the following is a criteria of social welfare
   a. Growth of GNP
   b. Growth of demand
   c. Both a and b
   d. None of the above
195. Which of the following is a criteria of social welfare
   a. Pareto optimality
   b. Growth of demand
   c. Both a and b
   d. None of the above
196. Social welfare criteria related with
   a. Adam Smith
   b. Jeremy Bentham
   c. Vilfredo Pareto
   d. All of the above
197. The condition satisfied at each point of contract curve
   a. $MRS^{A}_{XY} = MRS^{B}_{XY}$
   b. $MRS^{A}_{XY} > MRS^{B}_{XY}$
   c. $MRS^{A}_{XY} < MRS^{B}_{XY}$
   d. $MRS^{A}_{XY} \neq MRS^{B}_{XY}$
198. Pareto Optimality criteria related with
   a. Individual welfare
   b. Social welfare
   c. Both a and b
   d. None of the above
199. Bentham's criterion related with
   a. Individual welfare
   b. Social welfare
   c. Both a and b
   d. None of the above
200. The growth of gross national product as a welfare criterion accepted by
   a. Adam Smith
   b. Jeremy Bentham
   c. Vilfredo Pareto
   d. N Kaldor

Answer Key

1. a
2. d
3. c
4. d
5. b
6. d
7. a
8. d
9. c
10. a
11. b
12. d
13. b
14. b
15. a
16. b
17. d
18. c
19. a
20. c
21. a
22. d
23. a
24. d
25. d
26. b
27. a
28. d
29. c
30. a
31. c
32. b
33. a
34. c
35. d
36. c
37. a
38. b
39. b
40. a
41. a
42. a
43. a
44. c
45. b
46. a
47. b
48. d
49. b

50. a
51. d
52. d
53. a
54. b
55. a
56. b
57. a
58. b
59. d
60. a
61. d
62. d
63. a
64. b
65. a
66. a
67. c
68. d
69. c
70. b
71. a
72. d
73. d
74. d
75. d
76. a

77.a

78.d

79.d

80.b

81.d

82.c

83.d

84.d

85.a

86.a

87.c

88.a

89.a

90.c

91.a

92.b

93.a

94.b

95.d

96.a

97.d

98.a

99.a

100.b

101.a

102.b

103.b

104.c

105.c

106.b

107.a

108.d

109.b

110.c

111.c

112.a

113.a

114.b

115.a

116.c

117.b

118.a

119.b

120.b

121.b

122.c

123.d

124.a

125.d

126.b

127. b

128.c

129. c

130. a

131.a

132.c

133.a

134.a

135.c

136.c

137.d

138.a

139.a

140.c

141.c

142.a

143.b

144.b

145.a

146.d

147.d

148.d

149.c

150.d

151.c

152.d

153.d

154.d

155.b

156.a

157.b

158.a

159.d

160.d

161.d

162.a

163.b

164.c

165.d

166.d

167.d

168.b

169.a

170.c

171.b

172.d

173.d

174.d

175.c

176.a

177.a

178.b

179.c

180.a

181.c

182.a

183.d

184.a

185.c

186.a

187.a

188.d

189.a

190.d

191.b

192.d

193.a

194.a

195.a

196.d

197.a

198.b

199.b

200.a