

# Multiple Choice Questions

## EC010201 – Microeconomics II

### Second Semester PG Private

- 1) Under Oligopoly, a single seller cannot influence significantly
  - A. Market Price
  - B. Quantity Supplied
  - C. All of the above
- 2) Average Cost pricing is also called
  - A. Cost plus pricing
  - B. Marginal Cost Pricing
  - C. Margin Pricing
  - D. Both A & C
- 3) A cost that is already been incurred and that cannot be recovered
  - A. Fixed Cost
  - B. Average Cost
  - C. Sunk Cost
- 4) The author of the book 'The Nature of the firm'
  - A. Alfred Marshall
  - B. A C Pigou
  - C. Ronald Coase
- 5) The system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur
  - A. Firm
  - B. Supplier
  - C. Buyer
- 6) According to Ronald Coase, the major reason for the emergence of Firm
  - A. Cost of using price mechanism
  - B. Marketing Costs can be reduced
  - C. Economizing transaction cost

- 7) A pricing strategy where products are sold at a low price to make it unprofitable for other firms to enter the market
- A. Marginalist Cost Price
  - B. Average Cost price
  - C. Low Cost Price
- 8) According to Alchian & Demsetz, the major reason for the emergence of Firm
- A. Benefits of team production
  - B. Economizing transaction cost
  - C. Failure of price mechanism
- 9) According to Oliver Williamson, the major reason for the emergence of Firm
- A. Maximisation of profit
  - B. Minimisation of Cost
  - C. Economizing transaction cost
- 10) The situation in which one party to a transaction takes advantage of knowing more than the other party to the transactions
- A. Moral Hazard
  - B. Adverse Selection
  - C. Opportunism
- 11) The situation in which an economic actor has the incentive to increase its exposure to risk because it does not bear the full costs of that risk
- A. Moral Hazard
  - B. Adverse Selection
  - C. Bounded Rationality
- 12) In which market, can AR curve be kinked
- A. Perfect Competition
  - B. Monopoly
  - C. Oligopoly
- 13) A firm's ability to be better off than its competitors as a result of being first to market in a new product category
- A. Bounded Rationality

- B. Asset Specificity
- C. First Mover Advantage

14) The firms charge price less than profit maximizing price because of the threat of \_\_\_\_\_

- A. Actual Entrants
- B. Loss of Market
- C. Potential Entrants

15) Market in which there are only a few firms

- A. Duopoly
- B. Monopsony
- C. Oligopoly

16) A characteristic of transactions in which the parties to a contract are inclined to operate opportunistically in the presence of uncertainty and complexity

- A. Information impactedness
- B. Opportunism
- C. Human Attributes

17) If in an Oligopolistic market, competing firms are producing heterogeneous products, the market form is called

- A. Pure Oligopoly
- B. Differentiated Oligopoly
- C. Bilateral Monopoly

18) The behaviour of individuals who seek their self interest in deceitful ways during a business transaction

- A. Capitalism
- B. Optimism
- C. Opportunism

19) One example of collusive oligopoly is

- A. Cournot Model
- B. Price Leadership Model
- C. Stackelberg Model

- 20) According to Hall and Hitch, firms set price to cover AVC, AFC and a normal profit margin. This pricing principle is known as
- A. Marginalist principle
  - B. Average cost principle
  - C. Total Cost Principle
- 21) The degree to which a thing of value or even a person of value can be readily adapted for other purposes
- A. Asset Specificity
  - B. Uncertainty
  - C. Information impactedness
- 22) The author of the book 'Oligopoly and Entry Prevention'
- A. J Bain
  - B. Hall and Hitch
  - C. R J Gordon
  - D. Ronald Coase
- 23) The behaviour of individuals who wish to act rationally but whose ability to be rational is limited
- A. Irrationality
  - B. Bounded Rationality
  - C. Extreme Rationality
- 24) A company managed as a single unit along functional lines such as marketing and finance
- A. Oligopolistic Form
  - B. Monopolistic Form
  - C. U-Form
- 25) Average Cost is defined as
- A. Total cost divided by marginal cost
  - B. Total cost divided by total output
  - C. Total output times cost per unit
- 26) According to Gordon, Firms fix price of their products on the basis of

- A. Marginalist Principle
- B. Average Cost Principle
- C. Advertisement Cost Principle

27) The Sylos Labini postulate

- A. New firms expect that old firms keep their price and quantity constant
- B. Established firms expect that new firms will not enter if price is less than their LRAC
- C. A & B

28) The nature of Peer group structure of a firm is

- A. Hierarchical
- B. Oligopolistic
- C. Non-Hierarchical

29) The structural form of a company managed as multiple semi autonomous units

- A. M-Form
- B. U-Form
- C. Peer Group

30) According to marginalist rule, the equilibrium of a firm is attained at the equality

- A.  $TC=TR$
- B.  $MC=MR$
- C.  $AC=AR$

31) The model of Managerial Discretion was proposed by

- A. W J Baumol
- B. R Marris
- C. Oliver Williamson

32) Finding of Hall and Hitch Report

- A. Firms do not act atomistically
- B. Firms do not maximise short run profit by marginalist rule
- C. All of the above

33) A model of limit pricing based on scale-barriers to entry was developed by

- A. J Bain
- B. Sylos Labini
- C. J N Bhagwati

34) According to J N Bhagwati, the chagrin effect is

- A. A positive elasticity which measures the proportionate decrease in the sales of established firms as price decreases due to new entrants
- B. A negative elasticity which measures the proportionate increase in the sales of established firms as price decreases due to new entrants
- C. A Positive elasticity which measures the proportionate decrease in the sales of established firms as price increases due to new entrants

35) Theory of Sales Revenue Maximisation was proposed by

- A. W J Baumol
- B. Oliver Williamson
- C. Cyert and March

36) The divorce of ownership from control refers to the

- A. Demise of Joint Stock Company
- B. Observation that shareholders as owners delegate the running of the firm to managers
- C. Power of shareholders over managers

37) A 'Discretionary Investment' in Williamson's model represents

- A. A gift by managers to shareholders by means of an additional dividend
- B. An additional investment undertaken by managers in excess of that is required for the normal operation of the firm
- C. A free and anonymous gift by managers to charity

38) The Behavioural Model of the firm was proposed by

- A. W J Baumol
- B. R Marris
- C. Cyert and March

39) Who has given a model to explain price rigidity under oligopoly?

- A. Cournot
- B. Bertrand
- C. Sweezy

40) Goal of the firm according to W J Baumol is

- A. Sales Revenue Maximisation
- B. Cost Minimisation
- C. Profit Maximisation

41) 'Organizational Slack' exists in an organisation when

- A. Sales are in decline
- B. Shareholders do not have the sufficient knowledge and expertise to correctly monitor the performance of managers
- C. Costs are higher than necessary for a given level of activity

42) Which one of the following is not a non-collusive oligopoly model?

- A. Cournot Model
- B. Price Leadership Model
- C. Bertrand Model

43) In Marris model, the goals of managers and shareholders are seen to be more compatible than in other managerial theories because

- A. Shareholders are seen to be more influential over managers than in other models
- B. Management is seen to be more fragmented and less powerful
- C. Shareholders and managers both derive benefit from the growth of the firm

44) According to Williamson's model, Actual Profit is

- A. Revenue minus Production Cost
- B. Revenue minus Production Cost minus staff expenditure
- C. Revenue minus Production Cost minus Staff expenditure minus Managerial Emoluments

45) The essential feature of a Behavioural theory of firm is that

- A. Shareholders seem to be more influential over management
- B. Emphasis is placed upon the complexity of organisations and the differing interests of its stakeholders
- C. The various stakeholders within the firm work harmoniously together to their mutual benefit

46) Contestable Market Theory was proposed by

- A. Oliver Williamson
- B. W J Baumol
- C. Marris

47) According to Williamson's model, Reported Profit is

- A. Revenue minus Production Cost
- B. Revenue minus Production Cost minus staff expenditure
- C. Revenue minus Production Cost minus Staff expenditure minus Managerial Emoluments

48) According to Williamson's model, Discretionary Profit is

- A. Actual Profit minus Minimum Profit
- B. Actual Profit minus Minimum Profit minus Tax
- C. Actual Profit minus Minimum Profit minus Tax minus Depreciation

49) 'Firm is a coalition of groups with conflicting interests' is the idea proposed by

- A. Sales Revenue Maximisation Model
- B. Managerial Discretion Model
- C. Behavioural model

50) A market where companies can enter and exit freely with low sunk cost is called

- A. Oligopoly Market
- B. Contestable Market
- C. Non-Contestable Market

51. The structure of the theory of General Equilibrium is associated with

- a. Leon walras
- b. Alfred Marshall
- c. J.M Keynes

52. The behavior of parties who exploit information opportunistically refers to \_\_\_\_

- a. Adverse selection

- b. Moral hazard
- c. Principal agent

**53.** A situation in which individuals wish to act rationally but their ability to be rational is limited is known as\_\_\_\_\_

- a. Opportunism
- b. Bounded rationality
- c. Asset specificity

**54.** *Market Hierarchies Analysis and Antitrust Implications* is a work done by\_\_\_\_\_

- a. Oliver Williamson
- b. Richard stone
- c. Ronald cause

**55.** The market for lemons is associated with\_\_\_\_\_

- a. G.A ackerloff
- b. Chamberlain
- c. Pigou

**56.** The low quality car drives high quality cars out of the market is associated with

- a. Lemons'problem
- b. Moral hazard
- c. Principal agent problems

**57.** Products of different qualities are sold at a single price because buyers or sellers are not sufficiently informed to determine the quality of the time of purchase, then the problem of \_\_\_\_\_ may emerge

- a. Adverse selection

- b. Moral hazard
- c. Principal agent problem

58. The demand for every good and productive resources matched with an equal supply of the commodity or the productive resources in money terms is termed as\_\_\_\_\_

- a. Say's Law
- b. Walras' Law
- c. Okun's Law

59. Which country introduced Gross National Happiness Index for the first time?

- a. Japan
- b. China
- c. Bhutan

60. The gainers of the policy change, if compensate the losers, there can be a net gain in the welfare of the society is associated with\_\_\_\_\_

- a. Principal agent problem
- b. Compensation principle
- c. Welfare criteria

61. *Social Choice and Individual Values* was the famous work of\_\_\_\_\_

- a. Hicks
- b. Arrow
- c. Bergson

62. "The social welfare function reflecting the choices of all individuals is impossible to be constructed" is the key point of\_\_\_\_\_theorem

- a. Compensation theorem
- b. welfare theorem
- c. Arrow's impossibility theorem

**63.** "The welfare of an individual depends solely upon the quantities of goods and services consumed by him alone and not by others" who said this?

- a. Bergson Samuelson
- b. Bentham
- c. Pareto

**64.** "The inequality in the society is justified only to the extent that it benefits the least advantaged individuals in the society" this concept is associated with \_\_\_\_\_

- a. Rawl
- b. Pareto
- c. Hicks

**65.** The inconsistency involved in Kaldor\_Hicks criterion was first pointed out by \_\_\_\_\_

- a. Scitovsky
- b. Arrow
- c. Pareto

**66.** The fulfillment of K-H test and the non-fulfillment of the reversal test are the criteria which come under \_\_\_\_\_

- a. Arrow's impossibility criterion
- b. Scitovsky double criterion
- c. compensation criterion

**67.** "At a point in time happiness varies directly with income both among and within Nations but over time happiness does not trend upward as income continues to grow" is \_\_\_\_\_

- a. Easterlin paradox
- b. Leontif paradox
- c. Paradox of thrift

**68.** The locus of different physically attainable utility combinations of two individuals when the scale of individual's preferences, factor endowment and technology are given.

- a. Grand utility possibility frontier
- b. production possibility frontier
- c. point of constrained bliss

**69.** The "dual criterion" for maximum social welfare was given by \_\_\_\_\_

- a. Pigou
- b. Scitovsky
- c. Sen

**70.** Social optimum or ideal output means \_\_\_\_\_

- a. Social cost=private cost
- b. Social marginal product=private marginal product
- c. Social marginal product=private marginal cost

**71.** Which one is the correct in the case of constrained bliss?

- a. The production possibility frontier touches the budget line
- b. The Grand utility possibility frontier touches the highest possible social indifference curve of the social welfare function
- c. Indifference curve touches with income line

**72.** 'Human poverty is nothing but a set of capability deprivation' is the idea given by \_\_\_\_\_

- a. Pigou
- b. Sen
- c. Coase

**73.** In the case of general equilibrium, the necessary condition for the existence of solution is that the number of unknowns must be ----- number of independent equations

- a. Less than
- b. Greater than
- c. Equal to

**74.** From the following, which one is not a peculiarity of common property resources or public good

- a. Equal satisfaction
- b. non-excludability
- c. non rivalry

**75.** The word Altruism was coined by \_\_\_\_\_

- a. Alfred Marshall
- b. Arthur Lewis
- c. Auguste Comte

**76.** The behaviour of individuals who seek their self interests in deceitful way is called \_\_\_\_\_

- a. Opportunism
- b. Altruism
- c. Bounded Rationality

**77.** The concept of market signaling was first developed by \_\_\_\_\_

- a. Marshall
- b. Michael Spence
- c. Bergson

**78.** \_\_\_\_\_ viewed utility as the net sum of positive over negative emotions

- a. Samuelson
- b. Bentham
- c. Boulding

**79.** According to \_\_\_\_\_ the size of the transaction cost that determines the efficiency of an exchange by an organization.

- a. Williamson
- b. Walras
- c. Wassily

**80.** "The benefits of team production lead to the emergence of firms" was given by \_\_\_\_\_

- a. Walras and Marshall
- b. Alchian and Damzets
- c. Hicks and Hansen
- d. None of these

**81.** According to Kaldor -Hicks-Scitovsky criterion, the economic change can raise the social welfare, when \_\_\_\_\_

a. The two utility possibility curves are non intersecting and the the economic change involves a movement from opposition on the lower utility possibility curve to to a higher utility possibility curve.

b. Two utility possibility curves are intersecting and the economic change involves a movement from a higher to lower utility possibility curve.

c. The two utility possibility curves are non-intersecting and the economic change involves a movement from higher to lower utility possibility curve.

**82.** Social welfare function developed by Bergson and Samuelson based on \_\_\_\_\_

- a. Cardinal preferences
- b. Ordinal preferences
- c. Both

**83.** The slope of the Grand utility possibility frontier is

- a. Negative
- b. Positive
- c. horizontal

**84.** Pigovian welfare function was derived from \_\_\_\_\_

- a. Marshall's
- b. Walras'
- c. Hicks'

**85.** According to Pigou the economic welfare depends upon \_\_\_\_\_ factors

- a. Magnitude of national dividend
- b. Distribution of income
- c. Both of them.

**86.** The key concept in Rawlsian social welfare function is \_\_\_\_\_

- a. Difference principle
- b. Maximisation principle
- c. Optimisation principal

87. \_\_\_\_\_ is a situation in which a buyer and a seller possesses different information about a transaction.

- a. Asymmetric information
- b. Symmetric information
- c. Moral hazard

88. The word 'lemon' is used to denote \_\_\_\_\_

- a. Best quality product
- b. Defective product
- c. Average quality product

89. According to the concept of market signaling, productivity is \_\_\_\_\_ correlation with level of education .

- a. Negative
- b. Positive
- c. Positive but less than proportionate .

90. Cause of principal agent problem is \_\_\_\_\_

- a. Moral hazard
- b. Asymmetric information
- c. Opportunism

91. 'It is easy to create but hard to trust, it is easy to spread but hard to control, it influences many decisions' is about\_\_\_\_\_

- a. Market
- b.Theories
- c.Information

92. Which of the following is a good example for a market with asymmetric information.

- a.Goods market
- b.Money market
- c.Labour market

93. According to the principal agent problem, the main objective of sales maximization implies

\_\_\_\_\_

- a.Maximization of profit
- b.Maximization of TR
- c.Minimization of TR

94. According to Peterson, \_\_\_\_\_studies judgments and decision making focusing on psychological aspect.

- a.Information economics
- b.Behavioral Economics
- c.Micro Economics

95. People make sacrifices to benefit others without expecting a personal reward is known as

- a. Altruism
- b.Opportunism
- c.selfishness

96. The Foundations of Modern Transaction cost approach to the theory of firm was given by

- a. Ronald Coase
- b. Oliwer Williamson
- c. Neil Kay

97. Why do firms exist? is the question raised by

- a. Neil Kay
- b. Marshall
- c. Ronald Cause

98. The cost of negotiating verifying and enforcing contracts\_\_\_\_\_

- a. Agreement cost
- b. negotiation cost
- c. transaction cost

99. The existence of uncertain and imperfect information for the organizing activity constitutes the transaction cost is\_\_\_\_

- a. Knightian view
- b. Coasian view
- c. Hicksian view

100. Benefit of team production lead to the emergence of firms

- a. Allen and Alchian
- b. Hicks and Allen
- c. Hicks and kaldore

# Multiple Choice Questions

## Answer Key

Microeconomics II -EC010201

Second Semester PG Private

- |       |
|-------|
| 1. C  |
| 2. C  |
| 3. C  |
| 4. C  |
| 5. A  |
| 6. C  |
| 7. C  |
| 8. A  |
| 9. C  |
| 10. B |
| 11. A |
| 12. C |
| 13. C |
| 14. C |
| 15. C |
| 16. A |
| 17. B |
| 18. C |
| 19. B |
| 20. B |
| 21. A |
| 22. A |
| 23. B |
| 24. C |
| 25. B |
| 26. B |
| 27. C |
| 28. C |
| 29. A |
| 30. B |

- 31. C
- 32. C
- 33. B
- 34. A
- 35. A
- 36. B
- 37. B
- 38. C
- 39. C
- 40. A
- 41. B
- 42. B
- 43. C
- 44. B
- 45. B
- 46. B
- 47. C
- 48. B
- 49. C
- 50. B
- 51. A
- 52. B
- 53. B
- 54. A
- 55. A
- 56. A
- 57. A.
- 58. B.
- 59. C.
- 60. B.
- 61. B.
- 62. C.
- 63. A.
- 64. A.
- 65. A.
- 66. B.
- 67. A.
- 68. A.
- 69. A.
- 70. B.
- 71. B.

- 72. B.
- 73. C.
- 74. A.
- 75. C.
- 76. A.
- 77. B.
- 78. B.
- 79. A.
- 80. B.
- 81. A.
- 82. B.
- 83. A.
- 84. A.
- 85. C.
- 86. A.
- 87. A.
- 88. B.
- 89. B.
- 90. B.
- 91. C.
- 92. C.
- 93. B.
- 94. B.
- 95. A.
- 96. A.
- 97. C.
- 98. C.
- 99. A.

100. A.