Practice Set: MCQ

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Q. Consumers objective is to maximize her own

1. utility
2. profit
3. consumption
4. income

Q. Consumers objective is to maximize her own

1. utility
2. profit
3. consumption
4. income

A. 1

Q. Firms objective is to maximize its own

1. revenue
2. profit
3. cost
4. output

Q. Firms objective is to maximize its own

1. revenue
2. profit
3. cost
4. output

A. 2

Q. Normally a demand curve will be

1. horizontal
2. vertical
3. downward sloping
4. upward sloping

Q. Normally a demand curve will be

1. horizontal
2. vertical
3. downward sloping
4. upward sloping

A. 3

Q. Normally a supply curve will be

1. horizontal
2. vertical
3. downward sloping
4. upward sloping

Q. Normally a supply curve will be

1. horizontal
2. vertical
3. downward sloping
4. upward sloping

A. 4

Q. Which one is the assumption of law of demand?

1. price of the commodity should not change
2. quantity demanded should not change
3. prices of substitutes should not change
4. demand curve must be linear

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1. price of the commodity should not change
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A. 3

Q. Which of the following is a variable when consider a upward sloping supply curve

1. own price
2. price of substitute commodity
3. labor
4. capital

Q. Which of the following is a variable when consider a upward sloping supply curve

1. own price
2. price of substitute commodity
3. labor
4. capital

A. 1

Q. The elasticity of demand of durable goods is

1. less than unity
2. greater than unity
3. equal to unity
4. zero

Q. The elasticity of demand of durable goods is

1. less than unity
2. greater than unity
3. equal to unity
4. zero

A. 2

Q. Suppose a supply curve passes through origin, it's elasticity is

1. greater than one
2. less than one
3. one
4. less than zero

Q. Suppose a supply curve passes through origin, it's elasticity is

1. greater than one
2. less than one
3. one
4. less than zero

A. 3

Q. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

Q. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

A. 2

Q. The horizontal supply curve parallel to x-axis implies that the elasticity of supply is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

Q. The horizontal supply curve parallel to x-axis implies that the elasticity of supply is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

A. 2

Q. Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is

1. 3%
2. 1%
3. -3%
4. -1%

Q. Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is

1. 3%
2. 1%
3. -3%
4. -1%

A. 3

Q. The vertical supply curve parallel to y-axis implies that the elasticity of supply is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

Q. The vertical supply curve parallel to y-axis implies that the elasticity of supply is

1. zero
2. infinity
3. one
4. greater than zero but less than infinity

A. 1

Q. When demand is inelastic, an increase in price will result in

1. a decrease in total revenue
2. an increase in total revenue
3. no change in total revenue
4. a decrease in quantity demanded

Q. When demand is inelastic, an increase in price will result in

1. a decrease in total revenue
2. an increase in total revenue
3. no change in total revenue
4. a decrease in quantity demanded

A. 2

Q. Suppose a supply curve has an intercept at y-axis, the elasticity of that supply curve is

1. one
2. greater than one
3. less than one
4. infinity

Q. Suppose a supply curve has an intercept at y-axis, the elasticity of that supply curve is

1. one
2. greater than one
3. less than one
4. infinity

A. 2

Q. Demand for a commodity refers to

1. need for the commodity
2. desire for the commodity
3. amount of the commodity demanded at a particular price and at a particular time
4. quantity demanded of that commodity

Q. Demand for a commodity refers to

1. need for the commodity
2. desire for the commodity
3. amount of the commodity demanded at a particular price and at a particular time
4. quantity demanded of that commodity

A. 3

Q. Supply of a commodity refers to

1. at any given price how much quantity a firm wants to produce
2. at any given price how much quantity a firm produces
3. quantity that a firm produces irrespective of the price
4. quantity that a firm wants to produce irrespective of the price

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A. 1

Q. Irrespective of price, Sofia always spends Rs. 100 a week on ice cream, we conclude that

1. elasticity of demand is 0
2. elasticity of demand is 1
3. elasticity of demand is infinite
4. the law of demand has been violated

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1. elasticity of demand is 0
2. elasticity of demand is 1
3. elasticity of demand is infinite
4. the law of demand has been violated

A. 2

Q. Suppose the equation of the supply curve is $p = 5q$, the elasticity of supply is

1. one
2. greater than one
3. less than one
4. zero

Q. Suppose the equation of the supply curve is $p = 5q$, the elasticity of supply is

1. one
2. greater than one
3. less than one
4. zero

A. 1

Q. If demand is for a normal commodity elastic, a change in the price

1. will change the quantity in same direction
2. will change total revenue in same direction
3. will change total revenue in the opposite direction
4. will not change quantity

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1. will change the quantity in same direction
2. will change total revenue in same direction
3. will change total revenue in the opposite direction
4. will not change quantity

A. 3

Q. Suppose price of fertilizer rises, then the price of rice will

1. fall
2. rise
3. remain unchanged
4. can't say

Q. Suppose price of fertilizer rises, then the price of rice will

1. fall
2. rise
3. remain unchanged
4. can't say

A. 2

Q. Suppose price of fertilizer rises, then the supply of rice will

1. fall
2. rise
3. remain unchanged
4. can't say

Q. Suppose price of fertilizer rises, then the supply of rice will

1. fall
2. rise
3. remain unchanged
4. can't say

A. 1

Q. Zubair has a special taste for college canteen is hotdogs. The owner of the canteen doubles the prices of hotdogs. Zubair did not respond to the increase in prices and kept on demanding the same quantity of hotdogs. His demand for hotdogs is

1. perfectly elastic
2. perfectly inelastic
3. elastic
4. inelastic

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1. perfectly elastic
2. perfectly inelastic
3. elastic
4. inelastic

A. 2

Q. Law of demand shows relation between

1. income and price of commodity
2. price and quantity of a commodity
3. income and quantity demand
4. quantity demanded and quantity supplied

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1. income and price of commodity
2. price and quantity of a commodity
3. income and quantity demand
4. quantity demanded and quantity supplied

A. 2

Q. Labor supply curve violets

1. law of demand
2. law of supply
3. law of diminishing return
4. none of the above

Q. Labor supply curve violets

1. law of demand
2. law of supply
3. law of diminishing return
4. none of the above

A. 2

Q. Which of the following pairs of commodities is an example of substitutes?

1. tea and sugar
2. tea and coffee
3. pen and ink
4. shirt and trousers

Q. Which of the following pairs of commodities is an example of substitutes?

1. tea and sugar
2. tea and coffee
3. pen and ink
4. shirt and trousers

A. 2

Q. Rise in rate of interest leads to fall in investment, the statement is

1. normative
2. positive
3. both normative and positive
4. none of the above

Q. Rise in rate of interest leads to fall in investment, the statement is

1. normative
2. positive
3. both normative and positive
4. none of the above

A. 2

Q. If quantity demanded is completely unresponsive to changes in price, demand is

1. inelastic
2. unit elastic
3. elastic
4. perfectly inelastic

Q. If quantity demanded is completely unresponsive to changes in price, demand is

1. inelastic
2. unit elastic
3. elastic
4. perfectly inelastic

A. 4

Q. India is going through a recession therefore government should increase it's expenditure, the statement is

1. normative
2. positive
3. both normative and positive
4. none of the above

Q. India is going through a recession therefore government should increase it's expenditure, the statement is

1. normative
2. positive
3. both normative and positive
4. none of the above

A. 1

Q. Other things equal, if a good has more substitutes, its price elasticity of demand is

1. larger
2. smaller
3. zero
4. unity

Q. Other things equal, if a good has more substitutes, its price elasticity of demand is

1. larger
2. smaller
3. zero
4. unity

A. 1

Q. An economy faces trade-off between equality and

1. consumption
2. production
3. income
4. efficiency

Q. An economy faces trade-off between equality and

1. consumption
2. production
3. income
4. efficiency

A. 4

Q. If elasticity of demand is very low it shows that the commodity is

1. a necessity
2. a luxury
3. has little importance in total budget
4. (1) and (3) above

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1. a necessity
2. a luxury
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4. (1) and (3) above

A. 1

Q. Opportunity cost of attending class, is

1. playing games (utility: 10)
2. reading story books (utility: 12)
3. chatting with friends (utility: 15)
4. sum of all the above (utility: 37)

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1. playing games (utility: 10)
2. reading story books (utility: 12)
3. chatting with friends (utility: 15)
4. sum of all the above (utility: 37)

A. 3

Q. If demand of a normal commodity is unitary elastic, a 25% increases in price will result in

1. 25% change in total revenue
2. No change in quantity demanded
3. 1% decrease in quantity demanded
4. 25% decrease in quantity demanded

Q. If demand of a normal commodity is unitary elastic, a 25% increases in price will result in

1. 25% change in total revenue
2. No change in quantity demanded
3. 1% decrease in quantity demanded
4. 25% decrease in quantity demanded

A. 4

Q. Rational people

1. equate marginal benefit and marginal cost
2. equate average benefit and average cost
3. equate total benefit and total cost
4. none of the above

Q. Rational people

1. equate marginal benefit and marginal cost
2. equate average benefit and average cost
3. equate total benefit and total cost
4. none of the above

A. 1

Q. The following are causes of shift in demand EXCEPT the one

1. change in income
2. change in price
3. change in fashion
4. change in prices of substitutes

Q. The following are causes of shift in demand EXCEPT the one

1. change in income
2. change in price
3. change in fashion
4. change in prices of substitutes

A. 2

Q. We need government because

1. there are negative externalities like pollution
2. there are public goods
3. there are asymmetric information
4. all of the above

Q. We need government because

1. there are negative externalities like pollution
2. there are public goods
3. there are asymmetric information
4. all of the above

A. 4

Q. When cross elasticity of demand is a large positive number, one can conclude that

1. the good is normal
2. the good is inferior
3. the good is a substitute
4. the good is a complement

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1. the good is normal
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A. 3

Q. There is trade-off between unemployment and

1. inflation
2. deflation
3. efficiency
4. equality

Q. There is trade-off between unemployment and

1. inflation
2. deflation
3. efficiency
4. equality

A. 1

Q. Which of the following is a downward sloping demand function?

1. $Q + 4P = 20$
2. $Q = 35 + 3P$
3. $Q - 2P - 15 = 0$
4. $5P - Q = 4$

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1. $Q + 4P = 20$
2. $Q = 35 + 3P$
3. $Q - 2P - 15 = 0$
4. $5P - Q = 4$

A. 1

Q. Suppose the equation of the supply curve is $q = 5p - 2$, the elasticity of supply is

1. one
2. less than one
3. more than one
4. zero

Q. Suppose the equation of the supply curve is $q = 5p - 2$, the elasticity of supply is

1. one
2. less than one
3. more than one
4. zero

A. 3

Q. Price and demand are positively correlated in case of

1. necessities
2. normal
3. giffen goods
4. luxuries

Q. Price and demand are positively correlated in case of

1. necessities
2. normal
3. giffen goods
4. luxuries

A. 3

MCQ

Q. Which policy can control inflation

1. rise in government expenditure
2. reduction in nominal money supply
3. reduction in taxes
4. all the above

Q. Which policy can control inflation

1. rise in government expenditure
2. reduction in nominal money supply
3. reduction in taxes
4. all the above

A. 2

Q. Mr. Raees Ahmad bought 50 liters of petrol when his monthly income was Rs. 25,000. Now his monthly income has risen to Rs. 50,000 and he purchases 100 liters of petrol. His income elasticity of demand for petrol is

1. one
2. less than one
3. more than one
4. zero

Q. Mr. Raees Ahmad bought 50 liters of petrol when his monthly income was Rs. 25,000. Now his monthly income has risen to Rs. 50,000 and he purchases 100 liters of petrol. His income elasticity of demand for petrol is

1. one
2. less than one
3. more than one
4. zero

A. 1

Q. Human development index, is a part of

1. development economics
2. international trade
3. public finance
4. econometrics

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1. development economics
2. international trade
3. public finance
4. econometrics

A. 1

Q. Income elasticity of demand is defined as the responsiveness of

1. quantity demanded to a change in income
2. quantity demanded to a change in price
3. price to a change in income
4. income to a change in quantity demanded

Q. Income elasticity of demand is defined as the responsiveness of

1. quantity demanded to a change in income
2. quantity demanded to a change in price
3. price to a change in income
4. income to a change in quantity demanded

A. 1

Q. GST is

1. direct tax
2. indirect tax
3. output tax
4. profit tax

Q. GST is

1. direct tax
2. indirect tax
3. output tax
4. profit tax

A. 2

Q. The capital that is consumed by an economy or a firm in the production process is known as

1. capital loss
2. production cost
3. Dead-weight loss
4. depreciation

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1. capital loss
2. production cost
3. Dead-weight loss
4. depreciation

A. 4

Q. National defense is

1. club good
2. merit good
3. private good
4. public good

Q. National defense is

1. club good
2. merit good
3. private good
4. public good

A. 4

Q. Income elasticity of demand for normal good is always

1. positive
2. more than one
3. negative
4. zero

Q. Income elasticity of demand for normal good is always

1. positive
2. more than one
3. negative
4. zero

A. 1

Q. Rice is

1. public good
2. private good
3. natural resource
4. none of the above

Q. Rice is

1. public good
2. private good
3. natural resource
4. none of the above

A. 2

Q. Which one is increasing function of price

1. demand
2. utility
3. supply
4. consumption

Q. Which one is increasing function of price

1. demand
2. utility
3. supply
4. consumption

A. 3

Q. Under monopsony we have

1. single seller
2. many sellers
3. many buyers
4. single buyer

Q. Under monopsony we have

1. single seller
2. many sellers
3. many buyers
4. single buyer

A. 4

Q. Supply curve will shift when

1. technology changes
2. price rises
3. demand shifts
4. price falls

Q. Supply curve will shift when

1. technology changes
2. price rises
3. demand shifts
4. price falls

A. 1

Q. Under monopoly we have

1. many buyers
2. many sellers
3. single seller
4. single buyer

Q. Under monopoly we have

1. many buyers
2. many sellers
3. single seller
4. single buyer

A. 3

Q. If price changes by 1% and supply changes by 2% then supply is

1. elastic
2. inelastic
3. indeterminate
4. static

Q. If price changes by 1% and supply changes by 2% then supply is

1. elastic
2. inelastic
3. indeterminate
4. static

A. 1

Q. Under perfect competition

1. no firm can influence price
2. no consumer can influence price
3. none of (1) and (2)
4. both (1) and (2)

Q. Under perfect competition

1. no firm can influence price
2. no consumer can influence price
3. none of (1) and (2)
4. both (1) and (2)

A. 4

Q. During a particular year farmers experienced a dry weather, if all other factors remain constant, farmers supply curve for wheat will shift to

1. rightward
2. leftward
3. downward
4. there will be no shift of the supply curve

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A. 2

Q. The concept of “invisible hand” was first introduced by

1. Prof Marshall
2. David Ricardo
3. Adam Smith
4. Karl Marx

Q. The concept of "invisible hand" was first introduced by

1. Prof Marshall
2. David Ricardo
3. Adam Smith
4. Karl Marx

A. 3

Q. A mixed economy is characterised by the co-existence of

1. modern and traditional industries
2. public and private sectors
3. foreign and domestic investments
4. commercial and subsistence farming

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1. modern and traditional industries
2. public and private sectors
3. foreign and domestic investments
4. commercial and subsistence farming

A. 2

Q. Microeconomics deals with the

1. allocation of resources of the economy as between production of different goods and services
2. determination of prices of goods and services
3. behavior of industrial decision makers
4. all of the above

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1. allocation of resources of the economy as between production of different goods and services
2. determination of prices of goods and services
3. behavior of industrial decision makers
4. all of the above

A. 4

Q. The cost of one thing in terms of the alternative given up is called

1. real cost
2. production cost
3. physical cost
4. opportunity cost

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1. real cost
2. production cost
3. physical cost
4. opportunity cost

A. 4

Q. Assume that consumer's income and the number of sellers in the market for good X both falls. Based on this information, we can conclude with certainty that the equilibrium

1. price will decrease
2. price will increase
3. quantity will increase
4. quantity will decrease

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1. price will decrease
2. price will increase
3. quantity will increase
4. quantity will decrease

A. 4

Q. The supply of a good refers to

1. stock available for sale
2. total stock in the warehouse
3. actual Production of the good
4. quantity of the good offered for sale at a particular price per unit of time

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1. stock available for sale
2. total stock in the warehouse
3. actual Production of the good
4. quantity of the good offered for sale at a particular price per unit of time

A. 4

MCQ

Q. What does price elasticity of demand measure

1. change in price caused by changes in demand
2. the rate of change of sales
3. the responsiveness of demand to price changes
4. the value of sales of a given price

Q. What does price elasticity of demand measure

1. change in price caused by changes in demand
2. the rate of change of sales
3. the responsiveness of demand to price changes
4. the value of sales of a given price

A. 3

Q. It describes the law of supply

1. supply curve
2. supply schedule
3. supply equation
4. all the above three

Q. It describes the law of supply

1. supply curve
2. supply schedule
3. supply equation
4. all the above three

A. 4

MCQ

Q. An increase in demand would cause supply curve to

1. shift to the left
2. shift to the right
3. change in slope of supply curve
4. no effect on supply

Q. An increase in demand would cause supply curve to

1. shift to the left
2. shift to the right
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A. 4

Q. If elasticity of supply is greater than one but finite. Supply curve will be

1. horizontal
2. vertical
3. passing through origin
4. touching y-axis

Q. If elasticity of supply is greater than one but finite. Supply curve will be

1. horizontal
2. vertical
3. passing through origin
4. touching y-axis

A. 4

Q. Economic problems arise because

1. wants are unlimited
2. resources are scarce
3. scarce resources have alternative uses
4. all the above three

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1. wants are unlimited
2. resources are scarce
3. scarce resources have alternative uses
4. all the above three

A. 4

Q. Which is NOT an essential feature of a socialist economy

1. social ownership of the means of production
2. freedom of enterprise
3. use of centralized planning
4. government decisions

Q. Which is NOT an essential feature of a socialist economy

1. social ownership of the means of production
2. freedom of enterprise
3. use of centralized planning
4. government decisions

A. 2

Q. In the 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

1. 0
2. 1
3. 1.5
4. 0.5

Q. In the 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

1. 0
2. 1
3. 1.5
4. 0.5

A. 2

Q. Suppose the demand function is $Q = 10 - P$. The price elasticity of demand at point $(8, 2)$ is

- $1/4$
- 4
- $1/2$
- 2

Q. Suppose the demand function is $Q = 10 - P$. The price elasticity of demand at point $(8, 2)$ is

- 1/4
- 4
- 1/2
- 2

A. 1