**PG DEPARTMENT OF COMMERCE (CA)**

**QUESTION BANK**

**COURSE:** B.Com (CA) **SEMESTER :** I

**SUBJECT CODE:** 19UCC1A1 **SUBJECT**:BUSINESS ECONOMICS

## K1 LEVEL

1. Economics is _____

a. A science

b. An art

**c. Both (a) and (b)**

d. Neither a science nor an art

2. Positive economics is based on ______

**a. Cause and effect of facts**

b. Ethics

c. Value judgment

d. All of the above

3. Normative economics is based on ______

a. Cause and effect of facts

b. Ethics

c. Value judgment

**d. Both (a) and (b)**

4. Who said “Law of Economics are like the law of tides”?

a. Adam Smith

**b. Alfred Marshall**

c. Samuelson

d. Robbins

5. Which economics deals with idealistic situation?

a. Positive economics

**b. Normative economics**

c. Both (a) and (b)

d. None of the above

6. Macro economics deals with ______

a. Theory of distribution

b. Theory of income and employment

c. Theory of economic growth

**d. All of the above**

7. Economic problem arises because _______

a. Wants are unlimited

b. Resources are scarce

c. Alternative uses of resources exist

**d. All of the above**

8. Capitalism is also called as _______

a. Command economy

b. Planned economy

**c. Laissez-faire economy**

d. Perfectly competitive

9. Socialism is also called _______

**a. Command economy**

b. Free market economy

c. Laissez-faire economy

d. Perfectly competitive

10. Mixed economy means ______

   a. Stability

   b. Balanced development

   c. Maximizes productivity

   **d. All of the above**

11. Demand definition is complete when we have data on ______

   **a. Price, quantity and time**

   b. Income, quantity and time

   c. Price, quantity and utility

   d. Price, utility and time

12. What kind of relationship exists between demand for a good and price of its substitute goods?

   **a. Direct**

   b. Inverse

   c. No effect

   d. Can be direct or inverse

13. When demand curve is downward sloping, its slope is ______

   **a. Negative**

   b. Positive

   c. Constant

   d. Zero

14. Law of demand does not hold in case of ______

   a. Emergency

   b. Expectation of price rise

   c. Conspicuous goods

   **d. All of the above**

15. When same units are demanded at a higher price, it shows ______

**a. Increase in demand**

b. Expansion in demand

c. Decrease in demand

d. Contraction in demand

16. The values of cross elasticity of demand ranges from _____

a. Zero to infinity

**b. Minus infinity to plus infinity**

c. Zero to infinity

d. One to infinity

17. When income elasticity of demand is between zero and one, the good is _____

a. Luxury

**b. Necessity**

c. Poor quality necessity

d. Inferior good

18. Price elasticity of demand of a vertical demand curve is called _____

a. Perfectly elastic

b. Elastic

c. Inelastic

**d. Perfectly inelastic**

19. By effective demand, we mean _____

**a. Both ability and willingness to buy a commodity**

b. Willingness to buy a commodity

c. Ability to buy a commodity

d. Desire to own a commodity

20. When percentage change in quantity demanded is more than the percentage change in price than demand curve is _____

    **a. Flatter**

    b. Steeper

    c. Rectangle

    d. Horizontal

21. If consumption of the goods is not continuous or there are varieties in the good then which law withholds ______

    a. Law of diminishing marginal utility

    **b. Law of increasing marginal utility**

    c. Law of diminishing returns

    d. Law of constant returns

22. Indifference mean ______

    a. X is preferred to Y

    b. Y is preferred to X

    **c. X and Y are equally preferred**

    d. None of the above

23. Scale of preference of a consumer is independent of _____

    a. Market price

    b. Scale of preference of other consumer

    c. Income of the consumer

    **d. All of the above**

24. Smoothness of indifference curve means ______

    a. X and Y are substitutes of each other

    b. X and Y can be consumed in fixed proportions

    **c. Perfect divisibility of two goods**

    d. Perfect non-divisibility of two goods

25. Higher indifference curve means ______

a. Consumer has more income

b. Price of goods have reduced

**c. Higher utility level**

d. All of the above

26. A downward sloping curve can have the following shape _____

a. Convex

b. Concave

c. Straight line

**d. All of the above**

27. A straight downward sloping indifference cure means _____

**a. MRS is constant**

b. MRS is increasing

c. MRS is decreasing

d. MRS is Zero

28. Decreasing slope of indifference curve is explained by _____

a. Law of diminishing marginal returns

**b. Law of diminishing MRS**

c. Law of demand

d. Law of constant MRS

29. Upward sloping demand curve can be explained by ______

a. Marginal utility theory

**b. Indifference curve theory**

c. Both the above theories

d. None of the above

30. Marginal utility theory can derive the demand curve which is _____

**a. Downward sloping**

b. Upward sloping

c. L-shaped

d. All of the above

31. Law of variable proportions holds when _____

a. State of technology is same

b. All units of variable factor are homogeneous

c. There is at least one fixed factor

**d. All of the above**

32. Stage II of law of variable proportions is called _____

**a. Diminishing returns**

b. Decreasing returns

c. Falling returns

d. Negative returns

33. In stage II of Law of variable proportions, both AP and MP are _____

**a. Falling but positive**

b. Rising

c. Falling and become negative

d. None of the above

34. Marketing economics arises because a large firm ____

a. Has bargaining power

b. Can grant margins to wholesalers

c. Can take up advertising

**d. All of the above**

35. Technical economics can be _____

**a. Economies of superior techniques**

b. Economies of increased dimension

c. Economies of linked processes

d. All of the above

36. Decreasing return to scale occurs when ____

a. Output falls

**b. Output rises in less than proportion to increase in inputs**

c. Returns are decreasing because inputs are not there

d. None of the above

37. Return to scale occur _____

a. In the long-run

b. When all inputs are increased

c. When the increase in inputs is in the same proportion

**d. All of the above**

38. Cost of a commodity together with ___ determines price of the commodity.

**a. Profit margin**

b. Factor prices

c. Depreciation charges

d. All of the above

39. Cost functions are derived from ____

a. Price theory

**b. Production function**

c. Demand function

d. None of the above

40. Fixed cost is also called ____

a. Sunk cost

b. Supplementary cost

c. Overhead cost

**d. All of the above**

41. Marginal revenue is defined as ____

a. Revenue per unit of commodity

**b. Addition to revenue when one more unit of the commodity is sold**

c. Proceeds from the sale of the commodity

d. All of the above

42. Under perfect competition, shape of TR curve is _____

a. Horizontal

b. Inverted-U shaped

**c. Straight positively sloping line from origin**

d. Inverse-S shaped

43. Under perfect competition, MR curve is _____

**a. Horizontal**

b. Vertical

c. Decrease

d. Rising

44. The Monopoly firm is a ____

a. price fixer

b. Price maker

c. Price searcher

**d. All of the above**

45. For price discrimination, it is essential that _____

a. There is no contact among buyers

b. There is imperfect competition in the market

c. The elasticity of demand is different in different markets

**d. All of the above**

46. In the long-run, monopoly _____

a. Can earn supernormal profit

b. Can earn normal profit

c. Cannot incur losses

**d. All of the above**

47. In the long-run, Monopolistic competition ____

a. Can earn supernormal profit

**b. Can earn normal profit**

c. Cannot incur losses

d. All of the above

48. Oligopoly is caused by ____

a. Huge capital investment

b. Absolute cost advantage to the existing firms

c. Mergers

**d. All of the above**

49. What is the equation to find total profit?

**a. TR minus TC**

b. Revenue minus cost

c. MR minus MC

d. AR minus AC

50. When AR = AC, firm is at ____

a. Supernormal profit point

b. Loss making point

**c. Breakeven point**

d. Minimize losses point

**K2 Level**

1. Decode the meaning of economics.

Economics meant managing a household with the limited funds available in the house in an economical manner.

2. Define Economist.

According to Adam Smith "economics inquires into the factors that determine wealth of the country and its growth".

3. Classify economics is a science and art.

Art cannot be separated from science or scientific knowledge. Economics is scientific in its methodology and artistic in its application.

4. Define positive science.

According to Prof. Robbins held that economics was purely a positive science. "Economics should be neutral or silent between ends, i.e there should be no desire to learn about ethics of economic decision".

5. Define Normative science.

According to Alfred Marshall and Pigou "have considered the normative aspect of economics".

6. Illustrate any two importance of microeconomics.

(i) Microeconomics helps in formulating economic policies.

(ii) It helps in efficient employment of resources by the entrepreneurs.

7. Classify the theories of macroeconomics.

(i) Theory of income and employment (ii) Theory of general price level & inflation. (iii) Theory of economic growth and (iv) Theory of distribution.

8. Decode the meaning of socialist economy.

Socialist economy is a planned or command economy based on public ownership of property and social welfare motive.

9. Describe any two features of socialist economy.

(i) Public ownership of property or factors of production.

(ii) No freedom of enterprise.

10. List out any two features of mixed economy.

(i) Competition exists but is limited to the private sector.

(ii) Consumers sovereignty exists.

11. Describe supply.

Supply is that part of stock which the producer is willing to sell at a given price at a particular period.

12. State any two factors which affect the quantity supplied of a commodity.

(i) Price (ii) Cost of production (iii) State of technology (iv) Length of time

13. Explain the meaning of law of supply.

The law of supply states that as the price of commodity increases, the quantity of the commodity supplied per unit of time increase and vice versa.

14. Describe the relation between cost and supply curve.

(a) In case average cost increase as output increases, supply curve will be upward sloped.

(b) In case average cost decreases as output increases, supply curve will be downward sloped.

15. List out three types of returns to scale.

(i) Constant returns to scale (ii) Increasing returns to scale (iii) Decreasing returns to scale.

16. Discuss on constant return to scale.

Percentage increase in output is equal to percentage increase in all the inputs.

17. Define indifference curve analysis.

The indifference curve analysis measures utility. It explains consumer behavior in terms of his preference or ranking.

18. Explain the term cross elasticity of demand.

The cross elasticity of demand is the relationship between percentage change in the quantity demanded of a good to a percentage change in the price of a related good.

19. Discuss on substitute goods.

Substitute goods are those which are an alternative to one another in consumption. For (ex) Tea for coffee, Rice for wheat.

20. Describe Complementary goods.

Complementary goods are those which are jointly used to satisfy a want.

21. State any two characteristics of indifference curve.

(i) Indifference curves slop downward to the right

(ii) Every indifference curve to the right represents a higher level of satisfaction.

22. Classify any two assumptions of consumer's equilibrium.

(i) The consumer has an indifference map showing his scale of preference for combinations of the goods in question and money.

(ii) He has a given amount of money to spend.

23. Denote any two features of demand.

(i) Demand depends upon utility of the commodity.

(ii) Demand is a flow concept.

24. Outline important factors for determining demand.

Individual house hold or its own price, prices of other goods, consumer's income, taste and preferences.

25. Enumerate which miscellaneous factors are affecting demand.

Demand and income distribution, population growth, government policy, wealth of the consumers.

26. Classify the types of trade.

(i) Internal trade (ii) External trade (iii) Wholesale and retail trade.

27. Illustrate the social responsibilities of a business.

The responsibilities of a business is to understand their needs and requirements of the society.

28. Enumerate social objective of a business.

(i) Availability of goods (ii) Supply of quality of goods (iii) Creation of more employment.

29. Define market demand.

A market demand is the aggregate of the quantities demanded by all the consumers in the market at different prices per time period.

30. Explain individual demand.

An individual demand means quantity demanded of a good by an individual consumer at various prices per time period.

31. Discuss short-run production function.

It refers to production in the short-run where there is at least one fixed factor and some variable factor.

32. Enumerate long-run production function.

Long-run production function refers to where all factors are in variable supply.

33. Define marginal product.

Marginal product defined as the change in total product resulting from the employment of an additional unit of a variable factor.

34. Explain law of variable proportion.

The law of variable proportions states that when total output or production of a commodity is increased by adding units of a variable input.

35. State the assumptions of law.

(i) State of technology remains the same.

(ii) All units of the variable factor, labour, are homogenous.

(iii) There must always be some fixed input and diminishing returns.

36. Classify the three stages of variable proportion of law.

(i) Stage of increasing returns (ii) Stage of diminishing returns (iii) Stage of negative return.

37. Discuss constant returns to scale.

Constant returns implies constant cost and constant costs are due to constant economics of scale.

38. Describe internal economics of scale.

The internal economics arise because of the actions of an individual firm to economise its cost and also it has five kinds.

39. Explain the external economies.

External economies are external to the firm. External economies arise to a firm because of expansion of an industry and it has three kinds.

40. Classify the concept of cost.

(i) Opportunity cost Vs outlay cost

(ii) Explicit Vs implicit cost

(iii) Fixed cost Vs variable cost

(iv) Direct Vs indirect cost

(v) Accounting cost Vs economist cost

41. Define perfect competition.

Perfect competition is defined as a market structure in which there are large number of price undertaking firms, selling homogenous product.

42. Explain about the monopoly.

Monopoly is a market structure in which there is a single firm producing all the output in a particular market and there are significant barriers to entry.

43. Categorize the features of monopoly.

(i) A single firm

(ii) No close substitutes

(iii) Barriers to entry

(iv) Goal is profit maximization.

44. Illustrate kinds of monopoly.

(i) Simple monopoly (ii) Discriminating monopoly.

45. Predict two conditions of price discrimination.

(i) The elasticity of demand in these two or more markets must be different.

(ii) The monopolist must have complete control over the supply of the commodity.

46. Define monopolistic competition.

It is defined as that market organization in which there are many firms selling closely related but unidentical commodities.

47. Classify any two features of monopoly.

(i) large number of sellers

(ii) Selling cost

48. Define the term oligopoly.

Oligopoly is defined as a market structure in which there are few sellers of the commodity.

49. Illustrate the features of oligopoly.

(i) Few dominant firm (ii) Mutual interdependence (iii) Barriers entry (iv) Selling cost.

50. Describe any three factors of oligopoly.

(i) Huge capital investment

(ii) Absolute cost advantage to the existing firm

(iii) Product differentiation

(iv) Mergers.

**<u>K3 Level</u>**

1. Examine the objectives of business economist.
2. Discover the concept of business economist.
3. Simplify the nature of business economist.
4. Categorize the scope of business economist.
5. Analyze the influencing factors of demand.
6. Simplify the cross demand.
7. Examine the market demand.
8. Simplify the purpose of forecasting.
9. Categorize the essentials of good forecasting.
10. Compare the company demand forecasting.

11. Illustrate the differences between demand and desire.

12. Classify the importance of consumption in business economics.

13. List out the assumptions made in indifference curve.

14. Categorize the properties of indifference curve.

15. Simplify the equilibrium in indifference curve.

16. List out the assumptions made in law of diminishing returns.

17. Classify the importance and significance of law of diminishing returns.

18. Categorize the assumptions in law of variable proportions.

19. Distinguish between the laws of returns and return to scale.

20. Discover the concepts of cost.

21. Simplify the relationships of total cost.

22. Examine the concept of marginal cost.

23. Categorize the size of market.

24. Examine the features of monopoly pricing.

25. Simplify the meaning of monopolistic competition.

**K4 & K5 Level**

1. Classify the nature and scope of business economist.
2. Explain the roles and responsibilities of business economist.
3. Distinguish the types of demand.
4. Examine the law of demand and state its exceptions.
5. Classify the elasticity of demand.
6. Explain the measurement of elasticity of demand.
7. Evaluate the methods of demand forecasting.
8. Determine the factors influencing consumer sovereignty in the modern world.
9. Examine price effects of indifference curve analysis.
10. Evaluate the income effects of indifference curve analysis.

11. Determine the substitution effects of indifference curve analysis.
12. Explain the law of diminishing returns.
13. Criticize the law of increasing returns.
14. Determine the law of constant returns.
15. Explain the internal and external economics of scale.
16. Criticize the relationship between marginal costing and average cost.
17. Discuss the role of time in price determination.
18. Analyze how the price is determined by the firm in perfect competition.
19. Evaluate the equilibrium of industry in short period price determination.
20. Explain the equilibrium of industry in long period price determination.
21. Explain in detailed manner how the monopoly price is fixed.
22. Evaluate the features of monopolistic competition.
23. Justify the differences between monopolistic competition and imperfect competition.
24. Evaluate the features of oligopoly.
25. Explain the price rigidity under oligopoly.