Business Economics

MCQ - K1 Level

1. Who is the father of Economics?

Alfred Marshall

Adam Smith

Lionel Robbins

Samuelson

2. Economics is a ________.

Positive science

Normative science

None

Both

3. The relationship between price and demand is _____________.

Direct

Positive

Negative

None of these

4. Law of demand shows ____________ relationship between price and quantity demanded.

Positive

Negative

Direct

None of the above

5. Consumer surplus is ____.

Potential price - actual price

MVn=TVn-TVn-1

Demand=supply

None

6. Relatively elastic demand is ____.

e p = 0

e p > 1

e p <1

e p = 1

7. If demand is perfectly inelastic then e is _____.

E∞

e <1

e>1

e=0

8. Indifference curve approach was given by ____________

Alfred Marshall

Adam Smith

Hicks and R.G.D. Allen

J.M.Keynes

9. Production refers to ___.

Destruction of utility

Creation of utility

Exchange value

None of the above

10. The long run average cost curve is also called as_________.

Budget line

Planning curve

Indifference curve

None of the above

11. The main characteristic of monopoly market structure is_________.

Single buyer

Single seller

Many sellers

Many buyers

12. _______ is absence of competition.

Monopolistic

Monopoly

Oligopoly

Duopoly

13. The average income of the people of a country in a particular year is _____

Net national product

National income

Per capita income

Personal income

14. _________ is the total value of all final goods and services produced by the country in certain year.

National Income

Personal income

Corporate income

Foreign income

15. Relationship between price and supply is ________.

Positive

Negative

Direct

None of the above

16. Perfectly elastic demand curve is a _________ curve.

U shaped

L shaped

Horizontal

Vertical

17.If demand is perfectly elastic then e is _____.

E ∞

e <1

e>1

e=0

18.Relatively inelastic demand is ____.

e p = 0

e p > 1

e p <1

e p = 1

19. Unitary inelastic demand is ____.

e p = 0

e p > 1

e p <1

e p = 1

20. The kinked demand curve explains

Price rigidity

Price flexibility

Demand rigidity

Demand flexibility

21. Macroeconomics is the theory of ________.

Income and employment

Price Theory

Demand Theory

Cost Theory

22. The price elasticity of demand measures _______.

The slope of a budget curve.

How often the price of a good changes.

The responsiveness of the quantity demanded to changes in price.

How sensitive the quantity demanded is to changes in demand

23. Firms in perfect competition face a ________.

Perfectly elastic demand curve

Perfectly inelastic demand curve

Perfectly elastic supply curve

Perfectly inelastic supply curve

24. Few sellers is the feature of

Monopoly

Oligopoly

Perfect competition

Monopolistic competition

25. Market which has two firms is known as

Oligopoly

Monopoly

Duopoly

Perfect competition

26. _________represents the tabular form of quantity demanded of a particular product during a given period of time.

Law of demand

Demand Curve

Demand schedule

Cross demand

27. Extension and contraction of demand for a good occurs as a result of

Change in the quality of good

Change in the price of a good

Availability of cheaper substitutes

Increases in Income (B)

28. An exceptional demand curve is one that moves

Upward to the right

Downward to the right

Horizontally

Upward to the left. (A)

29. In the case of a Giffen good, a fall in its price tends to

Demand remain constant

Demand increases

Reduce the demand

Abnormal change in demand. (C)

30. What would be the value of elasticity of demand, if the demand for the good is perfectly inelastic?

0

1

Infinity

Less than Zero (A)

31. The demand for necessities is usually

Highly elastic

Highly inelastic

Unit elasticity

Relatively inelastic (B)

32. The responsiveness of demand to the change in income is known as

Price elasticity of demand

Cross elasticity of demand

Income elasticity of demand

None of these (C)

33. Which is not a statistical method in forecasting?

Trend analysis

Consumer survey

Regression method

Least square method (B)

34. The law which studies the direct relationship between price and quantity supplied of a commodity is

Law of demand

Law of variable proportion

Law of supply

None of the above (C)

35. When price rises, quantity supplied

Expands

Falls

Increases

Unchanged (A)

36. In case of perfectly inelastic supply the supply curve will be

Rising

Vertical

Horizontal

Falling(B)

37. When a percentage in price results in equal change in quantity supplied, it is called,

Elastic supply

Perfectly inelastic

Elasticity of supply

Unitary elastic supply (D)

38. When supply of a commodity decreases on a fall in its price, its is called

Expansion of supply

Increase in supply

Contraction of supply

Decrease in supply. (C)

39. Which utility approach suggests that utility can be measured and quantified?

Ordinal

Cardinal

Both a &b

Diminishing marginal utility. (B)

40. ---------------------- of a commodity is the additional utility derived by a consumer, by consuming one more unit of that commodity.

Marginal utility

Total utility

Average utility

Maximum utility (A)

41. At what point does total utility starts diminishing?

When marginal utility is positive

When it remains constant

When marginal utility is increasing

When marginal utility is negative.(D)

42. Consumer's surplus is also known as

Indifference surplus

Elasticity of supply

Buyer's surplus

Indifference surplus. (C)

43.Which shows various combinations of two products that give same amount of satisfaction?

Iso-cost curve

Marginal utility curve

Iso-quant

Indifference curve

44. Indifference curve slopes,

Downward to the right.

upward to the right.

Downward to the left.

Upward to the left. Ans. a.

45. The process of capital formation includes,

Capital of savings

Mobilization of savings

Investment of savings

All of the above Ans. d

46. Internal economies is related to

Marketing economies

Financial economies

Labour economies.

All of the above Ans. d

47. When the output produced is maximum for the given level of input the firms achieve

Maximum profit

Technical efficiency

Economic efficiency

None of these. Ans. b.

48. The shape of TFC curve is

Horizontal line

Downward sloping

U shaped

Upward sloping

49. The point where TR curve cuts TC curve is called

Equilibrium point

Split off point.

Point of inflexion.

Break even point.

Ans. d

50. In perfect competition a firm increases profit when ______ exceeds _________.

TC, TR

MC, MR

AR, AC

TR, TFC

51. The discriminating monopoly can be categorized as________.

Personal

Place

Use

All of the above

52. ---------------------- deals with the behavior of individual decision makings units such as consumers, resource owners and so on.

Macro economics

Micro economics

Mini economics

None of these

53. A Firm's profitability depends much on its ----------------- of production.

Price

Charge

Cost

All the above

54.Low price of a good generally keeps its price elasticity of demand as -----------.

High

Medium

Normal

Low

55. In the case of inferior goods, the income elasticity of demand is -----------------.

Positive

Negative

Positive, negative

Negative, positive

56. When as a result of increase in price of goods, total expenditure made on goods falls, price elasticity of demand is ------- than unity.

Greater

Lesser

Nominal

None of these

57.Market ----------- occurs where demand and supply are equal.

Equilibrium

Utility

Elastic

None of these

K2 LEVEL

SHORT ANSWERS.

Unit 1

1. Define Economics.

   Economics a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services.
2. Define Business Economics.

   Business Economics, also called Managerial Economics, is the application of economic theory and methodology to business.
3. What is demand?

   Demand for a commodity is the quantity which a consumer is willing to buy at a particular price at a particular time.
4. Define demand.

   Demand for a commodity is the quantity which a consumer is willing to buy at a particular price at a particular time.
5. What is Giffen paradox?

   A Giffen good is a product for which demand increases as the price increases and falls when the price decreases.

6. What is Veblen effect?

   Veblen effect is a theory that suggests that by increasing the price it can increase demand and by decreasing the price you can decrease demand
7. Draw a demand curve.
8. Draw a demand schedule.
9. Draw a supply curve.
10. What is elasticity?

    Elasticity is the responsiveness of demand or supply of a product to change in its price.

Unit 2

11. What are the types of elasticity of demand?

    Perfectly elastic, perfectly inelastic, unit elasticity, relatively elastic, relatively inelastic.
12. What is elasticity of demand?

    The degree of responsiveness of quantity demanded to changes in price of commodity is known as price *elasticity of Demand*.
13. What is price elasticity of demand?

    The degree of responsiveness of quantity demanded to changes in price of commodity is known as price *elasticity of Demand*.
14. What is income elasticity of demand?

    The degree of responsiveness of quantity demanded to changes in price of commodity is known as income *elasticity of Demand*.
15. What is cross elasticity of demand?

    The degree of responsiveness of quantity demanded of product x due to changes in price of commodity y is known as cross *elasticity of Demand*.
16. What is consumer demand?

    Consumer demand is the demand of an individual buyer or consumer.
17. What is market demand?

    Market demand is the aggregate demand of all the consumers in the market.
18. Give two examples for substitutes.

    Tea and coffee, petrol and LPG
19. Give two examples for complimentary goods.

    Ink and pen, car and tyre, tea and sugar
20. What is budget line?

    Budget line (also known as budget constraint) is a schedule or a graph that shows a series of various combinations of two products that can be consumed at a given income and prices.
21. Define consumer surplus.

    Consumer surplus happens when the price that *consumers* pay for a product or service is less than the price they're willing to pay.
22. What is MRS?

MRS is marginal rate of substitution denotes the extent which a product a can be substituted by other product b.

Unit 3

23. What is production?

Creation of utilities, conversion of raw materials into finished goods

24. Give the four factors of production.

Land, labour, capital and organization.

25. What is opportunity Cost?

Opportunity cost is the cost of next best alternative forgone.

26. What is meant by Economies of scale?

Economies of scale is the competitive advantage that large entities have over smaller ones. The larger the business, non-profit, or government, the lower its per-unit costs.

27. What is marginal cost?

Marginal cost of production is the change in total cost that comes from making or producing one additional item.

28. What is a planning curve?

Long run average cost curve is also called as planning curve.

29. Why AC is U shaped curve?

The nature of 'U' shaped short-run Average Cost curve can be attributed to the law of variable proportions. This law tells that when the quantity of one variable factor is changed while keeping the quantities of other factors fixed, the total output increases with an increasing rate and then declines with more than proportionate.

30. What is explicit cost?

Explicit cost is defined as the direct payment which is supposed to be made to others during the due course of running business. This includes the wages, rents

31. What is social cost?

Social costs are private *costs* borne by individuals directly involved in a transaction together with the external *costs* borne by third parties not directly involved in the transaction.

32. What is variable cost? Give example.

Variable cost is the cost that corresponds to the units produced. Direct material, labour etc.

33. Give the formula for TAC.

TAC= TFC+TVC/ n

Unit 4

34. Define market

A *market* is a place where two parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers.

35. What is perfect competition?

Perfect competition is a market condition where there is large number of buyers and sellers.

36. What is monopoly?

Monopoly is a market condition where there is only one seller.

37. What is price discrimination?

Price discrimination is selling the same product at different price to different consumers.

38. Give example for price discrimination.

Theatre tickets, rail tickets etc.

39. What is monopolistic competition?

Monopolistic competition is characterized by product differentiation

40. What is product differentiation?

Product differentiation is the essence of monopolistic competition.

41. Explain the term oligopoly.

Oligopoly is presence of few sellers in the market having price rigidity.

42. What is a kinked demand curve?

Kinked demand curve is seen only in oligopoly market where there is a kink or gap in demand curve.

43. Draw a kinked demand curve.

Unit 5

44. What do you mean by national income?

National income is the total value a country's final output of all new goods and services produced in one year.

45. What is GDP?

Gross Domestic Product is money value of all goods and services produced within the domestic domain with the available resources during a year.

46. What is GNP?

Gross National Product (GNP): Is market value of final goods and services produced in a year by the residents of the country within the domestic territory as well as abroad. GNP is the value of goods and services that the country's citizens produce regardless of their location.

47. What is NNP?

Net National Product (NNP) at MP: Is market value of net output of final goods and services produced by an economy during a year and net factor income from abroad.

48. What is circular flow of income?

The *circular flow of income* or circular flow is a model of the economy in which the major exchanges are represented as flows of money, goods and services, etc.

49. What is black money?

Black money is the unaccountable amount not covered under tax.

50. Give the methods of calculating national income.

Income method, expenditure method, product method.

51. What is disposable income?

Disposable Income (DI) : It is the income left with the individuals after the payment of direct taxes from personal income. It is the actual income left for disposal or that can be spent for consumption by individuals.

52. What is product method?

The Product (Output) Method is the most direct method of arriving at an estimate of a country’s national output or income is to add the output figures of all firms in the economy to get the total value of the nation’s output. The outputs can be grouped into certain product categories corresponding to industries or to sectors (such as the primary sector, secondary sector and the tertiary sector).

53. What is per capita income?

Per capita income (PCI) or average income measures the average income earned per person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total income by its total population.

SECTION B

1. Explain the nature of Business Economics.
2. Distinguish Micro and Macro Economics.
3. What are the basic concepts of business economics? Explain.
4. State the Law of Supply.
5. Explain the factors influencing supply.
6. What are the exceptions to law of demand?
7. Enumerate the determinants of demand.
8. State the law of demand.
9. Explain shift in demand with example.
10. Explain cross elasticity of demand.
11. What are the methods of measuring elasticity of demand?
12. Explain the need to forecast demand.
13. What are the methods of demand forecasting?
14. What are the types of elasticity of demand?
15. Explain demand distinctions.
16. Illustrate and explain indifference curve.
17. What are the properties of indifference curve?
18. Explain Consumer Equilibrium.
19. Explain the concept of budget line.
20. Explain the concept of consumer surplus.
21. Explain income elasticity of demand.
22. Explain substitution effect.
23. Write a short note on production function.
24. Explain the concept of long run average cost curve.
25. Write a short note on economies of scale.
26. What are internal economies of scale? Explain its types.
27. Explain short run cost-output relationship.
28. Write a short note on opportunity cost.
29. Explain Cobb Douglas production function.
30. Write a note on diseconomies of scale.
31. Explain the factors involved in production and their importance.
32. What are the features of perfect competition?
33. Give the classification of markets.
34. Explain kinked demand curve.
35. What are the features of monopoly?
36. Discuss monopolistic competition and its characteristics.
37. Explain the concept of price discrimination and the three degrees.
38. Write a short note on super normal profits.
39. What is oligopoly? Explain the features.
40. Write a short note on perfect competition.
41. Explain the concept of GNP.
42. Write a short note on GDP.
43. List the concepts of national income.
44. Explain the concept of circular flow of income.
45. What are the problems in measuring national income?
46. Explain the importance of national income.
47. What are the methods in measuring national income?
48. Explain income method.
49. Explain expenditure method.
50. Explain both

Section C

1. Explain in detail the nature and scope of business economics.
2. Business economist has a major role in any business organisation. Explain.
3. State the law of demand in detail.
4. Explain in detail the law of supply.
5. Discuss in detail the factors affecting demand.
6. Explain in detail about the types of elasticity of demand.
7. Discuss the methods used to measure elasticity of demand.
8. Discuss in detail the types of price elasticity of demand?
9. Mention in detail the techniques used in demand forecasting.
10. What is MRS? Explain.
11. Explain the indifference curve analysis in detail.
12. Explain the concept of consumer surplus in detail.
13. Discuss in detail the types of cost.
14. Explain in detail the short run and long run cost curves.
15. State in detail the law of variable proportions.
16. Explain in detail the types of economies of scale.
17. Briefly explain the classification of markets.
18. How is the price and output determined under monopoly?
19. What are the features of perfect competition? Explain.
20. Discuss about price determination under perfect competition.
21. Illustrate and explain how price is determined under monopolistic competition.
22. Explain in detail the concepts of national income.
23. What are the problems in measuring national income? Explain.
24. Why measuring national income is significant? Explain.
25. Explain in details the methods used in measuring national income

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