PG DEPARTMENT OF COMMERCE (CA)

QUESTION BANK

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

SUBJECT CODE: 19PCC102 **SUBJECT:** MANAGERIAL ECONOMICS

K1 LEVEL

1. Macro economics
   (a) Behaviour of individual economic units
   (b) Price theory of goods
   (c) Allocation of resources
   (d) Aggregates of the whole economy.
2. Micro economics
   (a) Individual economic units
   (b) Price determination of goods
   (c) Equilibrium of a consumer and producer
   (d) all of the above.
3. Production
   (a) Creating goods and services
   (b) Using up of goods and services for direct satisfaction
   (c) addition to the existing capital stock of an economy.
   (d) Goods resold in the market.
4. Consumption
   (a) creating goods a services
   (b) addition to the existing capital stock of an economy
   (c) utilising gods and services for direct satisfaction.
   (d) goods resold in the market.
5. Capital formation
   (a) surplus of production over consumption
   (b) goods resold in the market
   (c) creating goods and services
   (d) None of these.
6. Resources of an economy
   (a) Land & Labour
   (b) Capital

(c) Entrepreneurship

(d) All of the above.

7. Economic problem occurs due to

(a) Unlimited wants

(b) Unlimited resources

(c) Limited wants

(d) Alternative use of resources.

8. Problem of Allocation of resources

(a) What to produce

(b) Problem of economic growth

(c) Problem of optimum utilisation of resources.

9. Massive unemployment is indicated by

(a) Left ward shift in PPC

(b) rightward shift in PPC

(c) under-utilisation of resources by a point inside PPC

(d) Over-utilisation of resources

10. Opportunity cost is a term which describes:

(a) A bargain price for a factor of production.

(b) Costs related to an optimum level of production.

(c) Average variable cost.

(d) None of these

11. Micro economics studies the economic actions and behavior of:

(a) Individual units

(b) Economic aggregates

(c) Total employment

(d) General price level

12. Macro economics is concerned with

(a) The theory of firm

(b) Household expenditure

(c) General price level

(d) Individual consumer behavior

13. Economics was classified into micro and macro by

(a) Ragnar Frisch

(b) Adam Smith

(c) J M Keynes

(d) A C Pigou

14. …………is micro economic theory

(a) Demand theory

(b) Price theory

(c) Income theory

(d) None of these

15. Macro economic theory is also called as

(a) Demand theory

(b) Price theory

(c) Income theory

(d) None of these

16. Allocation of available resources among alternatives is based on the principle

(a)Opportunity cost principle

(b) Discounting principle

(c) Equi-marginal principle

(d)None of these

17. Which one is not a characteristics of managerial economics

(a) Micro economics

(b) Normative science

(c) Positive science

(d) Pragmatic

18. Which is the characteristics of managerial economics

(a) Deals with both micro and macro aspects

(b) Both positive and normative science

(c) Deals with theoretical aspects

(d) Deals with practical aspects.

19.______is economic theory used in business whereas______is economics theory used in business and non business organization

(a) Micro economics, macro economics

(b) Business economics, managerial economics

(c) Positive economics and normative economics

(d) None of these

20. Managerial economics is also called

(a) Micro economics

(b) Theory of the firm

(c)Economics of the firm

(d) All of the above.

21. Which of the following is not included in functions of managerial economists

(a) Sales forecasting

(b) Industrial market research

(c) Advice on foreign exchange

(d) None of the above

22. Want satisfying power of commodity is called

(a) Demand

(b) Utility

(c)Satisfaction

(d) Consumption

23. In economics, desire backed by purchasing power is known as

(a) Utility

(b) Demand

(c) Consumption

(d) Scarcity

24. The demand has three essentials- Desire, Purchasing power and ………..

(a) Quantity

(b) Cash

(c) Supply

(d) Willingness to purchase

25.………… means an attempt to determine the factors affecting the demand of a commodity or service and to measure such factors and their influences

(a)Demand planning

(b)Demand forecasting

(c)Demand analysis

(d)Demand estimation

26.………… is known as the 'first law in market"

(a) Law of supply

(b) Law of consumption

(c) Law of demand

(d) Law of production

27. Demand =Desires+ …………… +willingness to pay

(a)Supply

(b)Utility

(c)Want

(d)Purchasing power

28. Law of demand shows the functional relationship between **_______**and quantity demanded

(a) Supply

(b) Cost

(c) Price

(d) Requirements

29. Basic assumptions of law of demand include

(a) Prices of other goods should change.

(b) There should be substitute for the commodity.

(c) The commodity should not confer any distinction.

(d) The demand for the commodity should not be continuous

30. Generally demand curve have …………

(a) Negative slope

(b) Positive slope

(c) Horizontal line

(d) Vertical line

31. The change in demand due to change in price only, where other factors remaining constant, it is called……….

(a) Shift in demand

(b) Extension of demand

(c) Contraction of demand

(d) Both extension and contraction

32. When the quantity demanded of a commodity rises due to a fall in price, it is called

(a) Extension

(b) Upward shift

(c)Downward shift

(d) Contraction

33. When the quantity demanded falls due to a rise in price, it is called

(a) Extension

(b) Upward shift

(c) Downward shift

(d) Contraction

34. The Giffen goods are ………. Goods

(a) Inferior goods

(b) Superior goods

(c)Related goods

(d) Same goods

35. Higher the price of certain luxurious articles, higher will be the demand, this concept is called

(a) Giffen effects

(b) Veblen effects

(c) Demonstration effects

(d) Both b & c above

36. Demand for milk, sugar, tea for making tea, is an example of

(a) Composite demand

(b) Derivative demand

(c) Joint demand

(d) Direct demand

37. Perfect elasticity is known as

(a) Finite elastic

(b) Infinite elastic

(c)Unitary elastic

(d) Zero elastic

38. In the case of perfect elasticity, the demand curve is

(a) Vertical

(b)Horizontal

(c) Flat

(d) Steep

39. In a perfectly competitive market, individual firm

(a) Cannot influence the price of its product

(b) Can influence the price of its product

(c) Can fix the price of its product

(d) Can influence the market force

40. Perfect competition is characterized by

(a) Large number of buyers and sellers

(b) Homogeneous product

(c) Free entry and exit of firms

(d) All the above

41. The market with a single producer''

(a) Perfect competition

(b) Monopolistic competition

(c) Oligopoly

(d) Monopoly

42. Selling cost is the feature of the market form

(a)Monopoly

(b) Monopolistic competition

(c) Oligopoly

(d) None of these

43. The product under monopolistic competition are

(a) Differentiated with close substitute

(b) Perfect substitute

(c) Differentiated without close substitute

(d) Homogeneous

44. Which is the determinant of the pricing policy of a firm?

(a) Channel of distribution

(b) Age of product

(c) Consumer association

(d) All of these

45. Information for pricing decisions involves:

(a) Product information

(b) Market information

(c) Information at the micro level

(d) All of these

46. Which is the reason of skimming price?

(a) Inelastic demand

(b) Diversion of market

(c) Safer price policy

(d) All of these

47. Which is the condition of for market penetration?

(a) High price elasticity of demand in the short run

(b) Savings in production costs

(c) Threat of potential competition

(d) All of these

48. In business cycle concept, the period of "long wave" is of;

(a) 25 years
(b) 50 years
(c) 100 years
(d) 200 years

49. In economics ……..means 'a state of rest 'or 'stability'

(a) Depression
(b) Equilibrium
(c) Maturity
(d) growth

50. Selling at a lower price in export market and at a higher price at home market is called

(a) Export subsidy
(b) Dumping
(c) Price cut
(d) All the above

K2 LEVEL

1. Clarify managerial economics

The application of economic science is all pervasive. More specifically economic laws and tools of economic analysis are applied a great deal in the progress of business decision making. This has led to the emergence of a separate branch of study called managerial economics.

2. Classify the basic economical concepts.

(i) Incremental concept (ii) Discounting concept (iii) Time perspective (iv) Opportunity cost (v) Equimarginal concept

3. Discuss any two characteristics of perfect completion.

(i) A large number of small firms (ii) Identical products sold by all firms

4. Defend micro economics.

The word micro means a millionth part. Microeconomics is the study of the small part or component of the whole economy that we are analyzing.

5. Defend macro economics.

Macro economics is concerned with aggregate and average of entire economy.

6. Describe the importance of microeconomics in study of managerial economics.

(i) Functioning of market economy (ii) Allocation of resources (iii) Price determination (iv) Economic efficiency (v) Helpful in international trade (vi) Useful in business decision (vii) Formation of economic policy.

7. Classify factors influencing managerial decision.

(i) Human and behavioral consideration

(ii) Technological factors

(iii) Environmental factor

8. Defend a control in economics.

A control in economics means a steady profit rate that is increasing.

9. Clarify consumer demand.

The relationship between price and quantity demanded is the starting point for building a model of consumer behavior. Measuring the relationship between price and quantity demanded provides information which is used to create a demand schedule, from which a demand curve can be derived.

10. Discuss law of demand.

Law of demand basically says when the price of a certain product goes up, quantity demanded of that product goes down. When price goes down, quantity demanded goes up.

11. Discriminate the exceptions to the law of demand.

(i) Giffen paradox (ii) Veblen effect (iii) Ignorance (iv) Speculative effect (v) Fear of shortage (vi) Necessaries

12. Discuss price elasticity.

Price elasticity of demand measures changes in quantity demanded to a change in price. It is the ratio of percentage change in quantity demanded to a percentage change in price.

13. Clarify income elasticity.

Income demand refers to the quantity of a commodity purchased by a consumer at different levels of income.

14. Defend cross elasticity.

A change in the price of one commodity leads to a change in the quantity demanded of another commodity.

15. Explain the main techniques of demand estimation.

(i) Survey method (ii) Statistical method

16. Express short-run cost analysis.

Short run is that period of time over which at least one input is held fixed. In the short run, the firm cannot change its fixed input to expand output. Only by varying variable inputs can a firm change its volume of output.

17. Explain fixed cost.

The cost which remains fixed irrespective of level of output is known as fixed cost.

18. Defend variable cost.

Its increase at a constant rate relative to labor and capital. Variable costs may include wages, utilities, materials used in production, etc

19. Clarify total cost.

The total cost is the actual cost incurred in the production of a given level of output. The total cost includes both the variable and fixed cost.

20. Explain marginal cost.

Marginal cost is the additional cost incurred for the production of an additional unit of output.

21. Distinguish between fixed cost and variable cost

Fixed cost	Variable cost
These cost are independent of output	These costs vary with the level of output.
These are the costs of fixed factors.	These are the costs of variable Factors.

22. Distinguish between actual cost and opportunity cost?

Actual cost: Its refers to the expenditure on producing a given quantity of a good. It consists of monetary payments made for thee hired inputs plus the imputed value of the inputs and services provided by the firm itself.

Opportunity cost: Opportunity costs are the costs of displaced alternatives. They represent only sacrificed alternatives and hence are not recorded in any financial accounts. It's also called alternative costs.

23. Defend LAC.

Long run average cost (LAC) can be defined as the average of the LTC curve or the cost per unit of output in the long run. It can be calculated by the division of LTC by the quantity of output.

24. Identify the benefits of using managerial tool.

(i) Easy planning (ii) Efficient task management

25. Associate historical cost and sunk cost.

Historical cost of an asset is the actual cost incurred at the time that asset was originally acquired.

Sunk cost is one which is not affected or altered by a change in the level or nature of business activity. It will remain the same whatever the level of activity. It is also known as specific cost.

26. Defend perfect completion.

Perfect competition in economic theory has a meaning diametrically opposite to the everyday use of the term. In practice, businessmen use the word competition as synonymous to rivalry.

27. Discriminate any two features of monopoly completion.

(i) Large number of sellers (ii) Product differentiation (iii) Free entry and exit of firms (iv) Selling cost (v) Group equilibrium (vi) Nature of demand curve.

28. Clarify oligopoly.

It is a situation in which few large firms compete against each other and there is an element of interdependence in the decision making of these firms. A policy change on the part of one firm will have immediate effects on competition, which react with their counter policies.

29. Discriminate any two features of oligopoly.

(i) Small number of large sellers (ii) Interdependence (iii) Price Rigidity (iv) Monopoly element (v) Advertising (vi) Group behavior.

30. Associate perfect competitive market and pure monopoly market have in common.

A perfect competitive market and pure monopoly market both have to follow the "law of demand"

31. Explain demand forecast.

A demand forecast is the prediction of what will happen to your company's existing product sales. It would be best to determine the demand forecast using a multi-functional approach. The inputs from sales and marketing, finance and production should be considered,

32. Discuss equilibrium of the firm and industry.

According to Miller, "Firm is an organization that buys and hires resources and sells goods and services". Lipsey has defined as " Firm is the unit that employs factors of production to produce commodities that it sells to other firms, to household, or to the government".

33. Classify the factors of production.

(i) Land (ii) Labor (iii) Capital

34. Clarify the different dimensions of prices.

(i) Competitive dimension (ii) Time dimension (iii) Geographic dimension (iv) Business environment (v) Marketing Mix (vi) product life cycle.

35. Explain price level.

It's refers to the monetary value of a good or service.

36. Interpret why prices tend to up.

Prices tend to move up mainly due to increase in the supply of money, demand and cost of production.

37. Discuss why an indifference cure never meets

No difference curve can intersect because all point on indifference curve are ranked equally preferred and ranked either or less more preferred than every other point on the curve.

38. Explain the categories of national dept.

(i) Floating debt (ii) Funded debt (iii) Unfunded debt.

39. Generalized WTO.

World Trade Organization. Its deals with the global rules of trade between nations.

40. Clarify the national income.

National income refers to the money value of all the goods and services produced in a country during a financial year.

41. Explain the trade cycle.

Business life cycle refers to the fluctuations in economic activity occurring regularly in the capitalist societies. In a business cycle there are wave- like fluctuations in four inter-linked economic variables: aggregate employment, income, output and price level.

42. Illustrate recession process.

When the entrepreneurs realize their mistakes, they reduce investment, employment and production.

43. Defend depression process in trade cycle.

During depression, the level of economic activity is extremely low. Real income, production, employments, prices, profit etc. are falling.

44. Discuss recovery process in business cycle.

Recovery denotes the turning point of business cycle from depression to prosperity. In this phase, there is a slow rise in output, employment, income and price. Demands for commodities go up.

45. Clarify gross national product.

GNP is defined as the total value of final goods and services produced by the residents of a country during a given period of time, including net income from abroad.

46. Defend net national product.

The total output of final goods consists of both consumption goods and capital goods. In modern roundabout of production, machinery gets worn out. This has to be replaced. Every year a portion of the produce is kept aside for meeting such depreciation cost.

47. Clarify the GNP

Sum of the market value of all final goods and services produced in an economy during a given time period.

K3 LEVEL

1. Analyze the relationship of managerial economics with other disciplines.
2. Examine the characteristics of managerial economics?
3. Examine nature and scope of managerial economics?
4. Analyze the roles of managerial economics in business decision making?
5. Examine frame work of decision making.
6. Debate why does the demand curve slopes downwards?
7. Analyze the factors influencing elasticity of demand.
8. Examine the importance of elasticity of demand?
9. Categorize the exceptions to the law of demand?
10. Analyze the demand forecasting?
11. Analyze the different techniques of survey method.
12. Categorized demand distinctions?
13. Forecasting demand for a new product-Experiment.
14. Examine the features of a good forecasting method?

15. Examine certain exceptions to the law of supply.
16. Analyze the changes in supply
17. Categorize of elasticity of supply?
18. Analyze the measurements of cost output relationship?
19. Examine the limitations of break-even analysis?
20. Examine the Assumptions of break-even analysis.
21. Differentiate the various types of market structure.
22. Test the price is fixed in perfect competition?
23. Examine the characteristics of oligopoly?
24. Experiment any two methods used for determining national income?
25. Debate the advantages of globalization?
26. Inspect the importance of national income analysis.
27. Examine on PQLI.

K4 AND K5 LEVELS

1. Conclude the basic economical concepts? Briefly explain with the applications.
2. Justify the principles of managerial economics?
3. Argue the concept of "price elasticity of demand"
4. Justify the methods of demand forecasting?
5. Compare on break even analysis and cost concept.
6. Compare the cost – output relationship in the short and long-run.
7. Compare the following pricing strategies: a) cost plus pricing b) penetration pricing.
8. Conclude Monopolistic competition? Give its features.
9. Justify the price and output determination under monopoly different from that under perfect competition?
10. Argue the trade cycle and its process.
11. Justify the NNP.
12. Justify the significance of national income analysis in managerial economics.
13. Compare the various issues concerning the national income analysis.

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