DSC-C-BBA-112

PRINCIPLES OF ECONOMICS (MICRO)

1. Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses." Who defined Economics in these words?

a) Adam Smith
b) Marshall
c) Robbins
d) Samuelson

2. The Law of Scarcity –

a) Appplies to underdeveloped countries
b) Does not apply to affluent countries
c) Implies that human wants cannot be fully
d) Implies that income inequality is undesirable.

3. Who opined that "Economics is neutral between ends"?

a) Robbins
b) Samuelson
c) Pigou
d) Marshall

4. Which is the most acceptable definition of Economics?

a) A study of inflation and unemployment
b) A study of savings and investment
c) A study of stock market
d) A study of individual and social choices in the face of scarcity.

5. Which is the fundamental premise of Economics?

a) Resources are scarce and have alternative uses
b) Human wants are unlimited
c) Human wants are not of equal importance
d) All the above statements.

6. Which of the following is a normative statement?

a) Inflation is a global phenomenon
b) Unemployment is mounting in india
c) Income inequality is undesirable and should be reduced
d) Poverty ratio is high in underdeveloped countries.

7. Which of the following is a positive statement?

a) Rapid economic growth should reduce poverty ratio in the country
b) Interest income is unethical
c) Corruption should be checked ruthlessly
d) Average growth rate of GDP in India was higher during 2001–2011 as compared to that during 1991–2001

8. Which of the following indicates macro approach?

a) Per capita income in india
b) Unemployment in the Indian agriculture
c) Issue of fertilizer subsidies in India
d) High price of petrol in India

9. In a free market economy, resource allocation is determined by –

a) Planning Commission
b) Profitability of investment
c) Price mechanism
d) Voting system

10. The central point of the definition of Economics given by Samuelson –

a) Scarcity
b) Resource allocation
c) Price determination
d) Growth over time.

11. The economist who first used the words micro and macro –

a) Keynes
b) Robbins
c) Milton Friedman
d) Ragner Frisch

12. The central topic of micro economics –

a) Resource allocation
b) Determination of GDP
c) Inflation
d) Business cycles

13. The author of An Essay on the Nature and Significance of Economic Science (1932) –

a) Adam Smith
b) Marshall
c) Pigou
d) Robbins

14. Capitalist economy is known also as –

a) Free market economy
b) Socialist economy
c) Planned economy
d) Authoritarian economy.

15. Capitalist economy evolved after –

a) Great depression
b) First world war
c) Industrial revolution in England
d) French revolution.

16. Many countries adopted mixed economy –

a) After the great depression in 1929.
b) After the second world war
c) After the first world war
d) After the industrial revolution in England

17. Private property is the most essential feature of–

a) Collectivist economy
b) Mixed economy
c) Planned economy
d) Capitalist economy

18. Complete public ownership is the main feature of–

a) Mixed economy
b) Free market economy
c) Socialist economy
d) Planned economy

19. Coexistence of public and private ownership is the essential feature of–

a) Capitalist economy
b) Socialist economy
c) Mixed economy
d) Free market economy

20. The slope of PPC indicates –

a) Prices of x and y
b) Marginal rate of substitution of x and y
c) Income of the producers
d) Preferences of the people.

21. The relation between price and demand, according to the law of demand is ....

a) Direct
b) Indirect
c) Positive
d) Nagative

22. According to the law of demand, when price falls, demand ...
a) Expands
b) Contracts
c) Increases
d) Decreases

23. If more is demanded at the current price, it is called....
a) Contraction of demand
b) Expansion of demand
c) Decrease in demand
d) Increases in demand

24. What happens to demand for inferior goods when price falls ?
a) Increases
b) Decreases
c) Expands
d) Contracts

25. What happens to demand for prestige goods when price falls ?
a) Increases
b) Decreases
c) Expands
d) Contracts

26. What does the rightward shift of the demand curve imply?
a) Increases in demand
b) Decreases in demand
c) Expansion of demand
d) Contraction of demand

27. What does the rightward movement on a given demand curve imply?
a) Expansion of demand
b) Contraction of demand
c) Increase in demand
d) Decrease in demand

28. It is the effect of change in relative prices on demand.
a) Income effect
b) Substitution effect
c) Price effect
d) Neither

29. It is the effect of change in consumers' real income on demand.
a) Income effect
b) Substitution effect
c) Price effect
d) Neither

30. Giffen goods are
a) Luxury goods
b) Prestige goods
c) Necessities
d) Inferior goods

31. Demand tends to fall with the rise in real income in case of
a) Prestige goods
b) Luxury goods
c) Inferior goods
d) Necessities

32. Supply of a commodity means
a) Actual production
b) Total stock
c) Quantity offered for sale at a definite price per unit of time
d) Quantity sold

33. A vertical supply curve paralled to Y-axis implies that elasticity of supply is
a) Zero
b) Infinite
c) Equal to unity
d) Less than one

34. According to the law of supply the relationship between price and supply is...

a) Inverse
b) Direct
c) Uncertain
d) Negative

35. Other things remaining constant, when price falls, supply tends to-

a) Increase
b) Decrease
c) Expand
d) Contract

36. Price of the product remaining constant, if greater quantity is supplied it is called

a) Expansion of supply
b) Contraction of supply
c) Increase in supply
d) Decrease in supply

37. An increase in supply of a commodity is caused by

a) Improvement in technology
b) Fall in its price
c) Rise in prices of related goods
d) Neither

38. In the diagram, increase in supply is shown by

a) Righward movement on the given supply curve
b) Leftward movement on the given supply curve
c) Upward shift of the supply curve
d) Downward shift of the supply curve

39. Constraction of supply is the result of -

a) Decrease in the number of producers
b) decrease in the price of the commodity concerned
c) Increase in the price of other goods
d) Decrease in population

40. The portion of output brought in the market at a given price is called

a) Stock
b) Sale
c) Supply
d) Demand

41. With the fall in production costs, supply tends to

a) Increase
b) Decrease
c) Expand
d) Contract

42. When price is expected to rise in future, supply tends to

a) Contract
b) Expand
c) Decrease
d) Increase

43. What types of statement, the law of supply is ?

a) Unconditional
b) Conditional
c) Unrealistic
d) Unethical

44. Equilibrium price is determined at the point where:

a) Demand > Supply
b) Supply > Demand
c) Demand = Supply
d) No one

45. When market demand increases and supply remains unchanged, equilibrium price will:

a) Fall
b) Rise
c) Stay the same
d) Become zero

46. If supply increases and demand remains constant, equilibrium price will:

a) Rise
b) Fall
c) Stay constant
d) Fluctuate randomly

47. Which of the following does not cause a shift in demand curve?

a) Change in consumer income
b) Change in population
c) Change in tastes and preferences
d) Change in cost of production

48. 5. A price ceiling is fixed:

a) Below equilibrium price
b) Above equilibrium
c) Equal to equilibrium price
d) Without reference to equillibrium

49. A price floor is fixed

a) Above equilibrium price
b) Below equilibrium price
c) At equilibrium price
d) Randomly by the market

50. When demand decreases and supply remains constant, equilibrium price will

a) Rise
b) Fall
c) Remain constant
d) Became undefined

51. If both demand and supply increase, equilibrium price will

a) Always rise
b) Always fall
c) Remain unchanged
d) Depend on relative increase of demand and supply

52. In case of excess supply, sellers will

a) Raise the price
b) Reduce the price
c) Keep price constant
d) Leave the market

53. The condition of excess demand leads to

a) Surplus
b) Shortage
c) Equilibrium
d) None of these

54. The intersection of demand and supply curve shows

a) Surplus
b) Shortage
c) Equilibrium price and quantity
d) Monopoly price

55. Which of the following is a direct determinant of supply?

a) Technology
b) Population size
c) Consumer taste
d) Income of consumers

56. When supply decreases and demand remains constant, equilibrium price will

a) Rise
b) Fall
c) Stay the same
d) Disappear

57. Which product has a local market?

a) Gold
b) Wheat
c) Brick
d) Tooth-paste

58. In which market, the number of sellers is too large?

a) Monopoly
b) Duopoly
c) Oligopoly
d) Perfect Competition

59. In which market, there are a few sellers of a product?

a) Monopoly
b) Duopoly
c) Oligopoly
d) Monopolistic Competition

60. Which market contains the elements of competition and monopoly both?

a) Pure Competition
b) Perfect Competition
c) Monopolistic Competition
d) Monopoly

61. Product differentiation is an important feature of ____________.

a) Monopoly
b) Pure Competition
c) Perfect Competition
d) Monopolistic Competition.

62. It is a market in which one seller is faced with one buyer:

a) Monopoly
b) Oligopoly
c) Birateral Monopoly
d) Monopsony

63. It is a market in which there are two sellers facing a large number of buyers:

a) Monopoly
b) Monopsony
c) Duopoly
d) Bilateral Monopoly

64. The control of OPEC countries over the production of petroleum products is an example of

a) Legal Monopoly
b) Natural Monopoly
c) Bilateral Monopoly
d) Pure Monopoly

65. Indian railways provides an example of -

a) Natural Monopoly
b) Legal Monopoly
c) Pure Monopoly
d) Duopoly

66. Which of the following is not an essential condition of pure competition?

a) Large number of buyers and sellers
b) Homogeneous product
c) Freedom of entry
d) Absence of transport cost

67. What is the shape of the demand curve facing a firm under perfect competition?

a) Vertical
b) Horizontal
c) Upward sloping
d) Downward sloping

68. Supply remaining constant, a decrease in demand leads to –

a) Fall in price and increase in quantity
b) Fall in price and decrease in quantity
c) Rise in price and decrease in quantity
d) Rise in price and increase in quantity

69. Which of the following is not a condition of perfect competition?

a) Large number of buyers and sellers
b) Free entry of firms
c) Homogeneous product
d) Selling costs

70. In which market, a firm has largest over price?

a) Monopoly b) Duopoly
c) Oligopoly d) Monopsony

71. In which market, a firm has no control over price?

a) Monopoly b) Duopoly
c) Monopolistic Competition d) Perfect Competition.

72. Which of the following is not the characteristic of oligopoly?

a) Importance of selling costs b) A small number of firms
c) Horizontal demand curve d) Price leadership

73. How many producers in duopoly market?

a) One b) Two
c) Three d) Four

74. Who is father if economics?

a) Marshall b) Robins
c) Adam Smith d) Lucas

Correct Answers:

1.	C	21.	B	41.	A	61.	D
2.	C	22.	A	42.	A	62.	A
3.	A	23.	B	43.	B	63.	C
4.	D	24.	B	44.	C	64.	C
5.	D	25.	A	45.	B	65.	A
6.	C	26.	A	46.	B	66.	D
7.	D	27.	A	47.	D	67.	B
8.	A	28.	B	48.	A	68.	B
9.	C	29.	A	49.	A	69.	D
10.	B	30.	D	50.	B	70.	A
11.	D	31.	C	51.	D	71.	D
12.	A	32.	C	52.	B	72.	C
13.	D	33.	A	53.	B	73.	B
14.	A	34.	B	54.	C	74.	C
15.	C	35.	B	55.	A	75.	
16.	A	36.	A	56.	A	76.	
17.	D	37.	A	57.	C	77.	
18.	C	38.	D	58.	D	78.	
19.	C	39.	C	59.	C	79.	
20.	B	40.	C	60.	C	80.	