GKINDIA

1. Demand is a function of

A. Firm
B. Cost
C. Price
D. Product

Answer: C

2. The kinked demand curve explains

A. Demand flexibility
B. Demand rigidity
C. Price flexibility
D. Price rigidity

Answer: D

3. Imperfect competition was introduced by

A. Chamberlin
B. Marshall
C. Keynes
D. None of these

Answer: A

4. A situation in which the number of competing firms is relatively small is known as

A. Monopoly
B. Oligopoly
C. Monopsony
D. Perfect competition

Answer: B

5. The term group equilibrium is related to

A. Duopoly
B. Oligopoly
C. Perfect competition
D. Monopolistic competition

Answer: D

6. Law of diminishlng marginal rate of substitution is associated with

A. Hicks
B. Keynes
C. Slutsky
D. Marshall

Answer: A

7. Price effect in indifference curve analysis arises

A. When income and price change

B. When the consumer is betler off due to a change in income and price

C. When the consumer becomes either better off or worse off because price change is not compensated by income change

D. None of the above

Answer: C

8. A situation where there is only one buyer is called

A. Perfect competition

B. Monopsony

C. Monopoly

D. Oligopoly

Answer: B

9. Elasticity of demand measures the

A. Volume of product

B. Value of price and cost

C. Sensitivity of production to changes in a particular cost

D. Sensitivity of sales to changes in a particular causal factor

Answer: D

10. Factors responsible for creating conditions for emergence and growth of monopoly are

A. Patents

B. Licensing

C. Control over strategic raw materials

D. All of the above

Answer: D

11. In the case of an inferior good, the income effect

A. Is equal to the substitution effect

B. Reinforces the substitution effect

C. Partially offsets the substitution effect

D. More than offsets the substitution effect

Answer: C

12. Law of diminishing marginal utility is based on the assumption that

A. Tastes change over time

B. Consumption is continuous

C. Different units of goods consumed are homogeneous

D. None of these

Answer: A

13. Other things remaining the same, when a consumer's income increases, his equilibrium point moves to

A. A lower indifference curve

B. A higher indifference curve

C. Remains unchanged on the same indifference curve

D. To the left-hand side on the same indifference curve

Answer: D

14. Income elasticity is computed by

A. ei = (Y2 - Y1) / e1

B. ei = (Y1 - Y2) / P1

C. ei = (Q2 - Q1) / P1

D. ei = ((Q2 - Q1) / Q1) / ((Y2 - Y1) / Y1)

Answer: D

15. Price elasticity is computed by

A. ep = (((Q2- Q1) / Q1) / P1) X 100

B. ep = ((Q2- Q1) / Q1) / ((P2 - P1) / P1)

C. ep = (((Q2- Q1) / Q1) / Product) X 100

D. ep =((P1 - P2) / Q1) X ((P1+P2) / Q2)

Answer: B

16. A market in which only two firms exist is

A. Duopoly

B. Oligopoly

C. Duopsony

D. Oligopsony

Answer: A

17. Value maximization theory fails to address the problem of

A. risk
B. uncertainty
C. sluggish growth
D. self-serving management

Answer: D

18. Selling costs have to be incurred in case of

A. Perfect competition
B. Imperfect competition
C. Monopolistic competition
D. None of these

Answer: C

19. Which type of competition leads to exploitation of consumer?

A. Oligopoly
B. Monopoly
C. Monopolistic competition
D. All of the above

Answer: D

20. The equilibrium is unstable and indeterminate under

A. Pareto Model
B. Sweezy Model
C. Cournot Model
D. Edgeworth model

Answer: D

21. Impact of change in demand in one sector on other sectors is studied by

A. Partial equilibrium
B. General equilibrium
C. Both (a) and (b)
D. None of these

Answer: B

22. On an indifference map, if the income consumption curve slopes downwards to the right it shows that

A. X is an inferior good
B. Y is an inferior good
C. Both X and Y are superior goods
D. Both X and Y are inferior goods

Answer: B

23. Marginal cost curve cuts the average cost curve from below at

A. its lowest point
B. the right of the lowest point
C. the left of the lowest point
D. all of the above

Answer: A

24. In case of monopoly, a firm in the long run can have

A. Loss
B. Profit
C. Break even
D. All of these

Answer: D

25. Study of demand over two periods is called

A. Static
B. Dynamic
C. Comparative static
D. None of these

Answer: C

26. Price elasticity of demand provides

A. Technical change in the value
B. A technical change in the cost of product
C. A technical change in the goodwill of the firm
D. A measure of the responsiveness of the quantity demanded to changes in the price of the product, holding constant the values of all other variables in the demand function

Answer: D

27. Demand curve is related to

A. MU curve
B. Marginal revenue
C. Both (a) and (b)
D. None of these

Answer: C

28. Market with one buyer and one seller is called

A. Bilateral Monopoly
B. Monopsony
C. Monopoly
D. None of the above

Answer: A

29. The upper portion of the kinked demand curve is relatively

A. Inelastic
B. Less elastic
C. More elastic
D. More inelastic

Answer: C

30. Which of the following is an important dynamic variable?

A. Cultural variables
B. The task structure
C. Organisational nature
D. Superior's style and behaviour

Answer: B

31. Average revenue is calculated by

A. P x Q
B. TR / Q
C. TR / MR
D. TRn - TRn-1

Answer: B

32. Cross elasticity of demand between two perfect substitutes will be

A. zero
B. low
C. high
D. infinity

Answer: D

33. At elasticity of one, marginal revenue is equal to

A. zero
B. one
C. infinity
D. none

Answer: B

34. Shifts in demand curve include

A. Extention in demand
B. Contraction in demand
C. Increase in Demand (Upward shift)
D. None of the above

Answer: C

35. An indifference curve is always

A. Convex to the origin
B. Concave to the origin
C. A vertical straight line
D. A horizontal straight line

Answer: A

36. In the calculation of elasticity, there is error in case of

A. Arc elasticity
B. Point elasticity
C. Both (a) and (b)
D. None of these

Answer: A

37. How many sellers are present in duopoly?

A. 1
B. 2
C. 3
D. No limit

Answer: B

38. Efficient allocation of resources is achieved to greatest extent under

A. Monopoly
B. Oligopoly
C. Perfect competition
D. Monopolistic competition

Answer: C

39. For maximisation of profit in the short run, the condition is

A. AR = AC
B. MC = AC
C. MR = AR
D. MR = MC

Answer: D

40. Study of collusive agreement is

A. Monopoly
B. Collusive oligopoly
C. Non-Collusive oligopoly
D. All of the above

Answer: B

41. Which economist stated the positive impact of monopoly?

A. Pigou
B. Marshall
C. Adam Smith
D. Joseph Schumpeter

Answer: D

42. In the case of monopolistic competition

A. The short run supply curve cannot be defined
B. AR curve cannot be defined
C. MR curve cannot be defined
D. None of the above

Answer: A

43. Demand Analysis includes:

A. Demand Forecasting
B. Demand Differentials
C. Demand Determinations
D. All of the above

Answer: D

44. In a monopoly market, an upward shift in the market demand results in a new equilibrium with
A. A higher quantity and lower price
B. A higher quantity and higher price
C. A higher quantity and the same price
D. All of the above

Answer: D

45. A firm's marginal revenue
A. is always positive
B. is always negative
C. can be positive
D. is positive at point at which the total revenue is maximum

Answer: D

46. Under perfect competition, price of the product
A. Can be controlled
B. Cannot be controlled
C. Can be controlled within certain limit
D. None of the above

Answer: B

47. If the demand curve confronting an individual firm is perfectly elastic, then firm is
A. Adjust price
B. Price taker
C. Adjust output
D. All of these

Answer: B

48. Cartels is a form of
A. Monopoly
B. Collusive oligopoly
C. Non-Collusive oligopoly
D. None of these

Answer: B

49. Which one is not normally possible in case of monopoly?
A. MR = P
B. AC = AR
C. MC = MR
D. MR = AR

Answer: D

50. Marginal revenue is at the quantity that generates maximum total revenue and negative beyond that point.

A. -1
B. Zero
C. +1
D. +2

Answer: B

51. Cartels under oligopoly do not survive for long because of

A. Low profit
B. Heavy loss
C. Inter firm rivalry
D. High cost of marketing

Answer: C

52. 'Kinked Demand curve approach' is concerned with

A. dual Pricing
B. price rigidity
C. price flexibility
D. price discrimination

Answer: C

53. What is the nature of Elasticity of demand for luxury items like high class furniture

A. zero elastic
B. unit elastic
C. fairly elastic
D. highly elastic

Answer: D

54. A consumer consuming two goods will be in equilibrium, when the marginal utilities from both goods are

A. zero
B. Equal
C. Minimum possible positive
D. Maximum possible positive

Answer: B

55. Monopolistic competition has features of

A. Monopoly but not competition

B. Monopoly and competition with features of monopoly predominating

C. Monopoly and competition, with features of competition predominating

D. None of the above

Answer: C

56. For a competitive firm, long period normal price will

A. Equal AC of production only

B. Equal TC of production only

C. Equal MC of production only

D. Equal AC and MC of production

Answer: D

57. The price which a consumer would be willing to pay for a commodity equals to his

A. Average utility

B. Marginal utility

C. Total utility

D. Does not have any relation to anyone of these

Answer: D

58. All the following curves are U-shaped except

A. AC curve

B. MC curve

C. AFC curve

D. AVC curve

Answer: C

59. Which of the following statement is incorrect

A. Even monopolistic can earn loss

B. Firms in a perfectly competitive market are price taker

C. Kinked demand curve is related to an oligopolistic market

D. It is always beneficial for a firm in a perfectly competitive market to discriminate price

Answer: D

60. Which of the following is not a determinant of demand?

A. Elasticity of Demand

B. Prices of related goods

C. Income of the consumer
D. Price of the product itself

Answer: A

61. If a commodity is used for multiple purposes then the demand for it is known as
A. Joint Demand
B. Direct Demand
C. Composite Demand
D. Autonomous Demand

Answer: C

62. The Cobb Douglas production function Q = 4 K0.6L 0.3 Exhibit.
A. Decreasing returns to scale
B. Increasing returns to scale
C. Constant returns to scale
D. None of the above

Answer: A

63. An example of derived demand is
A. Car
B. Money
C. Cigarette
D. Mobile Phone

Answer: B

64. Which of the following is a type of price discount?
A. Cash
B. Trade
C. Quantity
D. All of the above

Answer: D

65. Which of the following is a pricing method?
A. Cost plus
B. Seasonal
C. Promotional
D. None of these

Answer: A

66. The theory of Revealed preference was propounded by

A. J. R. Hicki
B. P.F. Drucker
C. A. Marshall
D. Paul Samuelson

Answer: D

67. The nature of Cross-price elasticity of demand in case of complementary product will be

A. Zero
B. Positive
C. Negative
D. None of these

Answer: B

68. In oligopoly market kinked demand curve explains

A. Short run average cost curve
B. Long run average cost curve
C. Average variable cost curve
D. Collusion among rival firms

Answer: D

69. The principle which states that an input must be so allocated between various uses that the value added by the last unit of input is the same in all its use is called

A. Marginal principle
B. Discounting principle
C. Incremental principle
D. Equal marginal principle

Answer: D

70. Which subject is relevant to the study of consumer behaviour?

A. Sociology
B. Economics
C. Psychology
D. All of these

Answer: D

71. National Income may be determined through?

A. Income Approach
B. Productive Approach
C. Expenditure Approach
D. All of the above

Answer: D

72. Which of the following is not the method of forecasting demand

A. Total outlay method
B. Expert option method
C. Collective opinion method
D. Controlled opinion method

Answer: A

73. Which of the following is a correct statement

A. Decrease in input prices causes a left word shift in the supply curve
B. The demand for a commodity is inversely related to the price of its substitutes.
C. When income increases demand for essential good increase, more than proportionately
D. The desire for a commodity backed by ability and willingness to pay is demanded

Answer: D

74. When demand curve is rectangular hyper-bola the elasticity of demand will be

A. Unit elastic
B. Highly elastic
C. Perfectly elastic
D. Perfectly inelastic

Answer: A

75. In perfect competition in the long run there will be no

A. Costs
B. Production
C. Normal profit
D. Supernormal profits

Answer: D

76. Price discrimination policy helps in increasing profit in case of

A. Oligopoly
B. Monopoly
C. Perfect competition
D. Monopolistic competition

Answer: B

77. Total production will be maximum when

A. Marginal production is zero

B. Average production is maximum

C. Marginal production is maximum

D. Average production is equal to the marginal production

Answer: A

78. The % change in demand for a product A divided by the % change in price of product B indicates the degree of

A. Price Elasticity of Demand

B. Cross Elasticity of Demand

C. Ionic Elasticity of Demand

D. Advertising Elasticity of Demand

Answer: B

79. Demand has the following elements

A. Time

B. Price

C. Quantity

D. All of these

Answer: D

80. Which of the following is correct Statement

A. A firm is price-taker under perfect competition

B. The short-run supply curve has a negative slope

C. Under perfect competition a firm determine its price where AR = MR

D. In perfect competitive industry a firm is in equilibrium in the short run only when its AC = AR = MR = MC

Answer: A

81. Which of the following is the best general definition of the study of economics

A. The best way to invest in the stock market

B. Individual and social choice in the face of scarcity

C. Business decision making under foreign competition

D. lnflation and employment in a growing economy

Answer: B

82. As per indifference curve and price line, a consumer will not be in equilibrium when

A. The marginal rate of substitution is decreasing

B. Ratios of marginal utilities and price of the respective goods are equal

C. The marginal rate of substitution is equal to the ratio of prices of the two goods

D. Ratio of marginal utilities of the two goods is equal to the ratio of their respective prices

Answer: A

83. Which of the following does not influence the individual demand for a product

A. price of product

B. price of close substitute

C. change in climatic conditions

D. state of production technology

Answer: D

84. The consumer is in equilibrium at a point where the budget line

A. Cuts an indifference curve

B. Is below an indifference curve

C. Is above an indifference curve

D. Is tangent to an indifference curve

Answer: D

85. Which of the following concepts is considered as a myth

A. Oligopoly

B. Monopoly

C. Perfect competition

D. Imperfect competition

Answer: C

86. Which of the following is not a condition of successful price discrimination

A. Seller should be an MNC

B. Location of markets at distinct place

C. Consumers ignorance and prejudice

D. Different elasticity of demand for different customer

Answer: A

87. Which one of the following is not correct about the price discrimination by a monopolist, who

intends to

A. Maximise the sales / profit

B. Share the consumer's surplus

C. Reduce the welfare of masses

D. Increase the welfare of masses

Answer: D

88. Opportunity cost means

A. Cost of the Last unit

B. Cost of all units produced

C. Cost of next best alternative

D. Cost of a Homogeneous product

Answer: C

89. Price discrimination is profitable and possible of the two market have

A. Inelastic demand

B. High Elastic Demand

C. Equal Elasticity of Demand

D. Different Elasticity of Demand

Answer: D

90. What is the 'fundamental promise of Economics',

A. Natural resources will always be scarce

B. No matter what the circumstance individual choice always involve a trade off

C. Individuals choose the alternative for which they believed the net gains to be the greatest

D. Individuals are capable of establishing goals and acting in a manner consistent and achievement of those goals

Answer: C

91. When goods in the domestic market are sold at a high price in the foreign market at a low price, it is a situation of

A. Duopoly

B. Oligopoly

C. Dumping

D. Perfect Competition

Answer: C

92. A perfectly competitive firm attains equilibrium when

A. AC = AR

B. TC = TR

C. MC = AC

D. MR = MC

Answer: D

93. When marginal utility is negative then total utility

A. is zero

B. increase

C. decrease

D. is negative

Answer: C

94. Under kinked demand model, the demand curve for the firm's product is drawn on the assumption that

A. All rivals charge a price independent of the price charged by the oligopolist

B. All rivals follow the oligopolist upto certain price but beyond that they do not

C. All rivals charge the same price which is charged by the oligopolist

D. All oligopolist charges the price as independent sellers

Answer: B

95. 'Kinked' demand curve is related with

A. Oligopoly

B. Monopoly

C. Perfect competition

D. Discriminating monopoly

Answer: A

96. In a typical demand schedule, quantity demanded

A. Varies directly with price

B. Varies inversely with price

C. Is independent of price

D. Varies proportionately with price

Answer: B

97. Which of the following is not the feature of monopolistic competition.

A. Product homogeneity
B. Fairly large number of firms
C. Independent price-output policy
D. Co-existence of efficient and inefficient firms

Answer: A

98. Laws of increasing and constant returns are temporary phase of
A. Law of proportionality
B. Law of Diminishing Utility
C. Law of variable proportion
D. Law of Diminishing Return

Answer: C

99. An indifference curve slopes down towards right since more of one commodity and less of another result in
A. Same satisfaction
B. Greater satisfaction
C. Maximum satisfaction
D. Decreasing expenditure

Answer: A

100. If price of any commodity decreased by 20% and the demand for that commodity increased by 40%, then elasticity of demand would be
A. Unit elastic
B. Highly elastic
C. Perfectly elastic
D. Perfectly inelastic

Answer: B