

St. Aloysius College (Autonomous) Jabalpur
B.Com. Honors
Managerial Economics
Question Bank

UNIT I

- 1. Economics is a social science, regulated by activities related to.....**
 - a. Production, consumption, distribution.**
 - b. Variable factors and constant factors
 - c. Demand and supply
 - d. None of the above

- 2. is process of transforming tangible and intangible inputs to outputs.**
 - a. Consumption
 - b. Distribution
 - c. Production**
 - d. All of the above

- 3. means to spread the product throughout the market the place.**
 - a. consumption
 - b. distribution**
 - c. production
 - d. all of these

- 4. The process in which substance or a thing is completely used up is known as.....**
 - a. consumption**
 - b. Distribution
 - c. production
 - d. all of these

- 5. Economics provide tools,..... economics uses these tools in the management of business.**
 - a. Macro
 - b. Managerial**
 - c. Management
 - d. None of these

- 6. “ Managerial Economics is concerned with business efficiency” is said by**
 - a. Christopher Savage
 - b. John R
 - c. Mc. nair
 - d. Both a and B**

7. is the basis of managerial economics

- a. Macro economics
- b. Micro economics**
- c. Management
- d. None of these

8. Managerial economics is also called economics.

- a. Micro
- b. Management
- c. Social
- d. Applied**

9. Managerial economics has scope in.....

- a. Subjective matter
- b. Relation with other disciplines
- c. Both a and b**
- c. None of the above

10. Scope of managerial economics covers all the problem area of

- a. Manager
- b. Firm
- c. both a and b**
- d. none of the above

11. Relationship between cost and output, cost forecasting and profit is covered under

- a. cost analysis**
- b. Subjective matter
- c. Relation with other disciplines
- d. Both a and b

12. Factor input and output combination is cover under

- a. Production function**
- b. Inventory management
- c. Pricing management
- d. Demand analysis

13. Operation research, management accounting macro economics statistics and mathematic comes under..... of managerial economics

- a. subjective matters
- b. relation with other disciplines**
- c. both a and b
- d. none of these

14. Inventory decision of managerial economics consist of

- a. quantity of raw materials and other resources that are ideal at a given time
- b. large inventory means blocking of capital
- c. level of inventory to be maintained
- d. all of the above**

15. Investment decisions comprises of

- a. money of capital investment**
- b. decision on target market
- c. manpower planning
- d. none of these

16. Change in demand occurs due to :

- a. change in price
- b. change in other factors
- c. both a and b**
- d. none of the above

17. change in price results inof the demand curve.

- a. expansion
- b. contraction
- c. both a and b**
- d. none of the above

18. change in the other factors results in....of the demand curve.

- a. increase
- b. decrease
- c. both a and b**
- d. none of the above

19. expansion and contraction of the demand curve makes movement of demand curve along

- a. same demand curve**
- b. different demand curve
- c. shift in demand curve
- d. none of these

20. increase and decrease in the demand curve cause

- a. movement in same demand curve
- b. shift in demand curve**
- c. both a and b
- d. none of these

21. Elasticity of the demand can be measured by

- a. point method
- b. arc method
- c. total expenditure method
- d. all of the above**

22. Elasticity of demand refers to

- a. change in demand in respect to any variable factor**

- b. change in supply in respect to any variable factors
- c. change in demand with respect to supply
- d. change in supply with respect to demand

23. in point method elasticity is measured by

- a. change in demand with respect to price
- b. lower segment of demand curve with respect to upper segment of demand curve**
- c. both a and b
- d. none of the above

24. In arc method elasticity of demand is measured by

- a. change in demand with respect to change in supply
- b. change in demand with respect to price
- c. change in average demand with respect to change in the average price**
- d. all of the above

25. Total expenditure method was given by

- a. Marshall**
- b. Adam Smith
- c. Robinson
- d. none of these

26. according to total expenditure method if price falls and total expenditure decreases the demand is

- a. elastic
- b. inelastic**
- c. unit elastic
- d. none of these

27. According to total expenditure if price increases and total expenditure decreases the demand is

- a. elastic**
- b. inelastic
- c. unit elastic
- d. none of these

28. According to total expenditure if price increases or decreases the total expenditure remains same then demand is

- a. elastic
- b. inelastic
- c. unit elastic**
- d. none of these

29. total expenditure method is also called as

- a. total percentage method
- b. total budget method

c. total outlay method

d. none of these

30. following is a type of elasticity

a. price

b. income

c. cross

d. all of these

31. Income elasticity of demand is the degree of responsiveness of quantity demanded to a small amount of change in

a. income

b. price

c. budget

d. none of these

32. following is not a degree of income elasticity

a. positive income elasticity

b. negative elasticity

c. zero income elasticity

d .none of these

33. Under positive elasticity there are following elasticity of demand

a. unitary

b. less than unitary

c more than unitary

d. all of these

34. which case shows positive elasticity of demand

a. increase in income causes increase in demand

b. increase in income causes decrease in demand

c. increase in income causes increase in supply

d., none of these

35. if increase in income causes equal increase in demand of goods it shows which elasticity

a. unitary elastic

b. more than unitary elastic

c. less than unitary elastic

d. none of these

36. If increase in income causes more increase in the demand of goods it shows which elasticity

a. unitary elasticity

b. more than unitary elasticity

- c. less than unitary elasticity
- d. none of these

37. If increase in income causes less increase in the demand of goods it shows which elasticity

- a. unitary elastic
- b. less than unitary elastic**
- c. more than unitary elastic
- d. none of these

38. If increase in income causes decrease in demand of goods it shows which elasticity

- a. positive elasticity**
- b. negative elasticity**
- c. cross elasticity
- d. none of these

39. elasticity is negative in case of

- a. giffen goods**
- b. superior goods
- c. basic necessities
- d. none of these

40. cross elasticity of demand is

- a. change in demand of one good in response to other good**
- b. change in demand of one good in response to supply of other good
- c. change in demand of one good in response to the supply of the same good
- d. none of these

41. positive cross elasticity exist in case of

- a. complementary goods
- b. substitute goods**
- c. unrelated commodities
- d. none of these

42. negative cross elasticity exist in case of

- a. complementary goods**
- b. substitute goods
- c. unrelated commodities
- d. none of these

43. zero cross elasticity of demand exist in case of

- a. complementary goods
- b. substitute goods
- c. unrelated commodities**

d. none of these

44. If $E_p > 1$, the demand is

- a. elastic**
- b. in elastic
- c. unitary elastic
- d. none of these

45. If $E_p < 1$, the demand is

- a. elastic
- b. inelastic**
- c. unitary elastic
- d. none of these

46. If $E_p = 1$, the demand is

- a. elastic
- b. inelastic
- c. unitary elastic**
- d. none of these

47. ‘;Managerial economics is the use of economic modes of thoughts to analyze business problems’ is said by

- a. mc nair and meriam**
- b. Watson
- c. marshall
- d. none of these

48. rise in price of coffee will increase in demand for tea , it is an example of

- a. negative cross elasticity**
- b. positive cross elasticity**
- c. zero cross elasticity
- d. none of these

49. rise in price of bread will bring down the demand for butter, it is an example of

- a. negative cross elasticity**
- b. positive cross elasticity
- c. zero cross elasticity
- d. none of these

50. demand for necessities is an example of

- a. negative cross elasticity
- b. positive cross elasticity
- c. negative income elasticity
- d. zero income elasticity**

51. which of the following is not a forecasting technique

- a. judgmental
- b. time series
- c. time horizon**
- d. associative

52. In which of the following forecasting technique subjective inputs obtained from various sources are analyzed ?

- a. judgmental forecast**
- b. time series forecast
- c. associative model
- d. all of the above

53. In which of the following forecasting technique, data obtained from past experience is analysed ?

- a. judgmental forecast
- b. time series forecast**
- c. associative model
- d. all of the above

54. Delphi method is used for

- a. judgmental forecast**
- b. time series forecast
- c. associative model
- d. all of the above

55. Decision relating to production scheduling involves

- a. short term forecasting**
- b. medium term forecasting
- c. long term forecasting
- d. none of these

56. decision relating to the sales and operation planning involve

- a. short term forecasting
- b. long term forecasting
- c. medium term forecasting**
- d. both short and medium term forecasting

57. which one of the following does not fall under qualitative forecasting method

- a. market research
- b. moving average method**
- c. Delphi method
- d. judgmental method

58. which of the following forecasting method is suitable for launching new product

- a. exponential smoothing
- b. judgmental method**

- c. market research
- d. none of these

59. which of the following method is or are suitable for forecasting the demand of a product

- a. Delphi method
- b. market research
- c. Delphi method and judgmental method**
- d. market research and judgmental method

60. what is demand forecasting ?

- a. the process of projecting demand on manufacturing equipment over a time period
- b. The process of projecting customer demand for a good or service**
- c. the process of projecting demand for alternative source of corporate data
- d. the process of projecting future costs for a good or service

61. The most commonly used mathematical method for measuring the trend is

- a. semi average
- b. moving average
- c. free hand curve
- d. least square**

62. A set of observations recorded at an equal interval of time is called

- a. array data
- b. data
- c. geometric series
- d. time series data**

63. The following are the movements in the secular trend

- a. smooth
- b. regular
- c. steady
- d. all of these**

64. Which of the following is not a forecasting technique?

- a. judgmental
- b. time series
- c. time horizon**
- d. associative

65. Which forecasting technique is a calculation to analyze data points by creating a series of averages of different subsets of the full data set

- a. scenario analysis
- b. market surveys
- c. Delphi method
- d. none of these**

66. Which forecasting technique involves experts answer questionnaires in two or more rounds

- a. forecast by analogy
- b. scenario analysis
- c. market surveys
- d. Delphi method**

67. What is the type of historical analogy forecasting?

- a. quantitative prediction
- b. qualitative prediction**
- c. other casual methods
- d. none of these

68. Which is not a determinant of demand forecasting ?

- a. durable consumer goods
- b. non durable consumer goods
- c. capital goods
- d. none of these**

69. What is/are importance of demand forecasting?

- a. management decision
- b. qualitative and quantitative control
- c. financial estimate
- d. all of these**

70. Which is not a qualitative method of demand forecasting ?

- a. survey method
- b. expert opinion method
- c. statistical method**
- d. Delphi method

71. The two general approaches to demand forecasting are

- a. qualitative and quantitative**
- b. mathematical and statistical
- c. judgmental and qualitative
- d. historical and associative

72. which of the following uses three types of participants, decision makers, staff personnel , and respondents?

- a. executive opinions
- b. sales force composites
- c. the Delphi method**
- d. consumer surveys

73. method combine statistical tool with economic theories to estimate economic variables and forecast the intended economic variables

a. econometric method

- b. time series
- c. delphi method
- d. statistical method

74. in short run the most direct method of forecasting is

a. survey method

- b. opinion survey method
- c. expert opinion method
- d. delphi method

75. In method the opinion of the experts are collected and forecast is prepared on the basis of it

a. survey method

b. expert opinion method

- c. opinion survey method
- d. Delphi method

SHORT ANSWER TYPE QUESTIONS

Q1- What is economics?

Q2- What is production?

Q-3 What do you mean by distribution?

Q-4 What do you mean by consumption?

Q-5 Define managerial economics?

Q-6 Define demand?

Q-7 what do you mean by effective demand?

Q-8 Why does demand curve slopes downward from left to right?

Q-9 What are the exception of the law of demand?

Q- Explain the type of demand.

Q-11 Define elasticity?

Q-12 What do you mean by demand elasticity?

Q-13 What are the type of elasticity of demand?

Q-14 Explain the different degrees of elasticity?

Q-15 Define demand forecasting?

Q-16 What are the steps in demand forecasting?

Q-17 Explain the different degrees of income elasticity?

Q-18 Define positive Cross elasticity of demand?

Q-19 what do you mean by zero income elasticity of demand?

Q-20 what do you mean by price elasticity of demand?

Q-21 explain least square method of demand forecasting?

Q-22 explain the short term objective of demand forecasting?

Q-23 explain the long term objective of demand forecasting?

- Q-24 What do you mean by Delphi method of demand forecasting?
Q-25 explain the nature of managerial economics?

LONG ANSWER TYPE QUESTIONS

- Q-1 What do you mean by managerial economics? Explain the nature and scope of managerial economics?
Q-2 Define economics. Explain the nature and nature application of managerial economics and business decision making?
Q-3 Define demand. Explain the changes in demand?
Q-4 Explain the determinants of demand and law of demand?
Q-5 Define elasticity. Explain the different methods of measuring demand elasticity?
Q-6 Explain the types of elasticity of demand?
Q-7 what do you mean by demand forecasting ? Explain the objective and steps in demand forecasting?
Q-8 Explain how managerial economics is helpful in demand forecasting?
Q-9 Explain the qualitative techniques of demand forecasting?
Q-10 Explain the quantitative techniques of demand forecasting?
Q-11 Define demand and exceptions of law of demand ?
Q-12 Explain the total expenditure method or total outlay method of measuring demand elasticity.
Q-13 Explain briefly cross elasticity of demand .
Q-14 Explain briefly Time series analysis method of demand forecasting.
Q-15 Explain briefly least square method of demand forecasting.
Q-16 Define demand . Explain briefly the functions of demand.

UNIT II

1. _____ shows the overall output generated at a given level of input:
(a) Cost function
(b) **Production function**
(c) Isocost
(d) Marginal rate of technical substitution
2. If LAC curve falls as output expands, this is due to _____:
(a) Law of diminishing returns
(b) **Economics of scale**
(c) Law of variable proportion
(d) Diseconomies of scale
3. Isoquants are equal to:
(a) **Product Lines**
(b) Total utility lines
(c) Cost lines
(d) Revenue lines
4. The marginal product curve is above the average product curve when the average product is :
(a) **Increasing**

- (b) Decreasing
- (c) Constant
- (d) None

5. Increasing returns to scale can be explained in terms of:

- (a) **External and internal economies**
- (b) External and internal diseconomies
- (c) External economics and internal diseconomies
- (d) All of these

6. An isoquant is _____ to an iso cost line at equilibrium point:

- (a) Convex
- (b) Concave
- (c) **Tangent**
- (d) Perpendicular

7. At the point of inflexion, the marginal product is:

- (a) Increasing
- (b) Decreasing
- (c) **Maximum**
- (d) Negative

8. Diminishing marginal returns implies:

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) **Increasing marginal costs**
- (d) Decreasing average fixed costs

9. If the marginal product of labour is below the average product of labour. It must be true that:

- (a) Marginal product of labour is negative
- (b) Marginal product of labour is zero
- (c) **Average product of labour is falling**
- (d) Average product of labour is negative

10. Law of variable proportion is valid when:

- (a) **Only one input is fixed and all other inputs are kept variable**
- (b) All factors are kept constant
- (c) All inputs are varied in the same proportion
- (d) None of these

11. Which of the following is not an assumption of the Law of variable Proportions?

- (a) There is no change in technology.
- (b) Variable factors are homogeneous.
- (c) **No change in price of related goods.**
- (d) One factor is variable & others are fixed.

12. Which of the following factor is assumed to be fixed in short run of Law of variable proportions?

- (a) Land
- (b) Labour
- (c) Capital
- (d) Entrepreneur

13. Law of Variable proportion is applicable in :

- (a) Agriculture
- (b) Industries
- (c) Both (a) & (b)
- (d) Only (a)

14. How many laws of Return are there?

- (a) 1
- (b) 2
- (c) 3
- (d) 4

15. When more & more units of labour are employed on a given piece of land, the marginal product of additional unit of labour will go on diminishing , It is called:

- (a) Law of diminishing returns
- (b) Law of increasing returns
- (c) Law of constant returns
- (d) None of these

16. Law of increasing returns is applicable to :

- (a) Agriculture
- (b) Industries
- (c) Mining
- (d) None of these

17. Law of increasing returns is fastly Applicable to Industries because of :

- (a) Division of labour
- (b) New inventions
- (c) Both (a) & (b)
- (d) None of these

18. Law of diminishing returns is applicable to Agriculture because of :

- (a) Natural factors
- (b) Decrease in fertility of land
- (c) Less use of machines
- (d) All of the above

19. When one more unit of labour is combined with the land and marginal product is constant, it is called?

- (a) Law of diminishing returns
- (b) Law of increasing returns
- (c) Law of constant returns
- (d) None of these

20. Causes of Applicability of law of variable proportions are :

- (a) Imperfect substitutes
- (b) Under-utilization of fixed factor

(c) Optimum production

(d) All of the above

21. Marginal product is.....

(a) Rate at which total production changes with change in variable input;

(b) Rate at which total production changes with change in total cost

(c) Rate at which total production changes with change in fixed cost ;

(d) None

22. Total output is maximum when

(a) MP =0

(b) MP is increasing ;

(c) MP is decreasing ;

(d) MP is constant

23. Law of variable proportion applies.....

(a) When all inputs are variable ;

(b) When all input are fixed ;

(c) Some inputs are fixed and some are variable

(d) All the three

24.. Law of returns to scale applies when.....

(a) All inputs cost are variable ;

(b) All input cost are fixed;

(c) All cost are partly fixed and partly variable ;

(d) None

25. Marginal rate of technical substitution shows the overall output generated at a given level of input (TRUE/FALSE)

Ans FALSE

26. When LAC curve falls as output expands, this is due to Law of diminishing returns

_____(TRUE/FALSE)

Ans FALSE

27. An isoquant helps to determine economic and uneconomic region (TRUE/FALSE)

TRUE

28. Diminishing marginal returns implies Increasing marginal costs; (TRUE/FALSE) **TRUE**

29. Law of variable proportion is valid when all inputs are varied in the same proportion

(TRUE/FALSE) **FALSE**

30. Law of Variable proportion is applicable in Agriculture and Industries (TRUE/FALSE)

TRUE

31. When more & more units of labour are employed on a given piece of land, the marginal product of additional unit of labour will go on diminishing , It is called Law of constant returns.

(TRUE/FALSE) **FALSE**

32. Production Function It studies the functional relationship between physical inputs and physical outputs. It is expressed as $Q_x = F(L,K)$ (TRUE/FALSE) **TRUE**

33. Total Product (TP) It is the sum total of output corresponding to each unit of the variable factor used in the process of production. (TRUE/FALSE) **TRUE**

34. Marginal Product (MP) It is an additional output produced by the use of an additional unit of the variable factor, fixed factor remaining constant. (TRUE/FALSE) **TRUE**

35. Returns to a Factor refers to the behaviour of output when only one variable factor of production is increased fixed factors remaining constant. (TRUE/FALSE) **TRUE**

36. Returns to a Factor is a long-run phenomenon. (TRUE/FALSE) **FALSE**

37. Returns to Scale It refers to change in physical output of a good on account of increase in all inputs required to produce a good simultaneously in the same proportion. (TRUE/FALSE) **TRUE**

38. Returns to Scale is a short-term phenomenon. (TRUE/FALSE) **FALSE**

39. ----- states that as more and more units of the variable factors are used (along with the fixed factor), a stage must come when Total Product of the variable factor starts declining, after reaching its maximum points or in other word Marginal Product of variable factors initially increase, reaches its maximum point and eventually falls to become negative.

Ans. Law of Variable Proportion

40. ----- show economic and uneconomic region in isoquant analysis

Ans. Rigid lines

41. Average Product will increase only when Marginal Product increases. (TRUE/FALSE) **False**

42. Under diminishing returns to a factor, Total Product continues to increase till Marginal Product reaches zero. (TRUE/FALSE)

True

43. Where there are diminishing returns to a factor, Total Product first increases and then starts falling. (TRUE/FALSE)

False

44. When Marginal Product falls, Average Product will also fall. (TRUE/FALSE)

False.

45. Total Product always increases whether there is increasing returns or diminishing returns to a factor. (TRUE/FALSE) **True**

46. When there are diminishing returns to a factor, Total Product always decreases. (TRUE/FALSE) **False.**

47. Product will increase only when Marginal Product increases. (TRUE/FALSE) **False.**

48. Increase in Total Product always indicates that there are increasing returns to a factor. (TRUE/FALSE) **False.**

49. When there are diminishing returns to a factor, Marginal product and Total Product both fall. (TRUE/FALSE) **False.**

50. When AP increase, $MP > AP$. (TRUE/FALSE) **True**

51. When AP is maximum $MP = AP$. (TRUE/FALSE) **True**

52. When AP decreases, $MP < AP$. (TRUE/FALSE) **True**

53. MP can become zero or negative, however AP can never be zero. (TRUE/FALSE) **True**

54. The principle of -----is based on the production function where two factors can be substituted in variable proportions in such a way as to produce a constant level of output.

a. Marginal rate of technical substitution

b. indifference curve.

- c. Rigid line
- d. none of these

55. MRTS is the loss of certain units of capital which will be compensated for by additional units of labour at that point. (TRUE/FALSE) **True**

56. Isoquants are convex to the origin because of diminishing marginal rate of technical substitution (TRUE/FALSE) **True**

57. A higher iso-product curve represents a higher level of output. (TRUE/FALSE) **True**

58. -----join those points on different iso-quant curves which determine the economic limits of production.

- a. Ridge lines
- b. Isoquants
- c. Isocost lines
- d. Iso lines

59. Isoquants Need Not be Parallel to Each Other. (TRUE/FALSE) **True**

60. If marginal rate of substitution between any two factors does not diminish and remains constant, the two factors are perfect substitutes of each other. (TRUE/FALSE) **True**

- 61.** Returns to scale increase because of
- a. indivisibility of the factors of production
 - b. specialisation and division of labour.
 - c. internal economies of production.
 - d. all the above**

62. ----- refers to the production situation in which output increases exactly in the same proportion in which factors of production are increased.

- a. constant returns**
- b. diminishing returns .
- c. internal economies
- d. increasing returns

63. ----- refer to that production situation, where if all the factors of production are increased in a given proportion, output increases in a smaller proportion.

- a. constant returns
- b. diminishing returns .**
- c. internal economies
- d. increasing returns

64. -----refers to a situation when all factors of production are increased, output increases at a higher rate.

- a. constant returns
- b. diminishing returns .
- c. internal economies
- d. increasing returns**

65 . Returns to a factor explains

- a. Only one factor varies while all the rest are fixed.
- b. The factor-proportion varies as more and more of the units of the variable factor are employed to increase output.
- c. It is a short-run phenomenon.
- d. all the above**

66 Returns to scale:

- a. All or at least two factors vary.
- b. Factors are increased in same proportion to increase output.
- c. It is a long-run phenomenon.
- d. all the above**

67. Law of variable proportions is based on which of the following assumptions:

- (a) Constant Technology:
- (b) Factor Proportions are Variable:
- (c) Homogeneous Factor Units
- d) all the above**

68. Iso-quant curve is that curve which shows the different combinations of two factors yielding the same total product. (TRUE/FALSE) **True**

69. Marginal Product is the change in Total Product as a result of unit change in the input of a variable (TRUE/FALSE) **True**

70. When AR is diminishing, $AR > MR$. (TRUE/FALSE) **True**

71. MR can be negative, but not AR. (TRUE/FALSE) **True**

Short answer type questions

- Q1. What is average product?
- Q2. What is marginal product?
- Q3. What is total product?
- Q4. What is short run ?
- Q5. Law of variable proportions is based on which assumptions?
- Q6. What is increasing return in Law of variable proportions?
- Q7. What is Diminishing return in Law of variable proportions?
- Q8. What is negative return in Law of variable proportions?
- Q9. Discuss the Applicability of the Law of Variable Proportions?
- Q10. What are the types of Returns to scale ?
- Q11. What are the assumptions of Returns to scale?
- Q12. What are the reasons for IRTS?
- Q13. What are the reasons for CRTS?
- Q14. What are the reasons for DRTS?
- Q15. What are isoquants?
- Q 16. What are rigid lines ?
- Q17. What are the properties of isoquants?
- Q18. What is an isoquant map?
- Q19. What is marginal rate of technical substitution?

Q20. Explain the concept of the diminishing marginal rate of technical substitution (DMRTS)?

Long answer type questions.

- Q1. Explain Law of variable proportions?
- Q2. Explain law of return to scale?
- Q3. Discuss and explain production function
- Q4. What is isoquant? Explain its properties and marginal rate of technical substitution?
- Q5. Discuss production function with two variables?
- Q6. Discuss and distinguish between return to factor and return to scale?
- Q7. Discuss graphically the stages of return to factor?
- Q8. Discuss graphically the stages of return to scale?

UNIT III

- 1. Which of the following is the most competitive market structure?**
 - (a) Perfect competition
 - (b) Monopolistic competition
 - (c) Oligopoly
 - (d) Monopoly
- 2. Which of the following is the least competitive market structure?**
 - (a) Perfect competition
 - (b) Monopolistic competition
 - (c) Oligopoly
 - (d) Monopoly
- 3. Which of the following is NOT a feature of monopolistic competition?**
 - (a) Numerous seller
 - (b) Product differentiation
 - (c) Numerous buyers
 - (d) Homogenous products
- 4. In which form of market structure would price be the key factor when competing?**
 - (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic competition
 - (d) Perfect competition
- 5. Under..... market condition, firms make normal profits in the long run?**
 - (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None
- 6. Under monopolistic competition the cross elasticity of demand for the product of a single firm would be?**
 - (a) Infinite
 - (b) Highly elastic
 - (c) Highly inelastic
 - (d) Zero
- 7. What is the shape of the demand curve faced by a firm under perfect competition?**
 - (a) Horizontal
 - (b) Vertical
 - (c) Positively sloped
 - (d) Negatively slope
- 8. Which is the first order condition for the profit of a firm to be maximum?**
 - (a) $AC = MR$
 - (b) $MC = MR$
 - (c) $MR = AR$
 - (d) $AC = AR$
- 9. Which of the following is not a characteristic of a “price taker”?**
 - (a) $TR = P \cdot Q$
 - (b) $AR = Price$
 - (c) negatively sloped demand curve
 - (d) Marginal Revenue = Price
- 10. Which of the following is not a characteristic of a perfectly competition market?**

- (a) Large number of firm in the industry
- (b) Outputs of the firm are perfect substitutes for one another
- (C) Firm face downward –sloping demand curve**
- (d) Resources are very mobile

11. Price determination is related to?

- (a) Time
- (b) Size of the purchase
- (c) Income
- (d) Any of the above**

12. The firm and the industry are one and the same in _____?

- (a) Perfect competition
- (b) Monopolistic competition
- (c) Duopoly
- (d) Monopoly**

13. Which of the following statements is correct?

- (a) Price rigidity is an important feature of monopoly
- (b) Selling costs are possible under perfect competition
- (c) Under perfect competition factors of production do not move freely as there are legal restriction
- (d) An industry consists of many firms**

14. Monopolistic competition differ from perfect competition primarily because?

- (a) In monopolistic competition, firm can differentiate their products**
- (b) In perfect competition, firm can differentiate their products
- (c) In monopolistic competition, entry into the industry is blocked
- (d) In monopolistic competition, there are relatively few barriers to entry

15. Agricultural goods market depict characteristics close to?

- (a) Perfect competition**
- (b) Oligopoly
- (c) Monopoly
- (d) Monopolistic competition

16. Average revenue curve is also known as?

- (a) Profit curve
- (b) Demand curve**
- (c) Average cost curve
- (d) Indifference curve

17. Price discrimination will be profitable if the elasticity of demand in different sub-market is?

- (a) Uniform
- (b) Different**
- (c) Less
- (d) Zero

18. Which of the following market would most closely satisfy the requirement for a perfect competition market?

- (a) Electricity
- (b) Cable television
- (c) Cola
- (d) Milk**

19. Which of the following statement is accurate regarding a perfectly competitive firm?

- (a) Demand curve is downward sloping
- (b) The demand curve always lies above the marginal revenue curve
- (c) Average revenue need not be equal to price
- (d) Price is given and is determined by the equilibrium in the entire market**

20. When $e = 1$ then MR is

- (a) Positive
- (b) Zero**
- (c) One
- (d) Negative

21. Discriminating monopoly implies that the monopolist charge different prices for his commodity?

- (a) From different groups of consumers
- (b) For different uses

(c) At different places

(d) Any of the above

22. When the monopolist divides the consumers into separate sub market and charges different prices in different sub-market it is known as?

(a) First degree of price discrimination (b) Second degree of price discrimination

(c) **Third degree of price discrimination** (d) None of the above

23. Which of the following statements is incorrect?

(a) Under monopoly there is no difference between a firm and an industry

(b) A monopolist may restrict the output and raise the price

(c) **Commodities offered for sale under a perfect competition will be heterogeneous**

(d) Product differentiation is peculiar to monopolist competition

24. Under..... the monopolist will fix a price which will take away the entire consumer' surplus?

(a) Second degree of price discrimination

(b) **First degree of price discrimination**

(c) Third degree of price discrimination

(d) None of the above

25. When $e < 1$ then MR is?

(a) **Negative**

(b) Zero

(c) Positive

(d) One

26. Monopoly may raise in a product market because?

(a) A significantly important resource for the production of the commodity is owned by a single firm

(b) The government has given the firm patent right to produce the commodity

(c) The costs of production and economics of scale makes production by a single producer more efficient

(d) **All the above**

27. Which of the following is the best example of a perfectly competitive market ?

(a) Diamond

(b) Athletic shoes

(c) Soft drink

(d) **Farming**

28. Perfect competition is an industry with?

(a) A few firms producing identical goods

(b) Many firms producing goods that differ somewhat

(c) A few firms producing goods that differ somewhat in quality

(d) **Many firms producing identical goods**

29. In industries in which there are scale economics, the variety of good that a country can produce is constrained by?

(a) The fixed cost

(b) The size of the labor force

(c) The marginal cost

(d) **The size of the market**

30. Marginal revenue for a monopolist is _____?

(a) **Equal to price**

(b) Greater than price

(c) Less than price

(d) Equal to average revenue

31. products produce by oligopolistic firms are?

(a) Homogeneous

(b) Heterogeneous

(c) Differentiated

(d) **Heterogeneous or Differentiated**

32. Income and populations are two variables that can be used in _____ segmentation?

(a) Psychographic

(b) **demographic**

(c) Lifestyle

(d) Behavioral

33. Which of the following is not a reasons for increasing prices?

(c) The profit-maximizing level of output

(d) Whether or not to enter or exit an industry

45. A price-taking firm?

(a) Cannot influence the price of the product it sells.

(b) Talks to rival firms to determine the best price for all of them to charge.

(c) Sets the product's price to whatever level the owner decides upon.

(d) Asks the government to set the price of its product.

46. A large number of sellers all selling an identical product implies which of the following?

(a) Horizontal market supply curves

(b) Large losses by all sellers

(c) The inability of any seller to change the price of the product

(d) Market chaos

47. All of the following are examples of product differentiation in monopolistic competition EXCEPT?

(a) New and improved packaging

(b) Lower price

(c) Acceptance of more credit cards than the competition

(d) Location of the retail store

48. A differentiated product has?

(a) Many perfect substitutes.

(b) Close but not perfect substitutes.

(c) No close substitutes.

(d) No substitutes of any kind.

49. As the degree of product differentiation increases among the products sold in a monopolistically competitive industry, which of the following occurs?

(a) The cost of production falls.

(b) The amount of marketing expenditures decreases for each firm.

(c) The demand curve for each seller's product becomes more horizontal.

(d) Each seller's demand becomes more inelastic.

50. Marketing consists of

(a) Selling at a lower price than rival sell for

(b) Producing more output to lower average costs

(c) Advertising and packaging

(d) None of the above answers are correct.

51. One of the requirements for a monopoly is that?

(a) The product cannot be produced by small firms

(b) There are several close substitutes for the product

(c) There is a unique product with no close substitutes

(d) Products are high priced

52. A monopoly is a market with?

(a) No barriers to entry

(b) Many substitutes

(c) Many suppliers

(d) One supplier

53. Firms face competition when the good they produce?

(a) Is in a market with natural barriers to entry.

(b) Is unique

(c) Is in a market with legal barriers to entry

(d) Has a close substitute.

54. The demand for a product produced in a perfectly competitive market permanently increases. In the short run the price?

- (a) Rises and each firm produces less output
- (b) Does not change because each firm produces more output
- (c) Rises and each firm produces more output**
- (d) Does not change as new firms enter the industry

55. A perfectly competitive firm is definitely earning an economic profit when?

- (a) $P > ATC$.
- (b) $P > AVC$
- (c) $P < ATC$.
- (d) $MR < MC$

56. In the short run, a perfectly competitive firm can?

- (a) Earn a normal profit.
- (b) Incur an economic loss.
- (c) Earn an economic profit.
- (d) Earn an economic profit, earn a normal profit, or incur an economic loss**

57. If the slope of the long-run supply curve for a perfectly competitive industry is positive, the industry experiences?

- (a) Internal economies
- (b) External economies
- (c) External diseconomies**
- (d) Internal diseconomies

58. An example of an external cost is?

- (a) The damage created by a tornado
- (b) Pollution**
- (c) The price that a consumer pays for a new car
- (d) The price that a firm pays for a consultant's advice

59. In a perfectly competitive industry, the industry supply curve is the sum of the?

- (a) Average total cost curves of all the individual firms
- (b) Supply curves of all the individual firms**
- (c) Average variable cost curves of all the individual firms
- (d) Average fixed cost curves of all the individual firms

60. A perfectly competitive firm is producing more than the profit-maximizing amount of its product. You can conclude that its?

- (a) Marginal revenue is less than the price of the product
- (b) Total cost exceeds its total revenue
- (c) Average total cost exceeds the price of the product
- (d) Marginal cost exceeds the price of the product**

61. A firm will expand the amount of output it produces as long as its?

- (a) Average total revenue exceeds its average variable cost.
- (b) Marginal revenue exceeds its marginal cost.**
- (c) Marginal cost exceeds its marginal revenue
- (d) Average total revenue exceeds its average total cost.

62. A perfectly competitive firm is producing at the point where its marginal cost equals its marginal revenue. If the firm boosts its output, its total revenue will _____ and its profit

will _____?

- (a) Fall; fall
- (c) Rise; rise

- (b) Fall; rise
- (d) Rise; fall**

63. In the long run, fixed costs are?

- (a) Zero and variable costs are zero
- (b) **Zero and variable costs are positive.**
- (c) Positive and variable costs are positive
- (d) Positive and variable costs are zero

64. Suppose firms in a perfectly competitive industry are suffering an economic loss. Over time?

- (a) Some firms leave the industry, so the price falls and the economic loss decreases.
- (b) Some firms leave the industry, so the price rises and the economic loss decreases.**
- (c) Other firms enter the industry, so the price falls and the economic loss decreases.
- (d) Other firms enter the industry, so the price rises and the economic loss decreases.

65. As firms enter a perfectly competitive industry?

- (a) The price falls and the existing firms' economic profits do not change.
- (b) The price falls and the existing firms' economic profits decrease.**
- (c) The price falls and the existing firms' economic losses do not change.
- (d) The price rises and the existing firms' economic profits decrease.

SHORT ANSWER TYPE QUESTIONS

- Q1) What do you mean by 'market'?
- Q2) What do you understand by market structure?
- Q3) Define the type of market structure?
- Q4) What do you mean by monopolistic competition?
- Q5) Explain how price are determine under monopolistic market?
- Q6) What are the main characteristics of monopolistic competition?
- Q7) How is the price determined in the short period under the perfect competition?
- Q8) How is the price determined in the long run under the perfect competition?
- Q9) Why selling costs are important under monopolistic market situation?
- Q10) What do you understand by non-price competition?
- Q11) What do you mean by imperfect competition?
- Q12) Mention the characteristics of imperfect competition?
- Q13) How are the price determination in imperfect competition?
- Q14) What is price discrimination?
- Q15) Define the objective or causes of price discrimination?
- Q16) What do you mean by monopoly?
- Q17) How is the price determined in the monopoly?
- Q18) What are the main features of monopoly?
- Q19) How does monopoly differ from pure competition?
- Q20) What are the characteristics of a perfectly competitive market?
- Q21) What are the 3 types of price discrimination?
- Q22) Why do firms discriminate price?
- Q23) What are the necessary conditions of price discrimination?
- Q24) What is price discrimination under monopoly?
- Q25) Write two difference between monopoly and monopolistic competition?

LONG ANSWER TYPE QUESTIONS

- Q1) Explain why a monopolist earn supernormal profits also in the long run?
- Q2) What are the two conditions of monopoly equilibrium as per MR and MC approach? State its implication.
- Q3) Do you think that monopoly is an efficient form of market? Explain your answer.
- Q4) Compare perfect competition with monopoly market?
- Q5) Write about price determination under monopoly?
- Q6) State and explain the price determination under perfect competition?
- Q7) Discuss short run as well as long run equilibrium of a firm under monopolistic competition?
- Q8) Explain with the help of diagram that price is higher and output is lower in monopolistic competition compared to perfect competition?
- Q9) Distinguish between monopoly, monopolistic competition and perfect competition. Which of these are most common in the real world and why?
- Q10) Firms are price takers under perfect competition. How?
- Q11) A competitive firm faces a horizontal demand curve but the industry faces a downward sloping demand curve. Why?
- Q12) If a firm in a perfectly competitive industry is making super normal profits in the short run would it continue to do so in the long run? Explain.
- Q13) What are the four types of market structures? Briefly describe each and give an example?
- Q14) Which of the following is the most competitive market structure?
- Q15) In which form of market is there product differentiation?
- Q16) Price and output are indeterminate for a firm under oligopoly. Explain?

Unit-4 MCQS

- Sometimes the supply curve of labour ends
 - Downward
 - Upward
 - Backward**
 - Firstly upward and then downward
- Union leaders are in a better position to bargain for higher wages if demand for labour is:
 - Elastic
 - Inelastic**
 - Very large
 - Permanent
- A firm maximizes profit if:
 - MRP=wage rate**
 - MRP=ARP
 - MRP is rising
 - None of these
- Standard of living of workers depends upon their:
 - Normal wages

- (b) **Real wages**
 - (c) Average product
 - (d) Govt. policy
5. Under marginal productivity theory reward for labour is determined by:
- (a) Owner
 - (b) Government
 - (c) Labour
 - (d) **Marginal product**
6. The economist Ricardo argued that prices were _____ because land rent were _____
- (a) High, high
 - (b) Low, high
 - (c) **High, low**
 - (d) Low, low
7. Who presented the theory of rent
- (a) Malthus
 - (b) Allama Iqbal
 - (c) **Ricardo**
 - (d) Marshall
8. These are kind of rent EXCEPT:
- (a) Differential rent
 - (b) Scarcity rent
 - (c) **Mobility rent**
 - (d) Location rent
9. The following affect rent EXCEPT:
- (a) Better location
 - (b) Fertility of land
 - (c) **Cleverness of landlords**
 - (d) Scarcity of land
10. This is capital:
- (a) Money
 - (b) Forest
 - (c) **Machinery**
 - (d) Trademark
11. According to Keynes interest is a payment for:
- (a) Consumer's preference
 - (b) Producer's preference
 - (c) **Liquidity preference**
 - (d) State bank's preference
12. Interest is paid because

- (a) **Capital is scarce**
 - (b) Capital is productive
 - (c) Capital is attractive
 - (d) Capital is surplus
13. With decrease in price of bonds, rate of interest:
- (a) Decrease
 - (b) **Increase**
 - (c) Does not change
 - (d) None of above
14. Every factor of production gets reward equal to it's:
- (a) Cost
 - (b) **Marginal product**
 - (c) Price
 - (d) Increasing return
15. According to Keynes, interest is a payment for:
- (a) Use of durable goods
 - (b) Use of capital
 - (c) **Use of money**
 - (d) Use of land
16. In economics capital refers to:
- (a) Money
 - (b) High quality goods
 - (c) Trade mark
 - (d) **Machinery and factories**
17. If rate of interest is 10% the present value of RS. 100 received in 1 year time is:
- (a) 90
 - (b) **90.9**
 - (c) 95
 - (d) 110
18. Profits:
- (a) **Are residual payment**
 - (b) Are pre- determine
 - (c) Are fixed contract
 - (d) Are always higher than wages
19. Profits:
- (a) Are lower in the long run than in the short run
 - (b) Can be negative
 - (c) Are less in perfect competition than in Monopoly

(d) **All of the above**

20. Profits:

- (a) **Are necessary**
- (b) Are unnecessary
- (c) Can never be negative
- (d) Are illegal

21. Profits arise because an entrepreneur:

- (a) Prepares plan
- (b) Innovates
- (c) Lends money
- (d) **Both (a) and (b)**

22. Profits:

- (a) Are less in the long run than in short run
- (b) Interest on capital owned by firm
- (c) Are less in perfect competition than in Monopoly.
- (d) **All of the above are true**

23. Gross profit does not include:

- (a) Rent of land owned by the firm
- (b) Interest on capital owned by firm
- (c) Pure profits
- (d) **Taxes**

24. Risks in the business arise because of:

- (a) Introduction of the new products
- (b) Uncertain policy of rival firms
- (c) Changes in tastes
- (d) **All the above**

25. This is not a function of the entrepreneur:

- (a) Supervise
- (b) Innovates
- (c) **Lend money**
- (d) Prepare plans

26. According to modern theory of rent, rent accrues to

- (a) **Any factor**
- (b) Capital only
- (c) Land only
- (d) Labour only

27. Marginal productivity theory of distribution states that the price of a factor of production depends upon it's
- (a) Average productivity
 - (b) Total productivity
 - (c) **Marginal productivity**
 - (d) Negative productivity
28. Where the return to the factor is economic rent in the short run but transfer earnings the long run
- (a) Interest
 - (b) **Quasi rent**
 - (c) Economic rent
 - (d) Transfer earnings
29. In a competitive labour market, the demand curve for labour is given by which one of the following?
- (a) Total physical product
 - (b) Marginal cost
 - (c) **Marginal revenue product**
 - (d) Total revenue product
30. Where the return to the factor is greater than is needed for it to supply itself:
- (a) **Economic rent**
 - (b) National minimum wage
 - (c) Interest
 - (d) Transfer earnings
31. A successful entrepreneur is one who is ready to accept
- (a) Innovation
 - (b) **Risks**
 - (c) Deciding the location of the production unit
 - (d) None
32. A firm achieve equilibrium when it's
- (a) **MC=MR**
 - (b) MC=AC
 - (c) MR=AR
 - (d) MR=AC
33. Wages, rent, interest, and profits flow from____
- (a) **Business firms to household**
 - (b) Household to business firms
 - (c) Business firms to the government
 - (d) The government to business firms

34. If land is situated so that it earns zero location rent, then the
- (a) Land must be of lower quality than other acres than earn Location rent
 - (b) Wages of workers framing the land must be higher than average
 - (c) **Supply price of the land is equal to the transportation costs**
 - (d) Cost of transporting goods to market is zero
35. Implicit costs of an entrepreneur's labour time and capital refer to
- (a) **The entrepreneur's opportunity costs**
 - (b) The total costs incurred by an entrepreneur in doing business
 - (c) Normal plus economic profit
 - (d) Potential losses for the entrepreneur
36. Supply of labour depends on which of the following :-
- a) Total population of the country
 - b) Proportion of the population available for employment
 - c) Numbers of hours worked by each person per year
 - d) **All the above**
37. The price paid for the use of labour is called
- a. Rent
 - b.wage**
 - c.wealth
 - d. None of these
38. There aretypes of wages
- a. 1
 - b. 2
 - c. 3
 - d. 4
39. The reward or return which is paid to a individual worker is known as
- a. Micro wages**
 - b. Macro wages
 - c. Nominal wages
 - d. Real wages
40. . That part of the total income /national income which is given out as wages is known as
- a. Micro wage
 - b. Macro wages**
 - c. Nominal wage
 - d. Real wage
41. The amount of money in the form of cash received per day/per week/ per month by a worker is known as

- a. Micro wage
- b. Macro wage
- c. Nominal wage**
- d. Real wage

42. . Purchasing power of nominal wages are called

- a. Micro wage
- b. Macro wage
- c. Nominal wage
- d. Real wage**

43. In seasonal job real wages are

- a. High
- b. Low**
- c. Medium
- d. None of these

44. . In seasonal job real wages are

- a. High**
- b. Low
- c. Medium
- d. None of these

45. . If future prospects in job is present then real wages are

- a. High**
- b. Low
- c. Medium
- d. None of these

46. If future prospect in job is absent then real wages are

- a. High
- b. Low**
- c. Medium
- d. None of these

47. If possibility of supplementary learning is present then real wages are

- a. High**
- b. Low
- c. Medium
- d. None of these

48. If possibility of supplementary learning is absent then real wages are

- a. High
- b. Low**
- c. Medium
- d. None of these

49. If working hours are office hours then real wages are
a. High
b. Low
c. Medium
d. None of these
50. If working hours are odd hours then real wages are
a. High
b. Low
c. Medium
d. None of these
51. If working conditions are comfortable then real wages are
a. High
b. Low
c. Medium
d. None of these
52. If working conditions are uncomfortable then real wages are
a. High
b. Low
c. Medium
d. None of these
53. If the status symbol of job is not prestige and there is only money and salary then real wages are
a. High
b. Low
c. Medium
d. None of these
54. If the status symbol of job is prestige then real wages are
a. High
b. Low
c. Medium
d. None of these
55. In marginal productivity theory all the labours are
a. Equally efficient
b. Different
c. Some efficient and some inefficient
d. None of these
56. In marginal productivity theory there is presence of technology
a. Variable

b. Constant

- c. Both a and b
- d. None of these

57. There is presence of competition in factor and product market in marginal productivity theory

- a. Imperfect
- b. monopoly
- c. Perfect**
- d. Oligopoly

58. There is situation of employment in marginal productivity theory

- a. Full**
- b. Half
- c. Both a and b
- d. None of these

59. Marginal productivity theory of wages is a

- a. Classical theory
- b. Neoclassical**
- c. Both a and b
- d. None of these

60. According to marginal productivity theory

- a. A labour is paid to total production
- b. A labour is paid to his status symbol
- c. A labour is paid to his/ her contribution in production**
- d. None of these

61. In marginal productivity theory equilibrium is at point where

- a. $AC=MC$
- b. $ARP=MRP$**
- c. $TR=TC$
- d. None of these

62. The major criticism of marginal productivity theory is that

- a. Unrealistic assumption
- b. Static condition
- c. One sided theory
- d. All of these**

63. Which of these is not an/ are assumption of marginal productivity theory

- a. All labours are equally efficient
- b. Constant technology
- c. Presence of perfect competition
- d. All of these**

64. . Which of these is not a criticism of marginal productivity theory
- a. Static condition
 - b. Unrealistic assumption
 - c. $MRP = MPP * MR$**
 - d. Incomplete theory
65. . The amount paid for hiring some consumer durable is known as
- a. price
 - b. Cost
 - c. Rent**
 - d. Wage
66. "Rent is the price paid for the use of the labour" is said by
- a. Marshall
 - b. Carver**
 - c. Ricardo
 - d. Mrs. Joan Robinson
67. "Rent is that portion of the produce of the Earth which is paid to the landlord for the use of original and Indestructible powers of the soil" is said by
- a. Marshall
 - b. Carver
 - c. Ricardo**
 - d. Robinson
68. Under gross rent following things are added
- a. Interest on capital
 - b. Reward for management
 - c. Reward for Risk
 - d. All of these**
69. The money charged by the landlord for the capital he invested is known as
- a. Interest on capital**
 - b. Interest for management
 - c. Interest for Risk
 - d. Interest on gross rent
70. The money invested by the landlord over the management of the land and its care is known as
- a. Interest on capital
 - b. Reward for management**
 - c. Interest on management
 - d. Reward for Risk
71. Economic rent is also a part of

- a. Total rent
- b. Differential rent
- c. Gross rent
- d. Both a and c**

72. Is a commercial rent referring to a periodic payment for the use of something

- a. Differential rent
- b. Gross rent
- c. Contract rent**
- d. Economic rent

73. The modern economist considered thatthe the is not only concerned with land alone but is applicable to all the factors of production.

- a. Economic rent**
- b. Gross rent
- c. Scarcity rent
- d. None of these

74. is that rent which is paid by all lands including marginal land.

- a. Economic rent
- b. Gross rent
- c. Contract rent
- d. Scarcity rent**

75. . The term Quasi rent was proposed by

- a. Alfred Marshall**
- b. Robinson
- c. Samuelson
- d. Ricardo

76. . All earning call by temporary scarcity in the supply is called

- a. Contract rent
- b. Economic rent
- c. Quasi rent**
- d. Differential rent

77. Gross rent includes economic rent and

- a. Interest on capital
- b. Remuneration for Risk
- c. Expenditue on management
- d. All of these**

78. arises on the man - made machinery and equipment

- a. Quasi rent**
- b. Economic rent
- c. Scarcity rent

- d. Gross rent
79. rent disappears in the long period
- a. Gross
 - b. Economic
 - c. Scarcity
 - d. Quasi rent**
80.refers to the situation where in monopoly producer lacks competition and thus sales if goods and services at high price
- a. Gross rent
 - b. Differential rent
 - c. Monopoly rent**
 - d. scarcity rent
81. Refers to the excess profit that may arises to differences in the fertility of the land
- a. Monopoly rent
 - b. Differential rent**
 - c. Scarcity rent
 - d. None of these
82. Rent arises when there is scarcity of Land to increase in the demand
- a. Marginal rent
 - b. Quasi rent
 - c. Economic rent
 - d. Scarcity rent**
83. the modern economics have explained the problem of rent determination with reference to following
- a. Specificity of the factors of production
 - b. Scarcity of the factors of production
 - c. Both a and b**
 - d. None of these
84.rent is also called net rent.
- a. Economic**
 - b. Total
 - c. Gross
 - d. Scarcity
85. Following law is applicable to marginal productivity theory of wages
- a. Law of demand
 - b. Law of return to scale**
 - c. Law of supply
 - d. None of these
86. is surplus income

- a. **Quasi rent**
- b. Scarcity rent
- c. Economic rent
- d. None of these

SHORT ANSWER TYPE QUESTIONS

- Q1- Define rent.
- Q2- Define wages.
- Q3- Define macro wages.
- Q4- What are the factors affecting real wages?
- Q5- What are the assumptions of marginal productivity theory of wages?
- Q6- What are the criticisms or difficulties of marginal productivity theory of wages?
- Q7- Define gross rent.
- Q8- Define contract rent.
- Q9- Define economic rent.
- Q10- Define scarcity rent.
- Q11- Define quasi rent.
- Q12- Define monopoly rent.
- Q13- Define differential rent.
- Q14- Define micro wages.
- Q15- Define nominal wages.
- Q16- Define real wages.

LONG ANSWER TYPE QUESTIONS

- Q-1 Define wages. Explain the types of wages?
- Q2. Define rent. Explain the types of rent?
- Q3- Explain marginal productivity theory of wages?
- Q4. Discuss marginal productivity theory of wages with diagram?
- Q5. Explain the following
 - a. Micro wages
 - b. Nominal wages
 - c. Real wages.
- Q6. Explain wages and factors effecting real wages. ?
- Q7. Critically examine the marginal productivity theory of wages?
- Q8. Discuss the following.
 - a. Differential rent
 - b. Gross rent
 - c. **Contract rent**
 - d. Economic rent

UNIT 5

- 1. The altering period of expansion and contraction in economic activity is called

- a. Boom
 - b. Business cycle**
 - c. Economic reforms
 - d. None of these
2. The most urgent problem which prompted the introduction of New Economic Policy in 1991 was:
- a) High tax rate
 - b) poor performance of public sector
 - c) Foreign exchange crisis
 - d) All of these**
3. Progressive elimination of government control over economic activity is known as:
- a) Privatisation**
 - b) Liberalisation
 - c) Globalisation
 - d) All of these
4. Which one is the main element of Liberalisation?
- a) Abolition of Industrial licensing
 - b) De-reservation of industry public sector
 - c) Reduces reservation
 - d) All of these**
5. Liberalisation aims at:
- a) economic policy
 - b) economic reform**
 - c) land reform
 - d) none of these
6. Liberalisation leads to some limitation:
- a) It neglects the social welfare
 - b) No improvement in productivity**
 - c) No improvement in financial sector
 - d) lesser participation of foreign investor
7. The liberalisation gives freedom to take decision regarding:
- a) Production
 - b) Consumption
 - c) Marketing
 - d) All of these**
8. is the result of New Industrial Policy which abolished the license system.
- a) Liberalisation**
 - b) Privatisation
 - c) Globalisation

d) None of these

9. Disinvestment in public sector is called-

- a) **Privatisation**
- b) Globalisation
- c) Liberalisation
- d) Industrialisation

10. Disinvestment means selling of a public investment to a-

- a) **Private enterprises**
- b) Public enterprises
- c) Capital market
- d) Departmental enterprises

11. FDI stands for-

- a. Foreign development institution
- b. Foreign divisional investment
- c. **Foreign direct investment**
- d. None of the above

12. Rapid integration or interconnection between countries is known as:

- (a) Privatisation
- (b) **Globalisation**
- (c) Liberalisation
- (d) Socialisation

13. Globalisation has led to improvement in living conditions:

- (a) of all the people
- (b) of people in the developed countries
- (c) **of workers in the developing countries**
- (d) none of the above.

14. Investments made by MNCs are termed as:

- (a) Indigenous investment
- (b) **Foreign investment**
- (c) Entrepreneur's investment
- (d) None of the above

15. It refers to the globalisation which creates opportunities for all and ensures that its benefits are better shared.

- (a) Privatisation
- (b) Special Economic Zones (SEZs)
- (c) World Trade Organisation (WTO)
- (d) **Fair globalisation**

16 'The impact of Globalisation has not been fair.' Who among the following people have not benefitted from globalisation?

- (a) Well off consumers
- (b) Small producers and workers**
- (c) Skilled and educated producers
- (d) Large wealthy producers

17. In which year did the government decide to remove barriers on foreign trade and investment in India?

- (a) 1993
- (b) 1992
- (c) 1991**
- (d) 1990

18. _____ refers to all those different economic reforms or policy measures and changes which aim at increasing the productivity and efficiency by creating an environment of competition in the economy.

Ans. New Economic Policy

19. 'Increase in GNP' is a positive impact of liberalisation. (True/False) **true**

20. 'Deregulation of Industries' is a feature of economic reforms introduced in 1991 in India. (True/False) **true**

21 Amalgamation and rapid unification between countries can be identified as

- A) Globalisation
- B) Liberalisation
- C) Socialisation
- D) Privatisation

Answer A

22. Globalisation has improved in the living structure of

- A) All the people
- B) Workers in developing countries
- C) People in developed countries
- D) None of the above.

Answer B

23. Which Indian industries have been hit by globalisation?

- A) Cement
- B) Jute
- C) Toy making
- D) Information Technology (IT)

Answer C

24. Which of the following correctly describes the sequence of phases in a typical business cycle?

- a. Expansion, peak, recession, trough

- b. Expansion, recession, trough, peak
- c. Growth, contraction, trough, recovery
- d. Boom, contraction, growth , recovery

25. Recession Indicates Full Employment In An Economy. (TRUE/ FALSE) **False**

26. The business cycle varied from
- a. Minimum 2 yrs to maximum 12 yrs**
 - b. Minimum 5 yrs to maximum 8 yrs
 - c. Minimum 1 yr to maximum 5 yes
 - d. None of these

27. The period of high income and employment is called period of
- a. Recession
 - b. Downswing
 - c. Expansion**
 - d. Depression

28. The period of low income output and employment is period of
- a. Upswing
 - b. Prosperity
 - c. Expansion
 - d. Contraction**

29. Causes low demand ,employment and lowers the standard of living of the people
- a. Depression**
 - b. Boom
 - c. Expansion
 - d. Upswing

30. Every trade cycle hasphases
- a. 2
 - b. 3
 - c. 4**
 - d. 5

31. In business cycle profit tends to be
- a. Constant
 - b. Highly variable**
 - c. High always
 - d. Sometimes may differ

32. Is the bottom of the cycle where economic activity remains at a very low level
- a. Depression**

- b. Expansion
- c. Recession
- d. Boom

33. During depression firms becomein making investment.

- a. Interested
- b. Hesitant**
- c. Some may be hesitant
- d. None of these

34. Since trough is not permanent , a capitalist economy witness expansion , thus the following process starts

- a. Prosperity
- b. Downswing
- c. Recovery**
- d. Recession

35. The term business cycle refers to

- a. Fluctuating aggregate economic activity overtime**
- b. Up and downs in the production of good
- c. Increase in employment
- d. Declining saving

36. Expansion faces which one of the following characteristics

- a. Increase in National output
- b. Increase in consumer spending
- c. Excess production capacity of industries**
- d. Expansion of bank credit

37. Which one of the following is not a characteristic of business cycle

- a. They are recurrent
- b. They are not at regular Interval
- c. They have uniform causes**
- d. All of these

38. The turning point of business cycle are

- a. Expansion and peak
- b. Peak and contraction
- c. Contraction and trough
- d. Through and peak**

39. Refers to the highest point of business cycle

- a. Expansion
- b. Peak**
- c. Expansion and peak
- d. None of these

40. Involuntary unemployment is zero in which face of business cycle

- a. **Expansion**
- b. Contraction
- c. Trough
- d. Depression

41. The economy is said to be overheated in which phase of the business cycle

- a. Expansion
- b. **Peak**
- c. Contraction
- d. Depression

42. Cost of living increases when business cycle is.....

- a. Expanding
- b. Contracting
- c. **At peak**
- d. At lowest Point

43. There is a large scale of involuntary unemployment in the..... Phase of business cycle

- a. Expansion
- b. Peak
- c. **Contraction**
- d. None of the above

44. The trough of a business cycle occurs when _____ hits its lowest point.

- a. inflation
- b. the money supply
- c. aggregate economic activity
- d. **the unemployment rate**

45. The low point in the business cycle is referred to as the

- a. Expansion
- b. boom
- c. **trough**
- d. Peak

46. When aggregate economic activity is increasing, the economy is said to be in

- a. **an expansion**
- b. contraction
- c. peak
- d. turning point

47..... Is the severe form of recession with lowest level of Economic activity

- a. Upswing
- b. **Depression**
- c. Downswing

d. Peak

48. Fall in the interest rate is a typical feature of

a. Recovery

b. Boom

c. Depression

d. all of these

49. During depression with industry suffer from excess production

a. Capital goods

b. Consumer durable goods

c. Non durable goods

d. Both a and b

50. There is end of pessimism and beginning of optimism at

a. Expansion

b. Peak

c. Trough

d. Depression

51. During upswing the unemployment rate and output

a. Rises, falls

b. Rises, rises

c. Falls, rises

d. Falls, falls

52.means change in a set of policies and rules and regulations from one period of time to another to achieve economic growth

a. Tax reforms

b. Economic reforms

c. Land reforms

d. None of the above

53. Which of the following is the reason of economic reforms

a. The poor performance of public sector

b. Inflationary reforms

c. Terms and conditions of world bank

d. All of the above

54. The New Economic Policy was introduced in which year

a. 1991

b. 1917

c. 1951

d. 1999

55. Increase in aggregate output of goods and services

- a. Economic development
- b. Economic planning
- c. Economic growth**
- d. Economy

56. The economic reforms were intended to take the Indian economy into three specific directions which are

- a. LPG**
- b. DPG
- c. LDG
- d. DLP

57. A situation when all the people in the working age group are actually engaged in some gainful employment

- a. Full unemployment
- d. Underemployment
- c. None
- d. Full employment**

58. Under new economic policy 1991, the number of industries reserved for public sector has been reduced from 17 to

- a. 8**
- b. 6
- c. 3
- d. 5

59. The main source of foreign capital in India is

- a. Loans from abroad
- b. None
- c. Foreign direct investment
- d. Both a and c**

60. Eliminating government set restrictions or barrier is called

- a. Free trade
- b. Favourable trade
- c. Investment
- d. Liberalization**

61. Liberalization aims at

- a. Socialistic pattern of society
- b. Economic planning
- c. Economic reforms**
- d. Land reforms

62. Which of the following policies is adopted for privatization

- a. Contraction of Public sector
- b. Sale of shared of Public enterprises
- c. Both a and b**
- d. None of these

63. Which is not the objective of privatization

- a. Raising funds from disinvestment
- b. Improving the financial condition of the government
- c. Making way for foreign direct investment
- d. None of these**

64. What are the key concept of privatization in India

- a. Disinvestment
- b. Displacement
- c. Both a and b**
- d. None of these

65. refer to a process associated with increasing openness, growing economic interdependence

- a. Globalization**
- b. Privatization
- c. Liberalization
- d. Socialisation

66. Which is the major step taken for globalization

- a. Freedom in production of goods
- b. Decrease in role of RBI
- c. Reduction in tariff rates**
- d. All of these

67. Which is not a main feature of globalization

- a. Liberal policy
- b. All controls on foreign trade have been removed
- c. Open competition has been encouraged
- d. None of these**

68. Which of the following is not an appraisal of LPG policy

- a. Increase in foreign investment
- b. Spread of consumerism**
- c. Increase in national income
- d. Increase in Exports

Short answer type questions

- Q1. Explain Globalisation ?
- Q2. Explain Liberalisation ?
- Q3. Explain Privatisation ?
- Q4. State the advantages and disadvantages of Globalisation ?
- Q5. State the advantages and disadvantages of Liberalisation ?
- Q6. State the advantages and disadvantages of Privatisation ?
- Q7. What is boom?
- Q8. What is recession?
- Q9. What is recovery?
- Q10. What is the impact of phases of business cycles on the economy?

Long answer type questions.

- Q1. Discuss the economic reforms and its impact on Indian economy.
- Q2. What are the advantage and disadvantages of Globalisation, Liberalisation, and Privatisation?
- Q3. Discuss the stage of business cycle?
- Q4. What is the impact of phases of business cycles on the business?
- Q5. What are the characteristics of business cycle and its stages?