

TOPICS : Nature & Scope of Business Economics, Theory of Demand and Supply

1. In the case of a straight line demand curve meeting the two axes, the price – elasticity of demand at the mid – point of the line would be :
(a) 0 (b) 1 (c) 1.5 (d) 2
2. In the book market, the supply of books will decrease if any of the following occurs except
(a) a decrease in the number of book publishers.
(b) a decrease in the price of the book.
(c) an increase in the future expected price of the book
(d) an increase in the price of paper used.
3. The implication that resource scarcity have for the satisfaction of wants are-
(a) Not all wants can be satisfied
(b) We will never be faced with the need to make choices
(c) We must develop ways to decrease our individual wants
(d) The discovery of new natural resources is necessary to increase our ability to satisfy wants
4. Demand for pepsi is elastic because-
(a) Its falls under luxuries (b) Its consumption can be postponed
(c) Its substitutes are available in the market (d) It is a multiple use product
5. The supply curve shifts to the right because of-
(a) Improved technology (b) Increased price of factors of production
(c) Increased excise duty (d) All of the above
6. A normative economic statement is-
(a) Unemployment rate decreases with industrialization
(b) Economics is a social science that studies human behaviour
(c) The minimum wage should be raised to ` 200/- per day
(d) India spends a huge amount of money on national defence
7. Business Economics is
(a) Abstract and applies the tools of Microeconomics.
(b) Involves practical application of economic theory in business decision making.
(c) Incorporates tools from multiple disciplines.
(d) (b) and (c) above
8. The slope of consumer’s budget line is –
(a) Positive and constant
(b) Negative and decreasing
(c) Negative and constant
(d) Positive and increasing

9. Inferior goods are those goods whose income effect is _____.
 (a) Negative (b) Positive (c) Zero (d) None of these
10. "Ends" refer to _____.
 (a) Human Wants (b) Resources
 (c) Both (a) and (b) (d) Neither (a) nor (b)
11. When price of ball –point pen increases from Rs. 10 to Rs. 12 , the quantity demanded of gel pen increases from 400 to 500 units. Find out the cross price elasticity between these two goods.
 (a) + 1.25 (b) - 1.25 (c) + 2.0 (d) + 2.25
12. Contraction of supply is the result of :
 (a) decrease in the number of producers.
 (b) decrease in the price of the good concerned.
 (c) increase in the prices of other goods.
 (d) decrease in the outlay of sellers
13. Which of the following does not suggest a macro approach for India ?
 (a) Determining the GNP of India.
 (b) Finding the causes of failure of ABC Ltd.
 (c) Identifying the causes of inflation in India.
 (d) Analyse the causes of failure of industry in providing large scale employment
14. Business Economics has a Pragmatic Approach which means it is not _____.
 (a) Practical (b) Realistic (c) Abstract (d) All of the above
15. If the Elasticity of Supply is Zero, then Supply Curve will be _____.
 (a) Horizontal (b) Downward sloping
 (c) Upward sloping to the right (d) Vertical
16. The cross elasticity between Rye bread and Whole Wheat bread is expected to be :
 (a) Positive (b) negative (c) zero (d) can't say
17. Purchasing Power of money fall when
 (a) Price level increases (b) Price level decreases
 (c) Income level increases (d) Money supply falls
18. An example of 'positive' economic analysis would be :
 (a) an analysis of the relationship between the price of food and the quantity purchased.
 (b) determining how much income each person should be guaranteed.
 (c) determining the 'fair' price for food.
 (d) deciding how to distribute the output of the economy.
19. Consider the following and decide which, economy if any is without scarcity –
 (a) The pre – independent Indian economy, where most people were farmers
 (b) A mythical economy where everybody is a rich person
 (c) Any economy where income is distributed equally among its people
 (d) None of the above
20. By consumer surplus, economists mean
 (a) the area inside the budget line.
 (b) the area between the average revenue and marginal revenue curves.
 (c) the difference between the maximum amount a person is willing to pay for a good and its market price.
 (d) none of the above.

21. If Price is Rs. 15, quantity supplied is 150 units. If Price is Rs. 25, quantity supplied is 300 units. Compute Price Elasticity of Supply using Arc Method.
 (a) -1.09 (b) $+1.33$ (c) -0.98 (d) $+0.98$
22. The central problem in economics is that of
 (a) comparing the success of command versus market economies.
 (b) guaranteeing that production occurs in the most efficient manner.
 (c) guaranteeing a minimum level of income for every citizen.
 (d) allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.
23. Replacement demand is as important component of total demand for which type of goods ?
 (a) producer's non – durable goods (b) consumer's non – durable goods
 (c) consumer's durable goods (d) none of these
24. The price of a commodity decreases from Rs. 6 to Rs. 4 and the quantity demanded of the good increases from 10 units to 15 units, find the coefficient of price elasticity. (Use Proportionate/Percentage formula)
 (a) 1.5 (b) 2.5 (c) -1.5 (d) 0.5
25. An increase in price will result in an increase in total revenue if :
 (a) the percentage change in quantity demanded is less than the percentage change in price.
 (b) the percentage change in quantity demanded is greater than the percentage change in price.
 (c) demand is elastic.
 (d) the consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low.
26. Indicators which are used in barometric method of forecasting demand are of _____ types
 (a) Two (b) Three
 (c) Four (d) Five
27. Normative Science explains _____.
 (a) "What was " (b) "What is "
 (c) "What ought to be" (d) "What will"
28. All of the following are determinants of demand except :
 (a) tastes and preferences. (b) Quantity supplied
 (c) income of the consumer. (d) price of related goods
29. The market of computers is not in equilibrium, then which of the following statements is definitely true ?
 (a) The price of computer will rise
 (b) The prices of computer will fall
 (c) The prices of computers will change, but not enough information is given to determine the direction of the change.
 (d) None of the above
30. The term mixed economy denotes
 (a) Co – existence of consumer and producer's goods industries in the economy
 (b) Co existence of private & public sectors in the economy
 (c) Co existence of urban & rural sectors in the economy
 (d) Co existence of large & small industries sectors in the economy
31. Central theme of microeconomic analysis is _____
 (a) Economic growth (b) Inflation
 (c) Employment determination (d) Determination of market price

32. Which of the following is considered as a disadvantage of allocating resources using the market system?
- (a) Income will tend to be unevenly distributed.
 - (b) People do not get goods of their choice.
 - (c) Men of Initiative and enterprise are not rewarded.
 - (d) Profits will tend to be low.
33. If good growing conditions increase the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought
- (a) increases and the price might rise, fall or not change.
 - (b) does not change but the price rises.
 - (c) does not change but the price falls.
 - (d) increases and the price rises.
34. The study of the economic behavior of an Individual Firm or Industry in the national economy is called –
- (a) Micro Economics
 - (b) Business Economics
 - (c) Macro Economics
 - (d) Behavioral Economics
35. Suppose a consumer's income increases from Rs. 30,000 to Rs. 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs? (Use Arc Elasticity Method)
- (a) 0.5
 - (b) 1.0
 - (c) 1.5
 - (d) 2.0
36. Prices of essential goods are decided by the Government, and prices of normal goods are decided by the market forces of demand and supply. This concept is called _____
- (a) Pricing Mechanism
 - (b) Market Mechanism
 - (c) Dual System of Pricing
 - (d) Unregulated Pricing
37. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of
- (a) Law of demand
 - (b) Law of diminishing marginal returns.
 - (c) Law of diminishing marginal utility.
 - (d) Law of supply.
38. What type of goods does a consumer eventually stop buying, when his income rises?
- (a) Goods with Positive Income Elasticity
 - (b) Goods with Negative Income elasticity
 - (c) Goods with Zero Income Elasticity
 - (d) No relationship exists between the type of the goods bought and rise in income
39. Exploitation and inequality are minimal under :
- (a) Socialism
 - (b) Capitalism
 - (c) Mixed economy
 - (d) None of the above
40. If the Supply of a commodity is perfectly elastic, an increase in Demand will result in _____.
- (a) Decrease in both Price and Quantity at equilibrium
 - (b) Increase in both Price and Quantity at equilibrium
 - (c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
 - (d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant

41. Capital Intensive Technique would get chosen in
(a) Labour Surplus Economy (b) Capital Surplus Economy
(c) Developed Economy (d) Developing Economy
42. Which of the following statements is incorrect ?
(a) An indifference curve must be downward – sloping to the right.
(b) Convexity of a curve implies that the slope of the curve diminishes as one moves from left to right.
(c) The income elasticity for inferior goods to a consumer is positive.
(d) The total affect of a change in the price of good on its quantity demanded is called the price effect.
43. Which of the following statements is incorrect ?
(a) Business economics is normative in nature.
(b) Business Economics have a close connection with statistics.
(c) Business Economist need not worry about macro variables.
(d) Business Economics is also called Managerial Economics.
44. What is the other name given to the Average Revenue Curve ?
(a) Profit Curve (b) Demand Curve
(c) Average Cost Curve (d) Indifference Curve
45. Which of the following applies to a Socialist Economy ?
(a) Private Ownership of all resources and factors of production
(b) Total absence of Government Regulation
(c) Balancing between Social Objectives and Economic Objectives of the society
(d) Market Mechanism to solve all Central Problems of the Economy
46. Demerits of Capitalistic Economy includes _____.
(a) Low cost of production (b) Pre dominance of bureaucracy
(c) Economic inequality (d) No incentive for hard work
47. Long term demand forecasting is generally useful in _____ decisions.
(a) significant (b) strategic (c) operational (d) tactical
48. If a good is a luxury, its income elasticity of demand is
(a) positive and less than 1 (b) negative but greater than -1
(c) positive and greater than 1 (d) Zero
49. Larger production of _____ goods would lead to higher production in future.
(a) consumer goods (b) capital goods
(c) agricultural goods (d) public goods
50. Demand for water is –
(a) Elastic (b) Inelastic (c) Perfectly elastic (d) Relatively elastic