

F.Y.B.COM BUSINESS ECONOMICS - I

1. The demand for a Product is the amount C
 - a) Buyers Purchase in the market
 - b) Buyers are willing to Purchase at given Price
 - ☒ c) Buyers are willing and able to Purchase at alternative Prices.
 - d) Buyers are able to Purchase at specific Price.
2. The Law of demand is illustrated by a demand Curve that is C
 - a) Horizontal b) Vertical
 - ☒ c) Downward sloping d) Upward sloping
3. Demand Curve shows how Quantity demanded changes as the Price ^{changes} ~~is~~ changes. It implies that b
 - a) only a Change in Price can shift a demand curve.
 - ☒ b) Everything else that affect demand is assumed to be constant.
 - c) Quantity demanded is unrelated to Price.
 - d) Economists are concerned only with money.
- 4) The Effects of a decrease in Cost of Production of Personal Computers, other things remains constant, is likely to be best represented by which of the followings? C
 - a) Downward shift in the demand curve.
 - b) an Upward shift in the demand Curve
 - ☒ c) a Leftward shift in the Supply Curve.
 - d) a rightward shift in the Supply.

5) Given the demand and supply equations $Q_{dx} = 200 - 5P_x$ and $Q_{sx} = -250 + 10P_x$, the equilibrium price is b
a) Rs. 45 ✓ b) Rs. 30 c) Rs. 40.40 d) Rs. 30.50.

6) A normal good can be defined as one which consumers purchase more of as a
✓ a) Price Falls b) Price rises.
c) Income Falls d) Incomes

7) If a good is normal, then the demand curve for that good must be a

- ✓ a) Downward sloping
b) Upward sloping
c) Perfectly elastic
d) Completely inelastic

8) A Fall in the price of a commodity b
a) increases the consumers nominal income.

- ✓ b) Increase the consumers real income
c) Decreases the consumers nominal income
d) Decreases consumers real income.

9) In case of most inferior goods that are not Giffen goods, the following is True. d

- a) Income effect is always Positive
b) Substitution effect is negative
c) There is an inverse price demand relationship
✓ d) There is direct price demand relationship.

10) An Inferior good d

- a) can be a Giffen good, but the Giffen goods is not always inferior.
b) must be a Giffen goods.

c) Can be a Giffen good, but must always be an inferior goods

✓ d) Has a Positively slope demand Curve.

11) In the equation, $D_x = a - b P_x$ b

a) a is the quantity of x demanded when Price is zero

✓ b) b is the quantity of x demanded when Price is zero

c) a is the slope of the demand curve

d) b is the elasticity of demand.

12) IF the demand equation is given as $D_x = 150 - 5 P_x$ then at 50 units quantity demanded the Price will be b

a) Rs. 10 ✓ b) Rs. 20 c) Rs. 30 d) Rs. 40.

$$\begin{aligned} D_x &= 150 - 5 P_x \\ 50 &= 150 - 5 P_x \\ 5 P_x &= 100 \\ P_x &= 20 \end{aligned}$$

13) which of the Following is not an assumption of the Law of demand a

✓ a) Consumer Symptom does not Change

b) No change in Consumers taste and Preference

c) No change of the Price of inputs.

d) No Future Uncertainty.

14) A Change in the Price of a commodity with no change in other determinants results in a

✓ a) Change in quantity demanded

b) shift in the demand curve

c) An increase or decrease in demand curve

d) All the above

4.
15) IF there is a Change in Consumers income, with no Change in Price or Other determinant, which of the following Statement is correct. C

a) The slope of demand curve will change.

b) This can be shown by a movement on the same

demand curve -

✓ c) The demand curve will shift but the slope will be unchanged.

d) The demand curve will shift but the slope will be change.

16) Price Elasticity of demand is define as C

a) the change in quantity demanded resulting from one Percentage change in Price.

b) The Percentage change in Price resulting from one unit change in quantity demanded.

✓ c) The Percentage change in quantity demanded resulting from one Percentage changes in Price.

d) the change in the Price of good divided by the resulting change in its quantity demanded.

17) The Price Elasticity of demand for a particular brand of chocolate is estimated to be -2. IF quantity demanded has increased by 10%. Price must have a.

✓ a) Fallen by 5%.

c) Fallen by 10%

b) Risen by 5%

d) Risen by 10%

18) Price elasticity at a given price is not affected by C

a) Availability of substitutes

b) Nature of commodity

✓ c) A change in supply

d) Proportion of Consumers income spent on the commodity.

19) An elasticity of -1 means that C ^{5.}

- a) The demand curve is Vertical
- b) The demand curve is Horizontal
- ✓ c) The relative changes in the Price and Quantity are equal.
- d) Expenditure on the good would increase if the Price is reduced.

20) Demand for Petroleum Products are relatively Price inelastic because d

- a) There are no close-substitutes
- b) They are essential commodities
- c) There is no possibility to postpone their consumption.
- ✓ d) All of the above.

21) The most important determinant of Price Elasticity is b

- a) Slope of Demand Curve
- ✓ b) The availability of substitutes ✓
- c) The Price of other goods
- d) The income of the consumers.

22) Which of the following will not be a determinant of Price Elasticity of demand for a commodity C

- a) Availability of substitutes for the goods
- b) The range of Price Change
- ✓ c) The Cost of Production of Commodity
- d) The Length of time period to which demand curve pertains.

23) The income Elasticity of demand is $+3$ C

- a) The good is inferior good
- b) The good is an inelastic normal good.
- ✓ c) The good is an elastic normal good. ($e > 1$)
- d) The good is inelastic inferior good.

24 IF TR increase due to Fall in the Price of the Product then d ($e > 1$)

- a) Price elasticity is equal to one
- b) Price Elasticity is Less than one
- c) Price elasticity is Zero
- ✓ d) Price elasticity is greater than one.

25) If a rise in Price increase TR, the Producer is Operating on b

- a) The Segment below the mid-Point of the demand curve
- ✓ b) The Segment above the mid-Point of demand curve
- c) The mid-Point of the demand curve
- d) The Y-intercept of the demand curve.

26. when demand curve is relatively inelastic, Price and Total Revenue changes take place in the a direction.

- ✓ a) Same
- b) Opposite
- c) Negative
- d) Downward.

27) when TR is increasing with Fall in the Price, the Price elasticity of demand is b

- a) Equal to one
- ✓ b) greater than one
- c) Less than one
- d) equal to zero.

28) Cross Elasticity of Demand For complementary goods is a

- ✓ a) Negative
- b) Positive
- c) zero
- d) one

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29) Total (a) revenue is total sale of certain amount of commodity at a given time

✓ a) Total b) average c) Marginal d) Incremental.

30) Average Revenue is equal to the (b) Price per unit of output

a) Marginal Revenue ✓ b, Price
c) Cost d) Incremental income.

31) which of the following methods are often used to make short-term forecast when quantitative data are not available? a

✓ a) Consumers Surveys b) Regression analysis
c) Trend method d) moving averages.

32) Under which of the following methods, all potential consumers are asked about the amount of commodity they would like to buy? c

✓ a) Delphi b) End-Use
c) Complete Enumeration d) Consumer Clinic.

33) which of the following is not a feature of the sample survey method? b

a) Errors may occur in large size samples.
✓ b) All potential consumers are included in the survey.
c) Possibility of consumer bias.
d) Useful to detect changes in consumers taste and preferences.

34) which of the following methods makes use of historical data and demand determinants to forecast demand?

- d
- a) Market Experiments
 - b) Consumer Survey
 - c) End-Use
 - ☒ d) Statistical.

35) which of the following methods is used to bridge the opinions given by different experts? b

- a) Experts Opinion
- ☒ b) Delphi
- c) Trend analysis
- d, Sample Survey

36) The a method uses time series data

☒ a) Trend b, End-Use c) Sample survey d, Delphi.

37) which is not a feature of market experiment method of demand forecast? d

- a) Use of Consumer Clinics
- b) Actual market situations are created
- c) Forecast is based on past statistical data.
- ☒ d) Based on Observed Consumer Behaviour.

38) which of the following statements best describes the general form of a Production Function? c

- a) It cannot be expressed as an equation.
- b) It defined the technology used by the production unit
- ☒ c) It is Technological relationship between inputs and outputs
- d) It indicated the cost of producing a maximum quantity of output with given inputs.

39) which of the following statements is not true about General Form of Production Function C

- a) It shows the maximum Value of Physical output that can be produced from a given set of inputs.
- b) It shows minimum quantity of inputs necessary to produce a given level of output.
- ✓ c) It is a Technology neutral.
- d) It incorporates the idea of efficiency.

40) A Technically efficient method of production is C

- a) A method that uses less of any one of the inputs to produce the same level of output as compared to any other method.
- b) A method that uses more of any one of the inputs to produce the same level of output as compared to any other method.

✓ c) a method that represents least cost Factor-Combination

- d) A method that represents maximum profit

41) If a firm has to choose between two equally technically efficient methods of production then its choice of a method of production will depend upon d

- a) Price of the factors
- b) Availability of the factors
- c) Monetary Resources Available with the firm
- ✓ d) All the Above.

10.
42) An Isoquant curves shows a

- ✓ a) All the alternative combinations of two inputs that yield same Total Product.
- b) All the alternative combinations of two products that can be produced by using a given set of inputs in the best policy way.
- c) All the alternative combinations of two products among which a producer is in different because they yield same profit.
- d) All Alternative combinations of Two inputs that have same cost.

43) which of the following properties of an iso-quant is due to diminishing marginal rate of Technical Substitution? d

- a) Negative slope b) Right angle
- c) Does not intercept axes ✓ d) convexity.

44) If an Isoquant is linear and touches both axis. It indicates b

- a) Zero Substituability of Factors
- ✓ b) Perfect Substituability of Factors
- c) Continuous Substituability of Factors
- d) Limited Substituability of Factors

45) The slope of Iso-Cost line is d

- a) MRTS_{KL} b) MRS_{xy}
- c) $\frac{PK}{PL}$ ✓ d) $\frac{PL}{PK}$

46) which of the following statements is not true of a smooth convex Iso-quant? d

- a) It represents Continuous Substitutability of Factors.
- b) It represents Limited Substitutability of Factors.
- c) It represents same level of output.
- ✓ d) Its slope is measured by $MRTS_{KL}$

47) A Kinked Iso-Quant indicates a

- ✓ a) Limited Substitutability of Factors
- b) Continuous Substitutability of Factors
- c) Perfect Substitutability of Factors
- d) Zero Substitutability of Factors.

48) An iso-quant, representing equal level of output, cannot be Concave to the origin because c

- a) Capital is reduced at an increasing rate of every unit of Labour added.
- b) Capital is increased at an increasing rate for every unit of Labour added.
- ✓ c) Capital is reduced at a diminishing rate for every unit of labour added
- d) None of the above.

49) An iso-cost line identifies d

- a) The least costly combination of input needed to produce a given quantity of output
- b) The relative prices of inputs
- c) The Technological relationship among inputs
- ✓ d) The rate at which one input can be substituted for another in the production process.

50) The Negative Slope of Iso-Quant shows _____

- a) Declining Marginal rate of Technical Substitution
- b) Perfect Substituability of Factors
- c) Declining cost of Production
- ✓ d) That when the amount of one factor is increased the quantity of the other factor must be reduced.

51) Given the monetary resources, if the factor prices changes, then _____

a

- ✓ a) the slope of the iso-cost line will also change
- b) there will be a parallel shift in the iso-cost line.
- c) The slope of the iso-cost line will not change
- d) There will be no impact on the iso-cost line.

52) If the cost of acquiring labour declines, with no change in the cost of capital and firm's monetary resources, then _____

d

- a) The iso-cost line will shift upward.
- b) The iso-cost line will shift downward.
- c) Only the y-intercept of the iso-cost line will change.
- ✓ d) Only the x-intercept of the iso-cost line will change.

53) A tangency point between an Iso-quant and an Iso-cost line identifies _____

d

- a) The least-cost combinations of inputs required to produce various levels of output.
- b) The various levels of output that can be produced using a given level of inputs

- c) The Various Combinations of inputs that can be Used to produce a given level of output.
- d) the least cost combinations of inputs required to produce a given level of output.

54) The expansion path identifies a

- a) The least Cost Combination of inputs required to produce various levels of output.
- b) The firms demand curves for the inputs.
- c) The Various Combinations for the inputs that can be Used to produce a given level of output.
- d) The Least-Cost combination of outputs.

55) In the short-run, increasing marginal returns take place due to d

- a) variability of all factors
- b) abundance of fixed factors.
- c) abundance of variable factors
- d) economies of scale

56) Increasing marginal returns comes to an end when d

- a) AP intersect MP
- b) TP begins to decline
- c) TP begins to rise at a diminishing rate
- d) MP becomes negative.

57) when TP is maximum, MP is a

- ✓ a) Zero b) Negative c) Maximum d) Constant

58) when AP is maximum, the following statement is true a

- ✓ a) TP is rising at an increasing rate.
 b) TP is Constant
 c) TP is rising at a diminishing rate.
 d) TP is declining.

59) when MP is maximum, which of the following is True?
a

- ✓ a) AP is equal to MP
 b) AP is declining
 c) AP is maximum
 d) AP is rising.

60) which of the following is not an assumption of the Law of Variable Proportions? d

- a) The State of Technology is given and constant
 b) All Factors are Variable
 c) All Units of Variable Factors are Homogeneous
 ✓ d) At least one factor remain constant.

61) In the short-run, which of the following statement describes the presence of diminishing Returns?
a

- ✓ a) The marginal product of a factor is positive and falling
 b) The marginal product of a factor is falling and negative
 c) The marginal product of factor is constant.

62) Negative Marginal Returns occur due to C

- a) Relative abundance of Variable Factors.
- b) Relative abundance of Fixed Factors
- ✓ c) Relative Scarcity of Variable Factors
- d) Scarcity of Fixed and Variable Factors.

63) In Case of Decreasing return to scale, the distance between subsequent iso-quants b

- a) Remain Constant
- ✓ b) Increase
- c) Decrease
- d) None of above.

64) Return to Scale determine the behaviour of d

- a) Short run average cost
- c) Average Fixed Cost
- b) Marginal Cost
- ✓ d) Long-Run Average Cost

65) IF a Simultaneous and equal Percentage increase in the use of all inputs leads to a smaller Percentage increase in output, a Firms Production Function is said to indicate a

- ✓ a) Decreasing Return to Scale.
- b) Constant Return to Scale
- c) Increasing Return to Scale
- d) Long run average cost.

66) Which is True statement? a

- a) Decreasing return to scale and diminishing marginal returns are two ways of stating the same thing
- ✓ b) Increasing return to scale is a short-run concept and decreasing & diminishing marginal returns is a long-run concept.

- c) Constant return to scale is a short run concept and decreasing return to scale is a long-run concept
 d) Increasing Return to scale is a long-run concept and increasing marginal returns is a short-run concept.

67) which of the following is not an example of internal economies of scale? c

- a) cheaper material and equipments.
 b) Division of Labour and specialisation.
 ✓ c) smaller percentage of inventories to total output held.
 d) Use of specialised capital equipments.

68) which of the following is not due to external economies of scale? b

- a) Growth of Technical know-how
 ✓ b) Managerial Division of function.
 c) Growth of subsidiary industries.
 d) Development of information services.

69) An important cause of internal diseconomies of scale is a

- ✓ a) Rising Factor Cost b) Diminishing Returns to management
 c) Transport congestions d) Pollution and Health Hazards

70) In the short-run, a firm's fixed cost d

- a) is zero.
 b) will always have to be incurred
 c) can be zero, if production is zero
 ✓ d) will decline, with every increase in output.

71) Implicit Cost are d

- a) equal to Fixed Costs b) equal to variable cost
- c) always less than explicit cost d)
- ✓ d) Cost of using factors belonging to the business owner.

72) Which of the following would be an Implicit Cost for a Firm? C

- a) Payment of wages and salaries of workers.
- b) Payment to the suppliers of raw-material.
- ✓ c) Salary that business owner would have earned by working elsewhere.
- d) Interest to bank for borrowed funds.

73) Accounting Cost does not include C

- a) Payment made to the accountant
- b) rent Paid to Land Lord.
- ✓ c) Interest of Own money invested by entrepreneur.
- d) None of above.

74) Replacement Cost is incurred to C

- ✓ a) replace the workers ✓ c) replace the Capital
- b) replace raw material d) None of these.

75) Average Fixed Cost b

- a) decline over a certain output range
- ✓ b) decline over the entire output range
- c) is a Long run concept only
- d) is influenced by decreasing return to scale.

76) The slope of the total Cost Curves equal c
 a) Average Variable Cost b) Marginal cost
c) Average Cost d) Marginal physical product

77) which of the following is not the Feature of Perfect Competition? a

- a) Price-taker b) Price discrimination.
 c) Free Entry and Exit d) Government intervention.

78) LAC is used to determine a

- a) the lowest Possible AC For producing various level of output
 b) The maximum output at lowest variable cost
 c) The output at which fixed cost is minimised.
 d) The optimum firm size.

79) Perfect Competition assume a Commodities

- a) homogeneous b) Heterogeneous
 c) both a and b d) none of above

80) The demand Curve for a firm under Perfect Competition is b

- a) Vertical b) Horizontal
 c) downward sloping d) Upward sloping

81) d is a Situation of no Profit no loss

- a) Supernormal Profit
 b) Excess Profit
 c) Both a & b
d) None of the above

Break-Even Point is
a Situation of No
Profit no loss

- 82) A monopoly firm is a b / Price maker¹⁹
a) Price-take ✓ b) Price-maker
c) Supply manager d) All the above
- 83) Under monopoly there is a / Single seller
✓ a) Single b) Few c) Large d) Two.
- 84) The demand curve of monopolist is b
a) Horizontal ✓ b) Downward sloping
c) Upward sloping d) Vertical
- 85) b is termed as monopoly Power.
a) Normal Profit ✓ b) Super normal Profit
c) Loss d) none of these.
- 86) Selling Cost is the Feature of c Competition.
a) Perfect competition b) Monopoly
c) Monopolistic Competition d) None of these
- 87) Under monopolistic Competition the products are b
a) Homogeneous ✓ b) Heterogeneous
c) Both a and b d) None of these.
- 88) monopolistic competition is distinctly Featured by c
a) Competition b) Selling Cost
✓ c) Product Variations d) Advertising Elasticity

20.
89) which of the following is a distinct feature of oligopoly? d

- a) steep demand curve b) Kinky demand curve
c) Broken Demand Curve d) Kinked demand curve

90) The Concept of Kinked demand curve was stated by b

- a) Paul Samuelson b) Paul Sweezy
c) Stigler d) Peter Drucker

91) Firm in an oligopolistic market have a c demand curve for their product.

- a) Horizontal b) Vertical
c) Indeterminate d) U

92) Sellers under oligopoly market behave like c

- a) Group b) Firm c) Industry d) None of these

93) A decrease in quantity supplied is represented by a c

- a) Rightward shift in the supply curve
b) Movement down in supply curve
c) Leftward shift in supply curve
d) Movement up in supply curve

94) IF Average Fixed Cost is Rs. 40 and Average Variable Cost is Rs. 80 for an output level of 10, then the

Total cost is a

Fixed cost = $40 \times 10 = 400$
Variable cost = $80 \times 10 = 800$

- a) Rs. 1200 b) Rs. 120 c) Rs. 40 d) Rs. 400 1200

2)
95) which of the following statements about the relationship between Marginal Cost (MC) and Average cost (AC) is correct? b

- a) When MC is rising, AC always rises
- ✓ b) MC equal AC at MC's minimum point.
- c) When MC exceeds AC, AC will rise
- d) When AC exceeds MC, MC will rise

96) which of the following statements is true of the LAC curve? a

- ✓ a) Its shape is influenced by the laws of returns to scale.
- b) Its shape is influenced by the laws of variable proportions.
- c) It is a declining function of output.
- d) None of the above

97) If the short-run AVC of production for a firm are rising, then this indicates that c

- a) ATC are at maximum
- b) AFC are constant
- ✓ c) MC are above AVC
- d) AVC are below AFC.

98) At the Break Even point, the Price is equal to a Cost.

- ✓ a) Total
- b) Marginal
- c) Average
- d) Variable

99) At the shut-down point, Price is equal to average below (d) cost.

- a) Fixed
- b) Variable
- c) Above
- ✓ d) Below.

100) when the Fixed Cost b the BEP is reached at a higher level of output

a) Falls ☒ b) Rises ☒ c) Remains constant ☐ d) shifts down.

101) The shutdown and Break-Even Points are b

a) Same ☒ b) Different ☒ c) Irrelevant ☐ d) Equal ☐

102) BEP is reached when Firm a

☒ a) earns zero profit

b) Covers fixed cost

c) Covers variable cost

d) none of these.

103) A firm is at BEP when c

a) $TR > TC$

b) $TR < TC$

☒ c) $TR = TC$

d) none of these

104) A BEP changes whenever there is change in d

a) Price

b) fixed cost

c) Variable cost

☒ d) All three factors.

105) BEP is easily worked out in case of c

a) Joint-Product Firm. ☒ c) Single Product Firm

b) multiple Product Firm d) None of these.

106) A firm earns supernormal profit when it b

a) $TR = TC$

☒ b) $TR > TC$

c) $TR < TC$

d) none of these

107) If the cross elasticity between two goods is negative, the two goods are likely to be b

a) substitutes

☒ b) Complements

c) Necessities

d) Luxuries

108) The law of Demand states that an increase in the Price of goods b

- a) Increase the supply of goods
- ✓ b) Decrease the quantity demanded for that good.
- c) Increase the quantity supplied of that good.
- d) None of these answers.

109) An Inferior good is one for which an increase in income causes d

- a) Decrease in Supply
- b) Increase in Demand
- c) Increase in Supply
- ✓ d) Decrease in Demand

110) In general, a Flatter demand Curve is more likely to be a

- ✓ a) Price Elastic
- b) Unit Price elastic
- c) Price inelastic
- d) None of these answers

111) If the income elasticity of demand for a good is negative it must be b

- a) An elastic good
- ✓ b) An Inferior good
- c) A Normal good
- d) A Luxury good.

112) The Sensitivity of the Change in quantity demanded to a Change in Price is called c

- a) Income Elasticity
- b) Cross Elasticity
- ✓ c) Price Elasticity of Demand
- d) Co-efficient of Elasticity.

113) A Product that is similar to another and can be consumed in place of it is called d

- a) A normal good b) An inferior good
- c) A Complementary good d) A Substitute good.

114) which one is the assumption of Law of Demand? C

- a) Price of the commodity should not change.
- b) Quantity demanded should not change.
- c) Prices of substitutes should not change.
- d) Demand Curve must be linear.

115) Income elasticity of demand is defined as the responsiveness of: a

- a) quantity demanded to a change in income
- b) quantity demanded to a change in price
- c) price to a change in income
- d) income to a change in quantity income

116) At break Even Point there is C

- a) Profit b) Loss
- c) No Profit or Loss d) None of these

117) At Break Even Point a

- a) Total Expenses = Total Revenues
- b) Total Expenses > Total Revenues
- c) Total Expenses < Total Revenues
- d) None of these above

- 118) The BEP is obtained at intersection of a
- ✓ a) Total Revenue and Total Cost line
 - b) Total Cost and Variable cost line
 - c) Variable cost and Fixed cost line
 - d) Fixed Cost and Total Cost line
- 119) Which of the following is not an assumption of the law of Variable Proportions? c
- 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 and others are fixed.
- 120) Which of the following factor is assumed to be fixed in short-run of law of Variable Proportions? c
- a) Land
 - b) Labour
 - ✓ c) Capital
 - d) Entrepreneur.
- 121) Law of Variable Proportion is applicable in c
- a) Agriculture
 - b) Industries
 - ✓ c) Both (a) and (b)
 - d) only (a)
- 122) When more and more units of labour are employed on a given piece of land, the marginal product of a additional unit of labour will go on diminishing. It is called a
- ✓ a) Law of Diminishing Returns
 - b) Laws of increasing Returns
 - c) Laws of Constant Returns
 - d) None of these

123) Laws of increasing returns is Fastly applicable to industries because of a

- ✓ a) Division of Labour b) New Inventions
c) Both (a) and (b) d) None of the above

124) when one more unit of labour is Combined with the Land and Marginal Product is Constant it is called c

- a) Laws of Diminishing returns
b) Laws of increasing returns
✓ c) Laws of Constant returns
d) None of these.

125) Causes of applicability of Law of Variable Proportion are a

- ✓ a) Imperfect Substitution
b) Under-Utilization of Fixed Factors
c) Optimum Production
d) All the above

126) In the short-run, when the Output of a firm increases, its average fixed cost b

- a) Remain Fixed ✓ b) Decreases
c) Increases d) First Decrease and then rise

127) when Demand is Perfectly inelastic, an increase in Price will result in b

- a) A decrease in Total Revenue
✓ b) An increase in Total Revenue
c) No Change in Total Revenue
d) A decrease in quantity demanded

- 128) Other thing equal, if a good have more substitutes, its price elasticity of demand is a
 ✓ a) Larger b) smaller c) zero d) Unity
- 129) Economics is the science of Choice True
- 130) Micro economics deals with analysis of National Income False
- 131) The Primary focus of business Economics is economic welfare True
- 132) Business forecasts are extremely important aspect of business economics True
- 133) Opportunity cost can always be measured in terms of money True
- 134) Demand and Price are inversely related True
- 135) Changes in a non-price determinant of demand is shown by movement along the demand curve False
- 136) The demand curve has a Negative slope True
- 137) In case of an increase in demand, supply remaining the same, Price will fall False
- 138) In case of a Decrease in supply, demand being the same, the Price will fall. False
- 139) Demand for a Commodity is only a desire for Commodity False
- 140) Some of the Variables influences demand are not easily quantifiable True

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- 141) Goods can be classified on the basis of the direction of income effect True
- 142) Normal goods have negative income effect but Positive substitution effect False
- 143) All inferior goods are Giffen Goods True
- 144) Giffen goods have a positive but weak substitution effect True
- 145) The Law of Demand will not hold true in the absence of certain assumptions True
- 146) Price expectation is an exception to the law of Demand True.
- 147) Elasticity of demand measures the absolute change in one variable caused due to the absolute change in another variable True
- 148) It is advisable to use the point method to measure elasticity of demand in case of large price changes False
- 149) The elasticity of Demand may differ at different points on the same demand curve True
- 150) When the demand for product is perfectly elastic, the elasticity coefficient is 0 True.
- 151) When demand is elastic, Price and TR move in the same direction. False
- 152) Price Elasticity of demand for necessary commodities is less than one True
- 153) In short-run, Demand by and large remain inelastic True

- 154) Extent of Price change affect the Elasticity of Demand
True
- 155) Income Elasticity for normal goods will always be greater than one False
- 156) Cross Elasticity of Demand for substitutes is Positive
True
- 157) Demand Forecasts are essential to plan future Production
True
- 158) Very small firms do not need to forecasts demand
False
- 159) Demand forecasting is not necessary for inventory Planning False
- 160) Passive forecasts takes into account future changes
False
- 161) Long-term forecasts are required for capital investments True
- 162) Choice of method is an important factor in demand forecasting True
- 163) The expert opinion method generates accurate demand forecasting True
- 164) The Delphi method is a variant of the expert opinion method True
- 165) Sample Survey method undertakes survey method
True

- 166) Production refers to creation of utilities True
- 167) In economics, the term production shows the maximum volume of output that can be produced with given set of inputs True
- 168) A general form of production ^{function} of a commodity represents the cost of production False
- 169) A Technically efficient production function indicate absence of wastage of resources True
- 170) Zero substitutability of factors is indicated by kinked Iso-quant False
- 171) Fixed Proportion production function is characterised by constant returns to scale. True
- 172) Fixed Proportion production function is represented by a smooth convex iso-quant True
- 173) The Law of Variable Proportions explains returns to all factors of production False (one factor increase other constant)
- 174) According to Law of Variable Proportion, the first phase of production is characterised by rising Total output True
- 175) Limited substitutability of factors is indicated by kinked Iso-quant True
- 176) Implicit costs are Contractual payments made during the process of production. False

- 177) The implicit costs are Opportunity costs of the factors owned and used by the entrepreneur True
- 178) There is no difference between economic and accounting costs False
- 179) Economic cost is a more relevant concept for managerial decision making. True
- 180) In the short-run, the firm has to only incur variable cost False
- 181) In the long-run, the firm is concerned with the optimum output within a given size of the firm. True
- 182) The cost function of production is influenced by the technology used True
- 183) AVC is a declining function of production over the entire range of output False
- 184) MC is independent of fixed cost True
- 185) MC curve intersects the AC at AC's lowest point True
- 186) At BEP, price is equal to average variable cost False at BEP (Price = ATC)
- 187) At the shut down point, price is equal to AVC. False
- 188) At the shut down point, price is equal to below AVC True

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189) The changes in the Price will affect the total sales revenue and will not influence the BEP.

False

$$BEP = \frac{TFC}{P - AVC}$$

190) Increase in Fixed Cost will increase BEP. True

191) BEP and Shut down Points are same False

192) An increase in the Price will decrease the BEP True

193) When TR and TC are non-linear there may be two Break Even Points False

194) Break Even Analysis helps to determine sales and marketing strategies True

195) Internal economies of scale are advantages of Large scale Production True

196) External economies may occur due to division of Labour False

197) Pecuniary economies are associated with reduction in the Physical Quantity of inputs. True

198) Return to Scale occurs due to indivisibility of some factors False

199) When to Scale is increasing the distance between successive Iso-Quants increase False

200) Average Cost increases due to increasing return to Scale False

- 201) In short run, in third Phase Total Product become Negative False
- 202) In short run, in Third Phase Total Product becomes diminishing/decreasing True
- 203) Incremental Principle states that an investment decision is profitable if C
- a) revenue increases more than cost
 - b) cost reduces more than revenue
 - ✓ c) both (a) and (b)
 - d) none of the above.
- 204) The market supply schedule shows b relationship between quantity supplied.
- a) inverse ✓ b) direct c) no d) none of these.
- 205) In Case of Normal goods demand curve is b
- a) upward sloping ✓ b) downward sloping
 - c) vertical straight line d) horizontal straight line
- 206) Kinked demand Curve is Observed in d market.
- a) Perfect Competition b) Monopoly
 - c) monopolistic Competition ✓ d) Oligopoly.
- 207) which of the following is a limitation of Consumer forecasting? a
- ✓ a) Abnormal consumer behaviour c) Neither (a) nor (b)
 - b) Expensive d) Both (a) and (b)

208) Short run, Production Function include C

- a) only fixed Factors b) only Variable Factors
☒ c) both fixed and Variable Factors d) none of these

209) The narrowing distance between successive isoquants denotes a

- ☒ a) Increasing return to scale
 b) Decreasing return to scale
 c) constant return to scale
 d) none of these

210) Which of the following is an Example of Internal Economies of scale d

- a) Labour economies b) Technical economies
 c) Managerial economies ☒ d) All the above

211) In the short run, the Slope of TC curve is the same as slope of C

- 1) AVC curve b) TFC curve ☒ c) TVC curve d) AFC curve

212) b refers to an Unavoidable Cost which cannot be recovered.

- ☒ a) Opportunity Cost
☒ b) Sunk Cost
 c) Real Cost
 d) Implicit Cost

— All the BEST —

