



# Dr.G.R.Damodaran College of Science

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I MIB [2017-2019]

SEMESTER I

CORE: ECONOMICS FOR DECISION MAKING - 153E

Multiple Choice Questions.

1. Who is called as father of Economics?

- A. Adam smith
- B. Marshall
- C. Robinson
- D. George Bernard

ANSWER: A

2. Economics is derived from the greek word oikonomikus which means

- A. Business Management
- B. Business Economics
- C. House Management
- D. Wealth Management

ANSWER: C

3. Who expressed the view that Economics is neutral between ends.

- A. Robbins
- B. Marshall
- C. Pigou
- D. Adamsmith

ANSWER: A

4. Economics is the science of wealth who gave this definition?

- A. J.K.Mehta
- B. Marshall
- C. Adam Smith
- D. Robbins

ANSWER: C

5. Nature of Managerial Economics

- A. Decision Making
- B. Forward Planning
- C. Overcoming uncertainty
- D. All the above

ANSWER: D

6. Which of the following is related with controlling economic problems ?

- A. What to produce
- B. How to produce
- C. For whom to produce
- D. All of the above

ANSWER: D

7. Positive science concern with economics analysis -----

- A. cause relationship
- B. Effect relationship
- C. cause and effect relationship
- D. None of the above

ANSWER: C

8. Micro Economics Involved

- A. In making decisions
- B. Allocation of scarce resources
- C. Economics as a whole
- D. Business Ideas

ANSWER: B

9. A major part of decision making depends on

- A. Accurate estimates of demand
- B. Production schedules
- C. Influencing Factors
- D. Strategic Plans

ANSWER: A

10. Characteristics of managerial economics

- A. Choice and allocation
- B. Goal Oriented
- C. Pragmatic
- D. All the above

ANSWER: D

11. \_\_\_\_\_ will satisfy the current wants and perceived needs

- A. Durable Goods
- B. Non-Durable Goods
- C. Consumer Goods
- D. Producer Goods

ANSWER: C

12. Peoples wants are -----

- A. More
- B. Limited
- C. Unlimited
- D. Few

ANSWER: C

13. Recurring Demand is

- A. Goods considered as durable
- B. Proxy Good Consumption
- C. Complementary goods usage
- D. Consumed at frequent intervals

ANSWER: D

14. Determinants of Price elasticity of demand

- A. Availability of substitute of goods
- B. Percentage of Income
- C. Necessity and duration
- D. All the above

ANSWER: D

15. The other name of opportunity cost

- A. Money cost
- B. Alternative cost
- C. Real Cost
- D. Short run cost

ANSWER: B

16. The short run is the time period where

- A. Factors of production changes
- B. Resources will be expandable
- C. Factors of production remain fixed
- D. None of the above

ANSWER: C

17. Sales Maximization Concept is given by-----

- A. Adam Smith
- B. Marshall
- C. Samuelson
- D. Baumol

ANSWER: D

18. Micro economic theory is also known as -----.

- A. Business Theory
- B. Price Theory
- C. Individual Theory.
- D. Cost theory

ANSWER: B

19. Profit = -----

- A.  $TR + TC$
- B.  $TR - TC$
- C.  $TC - TR$

D. TR/TC.  
ANSWER: B

20. Profit Maximisation goal is suitable for ----- and ----- markets .

- A. Monopolistic and Oligopoly
- B. Monopolistic and Duopoly
- C. Monopsony and Duopsony
- D. Perfect competition and monopoly

ANSWER: D

21. Economies of scale related to

- A. Cost Advantage
- B. Profit Maximisation
- C. Sales Growth
- D. Cost Minimisation

ANSWER: A

22. Utility is measured by \_\_\_\_\_.

- A. wealth
- B. price
- C. value or worth
- D. income.

ANSWER: C

23. The extra utility from consuming one more unit of a commodity is called -----

- A. Marginal utility
- B. Additional utility
- C. Surplus utility
- D. Bonus utility

ANSWER: A

24. Diminishability of private goods meaning

- A. Diminishing in sales
- B. Diminishing in stock
- C. Diminishing in Cost
- D. All the above

ANSWER: B

25. Monopoly leads to

- A. Choice of consumer
- B. choice of supplier
- C. Consumer sovereignty
- D. Less efficient economy

ANSWER: D

26. Fiscal Policy Signifies

- A. Taxation and Spending tendencies of Govt.
- B. Individual Demand emphasis

- C. Organisation aggregate expenses
- D. None of the above

ANSWER: A

27. In case of Utility theory as income increases, marginal utility of money -----

- A. Decreases
- B. Increases
- C. constant
- D. none of these

ANSWER: A

28. Fiscal Policy can be used to

- A. Control Over the inflation
- B. Avoid monetary imbalances
- C. Stabilise the economy
- D. Wage administration

ANSWER: C

29. \_\_\_\_ is usually undertaken when the economy is in equilibrium

- A. denial Fiscal Policy
- B. Contradiction in Fiscal policy
- C. Expansionary fiscal Policy
- D. Neutral Fiscal policy

ANSWER: D

30. Utility means \_\_\_\_\_.

- A. Power to satisfy a want.
- B. Usefulness.
- C. Willingness of a person.
- D. Harmfulness.

ANSWER: B

31. \_\_\_\_\_ involves Govt. spending exceeding tax revenue

- A. Neutral Fiscal policy
- B. Expansionary fiscal policy
- C. Contradiction fiscal policy
- D. All the above

ANSWER: B

32. At point of satiety, marginal utility is \_\_\_\_\_.

- A. Zero.
- B. Positive.
- C. Maximum.
- D. Negative

ANSWER: A

33. \_\_\_\_ occurs when government spent lower than tax revenue

- A. Contradiction fiscal policy

- B. Expansionary fiscal policy
- C. Neutral fiscal policy
- D. All the above

ANSWER: A

34. What is Seigniorage

- A. Consumption of fixed reserves
- B. Sale of fixed assets
- C. Difference between value of money and cost to produce
- D. Borrowing money from abroad

ANSWER: C

35. Monetary Authority of Country Controls

- A. The supply of Money
- B. Availability of money
- C. Cost of Money
- D. All the above

ANSWER: D

36. Monetary policy rest on the relationship between

- A. Money and its availability
- B. Price and total supply of money
- C. Tax and consumption
- D. None of the above

ANSWER: B

37. Sales Maximisation is suitable for ----- market

- A. Oligopoly
- B. Duopoly
- C. Monopoly
- D. Monopsony

ANSWER: A

38. Demand is a function of -----

- A. Income.
- B. Advertisement
- C. Consumers
- D. Price.

ANSWER: D

39. When we know the quantity of a product that buyers wish to purchase at each possible price, we know -----

- A. Demand
- B. Supply
- C. Excess demand
- D. Excesss supply

ANSWER: A

40. Which will cause a change in the demand for commodity X?

- A. A Change In Tastes.
- B. A Change In Income.
- C. A Change In The Price of X
- D. A Change In Price Of Complementary Product

ANSWER: C

41. A market demand can be derived by adding all the individual demand curves

\_\_\_\_\_.

- A. vertically.
- B. horizontally.
- C. in parallel.
- D. by any of the above, as long as it is consistent

ANSWER: C

42. \_\_\_\_\_ increases consumer's demand and a firm's cost

- A. A high wage
- B. A low wage
- C. Huge investment
- D. Cost efficiency

ANSWER: A

43. Other things being equal, the law of demand implies that as \_\_\_\_\_

- A. the demand for increases, the price will decrease
- B. income increases, the quantity demanded will increase
- C. the price increases, the quantity demanded will decrease
- D. the price increases, the quantity demanded will increase

ANSWER: C

44. For inferior commodities, income effect is \_\_\_\_\_.

- A. Zero.
- B. Negative
- C. Infinite.
- D. Positive.

ANSWER: B

45. The demand curve always slopes

- A. upwards
- B. Downwards
- C. vertical
- D. horizontal

ANSWER: B

46. In Veblen effect, the demand curve slopes

- A. Downwards
- B. Upwards
- C. vertical
- D. Horizontal

ANSWER: B

47. The price elasticity of demand is the \_\_\_\_\_.
- A. percentage change in quantity demanded divided by the percentage change in price.
  - B. percentage change in price divided by the percentage change in quantity demanded
  - C. dollar change in quantity demanded divided by the dollar change in price.
  - D. percentage change in quantity demanded divided by the percentage change in quantity supplied

ANSWER: A

48. If two goods are close substitutes , \_\_\_\_\_.
- A. an increase in the price of one will decrease the demand for the other.
  - B. an increase in the price of one will increase the demand for the other.
  - C. a decrease in the price of one will increase the demand for the other.
  - D. a decrease in the price of one will have no effect on the demand for the other.

ANSWER: B

49. People demand more of product X when the price of product Y decreases. This means X and Y are \_\_\_\_\_.

- A. complements.
- B. substitutes.
- C. not related.
- D. both inexpensive.

ANSWER: C

50. An increase in consumer income will increase demand for a ----- But decrease demand for a -----

- A. Substitute good, inferior good
- B. Normal good, inferior good
- C. Inferior good, normal good
- D. Normal good, complementary good

ANSWER: B

51. The demand for a good is highly inelastic if \_\_\_\_\_.

- A. the price elasticity of the good is close to zero.
- B. the income elasticity of the good is close to one
- C. if it is a necessity
- D. both a and c.

ANSWER: D

52. A positive cross elasticity of demand coefficient indicates that -----

- A. A product is an inferior good
- B. A product is a normal good
- C. Two products are substitute goods
- D. Two products are complementary goods

ANSWER: C

53. Forecasts \_\_\_\_\_.

- A. become more accurate with longer time horizons.
- B. are rarely perfect.
- C. are more accurate for individual items than for groups of items.
- D. all of the above.

ANSWER: A

54. Forecasts are usually classified by time horizon into three categories they are \_\_\_\_\_.

- A. short-range, medium-range, and long-range.
- B. finance/accounting, marketing, and operations.
- C. strategic, tactical, and operational.
- D. exponential smoothing, regression, and time series.

ANSWER: A

55. The three major types of forecasts used by business organizations are \_\_\_\_\_.

- A. strategic, tactical, and operational.
- B. economic, technological, and demand
- C. exponential smoothing, Delphi, and regression.
- D. causal, time-series, and seasonal.

ANSWER: D

56. The two general approaches to forecasting are \_\_\_\_\_.

- A. qualitative and quantitative.
- B. mathematical and statistical
- C. judgmental and qualitative
- D. historical and associative.

ANSWER: B

57. 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.

ANSWER: D

58. The forecasting model that pools the opinions of a group of experts or managers is known as \_\_\_\_\_.

- A. sales force composition model.
- B. multiple regression
- C. jury or executive opinion model.
- D. consumer market survey model.

ANSWER: C

59. Which of the following techniques uses variables such as price and promotional expenditures, which are related to product demand, to predict demand?

- A. Associative Models.
- B. Exponential Smoothing

- C. Weighted Moving Average.
- D. Simple Moving Average

ANSWER: B

60. Time-series data may exhibit which of the following behaviors?

- A. Trend.
- B. Random Variations.
- C. Seasonality.
- D. Cycles.

ANSWER: A

61. In Sample survey method ----- Technique is adopted.

- A. Deliberate
- B. Convenience
- C. Quota
- D. Random

ANSWER: D

62. Car and petrol are -----goods.

- A. Substitutes
- B. Complementay
- C. Producers
- D. None of the above.

ANSWER: B

63. Tea and coffee are -----Goods

- A. Substitutes
- B. Complementay
- C. Producers
- D. None of the above.

ANSWER: A

64. In cross elasticity of demand, for unrelated goods the demand curve will be -----

- A. Rectangular hyperbola
- B. Vertical line
- C. Horizontal line
- D. None of the above.

ANSWER: B

65. The total outlay method explains the relationship between Price and-----

- A. Demand
- B. Supply
- C. Expenditure
- D. Income

ANSWER: C

66. Which of the following is included in exceptions to the law of demand

- A. Giffen Goods

- B. Prestigious goods
- C. Demonstration effect
- D. All of the above

ANSWER: D

67. When a commodity with many uses is demanded then it is called

- A. Direct demand
- B. Joint demand
- C. Composite demand
- D. None of these

ANSWER: C

68. Elasticity of demand is \_\_\_\_\_.

- A. slope of the demand curve.
- B. usually unity
- C. usually zero
- D. degree of responsiveness of quantity demanded to a change in price

ANSWER: D

69. How would you indicate relatively inelastic demand by using one of the following measures

\_\_\_\_\_.

- A.  $E = \text{Zero}$ .
- B.  $E$  is less than 1.
- C.  $E$  is greater than 1
- D.  $E = 1$ .

ANSWER: B

70. When the demand is elastic, a price reduction \_\_\_\_\_.

- A. will increase total revenue.
- B. will decrease total revenue
- C. will not affect total revenue.
- D. will not affect marginal revenue.

ANSWER: A

71. If the income elasticity of demand is greater than unity, the commodity is \_\_\_\_\_.

- A. a necessity.
- B. a luxury
- C. an inferior good.
- D. a non-related good.

ANSWER: B

72. A demand curve which is a horizontal straight line has an elasticity that is -----

- A. zero.
- B. greater than zero but less than one.
- C. one.
- D. infinite.

ANSWER: D

73. Demand forecasting means \_\_\_\_\_.
- A. simply guessing about future demand
  - B. establishing relations between demand and its determinants
  - C. predicting level of demand at a future date.
  - D. all the above.

ANSWER: C

74. Opinion polling method refers to \_\_\_\_\_.
- A. executive polling method
  - B. sales force polling method
  - C. consumer intentions surveys
  - D. all the three.

ANSWER: C

75. The income effect \_\_\_\_\_.
- A. must always be negative
  - B. must always be positive
  - C. can be negative or positive .
  - D. must be smaller than substitution effect.

ANSWER: C

76. Supply is a function of -----
- A. Income.
  - B. Advertisement
  - C. Consumers
  - D. Price.

ANSWER: D

77. The supply of a product does not depend on \_\_\_\_\_.
- A. labour costs .
  - B. the number of sellers in the market .
  - C. consumers tastes .
  - D. existing technology .

ANSWER: C

78. Supply curve always slopes -----
- A. vertical
  - B. Horizontal
  - C. upwards
  - D. Downwards

ANSWER: C

79. Passive factor of production is \_\_\_\_\_.
- A. Only land.
  - B. Only capital.
  - C. Both land and capital.
  - D. Neither land nor capital.

ANSWER: C

80. Which factor of production is considered as fixed input?

- A. Labour
- B. Technology
- C. Capital
- D. Land

ANSWER: D

81. Which of the following are not related with factors of production (FOP)

- A. Land
- B. Capital
- C. Raw material
- D. Labour

ANSWER: C

82. When the output increases in the same proportion as the increase in input it is -----Returns.

- A. Constant
- B. Average
- C. Decreasing
- D. Increasing

ANSWER: A

83. Cobb- douglas production function mainly studies -----

- A. Capital and labour
- B. Labour and Entrepreneur
- C. Land and Labour
- D. Land and capital

ANSWER: A

84. Marginal cost is defined as

- A. Change in total cost due to change in output
- B. Total cost divided by output
- C. change in output due to a one unit change in an input
- D. Total product divided by the quantity of input

ANSWER: A

85. The cost with which the concept of marginal cost is closely related -----

- A. Variable cost
- B. Fixed cost
- C. Opportunity cost
- D. Economic Cost

ANSWER: A

86. Opportunity Cost is also Known as -----

- A. Outlay cost
- B. Sunk Cost
- C. Alternative Cost

D. Total Cost  
ANSWER: C

87. The rate at which a firm can substitute capital for labour and hold output constant is the \_\_\_\_\_.

- A. marginal rate of production
- B. law of diminishing marginal returns.
- C. marginal rate of factor substitution
- D. isoquant

ANSWER: C

88. A graph showing all the combinations of capital and labour available for a given total cost is the \_\_\_\_\_.

- A. isoquant.
- B. budget constraint.
- C. isocost line.
- D. expenditure set

ANSWER: A

89. The formula for average fixed costs is \_\_\_\_\_.

- A.  $TFC/Q$ .
- B.  $Dq/DFC$ .
- C.  $Q/TFC$ .
- D.  $TVC/Q$ .

ANSWER: A

90. The short run is a time period in which \_\_\_\_\_.

- A. all resources are fixed
- B. the level of output is fixed
- C. the size of the production plant is variable
- D. some resources are fixed and others are variable

ANSWER: A

91. Variable costs are \_\_\_\_\_.

- A. sunk costs
- B. multiplied by fixed costs
- C. costs that change with the level of production.
- D. defined as the change in total cost resulting from the production of an additional unit of output.

ANSWER: C

92. Incremental cost is closely related to \_\_\_\_\_.

- A. average cost
- B. marginal cost
- C. total cost .
- D. fixed cost.

ANSWER: B

93. When inputs are increased in a given proportion and output increases in a greater proportion, the returns to scale said to be-----

- A. Constant returns to scale
- B. Increasing returns to scale
- C. Decreasing returns to scale
- D. None

ANSWER: B

94. Money paid to unskilled labour is called -----

- A. Wages
- B. Salary
- C. Royalty
- D. None

ANSWER: A

95. Which of the following curve is not U-shaped?

- A. AVC
- B. AFC
- C. AC
- D. MC

ANSWER: B

96. Of all the factors of production given below, which one is perishable in nature \_\_\_\_\_.

- A. labour.
- B. land.
- C. capital.
- D. entrepreneurship.

ANSWER: A

97. External economies of scale arise when \_\_\_\_\_.

- A. expansion of output of one firm improves the efficiency of others
- B. a large firm acquires monopoly advantage
- C. the staff of the firm makes a discovery which patentable.
- D. prices are reduced for bulk buying of raw materials

ANSWER: A

98. Opportunity cost is a term which describes \_\_\_\_\_.

- A. a bargain price for a factor of production
- B. costs related to an optimum level of production.
- C. variable costs.
- D. cost of one product in terms of production of others forgone.

ANSWER: D

99. Marginal cost curve cuts the average cost curve \_\_\_\_\_.

- A. at the left of its lowest point.
- B. at its lowest point.
- C. at the right of its lowest point.
- D. at its highest point.

ANSWER: B

100. An LAC curve is not known as \_\_\_\_\_.

- A. envelope curve.
- B. planning curve.
- C. operating curve.
- D. plant curve.

ANSWER: D

101. The marginal product equals the average product when the latter is \_\_\_\_\_.

- A.  $\frac{1}{2}$  of its maximum value.
- B.  $\frac{1}{4}$  of its maximum value.
- C. equals to its maximum value
- D. equals to its minimum value.

ANSWER: D

102. In case of oligopoly, number of firms is -----

- A. Large
- B. Infinite
- C. One
- D. Few

ANSWER: D

103. A distinguishing characteristic of monopolistic competition is -----

- A. Large number of firms
- B. Low entry barriers
- C. Product standardisation
- D. Product differentiation

ANSWER: D

104. In case of perfect competition, no of selling firm would be -----

- A. Large
- B. Single
- C. Varied but too many
- D. None of the above

ANSWER: A

105. If firms can neither enter nor leave an industry, the relevant time period is the -----

- A. Short run
- B. Intermediate run
- C. Long run
- D. Immediate run

ANSWER: A

106. Which of the following is a characteristic of a perfectly competitive market?

- A. Firms are price setters.
- B. There are few sellers in the market.
- C. Firms can exit and enter the market freely.

D. All of the above are correct.

ANSWER: C

107. A monopolistic firm will expand its output when

- A. marginal revenue exceeds marginal cost .
- B. marginal cost exceeds marginal revenue.
- C. marginal cost equals marginal revenue.
- D. marginal revenue is negative.

ANSWER: A

108. A monopolist will never produce at a point where

- A. demand is price-inelastic .
- B. demand is price-elastic.
- C. marginal cost is positive.
- D. marginal cost is increasing.

ANSWER: D

109. A marginal buyer is the one

- A. who, if the price is increased a little is the first to go out of the market.
- B. who, if the price is decreased a little is the first to enter the market.
- C. who is indifferent about buying and not buying.
- D. both a and c.

ANSWER: A

110. One negative aspect of a business cycle boom is

- A. an increasing rate of inflation.
- B. a declining rate of inventory investment.
- C. an increase in government budget deficits.
- D. a reduction in government budget deficits.

ANSWER: A

111. According to monetarists, the Great Depression in the United States largely resulted from

- A. excessive imports relative to exports.
- B. significant changes in technology and resource availability.
- C. inappropriate monetary policy.
- D. excessive exports relative to imports.

ANSWER: A

112. A higher wage could result in a lower labor cost per unit of output than a lower wage if the higher wage

- A. is accompanied by an offsetting decline in fringe benefits.
- B. increases supervision costs.
- C. reduces job turnover.
- D. increases productivity.

ANSWER: A

113. The costs that depend on output in the short run are

- A. total variable costs only.

- B. both total variable costs and total costs.
- C. total costs only.
- D. total fixed cost only.

ANSWER: A

114. Diminishing marginal returns implies

- A. increasing marginal costs.
- B. decreasing average variable costs.
- C. decreasing marginal costs.
- D. decreasing average fixed costs.

ANSWER: A

115. The rate at which a firm can substitute capital for labor and hold output constant is the

- A. marginal rate of production.
- B. law of diminishing marginal returns.
- C. marginal rate of factor substitution.
- D. isoquant.

ANSWER: C

116. A graph showing all the combinations of capital and labor available for a given total cost is the

- A. iso quant.
- B. budget constraint.
- C. iso cost line.
- D. expenditure set.

ANSWER: A

117. The formula for average fixed costs is

- A.  $TFC/q$ .
- B.  $Dq/DFC$ .
- C.  $q/TFC$ .
- D.  $TFC - q$ .

ANSWER: A

118. Implicit costs are

- A. equal to total fixed costs.
- B. comprised entirely of variable costs.
- C. "payments" for self-employed resources.
- D. always greater in the short run than in the long run.

ANSWER: C

119. If a firm's revenues just cover all its opportunity costs, then

- A. normal profit is zero.
- B. economic profit is zero.
- C. total revenues equal its explicit costs.
- D. total revenues equal its implicit costs.

ANSWER: A

120. The short run is a time period in which

- A. all resources are fixed.
- B. the level of output is fixed.
- C. the size of the production plant is variable.
- D. some resources are fixed and others are variable.

ANSWER: A

121. Bank rate is also known as

- A. lending rate.
- B. interest rate.
- C. CRR.
- D. SDR.

ANSWER: A

122. When two commodities are jointly demanded, they are

- A. Substitutes.
- B. Complements.
- C. Necessities.
- D. Luxuries.

ANSWER: B

123. Perfect competitive firms are

- A. price searchers.
- B. price markers.
- C. price discriminators.
- D. price takers.

ANSWER: D

124. Production is a function of

- A. output
- B. Costs.
- C. Inputs.
- D. input & output

ANSWER: D

125. In the short-run it is not possible to make adjustments in

- A. fixed factors.
- B. scale of production.
- C. Organization.
- D. all of the above.

ANSWER: A

126. Economic development means Economic Growth plans

- A. Inflation.
- B. Deflation.
- C. Structural changes.
- D. Price stability.

ANSWER: C

127. Business cycle also known as

- A. trade cycle.
- B. contraction.
- C. expansion.
- D. upper turning point.

ANSWER: A

128. Which of the following is not a part of Business Economics?

- A. Supply and demand.
- B. Cost analysis.
- C. Fiscal and monetary policy.
- D. Production functions.

ANSWER: C

129. Incremental cost is closely related to

- A. average cost.
- B. marginal cost.
- C. total cost .
- D. fixed cost.

ANSWER: B

130. A fall in the price of a commodity leads to

- A. a shift in demand.
- B. a fall in demand.
- C. a rise in the consumers' real income.
- D. a fall in the consumers' real income.

ANSWER: C

131. An increase in demand can result from

- A. a decline in market price.
- B. an increase in income.
- C. a reduction in the price of a substitute.
- D. an increase in the price of complements.

ANSWER: B

132. Decrease in demand means

- A. movement upward on a demand curve.
- B. movement downward on the demand curve.
- C. shift downward of a demand curve.
- D. shift upward of a demand curve.

ANSWER: C

133. Elasticity of demand is

- A. slope of the demand curve.
- B. usually unity.
- C. usually zero.
- D. degree of responsiveness of quantity demanded to a change in price.

ANSWER: D

134. If the income elasticity of demand is greater than unity, the commodity is
- A. a necessity.
  - B. a luxury.
  - C. an inferior good.
  - D. a non-related good.

ANSWER: B

135. A demand curve which is a horizontal straight line has an elasticity that is
- A. zero.
  - B. greater than zero but less than one.
  - C. one.
  - D. infinite.

ANSWER: D

136. Demand forecasting means:
- A. simply guessing about future demand.
  - B. establishing relations between demand and its determinants.
  - C. predicting level of demand at a future date.
  - D. all the above.

ANSWER: C

137. Opinion polling method refers to
- A. executive polling method
  - B. sales force polling method
  - C. consumer intentions surveys
  - D. all the three.

ANSWER: D

138. External economies of scale arise when
- A. expansion of output of one firm improves the efficiency of others.
  - B. a large firm acquires monopoly advantage.
  - C. the staff of the firm makes a discovery which patentable.
  - D. prices are reduced for bulk buying of raw materials.

ANSWER: A

139. Opportunity cost is a term which describes
- A. a bargain price for a factor of production.
  - B. costs related to an optimum level of production.
  - C. variable costs.
  - D. cost of one product in terms of production of others forgone.

ANSWER: D

140. Marginal cost curve cuts the average cost curve
- A. at the left of its lowest point.
  - B. at its lowest point.
  - C. at the right of its lowest point.
  - D. at its highest point.

ANSWER: B

141. Among the essential aspects of oligopoly is

- A. excess capacity.
- B. non-price competition.
- C. a large number of firms.
- D. mutual recognition of interdependence.

ANSWER: D

142. In an Oligopolistic market, there are

- A. a large number of sellers and few buyers.
- B. few sellers and few buyers.
- C. few sellers and a large number of buyers.
- D. only one seller.

ANSWER: B

143. Which one is not collusive oligopoly

- A. price leadership.
- B. market-sharing cartel.
- C. price discrimination.
- D. price fixing cartel.

ANSWER: B

144. Marginal cost means

- A. subtraction to the total cost.
- B. addition to the total cost.
- C. multiplication to the total cost.
- D. variable cost.

ANSWER: B

145. An LAC curve is not known as

- A. envelope curve.
- B. planning curve.
- C. operating curve.
- D. plant curve.

ANSWER: D

146. Life insurance business in India is an example of

- A. perfect competition.
- B. monopolistic competition.
- C. monopoly.
- D. oligopoly.

ANSWER: D

147. Under perfect competition firms do not engage in price-war because:

- A. firms work in co-operation with one another under the same.
- B. number of firms under the same is very large.
- C. the demand for the product of a firm under the same is perfectly elastic.

D. all the above-mentioned conditions are responsible.

ANSWER: B

148. The main aim of monetary policy is

- A. to regulate cost and credit.
- B. to control inflation.
- C. to control foreign exchange.
- D. all the above.

ANSWER: D

149. The equilibrium of a firm occurs when:

- A.  $P = MC$ .
- B.  $MC = MR$ .
- C.  $P = MR$ .
- D.  $AC = MC$ .

ANSWER: B

150. In a perfectly competitive market, the firm will be

- A. a price maker.
- B. attempting to maximize profits.
- C. producing a product which will be different from its competitors.
- D. a price taker.

ANSWER: D

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