Dr.G.R.Damodaran College of Science

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CRISL rated 'A' (TN) for MBA and MIB Programmes

II B.COM PA [2016-2019]
Semester III
Allied: MANAGERIAL ECONOMICS - 318D
Multiple Choice Questions.

1. Managerial economics generally refers to the integration of economic theory with business
   A. Ethics
   B. Management
   C. Practice
   D. All of the above
 ANSWER: C

2. Demand is determined by
   A. Price of the product
   B. Relative prices of other goods
   C. Tastes and habits
   D. All of the above
 ANSWER: D

3. When a firms average revenue is equal to its average cost, it gets ________.
   A. Super profit
   B. Normal profit
   C. Sub normal profit
   D. None of the above
 ANSWER: B

4. Given the price, if the cost of production increases because of higher price of raw materials, the supply
   A. Decreases
   B. Increases
   C. Remains same
   D. Any of the above
 ANSWER: A

5. The cost recorded in the books of accounts are considered as
   A. Total cost
   B. Marginal cost
   C. Average cost
   D. Explicit cost
 ANSWER: D

6. Under ______, price is determined by the interaction of total demand and total supply in the market.
   A. Perfect competition

B. Monopoly
C. Imperfect competition
D. All of the above
ANSWER: A

7. Under perfect competition, price is determined by the interaction of total demand and ________.
A. Total supply
B. Total cost
C. Total utility
D. Total production
ANSWER: A

8. The short run Average Cost curve is __ shaped
A. V
B. U
C. L
D. Any of the above
ANSWER: B

9. Distinction between private sector and public sector is determined on the basis of
A. Economic system
B. Motive
C. Principle of pricing
D. All of the above
ANSWER: D

10. Goods produced on small scale have
A. Relatively inelastic supply
B. Highly elastic supply
C. Perfectly elastic supply
D. None of the above
ANSWER: A

11. Oligopoly is a type of ________ market. A ________ exists in the industry
A. Perfect, few firms
B. Imperfect, few firms
C. Perfect, many firms
D. Imperfect, many firms
ANSWER: B

12. The concept of supply curve as used in economic theory is relevant only for the case of
A. Oligopoly competition
B. Perfect or pure competition
C. Monopolistic competition
D. Monopoly
ANSWER: B

13. Other things being equal, an increase in supply can be caused by
A. A rise in the income of the consumer
B. An improvement in the techniques of production
C. A rise in the price of the commodity

D. An increase in the income of the seller
ANSWER: B

14. Adam Smith advocated
A. Laissez Faire
B. Division of Labour
C. Both of these
D. None of these
ANSWER: C

15. 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

16. n exceptional demand curve is one that slopes
A. Upward to the left
B. ownward to the righ
C. Horizontally
D. Upward to the right
ANSWER: D

17. Which one is not an exception to the Law of Demand?
A. Normal good
B. Articles of Distinction
C. Ignorance
D. Inferior good
ANSWER: A

18. Demand for a commodity is elastic when it has
A. Only one use
B. Uses which can not be postponed
C. Many uses
D. Uses very essential f or the consumer
ANSWER: C

19. When the demand curve is a rectangular hyperbola, it represents
A. Perfectly elastic demand
B. Unitary elastic demand
C. Perfectly inelastic demand
D. Relatively elastic demand
ANSWER: B

20. The horizontal demand curve for a commodity shows that its demand is:
A. Perfectly elastic
B. Highly elastic
C. Perfectly inelastic
D. Moderately elastic
ANSWER: A

21. When an individuals income falls(while everything else remains the same), his demand for an inferior good:
   A. Increases
   B. Decrease
   C. Remains unchanged
   D. We cannot say without additional informati on
 ANSWER: B

22. fall in the price of a commodity whose demand curve is a rectangular hyperbola causes total expenditure on the commodity to:
   A. Increases
   B. Decrease
   C. emains unchanged
   D. Any of the above
 ANSWER: C

23. Marginal utility curve of a give n consumer is also his
   A. Indifference curve
   B. Total utility curve
   C. Demand curve
   D. Supply curve
 ANSWER: C

24. A demand curve which takes the form of hori zontal line parallel to quantity axis illustrates elasticity which is:
   A. Zero
   B. Infinite
   C. Greater thyan One
   D. Less than one
 ANSWER: D

25. The elasticity of demand for a product will be higher:
   A. The more available are substitutes for that produc
   B. The more its buyers demand loyalty
   C. The more the product is considered a necessity by its buyers
   D. All of the above
 ANSWER: A

26. Cross elasticity of demand between tea and sugar is:
   A. Positive
   B. Zero
   C. Infinity
   D. Negative
 ANSWER: D

27. In case of Giffen goods, demand curve will slope:
   A. Vertical
   B. Horizontal
   C. Upward
   D. Downward

ANSWER: C

28. The law of demand states that an increase in the price of a good:
   A. Increases the supply of that good.
   B. Decreases the quantity demanded for that good.
   C. Increases the quantity supplied of that good.
   D. None of these answers.
 ANSWER: B

29. The law of supply states that an increase in the price of a good:
   A. None of these answers.
   B. Increases the quantity supplied of that good.
   C. Decreases the demand for that good .
   D. Decreases the quantity demanded for that good.
 ANSWER: B

30. If an increase in consumer incomes leads to a decrease in the demand for camping equipment, then camping equipment is
   A. A normal good.
   B. None of these answers.
   C. An inferior good
   D. A substit ute good
 ANSWER: C

31. If the price of a good is above the equilibrium price
   A. There is a surplus and the price will rise.
   B. There is a shortage and the price will fall.
   C. There is a shortag e and the price will rise.
   D. There is a surplus and the price will fall.
 ANSWER: D

32. If the price of a good is equal to the equilibrium price
   A. There is a shortage and the price will fall
   B. The quantity demanded is equal to the quantity supplied and the price remains unchanged.
   C. There is a surplus and the price will rise.
   D. There is a shortage and the price will rise.
 ANSWER: B

33. An inferior good is one for which an increase in income causes a(n)
   A. Decrease in supply
   B. Increase in demand.
   C. Increase in supply.
   D. Decrease in demand.
 ANSWER: D

34. If a small percentage increase in the price of a good greatly reduces the qu antity demanded for that good, the demand for that good is
   A. Income inelastic.
   B. Price inelastic.
   C. Price elastic
   D. Unit price elastic.

ANSWER: C

35. In general, a flatter demand curve is more likely to be:
 A. Price elastic.
 B. Unit price elastic.
 C. None of these answers.
 D. Price inelastic
ANSWER: A

36. . In general, a steeper supply curve is more likely to be
 A. Price elastic.
 B. None of these answers.
 C. . Unit price elastic
 D. Price inelastic.
ANSWER: D

37. Which of the following would cause a demand curve for a good to be price inelastic?
 A. The good is a luxury
 B. . There are a great number of substitutes for the good.
 C. The good is a necessity
 D. The good is an inferior good.
ANSWER: C

38. If the cross-price elasticity between two goods is negative, the two goods are likely to be:
 A. Substitutes
 B. Complements
 C. Necessities.
 D. Luxuries.
ANSWER: B

39. . If there is excess capacity in a production facility, it is likely that the firm's supply curve is:
 A. Price inelastic
 B. None of these answers
 C. Unit price elastic
 D. Price elastic.
ANSWER: D

40. If the income elasticity of demand for a good is negative, it must be:
 A. An elastic good
 B. . An inferior good
 C. A normal good
 D. A luxury good.
ANSWER: B

41. If consumers think that there are very few substitutes for a good, then
 A. Supply would tend to be price elastic.
 B. None of these answers.
 C. Demand would tend to be price inelastic.
 D. Demand would tend to be price elastic.
ANSWER: C

42. The sensitivity of the change in quantity demanded to a change in price is called:
   A. Income elasticity
   B. Cross-elasticity
   C. Price elasticity of demand.
   D. Coefficient of elasticity
 ANSWER: C

43. If the price elasticity of demand for a good is .75, the demand for the good can be described as:
   A. Normal.
   B. Elastic.
   C. Inferior
   D. Inelastic.
 ANSWER: D

44. When the price of a product is increased 10 percent, the quantity demanded decreases 15 percent. In this range of prices, demand for this product is
   A. Elastic
   B. Inelastic.
   C. Unitary elastic
   D. Perfectly elastic
 ANSWER: A

45. Cross elasticity of demand between two perfect substitutes will be
   A. Law
   B. High
   C. Zero
   D. Infinity
 ANSWER: D

46. Market demand is aggregation of individual demand
   A. Vertically
   B. Horizontally
   C. Both (a) and (b)
   D. None
 ANSWER: B

47. A single point on the demand curve shows
   A. Demand and supply relationship
   B. Price and supply relationship
   C. Price and demand relationship
   D. None of these
 ANSWER: C

48. The law of demand can be derived with the help of
   A. Law of D.M.U. (Diminishing Marginal Utility)
   B. Law of EMU (Equi-Marginal Utility)
   C. Any of these two
   D. None of these
 ANSWER: C

49. The value of elasticity of demand ranges from

A. Zero to one
B. One to infinity
C. Zero to infinity
D. None of these
ANSWER: C

50. When the quantity demanded of goods increases by a larger percentage as compared with the income of the consumer, income elasticity of demand is high
A. Unitary Income Elasticity
B. Low-Income Elasticity
C. Zero-Income Elasticity
D. High-Income Elasticity
ANSWER: D

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

52. Perfect competition is a market situation where we have
A. A single seller
B. Two sellers
C. Large number of sellers
D. Few sellers
ANSWER: C

53. A firm and industry are one and the same under
A. Perfect competition
B. Duopoly
C. Oligopoly
D. Monopoly
ANSWER: D

54. Homogeneity of product is characteristic of
A. Monopoly
B. . Oligopoly
C. Perfect competition
D. None of the above
ANSWER: C

55. In case of perfect competition, elasticity will be
A. 0
B. 2
C. 3
D. Infinity
ANSWER: D

56. . Under which of the following forms of market structure a firm does has no control over the price of its product?

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

57. Who is the price-leader under oligopoly ?
A. any unit with efficient production capabilities
B. there is no firm that can be termed as price leader under oligopoly
C. the largest firm.
D. the smallest firm
ANSWER: B

58. If the price elasticity of demand is greater than 1, a monopoly's
A. Marginal revenue is zero
B. Total revenue decreases when the firm lowers its price
C. Marginal revenue is negative
D. Total revenue increases when the firm lowers its price
ANSWER: D

59. An increase in income will
A. Lead to a movement along the demand curve
B. Shift the supply curve
C. Shift the demand curve
D. Lead to an extension of demand
ANSWER: C

60. A shift in supply will have a bigger effect on price than output if demand is
A. Income elastic
B. Income inelastic
C. Price elastic
D. Price inelastic
ANSWER: C

61. Assuming a downward sloping demand curve and upward sloping supply curve, a higher equilibrium price may be caused by
A. . A fall in demand
B. An increase in supply
C. . Improvements in production technology
D. An increase in demand
ANSWER: D

62. A movement along the supply curve may be caused by:
A. A change in technology
B. . A change in the number of producers
C. A shift in demand
D. A change in costs
ANSWER: C

63. A subsidy paid to producers
A. Shifts the supply curve

B. Shifts the demand curve
C. Leads to a contraction in supply
D. Leads to an extension of supply
ANSWER: A

64. Price discrimination is
A. a. Charging different prices to different customers because it costs the firm more to serve some customers than others
B. Changing the firm's price frequently to respond to market conditions
C. c. Charging different prices to different customers when the price differences are not based on cost differences.
D. Charging the same price to all customers
ANSWER: C

65. Monopolies and oligopolies are:
A. Price takers, as are competitive firms
B. Price takers, in contrast to competitive firms which are price makers
C. Price makers, in contrast to competitive firms which are price takers.
D. Price makers, as are competitive firms.
ANSWER: C

66. If new firms enter a monopolistically competitive market, the demand curves for the existing firms will:
A. Shift to the left and become more price inelastic.
B. Shift to the left and there will be no change in price elasticity.
C. Shift to the left and become more price elastic
D. Shift to the right and there will be no change in price elasticity.
ANSWER: C

67. In the long run, monopolistically competitive firms maximize profit at the output where:
A. They earn zero economic profit
B. P = MC
C. Marginal cost = the minimum of the long-run average total cost curve.
D. All of the above
ANSWER: A

68. Which best describes a demand curve?
A. The quantity consumers would like to buy in an ideal world
B. The quantity consumers are willing to sell
C. The quantity consumers are willing and able to buy at each and every income all other things unchanged
D. The quantity consumers are willing and able to buy at each and every price all other things unchanged
ANSWER: D

69. A fall in price:
A. Will cause an inward shift of demand
B. Will cause an outward shift of supply
C. Leads to a movement along a demand curve
D. Leads to a higher level of production
ANSWER: C

70. Demand for a normal product may shift outwards if

A. Price decreases
B. The price of a substitute rises
C. The price of a complement rises
D. Income falls
ANSWER: B

71. According to the law of diminishing marginal utility
A. Utility is at a maximum with the first unit
B. Increasing units of consumption increase the marginal utility
C. Marginal product will fall as more units are consumed
D. Total utility will rise at a falling rate as more units are consumed
ANSWER: D

72. If marginal utility is zero:
A. Total utility is zero
B. An additional unit of consumption will decrease total utility
C. An additional unit of consumption will increase total utility
D. Total utility is maximized
ANSWER: D

73. A decrease in income should:
A. Shift demand for an inferior product inwards
B. Shift demand for an inferior product outwards
C. Shift supply for an inferior product outwards
D. Shift supply for an inferior product inwards
ANSWER: B

74. An increase in price, all other things unchanged, leads to:
A. Shift demand outwards
B. Shift demand inwards
C. A contraction of demand
D. An extension of demand
ANSWER: C

75. If a product is a Veblen good:
A. Demand is inversely related to income
B. Demand is inversely related to price
C. Demand is directly related to price
D. Demand is inversely related to the price of substitutes
ANSWER: C

76. If a product is an inferior good:
A. Demand is inversely related to income
B. Demand is inversely related to price
C. Demand is directly related to price
D. Demand is directly related to the price of substitutes
ANSWER: C

77. If the cross elasticity of demand is -2
A. The products are substitutes and demand is cross price elastic
B. The products are substitutes and demand is cross price inelastic

C. The products are complements and demand is cross price elastic
D. The products are complements and demand is cross price inelastic
ANSWER: C

78. If demand is price inelastic
A. An increase in price must raise profits
B. An increase in price decreases revenue
C. An increase in price increases revenue
D. A decrease in price reduces sales
ANSWER: C

79. For an inferior good:
A. The price elasticity of demand is negative; the income elasticity of demand is negative.
B. The price elasticity of demand is positive; the income elasticity of demand is negative
C. The price elasticity of demand is negative; the income elasticity of demand is positive
D. The price elasticity of demand is positive; the income elasticity of demand is positive.
ANSWER: A

80. For a normal good:
A. The price elasticity of demand is negative; the income elasticity of demand is negative
B. The price elasticity of demand is positive; the income elasticity of demand is negative.
C. The price elasticity of demand is negative; the income elasticity of demand is positive.
D. The price elasticity of demand is positive; the income elasticity of demand is positive.
ANSWER: C

81. Which of the following characterizes monopolistic competition?
A. Many interdependent firms sell a homogeneous product.
B. A few firms produce a particular type of product.
C. Many firms produce a particular type of product, but each maintains some independent control over its own price.
D. A few firms produce all of the market supply of a good.
ANSWER: C

82. Monopolistically competitive industries are characterized by
A. Low concentration ratios
B. Low entry barriers
C. Independent production decisions.
D. All of the above.
ANSWER: D

83. In monopolistic competition, a firm:
A. Has no market power.
B. Captures significant economies of scale
C. Has a downward-sloping demand curve.
D. Has a standardized product that all firms produce
ANSWER: C

84. . If there are many firms in an industry producing goods that are similar but slightly different, this is an example of:
A. Perfect competition
B. Monopolistic competition

C. Oligopoly
D. Monopoly
ANSWER: B

85. Large cities typically have many drug stores which have different qualities of service and selections of product. The drug store market in big cities can best be classified as
A. A competitive market
B. Monopolistic competition
C. Oligopoly
D. Monopoly
ANSWER: B

86. A major difference between monopoly and monopolistic competition is
A. One maximizes profits by setting MR equal to MC, and the other does not
B. The number of firms in the market
C. One type of firm has market power, and the other does not.
D. One has a downward-sloping demand curve, and the other does not.
ANSWER: B

87. Entry into a market characterized by monopolistic competition is generally:
A. Entirely blocked by existing firms
B. Very easy because few barriers exist.
C. As difficult as in oligopoly
D. More difficult than entry into monopolized markets.
ANSWER: B

88. Which of the following characterizes monopolistic competition?
A. Price leadership
B. Product differentiation
C. Price discrimination
D. . Economies of scale
ANSWER: B

89. Perfect competition and monopolistic competition are best distinguished by
A. The degree of product differentiation.
B. The long-run economic profits that are expected.
C. The number of firms in the market.
D. The ease of entry and exit.
ANSWER: A

90. A monopolistically competitive firm can raise its price somewhat without fear of great change in unit sales because:
A. The demand for its product is typically very price-elastic
B. Its demand curve is horizontal
C. Of product differentiation and brand loyalty
D. Of the gap in its marginal revenue curve.
ANSWER: C

91. A monopolistically competitive firm can raise its price somewhat without fear of great change in unit sales because of:
A. Brand loyalty

B. Economies of scale
C. Inelastic demand.
D. Large market shares of firms in the market.
ANSWER: A

92. When a monopolistically competitive firm advertises, it is attempting to increase
A. The demand and decrease the price elasticity of demand for its product.
B. The demand and increase the price elasticity of demand for its product.
C. Long-run profits
D. Market demand.
ANSWER: A

93. Brand loyalty usually makes the demand curve for a product
A. More price elastic
B. Less price elastic
C. Unitary elastic.
D. More income elastic
ANSWER: B

94. Both monopoly and monopolistic competition
A. Maximize profit where MR = MC
B. Have high concentration ratios
C. Use advertising to differentiate their product
D. Have high barriers to entry
ANSWER: A

95. A monopolistically competitive firm maximizes profits or minimizes losses in the short run by
A. Using marginal cost pricing
B. Producing output at the level where ATC is minimized
C. Producing output at the level where price equals ATC
D. Producing output at the level where MC = MR
ANSWER: D

96. In monopolistic competition, a firm's demand is tangent to the long-run average cost curve in the long run because
A. Barriers to entry are very high.
B. Entry eliminates economic profit, and exit eliminates losses
C. Advertising is ineffective in differentiating a product
D. All of the above
ANSWER: B

97. In perfect competition, the price of the product is determined where the industry
A. Elasticity of supply equals the industry elasticity of demand.
B. Supply curve and industry demand curve intersect.
C. Fixed cost is zero.
D. Average variable cost equals the industry average total cost.
ANSWER: B

98. Total economic profit is
A. Total revenue minus total opportunity cost
B. Marginal revenue minus marginal cost.

C. Total revenue divided by total cost.
D. Marginal revenue divided by marginal cost.
ANSWER: A

99. The economic profit of a perfectly competitive firm
A. Less than its total revenue
B. Greater than its total revenue
C. Its total revenue
D. Less than its total revenue if its supply curve is inelastic and is greater than its total revenue if its supply curve is elastic
ANSWER: A

100. Law of Demand explains relation between quantity demanded and
A. Quantity supplied
B. Price
C. Need
D. want
ANSWER: B

101. Income Elasticity established relation between Income and
A. price
B. supply
C. quantity demanded
D. income
ANSWER: C

102. . Market Equilibrium relates to
A. demand and supply
B. Production and Raw Material
C. Demand and Price
D. Supply and Production
ANSWER: A

103. Sales Maximisation concept is given by
A. Adam Smith
B. Samuelson
C. Marshall
D. Baumol
ANSWER: D

104. Micro economic theory is also known as
A. Business Theory
B. Price Theory
C. Individual Theory
D. Cost Theory
ANSWER: B

105. Which will cause a change in the demand for good X?
A. A change in taste
B. A change in income
C. A change in the price of X

D. A change in price of complementary product
ANSWER: C

106. A market demand Schedule for a product indicates that
A. as the product price falls, consumers buy less of the good
B. there is a direct relationship between price and quantity demanded
C. as a product price rises, consumers buy less of other goods
D. there is an inverse relationship between price and quantity demanded
ANSWER: D

107. Profit =
A. TR+TC
B. TR-TC
C. TR X TC
D. TR/TC
ANSWER: B

108. Profit Maximisation goal is suitable for ---- and markets
A. Monopolistic and oligopoly
B. monopolistic and Duopoly
C. Monopoly and Perfect competition
D. Monopsony and Duopsony
ANSWER: C

109. Who is assured as father of Economics?
A. Adam Smith
B. Robinson
C. Marshall
D. George Bernard
ANSWER: A

110. Economics is a science the basis of this statement does not include
A. relation between cause and effect
B. use of deductive method and inductive method for the formation of laws
C. Experiments
D. Theory
ANSWER: D

111. Which of the following is an economic activity?
A. teacher teaching in the school
B. to teach son at home
C. to serve her child by mother
D. to play football by a student
ANSWER: A

112. Sales Maximisation is suitable for market
A. oligopoly
B. duopoly
C. monopoly
D. monopsony
ANSWER: A

113. Demand is a function of
   A. consumers
   B. advertisement
   C. Income
   D. Price
 ANSWER: D

114. When we know the quality of a product that buyers wish to purchase at each possible price, we know
   A. Demand
   B. Supply
   C. Excess demand
   D. Excess Supply
 ANSWER: A

115. A Maket demand can be derived by adding all the individual demand curves A. vertically
   A. Horizontally
   B. vertically
   C. in parallel
   D. by any of the above as long as it is consistent
 ANSWER: C

116. Law of demand does not include
   A. price of commodity is an independent variable
   B. quantity demanded is a dependent variable
   C. reciprocal relationship is found between price and quantity demanded
   D. Cost of a product
 ANSWER: D

117. For inferior commodities income effect is
   A. Zero
   B. negative
   C. infinite
   D. positive
 ANSWER: B

118. In relatively elastic demand ED is
   A. E=1
   B. E=0
   C. E>1
   D. E<1
 ANSWER: C

119. A relative change in quantity demanded is less than the relative change in money income is income elasticity
   A. High
   B. zero
   C. low
   D. negative
 ANSWER: C

120. When prediction about future is based on the asssumption that the firm does not change the course of its action is forecast

A. passive
B. active
C. short run
D. long run
ANSWER: A

121. Which is not a determinant of demand?

A. Income
B. the cost of inputs in production
C. the prices of related goods
D. future price expectations
ANSWER: B

122. 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 inepensive
ANSWER: B

123. Derived demand is directly determined by

A. utility
B. the profitablity of using inputs to produce output
C. theability to satisfy consumer desires
D. . personal consumption
ANSWER: B

124. An increase in consumer income will increase demand for a but decrease demand for a

A. substitute goods, inferior goods
B. normal goods, inferior goods
C. inferior goods, normal goods
D. normal goods, complementary goods
ANSWER: B

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

A. Mariginal utility
B. Additional utility
C. Surplus utility
D. Bonus utility
ANSWER: A

126. Marginal utility is equal to average utility at that time when average utility is

A. Increasing.
B. Maximum
C. Falling.
D. Minimum
ANSWER: D

127. Cobb Douglas production function mainly studies --------?

A. Capital and Labour
B. Labour and Entreprenuer
C. Land and Labour
D. Land and Capital
ANSWER: A

128. What are homogenous products?
A. Undifferentiated products
B. Differentiated products
C. Both (a) and (b)
D. None of the above
ANSWER: A

129. A distinguishing characteristic of monopolistic competition is
A. distinguishing characteristic of monopolistic competition is
B. Low entry barriers
C. Product standardisation
D. Product differentiation
ANSWER: D

130. In case of perfect competition, no of selling firm would be
A. Large
B. Single
C. Varied but too many
D. Varied but too many
ANSWER: A

131. In the long run, a profit-maximizing firm will choose to exit a market when ________________.
A. fixed costs exceed sunk costs.
B. average fixed cost is rising
C. revenue from production is less than total costs.
D. marginal cost exceeds marginal revenue at the current level of production.
ANSWER: C

132. When firms have an incentive to exit a competitive market, their exit will ____________________.
A. drive down market prices
B. drive down profits of existing firms in the market.
C. decrease the quantity of goods supplied in the market.
D. All of the above are correct.
ANSWER: D

133. in case of Monopoly, a firm in long run can have
A. loss
B. chamberlin
C. keynes
D. none of these
ANSWER: B

134. The main aim of monetary policy is --------
A. to regulate cost and credit
B. to control inflation

C. tto control foreign exchange
D. all the above
ANSWER: D

135. The study of ups and downs in economics is ---------
A. Monetary policy
B. Fiscal policy
C. Business cycle
D. None
ANSWER: C

136. ---------Is known as Value Added Method to GDP
A. Income Method
B. Product Method
C. Expenditure Method
D. Factor cost Method
ANSWER: B

137. Oligopoly is a type of ________ market. A ________ exists in the industry
A. Perfect, few firms
B. Imperfect, few firms
C. Perfect, many firms
D. Imperfect, many firms
ANSWER: B

138. Pricing strategy used to set prices of products that are must be used with main product is called
A. optional product pricing
B. product line pricing
C. captive product pricing
D. competitive pricing
ANSWER: C

139. New product pricing strategy through which companies set lower prices to gain large market share is classified as
A. optional product pricing
B. skimming pricing
C. penetration pricing
D. captive product pricing
ANSWER: C

140. Pricing strategy in which prices are set lower to actual price to trigger short term sales is classified as
A. promotional pricing
B. short term pricing
C. quick pricing
D. cyclical pricing
ANSWER: A

141. Pricing strategy in which company divides location into different sectors and charge same price for each sector is classified as
A. freight on board origin pricing
B. zone pricing

C. basing point pricing
D. uniform delivered pricing
ANSWER: B

142. Kind of reduction made to those buyers who buy large volumes of products is classified as
A. cash discount
B. seasonal discount
C. functional discount
D. quantity discount
ANSWER: D

143. A production function measures the relation between ___
A. input prices and output prices.
B. input prices and the quantity of output.
C. the quantity of inputs and the quantity of output.
D. the quantity of inputs and input prices.
ANSWER: C

144. A short-run production function assumes that ____
A. the usage of at least one input is fixed.
B. the level of output is fixed.
C. all inputs are fixed inputs.
D. both a and b
ANSWER: A

145. If average product is decreasing, then marginal product______
A. A) must be greater than average product.
B. must be less than average product.
C. must be less than average product.
D. cannot be decreasing.
ANSWER: C

146. Which of the following statements is TRUE?
A. A firm plans in the short run and operates in the long run.
B. In the long run a firm can change all but one input.
C. In the long run all inputs are variable.
D. In the short run all inputs are fixed.
ANSWER: C

147. The marginal product of labor_______
A. is less than the average product of labor when the average product of labor is decreasing.
B. measures how output changes as the wage rate changes.
C. is negative when adding another unit of labor decreases output.
D. both a and c
ANSWER: D

148. Diminishing returns refers to the decrease in_______
A. marginal product that results from increases in the variable input.
B. average product that results from increases in the variable input.
C. profit that results from increases in output.
D. A) long-run average cost that results from increases in output.

ANSWER: A

149. If a firm is producing a given level of output in a technically-efficient manner, then it must be the case that ______

A. it is choosing the lowest-cost method of producing that output.
B. this output level is the most that can be produced with the given levels of inputs.
C. each input is producing its maximum marginal product.
D. both a and b

ANSWER: D

150. A short-run cost function assumes that_________

A. the level of output is fixed.
B. all inputs are fixed.
C. at least one input is fixed.
D. at least one input is fixed.

ANSWER: B

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