

MODEL PAPER

MB0026 ECONOMICS

GROUP A 1 Mark Question (1 – 40)

GROUP B 2 Mark Question (41—65)

GROUP C 4 Mark Question (66 – 75)

Group A

1. Managerial economics deals with the problem of
 - a. An individual firm
 - b. An industry
 - c. An economy
 - d. Global economy

2. Managerial Economics as a specialized branch of Economics
 - a. Provide ready-made solutions to business problems
 - b. Provide logic and methodology to find solutions to business problems
 - c. Provide theoretical background to analyze business problems
 - d. provide alternative answers to specific business problems.

3. Managerial economics as a new branch of Economics
 - a. Highlights on analyzing business problems
 - b. Acts totally independent of other subjects
 - c. Uses new techniques to identify business and management problems
 - d. Applies economic theories and concepts to solve business and management problems

4. Demand for a product refers to
 - a. Various quantities that are demanded by consumers
 - b. Various amounts desired by consumers
 - c. Total quantity of a product demanded during a given period of time
 - d. Total quantity of a product demanded at a particular price in the market during a given period of time.

5. The relationship between price and demand is
 - a. Direct
 - b. Inverse
 - c. Proportionate
 - d. positive

6. Which of the assumptions on which the demand is based are
 - a. Production Costs
 - b. Technology
 - c. Prices of Inputs
 - d. Prices of other related goods and tastes and preferences

7. In case of increase in demand, the demand curve
 - a. Shifts backwards
 - b. Shifts forward
 - c. Will have upward slope
 - d. Will be horizontal

8. The Law of Demand assuming other things to remain constant, establishes the relationship between
 - a. Income of the consumer and the quantity of a good demanded by him
 - b. Price of a good and the quantity demanded
 - c. Price of a good and the demand for its substitute
 - d. Quantity demanded of a good and the relative prices of its complimentary goods.

9. Demand forecasting is made - for the
 - a. For the existing products only.
 - b. New products only.
 - c. For both the existing products & for the new products.
 - d..For the substitutes only

10. A firm to formulate its sales policy and sales strategy can make use of
 - a. Sales forecast made by the other firms.
 - b. Sales forecast made by the industry.
 - c. Sales forecast made by the govt.
 - d. Sales forecast made by the statistical organizations.

11. Complete enumeration method and Sample survey method are the two variants of
 - a. Collective Opinion method
 - b. Expert opinion method
 - c. Direct interview method
 - d. End-Use method

12. Historical data is used in estimating future demand under
 - a. Survey method
 - b. Expert opinion method
 - c. Statistical method
 - d. Complete Enumeration method

13. Understanding of the position of market equilibrium is of very great importance in the
 - a. Formulation of pricing policy
 - b. Determination of output
 - c. Decision making process of the firm
 - d. Investment policy of the firm

14. An increase in supply demand remaining constant will change the equilibrium
 - a. Causing a fall in price
 - b. Causing a backward shift in supply curve
 - c. Causing no change in price
 - d. Causing a rise in price

15. If the proportionate change in supply is exactly equal and proportionate to the change in price than elasticity of supply is
 - a. Equal to zero
 - b. Greater than one
 - c. Less than one
 - d. Equal to one

16. Which of the following is not an economic activity
 - a. A chartered accountant doing his own activity
 - b. A teacher teaching in a college
 - c. A son looking after his ailing mother

- d. A manager managing his organization
17. Production function explains
- a. The relationship between Qty of inputs employed and the corresponding total production cost
 - b. The relationship between the firms total revenue and total production cost
 - c. The relationship between qty of inputs used and the corresponding output obtained
 - d. The relationship between market price charged and quantity supplied
18. In case of short run production function Qty of fixed input remains constant and
- a. Qty of either one or two variable inputs change
 - b. Qty of one or two variable inputs are kept constant as Qty of fixed inputs change
 - c. The Qty of both fixed as well as variable inputs remains constant
 - d. The Qty of both variable and fixed input change
19. In case of long run production
- a. The Qty of both fixed and variable inputs are changed
 - b. The Qty of both fixed and variable inputs are kept constant
 - c. The Qty of both fixed and variable inputs are changed in the same proportions
 - d. The Qty of both fixed and variable inputs are changed in different proportions
20. Boumal's sales maximization model is
- a. An alternative to profit maximization model
 - b. An alternative to growth maximization model
 - c. An alternative to behavioral model
 - d. An alternative to non-profit model
21. Williamson's model is an example for
- a. Profit maximization model
 - b. Non- maximization model

- c. Managerial utility model
- d. Behavioral model

22. According to Marris when growth reaches maximum, Identify in correct answer
- a. Less jobs are created
 - b. Less risky projects are taken up
 - c. Avoid risky investment projects
 - d. Generate more external funds

23. Marris model is an example for
- a. Profit- maximizing model
 - b. Non-profit maximizing model
 - c. Behavioral model
 - d. Growth maximizing model

24. Average revenue curve of the firm is the same as the demand curve of the consumer except in the context of
- a. Perfect competition.
 - b. Monopolistic competition.
 - c. Monopoly.
 - d. Discriminatory monopoly.

25. What is MR?
- a. $MR=TR_n-TR_{n-1}$.
 - b. $MR=TR/TQ$.
 - c. $MR=TR/TC$.
 - d. $MR=TR/AC$.

26. Total revenue will increase with the reduction in price when the price elasticity of demand for the product is
- a. Relatively elastic.
 - b. Relatively inelastic.
 - c. Unitary elastic.
 - d. Perfectly elastic.

27. In the short run to build the morale of the firm and to instill the spirit of confidence, the firm should earn

- a. Excess revenue over cost.
- b. Enough to cover the cost
- c. Enough to meet its short run expenses.
- d. Enough to expand its output.

28. A market situation where there are only a few large buyers for the product is called

- a. Oligopoly.
- b. Pure competition.
- c. Oligopsony.
- d. Duopsony.

29. Consumers' surplus is the difference between

- a. Price gap between two products
- b. Optimum price and actual price
- c. Potential price and actual price
- d. Actual satisfaction and unexpected satisfaction

30. The amount of consumers' surplus will be more

- a. In the presence of a substitute
- b. In the absence of a substitute
- c. In the absence of a complement
- d. None of the above.

31. Cash-reserve-ratio refers to

- a. A ratio between the liquid cash to be maintained by a commercial bank with that of total deposits of the bank
- b. A ratio between the total deposits with that of liquid cash maintained by a bank
- c. The % of total deposits to the % of cash that must be invested by a bank as per instructions of the central bank of the country
- d. The % of liquid cash to be maintained by a bank with that of its investment.

32. When national income of a country is calculated in terms of constant prices, it is called as

- a. Nominal GNP

- b. GNP at current prices
 - c. GNP at constant prices
 - d. GDP at constant prices
33. Consumption function clearly reveals that over production and unemployment occur in a free enterprise economy and it is not self adjusting
- a. Price control is needed.
 - b. Control on investment is essential.
 - c. Control on supply is required.
 - d. State interference is a must.
34. The study of money supply, inflation, deflation, monetary policy, fiscal policy, physical control etc., come under
- a. Micro economics.
 - b. Public economics.
 - c. Macro economics.
 - d. Growth economics.
35. Supply of money, interest rates and credit control measures together determine the nature of working of
- a. Government policy.
 - b. Monetary policy.
 - c. Credit policy.
 - d. Financial policy.
36. Upswings and downswings in economic development have become a regular feature of a
- a. Socialist economy
 - b. Mixed economy.
 - c. Democracy.
 - d. Capitalist economy

37. There are two main parts of a trade cycle. The expansion phase starts from revival and includes prosperity and boom. Contraction phase includes
- Recession and depression.
 - Recession and trough.
 - Depression and trough.
 - Recession, depression and trough.
38. Out of the four government measures to solve the adverse effects of negative externalities which one is incorrect?
- Introduction of emission standards
 - Prescribing emission fees
 - Indirect government regulations
 - Introduction of transferable emission permits
39. Public goods refers to
- Goods supplied by public to people
 - Goods supplies by people to public
 - Goods supplied by government to PSEs
 - Goods supplied by government for the consumption of common man
40. One of the major achievement of a market economy is that
- It produces an equitable distribution of in income and wealth
 - It advocates government intervention
 - It provides for a decentralized allocation of resources
 - It provides for a centralized allocation of resources

Group B

1. Decision-making implies
 - a. Taking a final decision on a particular issue
 - b. Giving judgment on a particular issue
 - c. Selecting the best out of several alternative course of actions
 - d. Selecting alternative solutions.
2. Managerial Economics deals with
 - a. Social responsibilities of a business unit
 - b. Social behavior of a business unit
 - c. social activities of a business unit
 - e. Social attitudes of a business unit
3. Market Demand Schedule shows the
 - a. Total price and demand
 - b. Sum of all individual demand schedules
 - c. Total demand of all consumers
 - d. Aggregate behavior of the market
4. X and Y are two products which are considered as close substitutes of each other if
 - a. Increase in the price of one leads to decrease in the demand of another and vice-versa.
 - b. Increase in the price of one leads to increase in the demand for the other and vice-versa.
 - c. Increase in the price of one will have no impact on the demand for the other
 - d. Fall in the price of one lead to fall in the demand of the other.
5. A firm can make use of the sales forecasts made by the industry.
 - a. As a powerful tool for formulating its profit policy.
 - b. As a powerful tool for formulating its price policy.
 - c. As a powerful tool for formulating its inventory policy.
 - d. As a powerful tool for formulating its sales policy & sales strategy.
6. To estimate future demands an instant food manufacturing company can conveniently make use of.
 - a. Survey of buyer's intentions.

- b. Collective opinion method.
 - c. Expert opinion method.
 - d. End - use method.
7. To avoid “halo – effects “and “ego involvements “in demand forecasting a firm can make use of.
- a. Input – output method.
 - b. Opinion poll method.
 - c. Delphi method or expert opinion method.
 - d. Sample survey method.
8. The management will have to decide upon the quantity to be supplied and the quantity to be held back based upon
- a. Position of the firm.
 - b. Price.
 - c. Needs of the consumer.
 - d. Policy of the firm.
9. The market supply schedule helps the management to know
- a. The quantity to be produced.
 - b. The quantity to be supplied & the quantity to be withheld.
 - c. The quantity to be supplied & the price to be charged.
 - d. The quantity to be produced & the quantity to be withheld.
10. Supply schedule of a firm shows quantities of a commodity
- a. Offered for sale at varying prices.
 - b. Produced at varying prices.
 - c. Planned at varying prices.
 - d. That can be delivered at varying prices.
11. Diminishing returns occur
- a. When the qty of the fixed input is increased and return to the variable input falls
 - b. when the size of the plant is increased in the long run
 - c. when units of a variable input are added to a fixed input and marginal

product falls

- d. when units of a variable input are added to a fixed input and total product falls.
12. If a production function is homogenous of degree one it implies that
- There is decreasing return to scale
 - There is Increasing return to scale
 - There is constant return to scale
 - None of these
13. Profit maximizing model is of the view that the success a firm depends on
- sales maximization
 - Market share expansion
 - profit maximization
 - Growth maximization
14. In a perfectly competitive market a profit maximizing firm is
- A price-maker
 - A price-taker
 - A price-searcher
 - A price avoider
15. Suppose a firm is selling 5 units of the output at the price of Rs.15 per unit. Now if it wants to sell 6 units instead of 5 units and there by the price of the product falls to Rs.14 then the marginal revenue will be
- Rs.14.
 - Rs.10.
 - Rs.15.
 - Rs.9.
16. An oligopolist facing a kinked demand curve if reduces his price after the kink he may not be able to make a good gain because a demand curve will be
- Vertical.
 - Positively sloping.

- c. More inelastic.
 - d. More elastic.
17. Administered prices are helpful in
- a. Controlling cost.
 - b. Curbing inflation.
 - c. Curbing unnecessary expansion of production.
 - d. Increasing production and sale of goods.
18. The prices statutorily determined by the government for certain important goods like steel, cement, etc., is called
- a. Mark-up pricing.
 - b. Customary pricing.
 - c. Full cost pricing.
 - d. Administered prices.
19. The firms join together to strengthen their bargaining position against the consumer in the determination of price it is called
- a. Acceptance pricing.
 - b. Price leadership.
 - c. Callusive oligopoly.
 - d. Independent pricing.
20. The government has to tax on consumers when
- a. $MSB < MPB$ of an activity
 - b. $MSB > MPB$ of an activity
 - c. $MSB = MPB$ of an activity
 - d. $MPB < MSB$ of an activity

Group C

1. Managerial Economics
 - a. Fills up the gap between abstract theory and managerial practice
 - b. Lies mid way between economic theory and business management
 - c. Deals with formulation and understanding of various economic theories and principles
 - d. Integrates economic theories with business management decisions and practices

2. The following is the market demand schedule for product X. Out of 4 alternatives identify the wrong answer.

Price is Rs.	A	B	C	Total
20-00	200	300	250	750
15-00	250	400	300	950
10-00	300	500	450	1250
8-00	400	600	500	1500
5-00	600	800	700	2100

- a. A steady fall in price has no impact on the demand for the product
 - b. Helps in estimating expected profit percentage of sellers
 - c. Helps in predicting changes in expected sales
 - d. Helps a producer to plan his production schedule.

3. Mr. Kiran is the owner of an Ice-cream parlor. When he would take a decision to increase the price of his Ice-cream?
 - a. Price of sugar rises but demand for Ice-Cream falls
 - b. Demand for Ice-Cream rises but unemployment level in the city increases
 - c. A new brand of Ice-Cream enters in to market but its quality is low when compared to the Ice-cream sold by Mr. Kiran
 - d. Demand for other brands of Ice-cream falls.

4. The law of supply is not in operation when the supply curve

- a. Slopes backward
 - b. Slopes forward
 - c. Assumes a negative shape
 - d. Is a vertical straight line.
5. The short run, as economists use the phrase is characterized by
- a. At least one fixed input and firms neither leaving nor entering the industry
 - b. A period where the law of diminishing returns does not hold good
 - c. All factor inputs are fixed
 - d. All factor inputs are variable
6. The II phase of the law of variable proportion is described as the most economic region because of the following reasons except
- a. The producer is employing the most ideal factor combinations.
 - b. Total output is highest when marginal product zero
 - c. Total output is highest even before the marginal product is zero
 - d. Represents the range of rational production decision
7. Out of the four statements which one is the incorrect according to Boumal, Increase in expenses sales promotion would lead to
- a. Forward shift in the demand curve to the right
 - b. Backward shift in the demand curve to the left
 - c. Neither forward nor backward shift in demand curve
 - d. Backward bending in the demand curve
8. Under oligopoly and monopolistic conditions it is convenient to follow
- a. Marginal cost pricing.
 - b. Full cost pricing.
 - c. Customary pricing.
 - d. Rate of return pricing.
9. A firm operating under conditions of perfect competitions can
- a. Determine the price of its product.
 - b. Determine only the size of its output.
 - c. Promote the sales through effective advertisement.
 - d. Capture the market by cutting down the price.

10. To check cyclical fluctuations, smoothen production and distribution, prevent artificial scarcity and to check inflated rise in prices what should be the objective of monetary policy
 - a. Monetary equilibrium.
 - b. Debt management
 - c. Control credit expansion.
 - d. Price stability.

11. During deflation when the community is in the grip of pessimism, to encourage investment and expand production
 - a. Interest rates are to be reduced.
 - b. Various kinds of incentives to investment may be provided.
 - c. Government has to enter the market with a number of public works programs.
 - d. Liberalization policy has to be adopted

12. Dislocation and disturbances in the normal working of the economy caused by low prices, low profits, low output and unemployment can be cured by
 - a. Increase in government expenditure.
 - b. Increase in private investment.
 - c. Decrease in the rate of interest.
 - d. Expansion in the supply of money.

13. According to Hawtrey a rise in the bank rate leading to a rise in the lending rates of the banks discouraging investment leads to
 - a. Fall in prices.
 - b. Shrinkages of market
 - c. Depression.
 - d. Fall in output.

- 14 Demand pull inflation is the result of
 - a. Increase in production.
 - b. Increase in the supply of goods.
 - c. Increase in money supply.
 - d. Increase in the cost of production.

15. More than the monetary measures fiscal measures like public works programs may be more efficient in improving the situation when there is.
- a. Stagflation.
 - b. Inflationary gap.
 - c. Deflation.
 - d. Disinflation
16. Optimum economic efficiency in resource allocation to produce different goods and services is possible when
- a. $MPB + MEB = MPC + MEC$
 - b. $MPB + MPC = MEB + MEC$
 - c. $MPB + MEC = MEB + MPC$
 - d. $MPC + MEC = MPB + MEB$