QUESTION BANK

MANAGERIAL ECONOMICS

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MANAGERIAL ECONOMICS
UNIT I
PART A

1. What does the incremental concept in economics primarily focus on?
   A) Total changes in costs and revenues
   B) Average costs and revenues
   C) Changes in costs and revenues from producing one more unit
   D) Fixed costs and revenues

2. In incremental analysis, what is considered when making decisions?
   A) Sunk costs B) Total costs
   C) Marginal changes D) Fixed costs

3. When does incremental cost equal incremental revenue in a profit-maximizing scenario?
   A) At the point of highest profit
   B) At the point of lowest cost
   C) At the point of maximum revenue
   D) At the point of equilibrium

4. What is the significance of incremental analysis for businesses?
   A) Helps in determining fixed costs

   B) Assists in analyzing historical data

C) Aids in decision-making by focusing on additional costs and revenues

D) Calculates the average cost of production

5. How does incremental analysis contribute to evaluating projects or investments?

A) By considering only long-term costs

B) By analyzing the total costs involved

C) By focusing on the additional costs and benefits from an investment

D) By disregarding any future costs

6. Which term best defines the additional cost incurred when one more unit is produced?

A) Fixed cost B) Sunk cost

C) Marginal cost D) Average cost

7. In incremental analysis, what aspect of decision-making does it emphasize?

A) Long-term trends B) Historical patterns

C) Short-term changes D) Fixed expenditures

8. When analyzing incremental revenues, what does it include?

A) Only variable revenues

B) Changes in total revenues

C) Additional revenues from producing one more unit

D) Sunk revenues

9. How does incremental analysis help in cost control?
   A) By focusing on fixed costs
   B) By reducing variable costs
   C) By managing incremental changes effectively
   D) By disregarding any cost variations

10. Which concept aligns closely with the incremental approach to decision-making?
   A) Total cost analysis
   B) Long-term forecasting
   C) Marginal analysis

11. What does the discounting principle in finance primarily aim to assess?
   A) Future costs at present value
   B) Present costs at future value
   C) Present value of future costs and benefits
   D) Future value of present costs

12. How does the discounting principle affect future cash flows?
   A) Increases them
   B) Decreases them
   C) Maintains them
   D) Converts them into fixed values

13. In discounting, what does the 'discount rate' represent?
   A) Future value of money

B) Rate of inflation
C) Present value of money
D) Cost of borrowing money

14. How is the discount rate related to the present value of future cash flows?
A) Inversely proportional B) Directly proportional
C) Irrelevant D) Fixed

15. What is the primary function of discounting future cash flows?
A) To increase their value
B) To decrease their value
C) To stabilize their value
D) To convert them into fixed amounts

16. How does a higher discount rate affect the present value of future cash flows?
A) Increases it B) Decreases it
C) Has no effect D) Fluctuates the value

17. Which factor has a direct impact on the present value of future cash flows when applying the discounting principle?
A) Time duration
B) Rate of interest
C) Future cash flow amounts
D) Inflation rate

18. What does 'discounting to present value' mean?
A) Calculating the future value of money
B) Assessing the value of future cash flows at today's value
C) Estimating the value of past cash flows
D) Converting present value into future value

19. Why is the discounting principle crucial in investment decisions?
A) It inflates future cash flows
B) It magnifies present value
C) It evaluates the profitability of future cash flows in current terms
D) It neglects the time value of money

20. What happens to the present value of future cash flows as the discount rate increases?
A) Increases B) Decreases
C) Stays constant D) Becomes unpredictable

21. What does the principle of time perspective primarily emphasize in decision-making?
A) Considering only short-term outcomes
B) Ignoring future consequences
C) Balancing short-term and long-term goals
D) Focusing solely on long-term outcomes

22. How does the time perspective principle influence financial planning?

A) Encourages saving without considering future needs

B) Emphasizes short-term gains over long-term stability

C) Considers future needs and objectives in financial decisions

D) Prioritizes immediate expenses without considering future income

23. In personal development, what aspect does the principle of time perspective address?

A) Focusing solely on immediate achievements

B) Balancing current actions with future aspirations

C) Ignoring future goals for present satisfaction

D) Placing undue emphasis on distant future objectives

24. What role does the principle of time perspective play in risk management?

A) Advocates for taking high risks without considering consequences

B) Balances short-term gains against potential long-term risks

C) Ignores long-term risks for immediate gains

D) Promotes risk avoidance at all times

25. How does the principle of time perspective affect decision-making in business strategies?

A) Promotes short-term profitability without considering future sustainability

B) Advocates for long-term sustainability over immediate gains

C) Ignores both short-term and long-term goals

D) Prioritizes long-term goals at the cost of short-term gains

26. What is a key aspect of the principle of time perspective in project management?

A) Shortening project timelines to expedite outcomes

B) Balancing project milestones with long-term project goals

C) Focusing solely on immediate project deliverables

D) Disregarding project deadlines for perfection

27. How does the principle of time perspective impact environmental conservation efforts?

A) Prioritizes immediate resource exploitation over conservation

B) Advocates for short-term conservation at the expense of future needs

C) Balances current resource utilization with long-term sustainability

D) Disregards conservation efforts for immediate gains

28. In organizational development, what does the principle of time perspective encourage?

A) Focusing solely on short-term profits
B) Balancing immediate gains with long-term growth strategies
C) Ignoring long-term growth for immediate success
D) Disregarding immediate gains for future profitability

29. How does the principle of time perspective impact societal planning?
A) Encourages short-term policies without considering long-term consequences
B) Prioritizes long-term social stability over immediate needs
C) Disregards both short-term and long-term societal needs
D) Focuses solely on immediate societal improvements

30. What does the principle of time perspective aim to achieve in decision-making contexts?
A) Immediate satisfaction without future planning
B) Long-term planning without considering current circumstances
C) A balanced approach considering both short-term and long-term implications
D) Ignoring both short-term and long-term implications

31. What does the term "opportunity cost" refer to in economics?
A) The cost of purchasing goods and services

B) The cost of a missed opportunity when a choice is made

C) The cost of production inputs

D) The cost of inflation on consumer goods

32. How is opportunity cost best defined?

A) The monetary value of a decision

B) The highest-valued alternative foregone when a choice is made

C) The total expenses incurred in making a choice

D) The market price of a particular commodity

33. What does the concept of opportunity cost imply about decision-making?

A) Decisions are always made with perfect information

B) Decisions are made based on subjective preferences

C) Decisions involve trade-offs between alternatives

D) Decisions do not involve any value judgments

34. How does the opportunity cost of an action relate to the benefits received from that action?

A) It is equal to the benefits received

B) It is less than the benefits received

C) It is greater than the benefits received

D) It is unrelated to the benefits received

35. In resource allocation, what does considering opportunity cost help determine?

A) The lowest-cost alternative
B) The highest-cost alternative
C) The best possible alternative use of resources
D) The quantity of resources available

36. When analyzing opportunity cost, what should be taken into account?
A) The historical value of alternatives
B) Only monetary expenses
C) The value of the next best alternative given up
D) The future market trends

37. What is the primary reason opportunity cost is considered in decision-making?
A) To estimate future profits
B) To evaluate the trade-offs between choices
C) To avoid making any decision
D) To determine present market value

38. How does opportunity cost impact the concept of scarcity?
A) It increases scarcity
B) It decreases scarcity
C) It is unrelated to scarcity
D) It mitigates the effects of scarcity

39. Which statement best describes opportunity cost?
A) It is the value of the chosen option

B) It is always quantifiable in monetary terms
C) It represents the benefits of the alternative forgone
D) It is the same for every individual

40. How does understanding opportunity cost aid in making rational decisions?
A) By focusing only on short-term benefits
B) By considering the benefits of all available alternatives
C) By neglecting future consequences
D) By ignoring the value of alternatives

41. What is the primary goal of profit maximization for a firm?
A) Achieving the highest revenue
B) Attaining the lowest costs
C) Maximizing shareholder wealth
D) Minimizing market competition

42. What does the objective of wealth maximization for a firm encompass?
A) Only short-term gains for shareholders
B) Long-term sustainability and growth
C) Expansion of product lines
D) Maximizing employee benefits

43. How does the objective of sales maximization differ from profit maximization?

A) Sales maximization focuses solely on increasing production volume
B) Profit maximization disregards market demand
C) Sales maximization aims at reducing costs
D) Profit maximization emphasizes increasing revenue

44. What is a primary concern of a firm aiming for market share maximization?
A) Enhancing customer satisfaction
B) Expanding profit margins
C) Capturing the largest portion of the market
D) Reducing production costs

45. Which objective involves maintaining equilibrium between social and economic goals?
A) Profit maximization
B) Wealth maximization
C) Corporate social responsibility
D) Market share maximization

46. How does the objective of survival differ from profit maximization?
A) Survival aims at short-term gains
B) Profit maximization disregards competitive pressures
C) Survival focuses on long-term sustainability
D) Profit maximization ignores market dynamics

47. What does the objective of customer satisfaction primarily emphasize?
   A) Maximizing production efficiency
   B) Minimizing operational costs
   C) Meeting consumer needs and preferences
   D) Maximizing shareholder returns

48. What does the objective of innovation and growth focus on for a firm?
   A) Maintaining the status quo
   B) Continuous improvement and development
   C) Limiting market expansion
   D) Minimizing research and development costs

49. Which objective is related to environmental sustainability and conservation efforts?
   A) Profit maximization
   B) Wealth maximization
   C) Social responsibility
   D) Sales maximization

50. What is a key characteristic of a firm aiming for long-term survival as an objective?
   A) Concentrating on short-term gains
   B) Adapting to changing market conditions
   C) Disregarding technological advancements
   D) Focusing solely on maximizing profits

ANSWERS

1.C,2.C,3.D,4.C,5.C,6.C,7.C,8.C,9.C,10.C,11.C,12.B, 13.D,14.A,15.B,16.B,17.B,18.B,19.C,20.B,21.B,22.C, 23.B,24.B,25.B,26.B,27.C,28.B,29.B,30.C,31.B,32.B, 33.C,34.C,35.C,36.C,37.B,38.A,39.C,40.B,41.C,42.B, 43.A,44.C,45.C,46.C,47.C,48.B,49.C,50.B

PART B & PART C :

1. Discuss in detail about the nature of Managerial Economics.
2. Write an essay on scope of nature of managerial economics
3. Write a note on relationship between micro, macro and managerial economics
4. What are the basic concepts of economics?
5. What are the objectives of a firm?

UNIT II
PART A

1. What does the law of diminishing marginal utility state?
A) Consumer preferences change over time
B) The more you consume of a good, the less additional satisfaction you derive
C) Consumers always prefer more of a good to less
D) Utility is constant regardless of the quantity consumed

2. Which of the following is NOT a determinant of demand in consumer behavior?
A) Price of related goods
B) Consumer income
C) Consumer tastes and preferences
D) Production cost of the goods

3. The budget line represents:
A) All affordable combinations of two goods
B) A trade-off between two goods given a consumer's income and prices
C) A line showing the maximum utility a consumer can achieve
D) A line indicating the demand for two goods

4. Which utility concept assumes that consumers make decisions based on rationality and preferences?

A) Marginal utility B) Total utility
C) Expected utility D) Indifference curve

5. The substitution effect arises due to:
A) A change in consumer preferences
B) A change in the relative prices of goods
C) A change in income
D) A change in the quantity demanded

6. Which theory suggests that consumers maximize utility given their budget constraints?
A) Law of Demand
B) Consumer equilibrium theory
C) Engel's Law
D) Law of Diminishing Marginal Utility

7. The indifference curve represents:
A) All combinations of goods providing equal satisfaction to the consumer
B) The consumer's preferences for a particular good
C) The demand curve for a good
D) The maximum utility a consumer can achieve

8. In the context of consumer behavior, what does the term "marginal utility" refer to?
A) The additional satisfaction gained from consuming an extra unit of a good

B) The total satisfaction derived from consuming all units of a good

C) The satisfaction derived from the first unit of a good

D) The decrease in satisfaction from consuming more of a good

9. Consumer surplus is the:

A) Excess amount a consumer is willing to pay for a good compared to the market price

B) Amount of money a consumer saves by buying goods in bulk

C) Difference between a consumer's total expenditure and total utility

D) Total utility derived from consuming a good

10. The Engel curve shows the relationship between:

A) Quantity demanded and price of a good

B) Income and quantity demanded of a good

C) Price and income elasticity of demand

D) Changes in consumer tastes and preferences

11. What does the Concept of marginal utility refer to?

A) The total satisfaction derived from consuming a good

B) The additional satisfaction gained from consuming one more unit of a good

C) The average satisfaction obtained from consuming a good

D) The satisfaction derived from the last unit consumed

12. In a scenario where the marginal utility is negative, what can be inferred?

A) The total utility is also negative

B) The consumer is experiencing diminishing total utility

C) The consumer should consume more of that good

D) The consumer is willing to pay a higher price for the good

13. When is consumer equilibrium achieved in marginal utility analysis?

A) When marginal utility equals zero

B) When total utility is maximized

C) When the ratio of marginal utility to price is equal for all goods

D) When marginal utility is maximized

14. The law of diminishing marginal utility suggests that:

A) Total utility increases continuously with each additional unit consumed

B) Marginal utility decreases as more units of a good are consumed

C) Marginal utility increases as more units of a good are consumed

D) Total utility decreases as more units of a good are consumed

15. How is consumer surplus affected as consumption of a good continues, assuming the law of diminishing marginal utility holds?
   A) Consumer surplus increases steadily
   B) Consumer surplus remains constant
   C) Consumer surplus initially increases, then decreases
   D) Consumer surplus decreases steadily

16. Which statement characterizes the relationship between price and marginal utility?
   A) Price and marginal utility are inversely related
   B) Price and marginal utility are directly proportional
   C) Price has no effect on marginal utility
   D) Price affects total utility, not marginal utility

17. A consumer maximizes utility when:
   A) Total utility is maximized
   B) Marginal utility exceeds price for all goods
   C) Marginal utility equals price for all goods
   D) Marginal utility is negative for all goods

18. Which factor does marginal utility analysis consider when making consumption decisions?
   A) Only the absolute quantity of goods consumed
   B) The relative prices and quantities of goods consumed
   C) Only the total utility derived from consuming goods
   D) The income elasticity of demand for goods

19. When is a consumer in equilibrium regarding two goods in marginal utility analysis?

A) When the prices of goods are equal

B) When the marginal utilities of both goods are equal

C) When the total utility of both goods is equal

D) When the ratio of marginal utility to price is the same for both goods

20. What occurs if the price of a good decreases, assuming other factors remain constant in marginal utility analysis?

A) Marginal utility increases

B) Marginal utility decreases

C) Marginal utility remains unchanged

D) Total utility increases

21. What does an indifference curve represent in consumer theory?

A) Different levels of income

B) Combinations of two goods that yield the same level of satisfaction

C) The budget constraint faced by a consumer

D) The demand curve for a single good

22. Which of the following statements is true regarding an indifference curve?

A) Indifference curves are always linear.

B) Indifference curves can intersect each other.

C) Indifference curves represent a decreasing level of satisfaction.

D) Indifference curves never touch the axes.

23. Along an indifference curve, as you move to the right:

A) Only one good increases in quantity.

B) Both goods decrease in quantity.

C) The quantity of one good increases while the quantity of the other decreases.

D) The quantity of one good increases while the quantity of the other remains constant.

24. Indifference curves are typically:

A) Parallel to each other. B) Concave to the origin.

C) Convex to the origin. D) Straight lines.

25. The slope of an indifference curve represents:

A) Marginal utility of one good in terms of another.

B) Marginal rate of substitution.

C) Total utility derived from consuming one good.

D) Price ratio of the two goods.

26. A consumer's optimal choice occurs where:

A) The budget constraint intersects the indifference curve.

B) The budget line is tangent to the highest possible indifference curve.

C) The consumer achieves maximum total utility.

D) The price of one good is equal to the price of the other.

27. An increase in a consumer's income while prices remain constant will result in:
A) A parallel shift of the budget line.
B) A rotation of the budget line.
C) Movement along the same budget line.
D) No change in the budget line.

28. If the consumer's preferences exhibit perfect substitutes, the indifference curves would appear as:
A) Straight lines parallel to the axes.
B) Convex to the origin.
C) Concave to the origin.
D) Circular shapes.

29. The point of tangency between an indifference curve and the budget line indicates:
A) Maximum utility.
B) Maximum total spending.
C) Minimum utility.
D) Equilibrium consumption.

30. Which of the following is a necessary assumption for indifference curve analysis to hold?
A) Consumers have perfect information about market prices.

B) Consumers' preferences are transitive.
C) Prices of goods are constant.
D) Income remains unchanged.

31. According to the law of demand, when the price of a good decreases:
A) Quantity demanded increases.
B) Quantity demanded decreases.
C) Quantity supplied increases.
D) Quantity supplied decreases.

32. The law of demand assumes:
A) Unlimited resources.
B) Diminishing marginal utility.
C) Constant supply.
D) Stable market conditions.

33. When the price of a substitute good falls, the likely impact on the demand for the original good is:
A) Increase in demand.
B) Decrease in demand.
C) No change in demand.
D) An increase in supply.

34. If all other factors remain constant and the price of a product rises, causing a decrease in the quantity demanded, this represents:
A) A movement along the demand curve.

B) A shift in the demand curve.
C) An upward shift in supply.
D) A decrease in supply.

35. When consumers expect prices of a good to increase in the future, their current demand for the good:
A) Increases. B) Decreases.
C) Remains constant. D) Fluctuates randomly.

36. Income elasticity of demand measures:
A) The change in quantity demanded due to a change in income.
B) The change in price due to a change in income.
C) The sensitivity of quantity demanded to changes in the price.
D) The proportion of income spent on a particular good.

37. Veblen goods are those for which demand increases:
A) When their prices decrease.
B) When consumers' income decreases.
C) As their prices increase, signaling status or prestige.
D) Regardless of changes in prices.

38. An increase in the price of a complementary good will:
A) Increase the demand for the related good.
B) Decrease the demand for the related good.
C) Have no effect on the demand for the related good.

D) Increase the supply of the related good.

39. when price and quantity demanded have an inverse relationship, it means:
A) They move in the same direction.
B) They are independent of each other.
C) They move in opposite directions.
D) Quantity demanded causes a change in price.

40. If the price of a normal good decreases, what happens to the quantity demanded?
A) It increases.
B) It decreases.
C) It remains constant.
D) It depends on the income elasticity of demand.

41. If the price elasticity of demand for a good is elastic, it means that:
A) Quantity demanded is very responsive to price changes.
B) Quantity demanded is unresponsive to price changes.
C) Demand is perfectly inelastic.
D) Demand is perfectly elastic.

42. Price elasticity of demand is calculated as the:
A) Percentage change in quantity demanded divided by the percentage change in price.

B) Difference in quantity demanded divided by the difference in price.

C) Total revenue divided by quantity demanded.

D) Slope of the demand curve.

43. In which scenario is demand likely to be more price elastic?

A) Necessities compared to luxuries.

B) Short-term compared to long-term.

C) Unique goods compared to substitutes.

D) Goods with limited substitutes compared to goods with numerous substitutes.

44. Perfectly inelastic demand occurs when the price elasticity of demand is:

A) Equal to 1. B) Greater than 1.

C) Less than 1. D) Equal to 0.

45. When demand is inelastic, a decrease in price will result in a(n):

A) Increase in total revenue.

B) Decrease in total revenue.

C) No change in total revenue.

D) Unpredictable change in total revenue.

46. If the price of a good increases by 10% and the quantity demanded decreases by 5%, the price elasticity of demand is:

A) 0.5. B) 0.2.
C) 2. D) 1.5.

47.The price elasticity of demand for a necessity is generally:
A) Perfectly elastic B) Perfectly inelastic.
C) Relatively elastic. D) Relatively inelastic.

48. If the price elasticity of demand is greater than 1, the demand is considered:
A) Inelastic. B) Unitary elastic.
C) Elastic. D) Perfectly elastic.

49. If a good has no close substitutes, its elasticity of demand is likely to be:
A) Elastic. B) Inelastic.
C) Perfectly elastic. D) Unitary elastic.

50. When consumers have more time to adjust to a change in price, demand tends to be:
A) More elastic. B) More inelastic.
C) Unitary elastic. D) Perfectly elastic.

51. What does an income elasticity of demand greater than 1 indicate?
A) Normal good. B) Inferior good.
C) Necessity. D) Luxury good.

52. If the income elasticity of demand for a good is negative, it implies that the good is a(n):

A) Inferior good. B) Normal good.

C) Luxury good. D) Substitute good.

53. An income elasticity of demand equal to zero signifies that the good is:

A) An inferior good. B) A luxury good.

C) A necessity. D) A Giffen good.

54. A positive income elasticity of demand indicates that:

A) The good is a luxury.

B) The good is a necessity.

C) The good is inferior.

D) The good is a complement.

55. Which of the following goods would likely have a high income elasticity of demand?

A) Staple food items.

B) Branded luxury watches.

C) Generic medications.

D) Public transportation.

56. If the income elasticity of demand for a good is 0.5, it means that:

A) The good is a necessity.

B) The good is a luxury.

C) The good is inferior.

D) The good is a substitute.

57. A negative income elasticity of demand suggests that:
A) The good is a normal good.
B) The good is a necessity.
C) The good is an inferior good.
D) The good has no relation to income changes.

58. Goods with an income elasticity of demand less than 1 but greater than 0 are typically categorized as:
A) Inferior goods. B) Normal goods.
C) Luxury goods. D) Giffen goods.

59. If the income elasticity of demand for a good is -0.7, it suggests that the good is:
A) A luxury.
B) A necessity.
C) An inferior good.
D) Unrelated to income changes.

60. An income elasticity of demand greater than 1 indicates that
the good is:
A) A necessity. B) An inferior good.
C) A luxury. D) A Giffen good.

61. Cross elasticity of demand measures the responsiveness of quantity demanded of one good to changes in the:

A) Price of a complementary good.
B) Price of a substitute good.
C) Income of consumers.
D) Price of another good.

62. If the cross elasticity of demand between two goods is positive, it implies that the goods are:

A) Complementary goods. B) Substitute goods.
C) Inferior goods. D) Unrelated goods.

63. A cross elasticity of demand equal to zero suggests that the two goods are:

A) Perfect substitutes.
B) Complementary goods.
C) Unrelated goods.
D) Normal goods.

64. When the cross elasticity of demand is negative, it indicates that the goods are:

A) Substitute goods.
B) Complementary goods.
C) Perfect substitutes.
D) Unrelated goods.

65. Which pair of goods is most likely to have a positive cross elasticity of demand?

A) Peanut butter and jelly.
B) Cars and bicycles.
C) Tea and coffee.
D) Tennis rackets and tennis balls.

66. If the cross elasticity of demand between two goods is -2, this indicates that they are:

A) Complementary goods. B) Substitute goods.
C) Perfect substitutes. D) Unrelated goods.

67. An example of goods with a negative cross elasticity of demand is:

A) Ice cream and cones.
B) Pizza and hamburgers.
C) Shoes and socks.
D) Pens and paper.

68. A cross elasticity of demand value between -1 and 0 indicates that the goods are:

A) Complementary goods. B) Substitute goods.
C) Independent goods. D) Unrelated goods.

69. When the cross elasticity of demand is positive, it means that:

A) An increase in the price of one good will decrease the quantity demanded of the other.

B) The goods are unrelated.

C) An increase in the price of one good will increase the quantity demanded of the other.

D) The goods are complementary.

70. Cross elasticity of demand measures the:

A) Change in quantity demanded of a good in response to a change in income.

B) Change in quantity demanded of a good in response to a change in its own price.

C) Responsiveness of quantity demanded of one good to a change in the price of another good.

D) Degree of necessity of a good.

71. Which of the following is not a determinant of demand?

A) Consumer preferences.

B) Price of the good.

C) Income of consumers.

D) Cost of production.

72. An increase in the price of a complementary good will likely result in:

A) An increase in demand for the original good.

B) A decrease in demand for the original good.

C) No change in demand for the original good.

D) A decrease in supply of the original good.

73. If the population of a city increases, the likely impact on demand for most goods and services would be:

A) An increase in demand.
B) A decrease in demand.
C) No change in demand.
D) An increase in supply.

74. Technological advancements that improve the production of a good are likely to affect:

A) Supply of the good.
B) Demand for the good.
C) Both supply and demand for the good.
D) Neither supply nor demand for the good.

75. An increase in consumer income would likely lead to an increase in demand for:

A) Inferior goods. B) Normal goods.
C) Luxury goods. D) Substitute goods.

76. Expectations of future prices can influence current demand by:

A) Increasing demand if future prices are expected to decrease.
B) Decreasing demand if future prices are expected to decrease.
C) Increasing demand if future prices are expected to increase.

D) Decreasing demand if future prices are expected to remain the same.

77. Changes in tastes and preferences can cause:
A) Shifts in demand curves.
B) Movements along the demand curve.
C) Shifts in supply curves.
D) Changes in market equilibrium.

78. If there's an increase in the price of a substitute good, what happens to the demand for the original good?
A) Increase in demand.
B) Decrease in demand.
C) No change in demand.
D) Increase in supply.

79. A change in the seasonality of a product can affect its:
A) Supply.
B) Demand.
C) Both supply and demand.
D) None of the above.

80. The introduction of a new and improved version of a product can affect the demand for the older version due to changes in:
A) Consumer income. B) Consumer preferences.
C) Price of the product. D) Production cost.

81. If there is an increase in the price of a complement, what happens to the demand for the original good?

A) Increase in demand.

B) Decrease in demand.

C) No change in demand.

D) Decrease in supply.

82. Changes in government policies or regulations can directly affect the demand for goods by altering:

A) Consumer taste B) Market prices.

C) Income distribution. D) The quantity supplied.

83. The number of buyers entering or leaving a market can cause a shift in:

A) Supply curve.

B) Demand curve.

C) Both supply and demand curves.

D) Equilibrium price only.

84. If there is a sudden increase in advertising efforts for a particular product, what is likely to happen to its demand?

A) Increase in demand.

B) Decrease in demand.

C) No change in demand.

D) Decrease in supply.

85. An increase in the price of raw materials used in manufacturing a product is more likely to affect the:

A) Demand for the product.
B) Supply of the product.
C) Equilibrium price of the product.
D) Consumer preferences for the product.

86. Which of the following is not a method used for demand forecasting?
A) Time series analysis. B) Regression analysis.
C) Inventory management. D) Market research.

87. Demand forecasting helps in:
A) Predicting supply fluctuations.
B) Identifying future market trends.
C) Assessing production costs.
D) Determining legal regulations.

88. In time series analysis, forecasting is based on:
A) Historical data. B) Consumer surveys.
C) Expert opinions. D) Market competition.

89.Which forecasting method uses a mathematical approach to predict future demand based on historical relationships between variables?
A) Causal models.
B) Delphi method.
C) Judgmental forecasting.
D) Exponential smoothing.

90. Which approach to demand forecasting relies on the opinions and insights of experts in a particular field?

A) Time series analysis. B) Causal models.
C) Judgmental forecasting. D) Delphi method.

91. What is the primary focus of qualitative forecasting methods?

A) Historical data analysis.
B) Mathematical models.
C) Expert opinions and judgment.
D) Regression analysis.

92. When using the moving average method for demand forecasting, a larger window of observations results in:

A) Smoother forecasts.
B) More sensitivity to recent changes.
C) Increased accuracy.
D) Greater reliance on historical data.

93. The Delphi method is useful for:

A) Quantitative forecasting.
B) Short-term forecasting.
C) Consensus building among experts.
D) Time series analysis.

94. In demand forecasting, the term "Extrapolation" refers to:

A) Using historical data to make predictions.

B) Collaborative forecasting with stakeholders.

C) Using judgmental methods for forecasts.

D) Analyzing causal relationships among variables.

95. Seasonal variations in demand are typically addressed using which forecasting method?

A) Exponential smoothing. B) Time series analysis.

C) Causal models. D) Delphi method.

96. Which of the following is a limitation of qualitative forecasting methods?

A) They rely heavily on historical data.

B) They lack the use of expert opinions.

C) They can be subjective and prone to bias.

97. The "naive" forecasting method:

A) Uses regression analysis to predict future demand.

B) Assumes that the most recent observation is the best forecast for the future.

C) Involves averaging historical data for predictions.

D) Is based solely on expert judgment.

98. What does the term "hindsight bias" refer to in the context of demand forecasting?

A) Overestimating future demand based on historical trends.

B) The tendency to believe that past events were more predictable than they actually were.

C) Using expert opinions to forecast demand.

D) Utilizing the most recent data for forecasting.

99. Which of the following methods is suitable for short-term demand forecasting?

A) Causal models.

B) Exponential smoothing.

C) Delphi method.

D) Time series analysis.

100. Which variable would be considered an independent variable in causal forecasting?

A) Demand. B) Price.

C) Seasonality. D) Time.

101. The Delphi method involves:

A) Using historical data exclusively for forecasting.

B) Gathering opinions from experts without direct interaction.

C) Relying on mathematical formulas for predictions.

D) Utilizing the most recent data for forecasting.

102. A disadvantage of the Delphi method in forecasting is:

A) High accuracy.

B) Time-consuming process.

C) Dependence on historical data.

D) Low reliance on expert judgment.

103. Which of the following is a characteristic of exponential smoothing?

A) Heavy reliance on historical data.

B) Weighted averaging of past observations.

C) Consensus building among experts.

D) Use of causal relationships between variables.

104. Which forecasting method is highly sensitive to outliers in data?

A) Moving averages. B) Exponential smoothing.

C) Causal models. D) Delphi method.

105. The Delphi method aims to:

A) Make accurate predictions based on historical data.

B) Encourage consensus among experts through multiple iterations.

C) Use mathematical models to forecast demand.

D) Predict long-term market trends.

ANSWERS

1.B,2.D,3.B,4.C,5.B,6.B,7.A,8.A,9.A,10.B,11.B,12.B,
13.C,14.B,15.C,16.A,17.C,18.B,19.D,20.A,21.B,22.B,
23.C,24.B,25.B,26.B,27.A,28.A,29.A,30.B,31.A,32.B,
33.A,34.A,35.A,36.A,37.C,38.B,39.C,40.A,41.A,42.A,
43.D,44.D,45.B,46.C,47.D,48.C,49.B,50.A,51.D,52.A,
53.C,54.A,55.B,56.A,57.C,58.B,59.C,60.C,61.D,62.B,
63.C,64.A,65.B,66.B,67.C,68.A,69.C,70.C,71.D,72.B,
73.A,74.A,75.B,76.A,77.A,78.A,79.B,80.B,81.A,82.C,
83.B,84.A,85.B,86.C,87.B,88.A,89.A,90.D,91.C,92.D,

93.C,94.A,95.B,96.C,97.B,98.B,99.B,100.B,101.B, 102.B,103.B,104.A,105.B

PART B & PART C:

1. Discuss in detail about theory of consumer behaviour
2. Write an essay on Marginal utility analysis
3. Write a note on Indifference curve analysis
4. Write about the Law of demand
5. What do you mean by price elasticity of demand?
6. What do you mean by income elasticity of demand?
7. What do you mean by cross elasticity of demand?
8. What are the factors influencing or determinants of demand?
9. Discuss in detail about the demand forecasting
10. What are the good selection methods of forecasting?

UNIT III
PART A

1. In a production function, the relationship between inputs and outputs is depicted in terms of:

A) Market demand. B) Labor productivity.

C) Marginal utility. D) Total product.

2. The Law of Diminishing Marginal Returns states that:

A) Total output decreases with an increase in input.

B) Marginal product increases as inputs increase.

C) Marginal product decreases as inputs increase beyond a certain point.

D) Total output remains constant regardless of input changes.

3. The term "marginal product of labor" refers to the:

A) Total output produced by each unit of labor.

B) Additional output resulting from the last unit of labor.

C) Total output divided by the total number of workers.

D) Total output multiplied by the wage rate.

4. Which of the following is a characteristic of the short-run production function?

A) All inputs can be varied.

B) All inputs are fixed.

C) Some inputs are variable, and some are fixed.

D) Only labor input can be varied.

5. The total product reaches its maximum point when:
   A) Marginal product is zero.
   B) Marginal product is at its peak.
   C) Average product is at its peak.
   D) Total variable cost is minimized.

6. Which production function reflects a situation where doubling all inputs results in more than a doubling of output?
   A) Constant returns to scale.
   B) Increasing returns to scale.
   C) Decreasing returns to scale.
   D) Diminishing returns to scale.

7. In the long run, all inputs are:
   A) Variable. B) Fixed.
   C) Semi-variable. D) Constant.

8. The point where the total product curve starts to decline signifies:
   A) Increasing returns to scale.
   B) The onset of diminishing returns.
   C) Constant returns to scale.
   D) Marginal product becoming negative.

9. which factor in a production function typically exhibits diminishing marginal returns?

A) Fixed costs. B) Variable costs.
C) Labor input. D) Capital input.

10. Constant returns to scale imply that when all inputs are doubled:

A) Output doubles.
B) Output more than doubles.
C) Output less than doubles.
D) Output remains constant.

11. Which of the following is NOT a factor of production?

A) Land. B) Technology.
C) Labor. D) Capital.

12. The factor of production referring to natural resources such as forests, water, and minerals is:

A) Labor. B) Capital.
C) Entrepreneurship. D) Land.

13.Human effort, skills, and knowledge used in the production process represent the factor of production known as:

A) Land. B) Labor.
C) Capital. D) Entrepreneurship.

14. Machinery, equipment, and buildings used to produce goods and services are categorized as:

A) Land. B) Labor.

C) Entrepreneurship. D) Capital.

15. Entrepreneurship involves:

A) Supplying labor to the production process.

B) Providing financial resources for production.

C) Combining land, labor, and capital to create and run a business.

D) Owning physical assets used in production.

16. Which factor of production is responsible for organizing the other factors and taking business risks?

A) Labor. B) Capital.

C) Land. D) Entrepreneurship.

17. Intellectual property, like patents and copyrights, falls under which factor of production?

A) Land. B) Labor.

C) Entrepreneurship. D) Capital.

18. The payment for the use of land in production is known as:

A) Wages. B) Rent.

C) Interest. D) Profit.

19. Remuneration for labor services is referred to as:

A) Wages. B) Rent.
C) Interest. D) Profit.

20. Which factor of production receives interest as its reward?
A) Labor. B) Entrepreneurship.
C) Capital. D) Land.

21. Which factor of production receives profits as a return?
A) Labor. B) Entrepreneurship.
C) Capital. D) Land.

22. Economic rent is associated with the factor of production:
A) Labor. B) Entrepreneurship.
C) Capital. D) Land.

23. The factor of production most associated with physical tools and equipment is:
A) Labor. B) Entrepreneurship.
C) Capital. D) Land.

24. Payments to the owners of land are called:
A) Interest. B) Wages.
C) Rent. D) Profit.

25. Labor is a factor of production that is:
A) Passive in the production process.

B) Always paid in terms of profits.
C) Active and requires human effort.
D) Restricted to intellectual contributions.

26. The financial return to the owner of capital is referred to as:

A) Rent. B) Interest.
C) Wages. D) Profit.

27. Which factor of production represents the physical and mental effort contributed to the production process?

A) Land. B) Labor.
C) Capital. D) Entrepreneurship.

28. The income derived from entrepreneurship's role in the production process is:

A) Interest. B) Wages.
C) Rent. D) Profit.

29. The Law of Variable Proportions is also known as the:

A) Law of Diminishing Returns.
B) Law of Increasing Returns.
C) Law of Constant Returns.
D) Law of Marginal Productivity.

30. According to the Law of Variable Proportions, when one input is increased while others are held constant:

A) Total product always increases.
B) Marginal product remains constant.
C) Total product initially increases but eventually diminishes.
D) Marginal product continuously increases.

31. The stage in the Law of Variable Proportions where total product starts to increase at a diminishing rate is called the:
A) Stage of increasing returns.
B) Stage of diminishing returns.
C) Stage of negative returns.
D) Stage of optimal output.

32. The Law of Variable Proportions operates in the:
A) Short run only.
B) Long run only.
C) Both short run and long run.
D) None of the above.

33. In the short run, if one factor of production is increased while others remain constant, the total product:
A) Always increases.
B) Initially increases but later decreases.
C) Remains constant.
D) Continuously increases at the same rate.

34. The stage in the Law of Variable Proportions where total product begins to decline is referred to as the:

A) Stage of diminishing returns.
B) Stage of negative returns.
C) Stage of zero returns.
D) Stage of constant returns.

35. Which factor remains constant in the short run while applying the Law of Variable Proportions?

A) Labor.
B) Capital.
C) Both labor and capital.
D) Neither labor nor capital.

36. The Law of Variable Proportions applies to situations where:

A) All factors of production can be varied.
B) Only one factor of production changes while others remain constant.
C) There is a fixed proportion between labor and capital.
D) All factors of production are fixed.

37. The law of diminishing returns implies that:

A) Total product always decreases with additional inputs.
B) Marginal product decreases with each additional unit of input.

C) Average product remains constant at all levels of input.

D) Marginal product increases proportionally with total input.

38. Which factor typically experiences diminishing marginal returns in the short run?

A) Labor. B) Capital.

C) Land. D) Entrepreneurship.

39. In the short run, the Law of Variable Proportions states that if one input is increased while others are held constant, the total product will:

A) Remain constant.

B) Increase indefinitely.

C) Initially increase but later diminish.

D) Decrease continuously.

40. According to the Law of Variable Proportions, the stage in production where total product increases at a diminishing rate is known as the stage of:

A) Negative returns. B) Increasing returns.

C) Diminishing returns. D) Marginal returns.

41. The Law of Variable Proportions primarily operates in the:

A) Long run. B) Short run.

C) Medium run. D) No specific time frame.

42. In the short run, when one factor of production is increased while others remain constant, the law indicates that:

A) Total product increases proportionally.
B) Marginal product remains constant.
C) Total product increases at an increasing rate.
D) Total product increases at a decreasing rate.

43. The law of diminishing returns is another name for the:

A) Law of Variable Proportions.
B) Law of Marginal Returns.
C) Law of Increasing Returns.
D) Law of Constant Returns.

44. The stage in production where total product starts to decrease is known as the stage of:

A) Increasing returns. B) Negative returns.
C) Diminishing returns. D) Marginal returns.

45. Which factor remains fixed in the short run when applying the Law of Variable Proportions?

A) Land. B) Labor.
C) Capital. D) Entrepreneurship.

46. The Law of Variable Proportions holds true when:

A) All factors of production can be varied.

B) Only one factor of production changes while others remain constant.

C) There is a fixed ratio between inputs.

D) All factors of production remain constant.

47.Which factor typically experiences diminishing marginal returns in the short run?

A) Capital. B) Land.

C) Labor. D) Entrepreneurship.

48. The Law of Variable Proportions implies that as more units of a variable input are combined with a fixed input:

A) Total product always increases.

B) Marginal product always decreases.

C) Marginal product first increases and then decreases.

D) Total product increases at a constant rate.

49. Economies of scale refer to the situation where:

A) Average total cost (ATC) increases as output increases.

B) Average variable cost (AVC) decreases as output increases.

C) Marginal cost (MC) remains constant regardless of output.

D) Average fixed cost (AFC) rises with an increase in output.

50. The primary reason behind economies of scale is:

A) Increasing fixed costs.

B) Decreasing returns to scale.

C) Spreading fixed costs over a larger output.

D) Constant marginal cost.

51. Diseconomies of scale occur when:

A) Average total cost decreases with increased production.

B) Marginal cost decreases with increased production.

C) Average total cost increases with increased production.

D) Average variable cost increases with increased production.

52. Economies of scale are most closely associated with which stage of production?

A) Increasing returns to scale.

B) Constant returns to scale.

C) Diminishing returns to scale.

D) Negative returns to scale.

53. Which factor does NOT contribute to economies of scale?

A) Specialization of labor.

B) More efficient use of machinery.

C) Decreasing administrative costs per unit.

D) Increase in marginal cost.

54. The concept of economies of scale primarily relates to changes in:

A) Fixed costs. B) Variable costs.
C) Total costs. D) Marginal costs.

55. Economies of scale often result in:

A) Higher average total cost.
B) Lower average total cost.
C) No change in average total cost.
D) Constant average variable cost.

56. One of the main advantages of economies of scale is:

A) Increased average total cost.
B) Reduced per-unit production costs.
C) Higher marginal costs.
D) Constant returns to scale.

57. Economies of scale often allow larger firms to:

A) Increase fixed costs.
B) Achieve higher per-unit profits.
C) Experience decreasing average total costs.
D) Maintain constant average variable costs.

58. Diseconomies of scale are more likely to occur due to:

A) Better resource utilization.
B) Larger scale operations.
C) Superior management techniques.

D) Increased bureaucracy.

59. Economies of scale contribute to a firm's ability to:

A) Increase average variable costs.
B) Lower average fixed costs.
C) Keep marginal costs constant.
D) Sustain constant returns to scale.

60. As output increases, economies of scale are generally associated with:

A) Decreasing average total cost.
B) Increasing average variable cost.
C) Rising average fixed cost.
D) Constant average variable cost.

61. The main factor contributing to economies of scale is:

A) Decreasing total costs.
B) Increasing per-unit production costs.
C) Enhanced efficiency with increased output.
D) Stable cost structure.

62. Economies of scale often lead to:

A) Increased competitive disadvantage.
B) Lower per-unit production costs.
C) Reduced specialization opportunities.
D) Higher average variable costs.

63. which of the following best characterizes economies of scale?

A) A situation where marginal costs exceed average costs.

B) A scenario where fixed costs remain constant regardless of output.

C) A condition where average costs decrease with increased output.

D) A circumstance where variable costs increase proportionally with output.

64. Which of the following is considered a fixed cost?

A) Raw materials.

B) Direct labor.

C) Rent for the factory building.

D) Electricity bill based on usage.

65. Variable costs vary with:

A) Changes in the level of production.

B) Time.

C) Seasonal fluctuations.

D) Changes in management policies.

66. An example of a semi-variable cost is:

A) Depreciation. B) Direct labor.

C) Utility bills. D) Rent.

67. Which cost remains constant per unit but changes in total with varying levels of production?

A) Fixed cost. B) Variable cost.
C) Average cost. D) Marginal cost.

68. Direct materials, such as raw materials, are categorized as:

A) Fixed costs. B) Variable costs.
C) Semi-variable costs. D) Marginal costs.

69. Which cost tends to diminish on a per-unit basis with increased production?

A) Fixed cost. B) Variable cost.
C) Average cost. D) Marginal cost.

70. Opportunity cost is considered a type of:

A) Explicit cost. B) Implicit cost.
C) Fixed cost. D) Variable cost.

71. The cost incurred for marketing and advertising is typically classified as:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

72. Which cost increases in direct proportion to the increase in output?

A) Fixed cost. B) Variable cost.
C) Marginal cost. D) Sunk cost.

73. Costs that have already been incurred and cannot be recovered are known as:

A) Fixed costs. B) Variable costs.
C) Sunk costs. D) Marginal costs.

74. Rent for office space is generally classified as a:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

75. The salary of a supervisor in a production unit is categorized as a:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Marginal cost.

76. The cost of machinery repairs that varies with the number of units produced is a:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

77. Costs that change due to managerial decisions are referred to as:

A) Fixed costs. B) Controllable costs.
C) Sunk costs. D) Marginal costs.

78. which cost tends to decrease on a per-unit basis as output increases?

A) Fixed cost. B) Variable cost.

C) Average cost. D) Marginal cost.

79. The cost incurred for raw materials used in production is categorized as a:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

80. Which cost remains constant in total but varies per unit as production levels change?

A) Fixed cost. B) Variable cost.
C) Average cost. D) Marginal cost.

81. Costs that do not change with variations in output are referred to as:

A) Fixed costs. B) Variable costs.
C) Marginal costs. D) Average costs.

82. The cost of labor in a manufacturing process is considered as:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

83. The total of all costs incurred in the production process is known as:

A) Average cost. B) Marginal cost.
C) Total cost. D) Variable cost.

84. Depreciation of machinery and equipment is typically classified as a:

A) Fixed cost. B) Variable cost.
C) Semi-variable cost. D) Sunk cost.

85. Costs that are directly influenced by the level of production are known as:

A) Fixed costs. B) Controllable costs.
C) Sunk costs. D) Marginal costs.

86. In economics, the term "cost" refers to the:

A) Money spent by consumers on goods.
B) Payments made by firms to workers.
C) Total expenses incurred in the production process.
D) Investments made in the stock market.

87. Total cost is the sum of:

A) Fixed costs and variable costs.
B) Marginal costs and average costs.
C) Opportunity costs and sunk costs.
D) Explicit costs and implicit costs.

88. The relationship between output and total cost is best described as:

A) Directly proportional.
B) Inversely proportional.
C) Constant.
D) Variable.

89. Marginal cost represents the change in:
   A) Total cost as output changes by one unit.
   B) Fixed costs when output changes.
   C) Average fixed cost at each level of output.
   D) Variable cost as output changes.

90. Average total cost (ATC) is calculated by dividing:
   A) Total variable cost by output quantity.
   B) Total fixed cost by output quantity.
   C) Total cost by output quantity.
   D) Total revenue by output quantity.

91. If a firm experiences economies of scale, the average total cost (ATC) will:
   A) Increase as output increases.
   B) Remain constant regardless of output.
   C) Decrease as output increases.
   D) Exhibit a linear relationship with output.

92. Which of the following cost curves typically approaches zero as output increases in the long run?
   A) Average fixed cost (AFC).
   B) Average variable cost (AVC).
   C) Marginal cost (MC).
   D) Average total cost (ATC).

93. In the short run, if marginal cost (MC) is below average variable cost (AVC), then AVC:

A) Increases. B) Decreases.
C) Remains constant D) Cannot be determined.

94. When average total cost (ATC) is at its minimum, marginal cost (MC) is:
A) Above ATC. B) Below ATC.
C) Equal to ATC. D) Unrelated to ATC.

95. If marginal cost (MC) exceeds average total cost (ATC), then ATC:
A) Decreases. B) Increases.
C) Remains constant. D) Cannot be determined.

96. In the long run, a firm experiencing diseconomies of scale will observe:
A) Increasing average total cost (ATC) as output increases.
B) Decreasing average total cost (ATC) as output increases.
C) Constant average total cost (ATC) as output increases.
D) A linear relationship between ATC and output.

97. If average variable cost (AVC) is Rs.10 and output is 50 units, what is the total variable cost?
A) Rs.50. B) Rs. 500.
C)Rs. 100. D) Rs.5,000.

98. The relationship between average fixed cost (AFC) and output is:
   A) Inversely proportional. B) Directly proportional.
   C) Constant. D) Unrelated.

99. When marginal cost (MC) is less than average total cost (ATC), ATC:
   A) Increases. B) Decreases.
   C) Remains constant. D) Cannot be determined.

100. The total cost curve is:
   A) Always U-shaped.
   B) Always linear.
   C) Always upward-sloping.
   D) Dependent on the level of fixed costs.

101. In economics, the short run is defined as a period:
   A) When all factors of production can be varied.
   B) Where at least one factor of production is fixed.
   C) Longer than a year.
   D) When fixed costs become variable.

102. The long run is a period:
   A) Where all inputs are fixed.
   B) With fixed output levels.
   C) Where all inputs can be adjusted.
   D) Exclusively focused on variable costs.

103. Fixed costs in the short run:
A) Can be adjusted. B) Are variable.
C) Remain constant. D) Depend on output level.

104. In the long run, all costs are:
A) Variable. B) Fixed.
C) Semi-variable. D) Sunk.

105. The distinction between short run and long run costs is mainly based on the ability to:
A) Adjust variable costs.
B) Change output levels.
C) Change all inputs.
D) Manage fixed costs.

106. Short-run costs include:
A) Total costs only.
B) Both fixed and variable costs.
C) Marginal costs only.
D) Fixed costs only.

107. Long-run costs refer to costs incurred when:
A) Output is fixed.
B) Fixed inputs can be adjusted.
C) Variable inputs are fixed.
D) Fixed and variable inputs are both fixed.

108. Total fixed costs in the short run:
   A) Change with output level.
   B) Increase proportionally with output.
   C) Decrease proportionally with output.
   D) Remain constant regardless of output.

109. In the long run, the relationship between total cost and output is:
   A) Directly proportional. B) Inversely proportional.
   C) Constant. D) Non-existent.

110. Marginal cost in the short run tends to:
   A) Decrease as output increases.
   B) Increase as output increases.
   C) Remain constant.
   D) Mirror average variable cost.

111. The short-run average total cost curve is typically:
   A) U-shaped. B) Downward-sloping.
   C) Upward-sloping. D) Horizontal.

112. In the long run, economies of scale occur when:
   A) Average total cost decreases with increased output.
   B) Average total cost increases with increased output.
   C) Marginal cost decreases with increased output.
   D) Marginal cost increases with increased output.

113. When a firm experiences constant returns to scale, its:

A) Marginal cost decreases with output.
B) Marginal cost increases with output.
C) Average total cost decreases with output.
D) Average total cost remains constant with output.

114. Long-run average cost curve reflects the relationship between:

A) Fixed cost and output.
B) Variable cost and output.
C) Total cost and output.
D) Average cost and output.

115. The short-run average variable cost curve initially:

A) Rises, then falls, and eventually rises again.
B) Falls continuously.
C) Rises continuously.
D) Remains constant.

116. Total revenue (TR) is calculated as the:

A) Price per unit multiplied by the quantity sold.
B) Change in total cost.
C) Average revenue divided by quantity sold.
D) Sum of fixed and variable costs.

117. If a firm sells 100 units at $10 per unit, its total revenue is:

A) Rs. 10. B) Rs. 1,000.
C) Rs. 100. D) Rs. 1,000,000.

118. Marginal revenue (MR) is defined as the change in total revenue resulting from:

A) A change in output by one unit.
B) A change in price by one unit.
C) A change in total cost by one unit.
D) A change in quantity supplied by one unit.

119. If a firm sells 100 units at $10 each and then sells the 101st unit at $9, its marginal revenue for the 101st unit is:

A) $1. B) $10.
C) $9. D) -$1.

120. Average revenue (AR) is equal to:

A) Total revenue divided by quantity sold.
B) Total cost divided by quantity sold.
C) Marginal revenue divided by quantity sold.
D) Change in price per unit.

121. If a firm sells 50 units at $5 each, its average revenue is:

A) $50. B) $5.
C) $2.50. D) $250.

122. Marginal revenue (MR) for a perfectly competitive firm is always equal to:
   A) Price per unit.
   B) Half of price per unit.
   C) Double the price per unit.
   D) Zero.

123. If a firm reduces the price of its product, how will this affect marginal revenue (MR)?
   A) MR will increase.
   B) MR will remain constant.
   C) MR will decrease.
   D) MR will become negative.

124. When a firm sells one additional unit of a product in a perfectly competitive market, its total revenue:
   A) Decreases.
   B) Increases by the price per unit.
   C) Remains unchanged.
   D) Increases by the average revenue.

125. In a perfectly competitive market, the demand curve faced by a firm is also its:
   A) Marginal cost curve.
   B) Marginal revenue curve.
   C) Average revenue curve.
   D) Total cost curve.

126. For a monopolist facing a downward-sloping demand curve, marginal revenue (MR) is:
A) Greater than average revenue.
B) Equal to average revenue.
C) Less than average revenue.
D) Unrelated to average revenue.

127. In a monopolistically competitive market, marginal revenue (MR) is:
A) Always equal to price per unit.
B) Always greater than price per unit.
C) Always less than price per unit.
D) Irrelevant due to perfect competition.

128. A firm operating in a perfectly competitive market can sell additional units at a price:
A) Lower than the market price.
B) Equal to the market price.
C) Higher than the market price.
D) Irrelevant due to perfect competition.

129. In a perfectly competitive market, the average revenue (AR) curve is:
A) Horizontal and equal to marginal revenue (MR).
B) Downward-sloping and equal to price.
C) Upward-sloping and equal to total revenue.
D) Irrelevant due to perfect competition.

130. According to the law of supply, when the price of a good rises:

A) Producers decrease the quantity supplied.
B) Producers increase the quantity supplied.
C) Producers maintain the quantity supplied.
D) Producers exit the market.

131. The law of supply assumes that:

A) The price of substitutes is decreasing.
B) Technology remains stagnant.
C) Producers aim to maximize losses.
D) As price increases, the quantity supplied increases.

132. The supply curve slopes:

A) Downward from left to right.
B) Upward from left to right.
C) Remains horizontal.
D) Changes erratically.

133. Which of the following factors does NOT affect supply?

A) Technological advancements.
B) Changes in input prices.
C) Consumer preferences.
D) Government regulations.

134. An increase in the price of raw materials used in production will likely result in:

A) A decrease in supply.
B) No change in supply.
C) An increase in supply.
D) An increase in demand.

135. When the government imposes a subsidy on the production of a good, this generally leads to:
A) A decrease in supply.
B) An increase in supply.
C) No change in supply.
D) A shift in the demand curve.

136 The law of supply suggests that at higher prices:
A) Quantity supplied decreases.
B) Producers are willing to supply more.
C) Producers reduce the quality of goods.
D) Producers exit the market.

137. Expectations of future prices often impact:
A) Quantity demanded.
B) Quantity supplied.
C) Market equilibrium.
D) Price elasticity of demand.

138. If the government imposes a tax on the production of a good, this will generally result in:
A) A decrease in supply.
B) An increase in supply.

C) No change in supply.
D) A shift in the demand curve.

139. The law of supply operates on the assumption that all else remains:
A) Static.
B) Dynamic.
C) Unpredictable.
D) Constant.

140. Elasticity of supply measures the:
A) Responsiveness of quantity demanded to price changes.
B) Responsiveness of quantity supplied to price changes.
C) Relationship between income and demand.
D) Relationship between substitutes and complements.

141. A perfectly elastic supply curve is:
A) Vertical.
B) Horizontal.
C) Upward-sloping.
D) Downward-sloping.

142. Perfectly inelastic supply occurs when the elasticity of supply is:
A) Zero.
B) Greater than zero.
C) Equal to one.
D) Infinity (∞).

143. If a 10% increase in price results in a 5% increase in quantity supplied, the supply elasticity is:
A) 0.5.
B) 1.

C) 2. D) 5.

144. When supply is perfectly elastic, the price elasticity of supply is:

A) Equal to zero.

B) Equal to one.

C) Equal to infinity (∞).

D) Equal to the coefficient of demand elasticity.

145. Elasticity of supply tends to be greater in the long run because:

A) Producers are more flexible in adjusting their output levels.

B) Producers are constrained by fixed factors of production.

C) Demand is more stable in the long run.

D) Government regulations affect supply in the long run.

146. When supply is inelastic, a change in price will result in a:

A) Large change in quantity supplied.

B) Small change in quantity supplied.

C) No change in quantity supplied.

D) Negative change in quantity supplied.

147. If the percentage change in quantity supplied is greater than the percentage change in price, the supply curve is:

A) Perfectly inelastic. B) Inelastic.
C) Unitary elastic. D) Elastic.

148. The flatter the supply curve, the:

A) More elastic the supply.
B) Less elastic the supply.
C) More inelastic the supply.
D) More perfectly elastic the supply.

149. The steeper the supply curve, the:

A) More elastic the supply.
B) Less elastic the supply.
C) More inelastic the supply.
D) More perfectly inelastic the supply.

150. Which of the following is NOT a factor affecting supply?

A) Production technology.
B) Consumer preferences.
C) Input prices.
D) Government regulations.

151. A technological advancement that increases efficiency in production generally leads to:

A) A decrease in supply.

B) No change in supply.
C) An increase in supply.
D) A decrease in demand.

152. An increase in the cost of raw materials used in production will typically result in:
A) An increase in supply.
B) No change in supply.
C) A decrease in supply.
D) A decrease in demand.

153. Government subsidies given to producers usually result in:
A) A decrease in supply.
B) No change in supply.
C) An increase in supply.
D) A decrease in demand.

154. If the number of suppliers in a market decreases, this will generally lead to:
A) An increase in supply.
B) No change in supply.
C) A decrease in supply.
D) An increase in demand.

155. Weather conditions affecting agricultural production is an example of a factor influencing supply categorized under:

A) Resource prices.
B) Technology.
C) Expectations.
D) Nature and related circumstances.

156. Changes in labor costs and wages fall under the category of:
A) Government policies.
B) Input prices.
C) Technological advancements.
D) Market expectations.

157. Expectations of future prices and market conditions are categorized under the factor of supply as:
A) Technology.
B) Input prices.
C) Expectations.
D) Nature and related circumstances.

159. Changes in the availability of resources used in production are categorized under:

A) Expectations.
B) Government policies.
C) Input prices.
D) Nature and related circumstances.

160. Which of the following is NOT a determinant of supply?

A) Consumer preferences. B) Production technology.
C) Input prices. D) Number of sellers.

161. An improvement in technology leading to increased productivity will likely result in:

A) A decrease in supply.
B) No change in supply.
C) An increase in supply.
D) A decrease in demand.

f raw materials used in manufacturing a
s, this will generally lead to:
in supply.
in supply.
e in supply.
in demand.

e in the number of sellers in a market will
:

A) A decrease in supply.
B) No change in supply.
C) An increase in supply.
D) A decrease in demand.

164. Government subsidies granted to producers usually result in:
A) A decrease in supply.
B) No change in supply.
C) An increase in supply.
D) A decrease in demand.

165. Changes in labor costs and wages fall under which determinant of supply?
A) Input prices. B) Expectations.
C) Technology. D) Government policies.

166. Expectations of future prices and market conditions are categorized under which determinant of supply?
A) Input prices. B) Expectations.
C) Technology. D) Government policies.

167. changes in the availability of resources used in production are categorized under which determinant of supply?
A) Input prices.
B) Expectations.
C) Technology.

D) Nature and related circumstances.

168. Regulations affecting production quantities imposed by the government fall under which determinant of supply?
A) Input prices.
B) Expectations.
C) Government policies.
D) Nature and related circumstances.

169. Changes in the level of technology utilized in production fall under which determinant of supply?
A) Input prices.
B) Expectations.
C) Technology.
D) Nature and related circumstances.

ANSWERS

1.D,2.C,3.B,4.C,5.A,6.B,7.A,8.B,9.C,10.A,11.B,12.D,
13.B,14.D,15.C,16.D,17.D,18.B,19.A,20.C,21.B,22.D,
23.C,24.C,25.C,26.B,27.B,28.D,29.A,30.C,31.A,32.A,
33.B,34.B,35.B,36.B,37.B,38.A,39.C,40.C,41.B,42.D,
43.A,44.B,45.C,46.B,47.C,48.C,49.B,50.C,51.C,52.A,
53.D,54.B,55.B,56.B,57.C,58.D,59.B,60.A,61.C,62.B,
63.A,64.C,65.A,66.C,67.B,68.B,69.C,70.B,71.B,72.B,
73.C,74.A,75.A,76.C,77.B,78.D,79.B,80.A,81.A,82.B,
83.C,84.A,85.B,86.C,87.A,88.A,89.A,90.C,91.C,92.A,
93.A,94.C,95.B,96.A,97.B,98.A,99.B,100.A,101.B,
102.C,103.C,104.A,105.C,106.B,107.B108.D,109.A,
110.B,111.A,112.A,113.D,114.D,115.A,116.A,117.B,
118.A,119.D,120.A,121.B,122.A,123.A,124.B,125.C,

126.C,127.C,128.B,129.B,130.B,131.D,132.A,133.C,
134.A,135.B,136.B,137.B,138.A,139.D,140.B,141.B,
142.A,143.A,144.C,145.A,146.B,147.D,148.A,149.C,
150.B,151.C,152.C,153.C,154.C,155.D,156.B,157.C,
158.B,159.C,160.A,161.C,162.C,163.C,164.C,165.A,
166.B,167.A,168.C,169.C

PART B & PART C

1. What do you mean by production explain production analysis?
2. What are the characteristics of land?
3. What are the characteristics of capital?
4. What are the characteristics of labour?
5. What are the characteristics of and entrepreneur?
6. Explain law of variable proportion
7. Explain law of return to scale
8. Write an essay on economies of scale
9. Write an essay on diseconomies of scale
10. Explain about the types of costs
11. Explain: cost and output relationship
12. Write an essay on short run and ling run costs
13. Write a note on revenue curves of a firm
14. Explain about law of supply
15. Write an essay on elasticities of supply
16. Discuss in detail about determinants of supply

UNIT IV
PART A

1. Which pricing method sets the price based on the perceived value of the product or service in the eyes of the customer?

A) Cost-Plus Pricing
B) Competition-Based Pricing
C) Value-Based Pricing
D) Dynamic Pricing

2.What pricing method involves adding a fixed percentage or amount to the production cost to determine the selling price?

A) Penetration Pricing
B) Cost-Plus Pricing
C) Skimming Pricing
D) Psychological Pricing

3. A company introducing a new product into the market at a low initial price to attract customers is using:

A) Cost-Plus Pricing B) Skimming Pricing
C) Penetration Pricing D) Value-Based Pricing

4. Which pricing method involves setting a high price for a new product to maximize profit before gradually reducing it over time?

A) Skimming Pricing B) Value-Based Pricing

C) Penetration Pricing D) Cost-Plus Pricing

5. Adjusting prices based on fluctuations in demand, time, or competitor pricing is known as:
   A) Psychological Pricing B) Dynamic Pricing
   C) Cost-Plus Pricing D) Markup Pricing

6. What pricing method involves setting prices based on what competitors charge for similar products or services?
   A) Dynamic Pricing
   B) Penetration Pricing
   C) Competition-Based Pricing
   D) Value-Based Pricing

7. Offering products at $9.99 instead of $10 is an example of which pricing method?
   A) Psychological Pricing
   B) Cost-Plus Pricing
   C) Value-Based Pricing
   D) Penetration Pricing

8. Setting different prices for the same product in different markets or segments is known as:
   A) Skimming Pricing B) Cost-Plus Pricing
   C) Value-Based Pricing D) Price Discrimination

9. What pricing method aims to cover all production costs while generating a target profit margin?

A) Cost-Plus Pricing B) Skimming Pricing
C) Value-Based Pricing D) Penetration Pricing

10. Which pricing method emphasizes creating a perception of premium quality or exclusivity?
A) Psychological Pricing B) Premium Pricing
C) Cost-Plus Pricing D) Skimming Pricing

11. Offering a basic product for a low price and then charging for additional features or add-ons is known as:
A) Value-Based Pricing
B) Freemium Pricing
C) Penetration Pricing
D) Psychological Pricing

12. A company sells its products at the same price, regardless of the customers' location or situation. This is an example of:
A) Dynamic Pricing B) Cost-Plus Pricing
C) Price Skimming D) Fixed Pricing

13. Which pricing method involves setting prices slightly above the cost to increase the perceived value of the product?
A) Cost-Plus Pricing B) Prestige Pricing
C) Freemium Pricing D) Psychological Pricing

14. A company selling its products at different prices to different customer segments without a substantial difference in cost is using:

A) Variable Pricing
B) Discriminatory Pricing
C) Price Discrimination
D) Segmented Pricing

15. What pricing method involves setting prices below production costs to gain market share quickly?

A) Cost-Plus Pricing
B) Penetration Pricing
C) Skimming Pricing
D) Loss Leader Pricing

16. Adjusting prices based on the value or utility perceived by the customer is known as:

A) Value-Based Pricing
B) Penetration Pricing
C) Skimming Pricing
D) Psychological Pricing

16. What is a primary objective of pricing for a company?

A) Maximize market share
B) Maximize total revenue
C) Maximize profit
D) Minimize production costs

17. Which pricing objective focuses on establishing a product's image as a high-quality, premium offering?

A) Profit Maximization
B) Sales Revenue Maximization
C) Quality Leadership
D) Market Share Dominance

18. Increasing sales volume and capturing a larger portion of the market is the primary goal under:
A) Profit Maximization
B) Sales Revenue Maximization
C) Market Penetration
D) Cost Leadership

19. When a company aims to set prices low initially to gain rapid market share, it aligns with the objective of:
A) Profit Maximization B) Market Penetration
C) Cost Leadership D) Skimming Pricing

20. An objective of pricing aimed at maintaining or increasing the company's market presence is known as:
A) Market Skimming
B) Profit Maximization
C) Market Share Leadership
D) Sales Revenue Maximization

21. Setting prices to cover production costs and achieve a specific rate of return represents the objective of:
A) Market Penetration
B) Profit Maximization

C) Return on Investment (ROI)
D) Cost Leadership

22. Which pricing objective focuses on attracting price-sensitive customers by offering lower prices than competitors?
A) Cost Leadership
B) Profit Maximization
C) Price Discrimination
D) Sales Revenue Maximization

23. An objective of pricing that aims to recover research and development costs quickly is known as:
A) Cost Leadership B) Profit Maximization
C) Skimming Pricing D) Cost Recovery

24. Setting prices at different levels for various customer segments aligns with the objective of:
A) Market Skimming
B) Price Discrimination
C) Cost Recovery
D) Sales Revenue Maximization

25. The pricing objective aimed at establishing the product's position as the lowest-priced option in the market is called:
A) Cost Leadership B) Price Discrimination
C) Low-Cost Strategy D) Market Penetration

26. Which of the following is NOT a factor influencing pricing decisions?
   A) Competition
   B) Production costs
   C) Weather conditions
   D) Demand

27. What pricing strategy involves setting a high initial price to skim revenue layers from the market?
   A) Penetration pricing
   B) Cost-plus pricing
   C) Skimming pricing
   D) Value-based pricing

28. which market structure do companies have little control over the price they charge?
   A) Monopoly
   B) Perfect competition
   C) Oligopoly
   D) Monopolistic competition

29. What type of pricing strategy focuses on covering production costs and adding a markup for profit?
   A) Penetration pricing
   B) Cost-plus pricing
   C) Dynamic pricing
   D) Psychological pricing

30. which pricing strategy involves charging different prices to different customers for the same product or service?
   A) Value-based pricing
   B) Penetration pricing
   C) Discriminatory pricing
   D) Competitive pricing

31. when might a company use psychological pricing tactics?**

A) To cover production costs
B) To establish a premium image
C) To influence customers' perception
D) To maximize market share

32. Which pricing approach aims to reflect the value a product or service provides to customers?

A) Cost-plus pricing B) Value-based pricing
C) Skimming pricing D) Psychological pricing

33. what pricing strategy focuses on setting prices that cover variable costs and a portion of fixed costs?

A) Break-even pricing B) Penetration pricing
C) Cost-plus pricing D) Marginal-cost pricing

34. In which stage of the product life cycle is price competition typically intense?

A) Introduction B) Growth
C) Maturity D) Decline

35. What pricing method involves adjusting prices based on changing market conditions, demand, and other external factors?

A) Cost-plus pricing B) Dynamic pricing
C) Psychological pricing D) Penetration pricing

36. What is dual pricing in economics?

A) Pricing strategy based on two different cost structures

B) Setting different prices for domestic and international customers

C) Offering discounts for bulk purchases

D) Adjusting prices based on market demand

37. which sector commonly employs dual pricing strategies?

A) Healthcare B) Tourism

C) Manufacturing D) Retail

38. What is the primary reason behind implementing dual pricing in tourism?

A) To offer better services to local customers

B) To attract international tourists

C) To maintain uniformity in pricing

D) To increase profit margins

39. What aspect of dual pricing often causes controversy or dissatisfaction among consumers?

A) Inconsistency in quality

B) Favoritism towards certain customer groups

C) Different pricing for locals and tourist

D) Lack of transparency in pricing

40. Dual pricing can sometimes be justified based on:

A) Economic equality
B) Market segmentation
C) Political motivations
D) Consumer protection laws

41. In which industry is dual pricing often implemented to address different cost structures and subsidies?
A) Entertainment
B) Transportation
C) Technology
D) Hospitality

42. What is a potential advantage of dual pricing for local customers?
A) Access to higher quality services
B) Consistency in pricing
C) Cost savings compared to international customers
D) Increased international tourism

43. what might be a challenge for businesses implementing dual pricing?
A) Ensuring fair pricing for all customers
B) Balancing profitability and customer satisfaction
C) Meeting regulatory pricing requirements
D) Achieving uniformity in pricing strategies

44. Dual pricing is often used in national parks to:
A) Encourage local visits
B) Maintain ecological balance
C) Generate revenue from tourists

D) Provide subsidies to locals

45. What factor may influence the acceptability of dual pricing in different regions or countries?
A) Government regulations
B) Cultural norms and perceptions
C) Exchange rate fluctuations
D) Environmental sustainability goals

46. What is price discrimination in economics?
A) Setting different prices for various products
B) Adjusting prices based on market demand
C) Charging different prices for the same product or service to different customers
D) Offering discounts for bulk purchases

47. Which condition is essential for a firm to engage in price discrimination?
A) Homogeneous market
B) Identical production costs
C) Market power or control over price
D) Perfect competition

48. What is a form of price discrimination that involves charging different prices based on the quantity purchased?
A) Third-degree price discrimination
B) Second-degree price discrimination
C) First-degree price discrimination

D) Quantity discounts

49. Which type of price discrimination is often associated with tiered pricing plans offered by utilities or subscription-based services?

A) First-degree price discrimination
B) Second-degree price discrimination
C) Third-degree price discrimination
D) Group pricing

50. what condition is necessary for successful first-degree price discrimination?

A) Customers have different elasticities of demand
B) Segmentation of the market is possible
C) The firm can identify individual consumer willingness to pay
D) Consumers are willing to buy in bulk

51. What is an example of third-degree price discrimination in the airline industry?

A) Early booking discounts
B) Frequent flyer programs
C) Last-minute deals
D) Weekend getaway packages

52. What is a potential benefit for businesses employing price discrimination?

A) Increased market competition

B) Improved customer loyalty
C) Maximizing total revenue
D) Lower production costs

53. Which pricing strategy involves setting higher prices for customers with a more inelastic demand and lower prices for those with more elastic demand?
A) First-degree price discrimination
B) Third-degree price discrimination
C) Second-degree price discrimination
D) Multi-part pricing

54. What factor might hinder the effectiveness of price discrimination?
A) Consumer preferences
B) Regulatory restrictions
C) Market segmentation
D) Variations in production costs

55. Which aspect of price discrimination raises ethical concerns among consumers?
A) Market segmentation
B) Differentiated product offerings
C) Unfair treatment of customers
D) Consumer loyalty programs

ANSWERS

1.C,2.B,3.C,4.A,5.B,6.C,7.A,8.D,9.A,10.B,11.B,12.D,

13.B,14.D,15.D,16.A,17.C,18.B,19.B,20.C,21.B,22.D,
23.C,24.B,25.C,26.C,27.C,28.B,29.B,30.C,31.C,32.A,
33.A,34.A,35.B,36.B,37.B,38.B,39.C,40.B,41.B,42.C,
43.A,44.C,45.B,46.C,47.C,48.D,49.B,50.C,51.B,52.C,
53.A,54.B,55.C

PART B & PART C

1. Define pricing what are the types of pricing?
2. Write a note on objectives of pricing
3. What are the factors which affect pricing?
4. Expalin about price discrimination
5. Explain dual pricing

UNIT V
PART A

1. In which market structure do a few large firms dominate and have substantial control over pricing?
   A) Monopoly
   B) Oligopoly
   C) Perfect competition
   D) Monopolistic competition

2. Which market structure features numerous buyers and sellers trading homogeneous products with no individual seller having control over the price?
   A) Monopoly
   B) Oligopoly
   C) Perfect competition
   D) Monopolistic competition

3. What characterizes a monopoly market structure?
   A) Many firms selling differentiated products
   B) Single firm with significant market control
   C) A few firms with some control over prices
   D) No barriers to entry for new firms

4. In a monopolistic competition market, what distinguishes firms from perfect competition?
   A) Identical products
   B) Barriers to entry

C) Product differentiation
D) Few sellers

5. What market structure is characterized by interdependence among firms due to strategic pricing and non-price competition?
A) Monopoly
B) Oligopoly
C) Perfect competition
D) Monopolistic competition

6. What feature differentiates an oligopoly from a monopolistic competition market?
A) Many firms
B) Homogeneous products
C) Few large firms
D) Identical products

7. What is a characteristic of a monopolistic competition market?
A) Identical products B) Barriers to entry
C) Product differentiation D) Few sellers

8. In which market structure do firms often engage in advertising and branding to differentiate their products?
A) Monopoly
B) Oligopoly
C) Monopolistic competition

D) Perfect competition

9. What market structure has the highest barriers to entry for new firms?
   A) Monopoly
   B) Oligopoly
   C) Perfect competition
   D) Monopolistic competition

10. What type of market structure tends to produce the most efficient outcomes in terms of allocative efficiency?
   A) Monopoly
   B) Oligopoly
   C) Perfect competition
   D) Monopolistic competition

11. In which market structure do individual firms have a small market share and no influence on market price?
   A) Oligopoly
   B) Monopolistic competition
   C) Perfect competition
   D) Monopoly

12. What market structure tends to exhibit the least amount of non-price competition?
   A) Oligopoly
   B) Monopolistic competition
   C) Perfect competition

D) Monopoly

13. Which market structure is most likely to have price leadership among firms?

A) Perfect competition
B) Oligopoly
C) Monopolistic competition
D) Monopoly

14. In which market structure are products most likely to be substitutes rather than differentiated?

A) Oligopoly
B) Monopolistic competition
C) Perfect competition
D) Monopoly

15. What market structure features a significant degree of market power for a single firm?

A) Oligopoly
B) Monopolistic competition
C) Monopoly
D) Perfect competition

16. Which market structure is most conducive to the entry of new firms?

A) Monopoly
B) Oligopoly
C) Perfect competition

D) Monopolistic competition

17. In which market structure is demand relatively elastic for an individual firm?
    A) Monopoly
    B) Oligopoly
    C) Perfect competition
    D) Monopolistic competition

18. What market structure tends to have the most significant barriers to entry for new competitors?
    A) Monopoly
    B) Oligopoly
    C) Perfect competition
    D) Monopolistic competition

19. Which market structure often results in supernormal profits in the long run?
    A) Perfect competition
    B) Monopolistic competition
    C) Monopoly
    D) Oligopoly

20. What market structure is characterized by a few firms dominating the industry?
    A) Perfect competition
    B) Monopolistic competition
    C) Oligopoly

D) Monopoly

21. In a perfectly competitive market, what is the degree of market power for an individual firm?
   A) High market power
   B) Some market power
   C) No market power
   D) Limited market power

22. what condition characterizes a perfectly competitive market regarding product differentiation?
   A) Homogeneous products
   B) Highly differentiated products
   C) No product variety
   D) Unique products

23. Which factor prevents firms in perfect competition from influencing market price?
   A) Ease of entry and exit
   B) Homogeneous products
   C) Price takers due to many buyers and sellers
   D) Government regulations

24. In perfect competition, how do individual firms determine their level of output?
   A) By considering competitors' strategies
   B) By maximizing profits where marginal cost equals marginal revenue

C) By setting the market price
D) By following government guidelines

25. What happens in the long run in a perfectly competitive market when firms earn economic profits?
A) Firms exit the market, increasing supply
B) New firms enter the market, increasing supply
C) Firms collude to maintain prices
D) Market demand decreases

26. What is a characteristic feature of the demand curve faced by a firm in perfect competition?
A) Downward-sloping demand curve
B) Upward-sloping demand curve
C) Perfectly elastic demand curve
D) Highly volatile demand curve

27. In perfect competition, what condition ensures allocative efficiency?
A) Price discrimination
B) Marginal cost equals marginal revenue
C) Price equals marginal cost
D) Normal profit maximization

28. what happens to a firm's economic profit in the long run in a perfectly competitive market?
A) It remains constant
B) It increases

C) It decreases to zero
D) It becomes negative

29. What type of market structure exhibits the highest degree of competition?
A) Monopoly
B) Oligopoly
C) Perfect competition
D) Monopolistic competition

30. What characteristic represents perfect information in a perfectly competitive market?
A) Firms keeping production data secret
B) Consumers being unaware of prices
C) Both buyers and sellers having complete information
D) Government controlling market information

31. What defines a monopoly market structure?
A) Many sellers, differentiated products
B) Single seller, no close substitutes
C) Few sellers, identical products
D) Numerous buyers and sellers

32. In a monopoly, how does the firm's demand curve compare to the market demand curve?
A) The same
B) The firm's demand curve is more elastic

C) The firm's demand curve is the market demand curve
D) The firm's demand curve is perfectly elastic

33. What characteristic gives a monopoly firm control over the market price?
A) Ease of entry for new firms
B) Homogeneous products
C) No close substitutes
D) Government regulations

34. What typically happens to price and output in a monopoly compared to perfect competition?
A) Lower price, higher output
B) Higher price, lower output
C) Higher price, higher output
D) Lower price, lower output

35. What condition allows a monopoly to exist?
A) Identical products
B) Barriers to entry
C) Perfect information
D) Large number of firms

36. What is a characteristic of a monopoly's supply curve?
A) It is perfectly elastic
B) It slopes upward
C) It is the firm's marginal cost curve above the AVC curve

D) It is perfectly inelastic

37. How does a monopolist maximize profit?
A) By producing where marginal cost equals average total cost
B) By producing where marginal revenue equals marginal cost
C) By producing where marginal revenue equals average total cost
D) By producing where average variable cost is lowest

38. What happens to a monopoly's economic profit in the long run?
A) It decreases to zero
B) It remains constant
C) It can persist in the long run
D) It increases continuously

39. What is a common barrier to entry for a monopoly?
A) Homogeneous products
B) Perfect information
C) Patents or control over resources
D) Large number of competitors

40. What condition regarding price discrimination might a monopolist engage in to increase profits?
A) Charging the same price to all customers
B) Charging different prices to different consumers

C) Offering uniform discounts to all buyers
D) Setting prices equal to marginal cost

41. What characterizes a monopolistic competition market structure?
A) One seller with many buyers
B) Many sellers with identical products
C) Many sellers with differentiated products
D) Single seller with a unique product

42. In monopolistic competition, how do firms differentiate their products?
A) By offering lower prices than competitors
B) By making their products identical
C) Through product differentiation
D) By reducing production costs

43. What is a characteristic feature of the demand curve faced by a firm in monopolistic competition?
A) Perfectly elastic demand curve
B) Downward-sloping demand curve
C) Perfectly inelastic demand curve
D) Vertical demand curve

44. What happens in the long run in monopolistic competition when firms earn economic profits?
A) Firms collude to maintain prices
B) New firms enter the market, increasing competition

C) Firms exit the market, decreasing supply
D) Government imposes price controls

45. What condition is true regarding the excess capacity in a monopolistic competition market?
A) Firms produce at the lowest possible cost
B) Firms produce less than the efficient scale
C) Firms produce beyond the efficient scale
D) Firms produce exactly at the efficient scale

46. In monopolistic competition, how does the price compare to the marginal cost in the long run?
A) Price equals marginal cost
B) Price exceeds marginal cost
C) Price is below marginal cost
D) Price equals average total cost

47. What type of competition is prevalent in monopolistic competition markets?
A) Homogeneous product competition
B) Perfect competition
C) Non-price competition
D) Oligopolistic competition

48. What happens to economic profit in the long run in a monopolistic competition market?
A) It decreases to zero
B) It remains constant

C) It tends toward zero due to entry of new firms
D) It continuously increases

49. What factor differentiates monopolistic competition from perfect competition?
A) Number of firms in the market
B) Degree of product differentiation
C) Barriers to entry
D) Pricing strategies

50. In what way do firms in monopolistic competition aim to capture consumer attention?
A) By reducing product variety
B) Through non-price competition
C) By offering standardized products
D) By lowering production costs

51. What defines a duopoly market structure?
A) Many sellers with identical products
B) Two sellers dominating the market
C) One seller with many buyers
D) One buyer with multiple sellers

52. In a duopoly, how many firms control the majority of the market share?
A) Three B) Multiple
C) Two D) One

53. What term refers to the situation in a duopoly where firms are interdependent in decision-making?

A) Collusion
B) Cooperation
C) Strategic interaction
D) Monopolization

54. What behavior is often exhibited by firms in a duopoly market structure to gain a competitive advantage?

A) Collusion
B) Price leadership
C) Strategic pricing
D) Monopolistic practices

55. In a duopoly, what might be a consequence of competitive pricing strategies between the two firms?

A) Lower profits for both firms
B) Higher market demand
C) Increased market share for each firm
D) Stability in pricing

56. What strategy occurs when both firms in a duopoly agree to coordinate their actions and jointly set prices or output levels?

A) Collusion B) Price leadership
C) Monopolization D) Competitive pricing

57. What term describes a situation in a duopoly where firms compete fiercely on prices, product differentiation, or marketing?

A) Cooperative pricing
B) Price leadership
C) Non-price competition
D) Monopolistic competition

58. In a duopoly, what might lead to strategic alliances between the two firms?

A) To maintain market share
B) To collectively dominate the market
C) To achieve economies of scale
D) To discourage new entrants

59. What type of market structure is susceptible to tacit collusion between the firms?

A) Oligopoly
B) Monopolistic competition
C) Duopoly
D) Perfect competition

60. What challenge do firms face in a duopoly due to their interdependence and strategic decision-making?

A) Limited market demand
B) Difficulty in predicting competitor behavior
C) Fixed pricing strategies
D) Homogeneous product offerings

61. What defines an oligopoly market structure?
   A) One seller with many buyers
   B) Few sellers dominating the market
   C) Many sellers with identical products
   D) Many buyers with differentiated products

62. In an oligopoly, how does the number of firms compare to a monopoly or perfect competition?
   A) More firms than perfect competition
   B) Fewer firms than perfect competition, but more than a monopoly
   C) About the same number of firms as a monopoly
   D) More firms than a monopoly

63. What characterizes the market power of firms in an oligopoly?
   A) No control over prices
   B) Substantial control over prices
   C) No influence on market demand
   D) Perfectly elastic demand curve

64. What term refers to a situation where firms in an oligopoly match each other's price changes?
   A) Price leadership B) Collusion
   C) Price rigidity D) Price wars

65. What strategy might firms in an oligopoly use to avoid price competition and maintain profits?

A) Price wars B) Collusion
C) Aggressive advertising D) Strategic pricing

66. In an oligopoly, what can lead to strategic interdependence among firms?
A) Identical products
B) Limited market share
C) Mutual interdependence in decision-making
D) Homogeneous pricing strategies

67. What term describes a situation in an oligopoly where firms set prices based on the actions of their competitors?
A) Competitive pricing B) Price rigidity
C) Strategic pricing D) Price leadership

68. what is an example of non-price competition in an oligopoly?
A) Price matching B) Product differentiation
C) Price wars D) Collusion

69. What challenge do firms in an oligopoly face due to the interdependence in decision-making?
A) Limited market demand
B) Difficulty in predicting competitor behavior
C) Fixed pricing strategies
D) Homogeneous product offerings

70. What might encourage firms in an oligopoly to engage in collusion?

A) Increased competition

B) Desire to maintain higher prices and profits

C) Need for product differentiation

D) Government regulations

ANSWERS

1.B,2.C,3.B,4.C,5.B,6.C,7.B,8.C,9.A,10.C,11.C,12.C, 13.B,14.C,15.C,16.C,17.D,18.A,19.C,20.C,21.C,22.A, 23.C,24.B,25.B,26.C,27.C,28.C,29.C,30.C,31.B,32.C, 33.C,34.B,35.B,36.C,37.B,38.C,39.C,40.B,41.C,42.C, 43.B,44.B,45.B,46.B,47.C,48.C,49.B,50.B,51.B,52.C, 53.C,54.C,55.C,56.A,57.C,58.C,59.C,60.B,61.B,62.B, 63.B,64.D,65.B,66.C,67.C,68.B,69.B,70.B

PART B & PART C

1. Define market, what are the types of markets?
2. What are the characteristics of perfect competition?
3. What are the characteristics of monopoly?
4. What are the characteristics of monopolistic competition?
5. What are the characteristics of oligopoly?
6. Explain collusive oligopoly?
7. Explain non collusive oligopoly?
8. What is game theory in oligoply?
9. What are the characteristics of duopoly?

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ISBN 978-93340194-7-6