



**1. Demand for a commodity refers to:**

- A. Need for the commodity
- B. Desire for the commodity
- C. Amount of the commodity demanded at a particular price and at a particular time
- D. Quantity demanded of that commodity

**Answer: C**

**2. Which among the following statement is INCORRECT?**

- A. On a linear demand curve, all the five forms of elasticity can be depicted'
- B. If two demand curves are linear and intersecting each other than coefficient of elasticity would be same on different demand curves at the point of intersection.
- C. If two demand curves are linear, and parallel to each other than at a particular price the coefficient of elasticity would be different on different demand curves.
- D. The price elasticity of demand is expressed in terms of relative not absolute, changes in Price and quantity demanded

**Answer: B**

**3. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:**

- A. Increase
- B. Decrease
- C. Remain the same
- D. Become zero

**Answer: A**

**4. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is:**

- A. Zero
- B. Infinite
- C. Equal to one
- D. Greater than zero but less than infinity

**Answer: B**

**5. An individual demand curve slopes downward to the right because of the:**

- A. Working of the law of diminishing marginal utility
- B. Substitution effect of decrease in price
- C. Income effect of fall in Price
- D. All of the above

**Answer: D**

**6. Income elasticity of demand is defined as the responsiveness of:**

- A. Quantity demanded to a change in income
- B. Quantity demanded to a change in price
- C. Price to a change in income
- D. Income to a change in quantity demanded

**Answer: A**

**7. The supply of a good refers to:**

- A. Stock available for sale
- B. Total stock in the warehouse
- C. Actual Production of the good
- D. Quantity of the good offered for sale at a particular price per unit of time

**Answer: D**

**8. In the short run, when the output of a firm increases, its average fixed cost:**

- A. Remains constant
- B. Decreases
- C. Increases
- D. First decreases and then rises

**Answer: B**

**9. The cost of one thing in terms of the alternative given up is called:**

- A. Real cost
- B. Production cost
- C. Physical cost
- D. Opportunity cost

**Answer: D**

**10. Assume that consumer's income and the number of sellers in the market for good X both falls. Based on this information, we can conclude with certainty that the equilibrium:**

- A. Price will decrease
- B. Price will increase
- C. Quantity will increase
- D. Quantity will decrease

**Answer: D**

**11. The economist's objections to monopoly rest on which of the following grounds?**

- A. There is a transfer of income from consumers to the monopolist
- B. There is welfare loss as resources tend to be misallocated under monopoly
- C. Only A is correct
- D. Both A and B are correct

**Answer: D**

**12. In which of the following market structure is the degree of control over the price of its product by a firm very large?**

- A. Imperfect competition
- B. Perfect competition
- C. Monopoly
- D. In A and B both

**Answer: C**

**13. Which one of the following is a factor of production?**

- A. Elasticity
- B. Enterprise
- C. Environmental sustainability
- D. Equilibrium

**Answer: B**

**14. Opportunity cost is**

- A. A financial expense
- B. Measured in terms of what has been foregone

- C. The best way to allocate resources
- D. Zero when a market is in equilibrium

**Answer: B**

**15. A business which operates in the tertiary sector**

- A. Assembles components
- B. Extracts raw materials
- C. Makes finished goods
- D. Produces services

**Answer: D**

**16. Which one of the following would cause an inward shift of the demand curve for hats?**

- A. A National increase in wage rates
- B. Bad weather
- C. More hats are made
- D. Wearing a hat becomes less fashionable

**Answer: D**

**17. A market with a single producer is**

- A. Always in equilibrium
- B. Called an oligopoly
- C. Difficult for new firms to enter
- D. Highly competitive

**Answer: C**

**18. An increase in productivity is most likely to lead to**

- A. Fewer economies of scale

- B. Higher average costs
- C. Increased supply
- D. Lower profits

**Answer: C**

**19. National insurance is charged at a rate of 12% of gross pay. Petra's gross monthly pay is £1500. How much is Petra's monthly national insurance contribution?**

- A. £180
- B. £1320
- C. £1680
- D. £12 500

**Answer: A**

**20. Which one of the following businesses operates in the financial sector?**

- A. A jewellery manufacturer
- B. A travel agent
- C. An auction house
- D. An insurance company

**Answer: D**

**21. The offer curves introduced by Alfred Marshall, helps us to understand how the \_\_\_\_\_ is established in international trade.**

- A. Terms of trade
- B. Equilibrium price ratio
- C. Exchange rate
- D. Satisfaction level

**Answer: A**

**22. Demand for factors of production is:**

- A. Derived demand
- B. Joint demand
- C. Composite demand
- D. None of the above

**Answer: A**

**23. The producer's demand for a factor of production is governed by the \_\_\_ of that factor.**

- A. Price
- B. Marginal Productivity
- C. Availability
- D. Profitability

**Answer: B**

**24. Under conditions of perfect competition in the product market:**

- A.  $MRP = VMP$
- B.  $MRP > VMP$
- C.  $VMP > MRP$
- D. None of the above

**Answer: A**

**25. Which among the following statements is INCORRECT?**

- A. Coefficient of correlation can be computed directly from the data without measuring deviation.
- B. Measures of Dispersion are also called averages of the second order.
- C. Standard deviation can be negative.
- D. Mean deviation can never be negative.

Answer: C

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