

# **MOCK MCQ TEST**

**SUBJECT: MICRO ECONOMICS**

**PAPER CODE: BCOM 105**

DELHI INSTITUTE OF ADVANCED STUDIES

## **FOR PRIVATE CIRCULATION**

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## MULTIPLE CHOICE QUESTIONS

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1. The Scope of Business Economics covers:
  - A. Microeconomic
  - B. Macroeconomic
2. The scope of business economics is:
  - A. Narrow
  - B. Wide
3. The cost of next best alternative foregone is:
  - A. Opportunity Cost
  - B. Marginal Cost
  - C. Total Cost
4. "Earlier one receives the better it is", it defines:
  - A. Opportunity Cost
  - B. Sunk Cost
  - C. Time Value of Money
5. The change in total of any quantity due to a one unit change in its determinant:
  - A. Incremental
  - B. Marginal
  - C. Total
6. The variability of returns on an investment:
  - A. Risk
  - B. Profit
  - C. Revenue
7. It includes a reward for the riskiness of investments:
  - A. Risk
  - B. Profit
  - C. Revenue
8. The uninsurable risk is also known as:
  - A. Systematic Risk
  - B. Unsystematic Risk
  - C. Financial Risk

9. In business economics which theory is used:
- A. Profit theory
  - B. Social Responsibility
  - C. Both (a) & (b)
10. Macro Economics has:
- A. Wide Scope
  - B. Narrow Scope
  - C. Definite Scope
11. Economics is best defined as
- A. How people make money and profits in the stock market.
  - B. Making choices from an unlimited supply of goods and services.
  - C. Making choices with unlimited wants but facing a scarcity of resources.
  - D. Controlling a budget for a household.
12. Economics is
- A. A physical science
  - B. The study of scarcity and choices
  - C. The study of normative questions
  - D. The easiest course at your university.
13. The study of the choices made by individuals is part of the definition of
- A. Microeconomics.
  - B. Positive economics.
  - C. Macroeconomics.
  - D. Normative economics.
14. The first big economic questions concern all of the following except
- A. What goods and services are produced?
  - B. How are goods and services produced?
  - C. For whom are goods and services produced?
  - D. What determines the standard of living?
15. The need for study for economics arises because
- A. The resources are scarce
  - B. The resources have alternative uses
  - C. Human wants are unlimited
  - D. All of the above
16. Assumptions of the Indifference Curve theory are:
- A. Rationality
  - B. Ordinality
  - C. Diminishing MRS
  - D. All of the above

17. The demand of a commodity which is backed by purchasing power and willingness to spend money:
- A. Effective Demand
  - B. Budget Line
  - C. Indifference Curve
18. The goods having income elasticity greater than 1:
- A. Luxury Goods
  - B. Necessity Goods
  - C. Inferior Goods
19. The goods having income elasticity equal to zero:
- A. Luxury Goods
  - B. Necessity Goods
  - C. Inferior Goods
20. The Geometric method of measuring elasticity of demand is also known as:
- A. Point Method
  - B. Outlay Method
  - C. Proportionate Method
21. Consumer incomes increase. Which one of the following is most likely in the market for automobiles?
- A. Price rises, quantity falls.
  - B. Both price and quantity fall.
  - C. Both price and quantity rise.
  - D. Price falls, quantity rises.
22. For the law of demand, the assumption of ceteris paribus means that all variables are held constant except:
- A. Consumer tastes and preferences.
  - B. Consumer income.
  - C. Prices of related goods.
  - D. Own price and quantity demanded.
  - E. The number of consumers in the market.
23. The slope of the demand curve for butter shows that an increase in the price of butter leads to
- A. A decline in the amount of butter available
  - B. An increase in demand for margarine
  - C. An expected decline in the price of butter
  - D. A decline in the price of margarine

24. Assume the demand curve for compact discs slopes downwards, and the supply curve slopes upwards. If the price of CD players decreases, then:
- A. The equilibrium price of compact discs will fall
  - B. The equilibrium price of compact discs will rise
  - C. The equilibrium price of compact discs will stay the same
  - D. None of the above are correct
25. The value of price elasticity of demand:
- A. Depends on the units that are used to measure quantities
  - B. Has the same value as the slope of the demand curve
  - C. Depends on the units that are used to measure prices
  - D. Does not depend on the units in which quantity and price are measured.
26. Price elasticity at a given price is not affected by
- A. The price of complements.
  - B. The price of substitutes.
  - C. The consumer's income.
  - D. A change in tastes.
  - E. A change in supply.
27. The arc elasticity formula is used to estimate elasticity when
- A. The product is thought to be inelastic.
  - B. The product is thought to be elastic.
  - C. The demand function is known.
  - D. There are two observations of price and quantity.
  - E. None of the above.
28. The price elasticity of demand is the same thing as the negative of the
- A. Slope.
  - B. Reciprocal of slope.
  - C. The first derivative of the demand function.
  - D. Reciprocal of slope times the ratio of price to quantity.
  - E. All of the above.
29. An elasticity coefficient of -1 means that
- A. The demand curve is perfectly inelastic.
  - B. The demand curve is perfectly elastic.
  - C. The relative changes in price and quantity are equal.
  - D. Expenditures on the good would increase if prices were reduced.
  - E. Expenditures on the good would decrease if prices
30. The term "market" refers to
- A. Trading arrangements that have been approved by the government.
  - B. Locations where buyers and sellers physically meet.
  - C. Any arrangement that enables buyers and sellers to get information and trade with One another.

- D. Physical structures only.
31. Which of the following is a variable cost?
- A. Interest payments
  - B. Raw materials costs
  - C. Property taxes
  - D. All of the above are variable costs.
32. Which of the following is an implicit cost?
- A. The salary earned by a corporate executive
  - B. Depreciation in the value of a company-owned car as it wears out
  - C. Property taxes
  - D. All of the above are implicit costs.
33. If an input is owned and used by a firm, then its
- A. explicit cost is zero.
  - B. implicit cost is zero
  - C. opportunity cost is zero
  - D. economic cost is zero.
34. One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm
- A. employ more specialized machinery. to
  - B. obtain bulk purchase discounts
  - C. employ a greater division of labor
  - D. All of the above are correct
35. Which of the following is an assumption of linear break-even analysis?
- A. Output price is constant
  - B. Average variable cost is constant
  - C. Average fixed cost is constant
  - D. All of the above are assumptions of linear breakeven analysis
36. In the 3rd stage of operation of the law of variable proportions, the marginal product becomes \_\_\_\_\_.
- A. Negative
  - B. Positive
  - C. Zero
37. Isoquants are convex to the origin. This is possible because
- A. Money outlay of the entrepreneur is constant
  - B. Marginal rate of technical substitution between labor (L) and capital (K) is decreasing
  - C. It is not possible to have infinite number of combinations of two outputs
  - D. Both (a) and (b) above

38. When a proportional change in input combination caused the same proportionate change in output, the returns to scale is said to exhibit
- A. Increasing returns
  - B. Decreasing returns
  - C. Constant returns
  - D. Negative returns
  - E. Law of variable proportion.
39. When one input is variable and all other inputs are fixed, the firm's production exhibits\_\_\_\_\_
- A. Law of Returns to a Scale
  - B. Long run analysis
  - C. Law of variable proportions
  - D. Long run production function
40. AC and -----curves never intersect each other as AFC can never be zero
- A. AVC
  - B. MC
  - C. TC
41. Under monopoly the demand curve slopes
- A. Downward
  - B. Upward
42. Under the imperfect market, the market in which few firms exist is called as
- A. Oligopoly
  - B. Monopoly
  - C. Monopolistic competition
43. Under monopoly entry of new firms is
- A. Prohibited
  - B. Limited
44. The demand curve (A.R.) of a firm under perfect competition is
- A. Perfectly elastic
  - B. Perfectly inelastic
45. Firms in perfect competition face a:
- A. Perfectly elastic demand curve
  - B. Perfectly inelastic demand curve
  - C. Perfectly elastic supply curve
  - D. Perfectly inelastic supply curve
46. A tangency point between an isoquant and an isocost line identifies
- A. the least costly combination of inputs required to produce various levels of outputs.



- B. the various levels of output that can be produced using a given level of inputs.
  - C. the various combinations of inputs that can be used to produce a given level of output.
  - D. the least costly combination of inputs required to produce a given level of output.
47. A society that is producing on its production possibilities frontier is
- A. Fully utilizing all of its productive resources.
  - B. Not being technologically efficient.
  - C. Not utilizing all of its resources.
  - D. Producing too much output.
48. If a country decreases current consumption to increase the amount of capital goods it produces today, then it
- A. Must not have private ownership of property and will have to follow planning authorities decisions today and in the future.
  - B. Must be producing along the production possibilities frontier today and will see a shift outward of the frontier in the future if produces more capital goods.
  - C. Must be using resources inefficiently today but will be more efficient in the future.
  - D. Must be producing outside the production possibilities frontier and will continue to do in the future.
49. A tradeoff is
- A. A constraint that requires giving up one thing to get another.
  - B. Represented by a point outside a PPF.
  - C. A transaction at a price either above or below the equilibrium price.
  - D. Represented by a point inside a PPF.
50. If additional units of a good could be produced at a constant opportunity cost, the production possibilities frontier would be
- A. Bowed outward.
  - B. Positively sloped.
  - C. Bowed inward.
  - D. a straight line.
51. Opportunity cost is represented on the production possibilities frontier by
- A. The amount of good Y forgone when more of good X is produced.
  - B. Efficient and inefficient points.
  - C. Technological progress.
  - D. Attainable and unattainable points.
52. Economic growth is the result of all of the following EXCEPT
- A. Investment in human capital.
  - B. Technological change.
  - C. Opportunity cost.
  - D. Capital accumulation.

- 53 The term "market" refers to
- A. Trading arrangements that have been approved by the government.
  - B. Locations where buyers and sellers physically meet.
  - C. Any arrangement that enables buyers and sellers to get information and trade with One another.
  - D. Physical structures only.
- 54 Individual economic decisions are coordinated by
- A. Government through adjustments in sales taxes.
  - B. Markets through adjustments in sales levels.
  - C. Government through adjustments in income taxes.
  - D. Markets through adjustments in prices.
- 55 Economic growth comes from \_\_\_\_\_.
- A. Producing more goods than people want to consume
  - B. Capital accumulation and the avoidance of opportunity cost
  - C. People willing to increase their skills in which case, economic growth is free
  - D. Capital accumulation and technological advance
- 56 Market equilibrium refers to a situation in which market price
- A. is high enough to allow firms to earn a fair profit
  - B. is low enough for consumers to buy all that they want
  - C. is at a level where there is neither a shortage nor a surplus
  - D. is just above the intersection of the market supply and demand curves
- 57 The average fixed cost (AFC) curve -----as additional units are produced, and continue to decline.
- A. shifts upwards
  - B. declines
  - C. remains same
- 58 The average variable cost (AVC) curve ----- (but not as steep as the marginal cost), and then goes up.
- A. shifts upwards
  - B. goes down
  - C. remains same
- 59 The average total cost (ATC) curve initially -----as fixed costs are spread over a larger number of units, but then goes up as marginal costs increase due to the law of diminishing returns.
- A. shifts upwards
  - B. declines
  - C. remains same

- 60 AC is greater than AVC by the amount of -----.
- A. AFC
  - B. MC
  - C. TC

**ANSWER KEY**

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