

Time: 3 Hrs.

M. Marks. 400

General Instructions

- Question 1-100 carry 4 marks each for correct answer and -1 for incorrect answers. 0 marks for Un- attempted questions.
1. . Who said “Economics is a science of dynamic growth and development”?
(a) J. B. Say (b) Paul A. Samuelson
(c) Alfred Marshal (d) Robbins
 2. . Scarcity definition of economics is given by
(a) Alfred Marshall (b) J. B. Say
(c) Allen and Hicks (d) Robbins
 3. . Macro economics is the study of:
(a) Inflation (b) Unemployment
(c) Growth (d) All of these
 4. . Micro Economics studies the Economic behaviour of:
(a) An Individual (b) Firm
(c) Industry (d) All of these
 5. . Macro economics doesn't include one example from the following:
(a) National Income and output (b) Study of Industry
(c) General Price Level (d) Saving and Investment
 6. . When we are studying how a producer fixes the prices of his products we are studying.
(a) Macro Economics (b) Micro Economics
(c) Both Micro and Macro Economics (d) None of these
 7. . We mainly study the following in Micro Economics :
(a) Location of a Industry (b) Study of firms
(c) Factor pricing (d) All of these
 8. . When we study why saving rates are high or low, we are studying:
(a) Macro Economics (b) Micro Economics
(c) Econometrics (d) Both (a) and (b)
 9. . The other names of ——— method are abstract, analytical and priori method.
(a) Inductive method (b) Economic method
(c) Deductive method (d) None of these
 10. . Questions like what should be the level of national income, what should be the wage rate fall within the scope of:
(a) Positive Science (b) Normative Science
(c) Both (a) and (b) (d) None of these
 11. . In Economics, the central economic problem means:
(a) Output is restricted to the limited availability of resources
(b) Consumers do not have as much money as they would wish
(c) There will always be certain level of unemployment
(d) Resources are not always allocated in an optimum way

12. Which of the following is not a central problem of the economy?
 (a) How to produce? (b) When to produce?
 (c) What to produce? (d) For whom to produce?
13. Which of the following is a cause of an economic problem?
 (a) Scarcity of Resources (b) Unlimited wants
 (c) Alternative uses (d) All of these
14. The shape of PPC is concave due to:
 (a) Falling opportunity cost between two goods
 (b) Rising opportunity cost between two goods
 (c) Constant opportunity cost between two goods
 (d) None of these
15. Which of the following is likely to cause an inward shift in a country's PPC?
 (a) Scientist discovering new techniques of production
 (b) Workers getting job in making fly-over
 (c) War destroying resources of the country
 (d) The country finds new techniques of agricultural production
16. All points on PPC show that goods and services are produced at:
 (a) Least cost and some resources are wasted
 (b) High cost and no resources are wasted
 (c) Least cost and no resources are wasted
 (d) Moderate cost and no resources are wasted
17. Right to own private property is found in:
 (a) Socialism (b) Capitalism
 (c) Mixed Economy (d) Both (b) and (c)
18. Which of the following is not one of the features of capitalist economy?
 (a) Right of private property
 (b) Freedom of choice by the consumers
 (c) No profit, No Loss motive
 (d) Competition
19. Which economy is now a myth only, as no country in the world is having that type of economy?
 (a) Capitalist Economy (b) Socialist Economy
 (c) Mixed Economy (d) None of these
20. Marginal utility analysis was mainly propounded by:
 (a) J.B. Say (b) Robbins
 (c) Adam Smith (d) Alfred Marshall
21. Sir Robert Giffen was surprised to find out relationship of price with two other goods, which were:
 (a) Bread and Rice (b) Meat and Rice
 (c) Bread and Meat (d) Cheese and Meat
22. Economic goods are goods which:
 (a) Cannot be increased in quantity (b) Obey the law of Micro Economics
 (c) Are limited in supply and are scarce (d) Are limited to man-made goods
23. Which of the following means an Economic activity?
 (a) Production of Goods
 (b) Production of Services
 (c) Consumption of Goods and Services
 (d) All of these
24. An economy achieves "productive efficiency" when:
 (a) The best quality goods are produced
 (b) The highly skillful resources in the country are fully employed
 (c) All resources are utilized and goods and services are produced at least cost
 (d) None of these
25. If marginal opportunity cost is falling, the PPF would be:
 (a) Straight line (b) Concave
 (c) Backward bending (d) Convex
26. Which of the following would result in a rightward shift of PPF?
 (a) An increase in investment in speculative activities by diverting funds from other productive activities.
 (b) A reduction in unemployment rate
 (c) The discovery of new gold reserves in the country
 (d) Increase in number of people taking leisure activities by taking early retirement from their jobs
27. Which of the following statements is incorrect in case of capitalist economy?
 (a) There is equality of income among people in the economy
 (b) Profit-motive gets precedence over social motive
 (c) Freedom of enterprise about what to produce
 (d) Right to own property
28. Which of the following is considered production in Economics?
 (a) Teaching CA students in CA Institute by a teacher
 (b) Singing a song before friends
 (c) Flying kite for pleasure
 (d) Teaching to friends in a library any concept of Economics

29. The following is not the characteristic of Land:
- Land varies in fertility and uses
 - Land is highly immobile
 - The supply of land is perfectly elastic from the point of view of the economy
 - The supply of land is perfectly inelastic from the point of view of the economy
30. Which of the following statements is correct?
- As normative science, Economics involves value judgments.
 - Robbins has made economics as a form of welfare economics.
 - The Law of Demand is always true.
 - None of these
31. If distribution of income is more equal, then the propensity to consume of the country is
- Relatively High
 - Relatively Low
 - Unaffected
 - None of these
32. Which of the following statements is correct?
- Economic laws are mere statement of tendencies.
 - Economics laws are as exact as physical laws.
 - Economics laws are permanent.
 - All of these
33. Economics is _____.
- Not a normative science.
 - Not a positive science.
 - Partly science and partly art
 - Neither a normative nor a positive science.
34. Business Economics is
- Abstract and applies the tools of Microeconomics.
 - Involves practical application of economic theory in business decision making.
 - Incorporates tools from multiple disciplines.
 - (b) and (c) above.
35. An example of 'positive' economic analysis would be:
- an analysis of the relationship between the price of food and the quantity purchased.
 - determining how much income each person should be guaranteed.
 - determining the 'fair' price for food.
 - deciding how to distribute the output of the economy.
36. Which of the following is not the subject matter of Business Economics?
- Should our firm be in this business?
 - How much should be produced and at price should be kept?
 - How will the product be placed in the market?
 - How should we decrease unemployment in the economy?
37. Which of the following is not within the scope of Business Economics?
- Capital Budgeting
 - Risk Analysis
 - Business Cycles
 - Accounting Standards
38. Which of the following statements is incorrect?
- Business economics is normative in nature.
 - Business Economics has a close connection with statistics.
 - Business Economist need not worry about macro variables.
 - Business Economics is also called Managerial Economics.
39. Macroeconomics is also called _____ economics.
- applied
 - aggregate
 - experimental
 - None of these
40. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
- Macro-Economics.
 - Descriptive Economics.
 - Micro-economics.
 - Normative economics.
41. Which of the following does not suggest a macro approach for India?
- Determining the GNP of India.
 - Finding the causes of failure of ABC Ltd.
 - Identifying the causes of inflation in India.
 - Analyse the causes of failure of industry in providing large scale employment
42. Which of the following is not a subject matter of Micro-economies?
- The price of mangoes.
 - The cost of producing a re truck for the re department of Delhi, India.
 - The quantity of mangoes produced for the mangoes market.
 - The national economy's annual rate of growth.
43. The branch of economic theory that deals with the problem of allocation of resources is
- Micro-Economic theory.
 - Macro-economic theory.
 - Econometrics.
 - None of these.
44. Which of the following would be considered a topic of study in Macroeconomics?
- The effect of increase in wages on the profitability of cotton industry

- (b) The effect on steel prices when more steel is imported
~~(c)~~ The effect of an increasing inflation rate on living standards of people in India
 (d) The effect of an increase in the price of coffee on the quantity of tea consumed
- 45 Macro Economics is the study of _____
 (a) all aspects of scarcity.
~~(b)~~ the national economy and the global economy as a whole.
 (c) big businesses.
 (d) the decisions of individual businesses and people.
- 46 The difference between positive and normative Economics is:
 (a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
~~(b)~~ Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.
 (c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
 (d) Positive Economics prescribes while normative Economics describes.
- 47 Economists regard decision making as important because:
 (a) The resources required to satisfy our unlimited wants and needs are finite, or scarce.
 (b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs.
 (c) Resources have alternative uses.
~~(d)~~ All the above.
- 48 In Economics, we use the term scarcity to mean;
 (a) Absolute scarcity and lack of resources in less developed countries.
~~(b)~~ Relative scarcity i.e. scarcity in relation to the wants of the society.
 (c) Scarcity during times of business failure and natural calamities.
 (d) Scarcity caused on account of excessive consumption by the rich.
- 49 What implication(s) does resource scarcity have for the satisfaction of wants?
~~(a)~~ Not all wants can be satisfied.
 (b) We will never be faced with the need to make choices.
 (c) We must develop ways to decrease our individual wants.
 (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.
- 50 In every economic system, scarcity imposes limitations on
~~(a)~~ households, business firms, governments, and the nation as a whole.
 (b) households and business firms, but not the governments.
 (c) local and state governments, but not the federal government.
 (d) households and governments, but not business firms.
 (e) business firms, governments, and the nation as a whole.
- 51 Consider the following and decide which, if any, economy is without scarcity:
 (a) The pre-independent Indian economy, where most people were farmers.
 (b) A mythical economy where everybody is a billionaire.
 (c) Any economy where income is distributed equally among its people.
 (d) None of these.
- 52 Economic goods are considered scarce resources because they
 (a) cannot be increased in quantity.
 (b) do not exist in adequate quantity to satisfy the requirements of the society.
 (c) are of primary importance in satisfying social requirements.
 (d) are limited to man made goods.
- 53 The central problem in economics is that of
 (a) comparing the success of command versus market economies.
 (b) guaranteeing that production occurs in the most efficient manner.
 (c) guaranteeing a minimum level of income for every citizen.
 (d) allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.
- 54 Which of the following is not one of the four central questions that the study of economics is supposed to answer?
 (a) Who produces what? (b) When are goods produced?
 (c) Who consumes what? (d) How are goods produced?
- 55 In a free market economy the allocation of resources is determined by
 (a) voting done by consumers (b) a central planning authority.
 (c) consumer preferences. (d) the level of profits of firms.
- 56 A capitalist economy uses _____ as the principal means of allocating resources.
 (a) demand (b) supply
 (c) efficiency (d) prices
- 57 Which of the following statements does not apply to a market economy?
 (a) Firms decide whom to hire and what to produce.
 (b) Firms aim at maximizing profits.
 (c) Households decide which firms to work for and what to buy with their incomes.
 (d) Government policies are the primary forces that guide the decisions of firms and households.

- 58 . In a mixed economy
 (a) all economic decisions are taken by the central authority.
 (b) all economic decisions are taken by private entrepreneurs.
 (c) economic decisions are partly taken by the state and partly by the private entrepreneurs.
 (d) None of these.
- 59 . Capital intensive technique would get chosen in a
 (a) labour surplus economy where the relative price of capital is lower.
 (b) capital surplus economy where the relative price of capital is lower.
 (c) developed economy where technology is better.
 (d) developing economy where technology is poor.
- 60 . The economic system in which all the means of production are owned and controlled by private individuals for profit.
 (a) Socialism (b) Capitalism
 (c) Mixed economy (d) Communism
- 61 . Freedom of choice is the advantage of
 (a) Socialism (b) Capitalism
 (c) Communism (d) None of these
- 62 . Exploitation and inequality are minimal under:
 (a) Socialism (b) Capitalism
 (c) Mixed economy (d) None of these
- 63 . Administered prices refer to:
 (a) Prices determined by forces of demand and supply
 (b) Prices determined by sellers in the market
 (c) Prices determined by an external authority which is usually the government
 (d) None of these
- 64 . Which of the following is a normative statement?
 (a) Planned economies allocate resources via government departments.
 (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade.
 (c) There is a greater degree of consumer sovereignty in market economies than planned economies.
 (d) Reducing inequality should be a major priority for mixed economies.
- 65 . Ram: My corn harvest this year is poor.
 Krishan: Don't worry. Price increases will compensate for the fall in quantity supplied.
 Vinod: Climate affects crop yields. Some years are bad, others are good.
 Madhu: The Government ought to guarantee that our income will not fall.
- 66 . In this conversation, the normative statement is made by
 (a) Ram (b) Krishan (c) Vinod (d) Madhu
- 67 . Which of the following is a normative economic statement?
 (a) Unemployment rate decreases with industrialization
 (b) Economics is a social science that studies human behaviour.
 (c) The minimum wage should be raised to ₹ 800/- per day
 (d) India spends a huge amount of money on national defence.
- 68 . Which of the following is considered as a disadvantage of allocating resources using the market system?
 (a) Income will tend to be unevenly distributed.
 (b) People do not get goods of their choice.
 (c) Men of Initiative and enterprise are not rewarded.
 (d) Profits will tend to be low.
- 69 . Larger production of ____ goods would lead to higher production in future.
 (a) consumer goods (b) capital goods
 (c) agricultural goods (d) public goods
- 70 . Micro-economics is concerned with
 (a) the economy as a whole
 (b) the electronics industry
 (c) the study of individual economic behaviour
 (d) the interactions within the entire economy
- 71 . Which of the following statements is incorrect?
 (a) Unlike normative economics, positive economics is based on objective analysis of economic issues.
 (b) The opportunity cost of a good is the quantity of other goods sacrificed to get another unit of that good.
 (c) Microeconomics emphasizes interactions in the economy as a whole.
 (d) None of these.
- 72 . A rational person does not act unless _____.
 (a) the action is ethical.
 (b) the action produces marginal costs that exceed marginal benefits.
 (c) the action produces marginal benefits that exceed marginal costs.
 (d) the action makes money for the person.
- 73 . Which of the following statements is normative?
 (a) Large government deficits cause an economy to grow more slowly.

- (b) People work harder if the wage is higher.
- (c) The unemployment rate should be less.
- (d) Printing too much money causes inflation.

74 Which of the following falls under Micro Economics ?

- (a) National Income
- (b) General Price level
- (c) Factor Pricing
- (d) National Saving and Investment

75 Which of the following statements is correct?

- (a) Employment and economic growth are studied in micro-economics.
- (b) Micro economics deals with balance of trade
- (c) Economic condition of a section of the people is studied in micro-economics
- (d) External value of money is dealt with in micro-economics

76 Demand for a commodity refers to:

- (a) desire backed by ability to pay for the commodity.
- (b) need for the commodity and willingness to pay for it.
- (c) the quantity demanded of that commodity at a certain price.
- (d) the quantity of the commodity demanded at a certain price during any particular period of time.

77 Demand is the

- (a) the desire for a commodity given its price and those of related commodities.
- (b) the entire relationship between the quantity demanded and the price of a good other things remaining the same.
- (c) willingness to pay for a good if income is larger enough.
- (d) ability to pay for a good.

78 A relative price is

- (a) price expressed in terms of money
- (b) what you get paid for baby sitting your cousin
- (c) the ratio of one money price to another
- (d) equal to a money price

79 The Law of Demand, assuming other things to remain constant, establishes the inverse relationship between:

- (a) income of the consumer and the quantity of a good demanded by him.
- (b) price of a good and the quantity demanded.
- (c) price of a good and the demand for its substitute.
- (d) quantity demanded of a good and the relative prices of its complementary goods.

80 An increase in the demand for computers, other things remaining same, will:

- (a) Increase the number of computers bought.
- (b) Decrease the price but increase the number of computers bought.
- (c) Increase the price of computers.
- (d) Increase the price and number of computers bought.

81 A decrease in the demand for cameras, other things remaining the same will.

- (a) increase the number of cameras bought.

- (b) decrease the price but increase the number of cameras bought.
 (c) increase the price of cameras.
 (d) decrease the price and decrease in the number of cameras bought.
- 82 Quantity demanded is a:
 (a) Flow Concept (b) Stock Concept
 (c) Both (a) and (b) (d) None of these
- 83 Effective Demand depends on:
 (a) Desire
 (b) Means to purchase
 (c) Willingness to use those means for that purchase
 (d) All of these
- 84 All of the following are determinants of demand except:
 (a) tastes and preferences. (b) quantity supplied.
 (c) income of the consumer. (d) price of related goods.
- 85 The demand curve is also known as:
 (a) Marginal Revenue curve (b) Marginal utility curve
 (c) Average Revenue (d) Average utility curve
- 86 The total area under the demand curve of good measures:
 (a) Marginal utility (b) Total utility
 (c) Consumers surplus (d) Producer surplus
- 87 All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?
 (a) The preference of the individual.
 (b) His monetary income.
 (c) Price of the commodity.
 (d) Price of related goods.
- 88 _____ and _____ do not directly affect the demand curve
 (a) the price of related goods, consumer incomes
 (b) Consumer incomes, tastes
 (c) the costs of production, bank opening hours
 (d) the price of related goods, preferences
- 89 If the demand curve for good X is downward-sloping, an increase in the price will result in
 (a) A decrease in the demand for good X.
 (b) No change in the quantity demanded for good X.
 (c) A larger quantity demanded for good X.
 (d) A smaller quantity demanded for good X.
- 90 In the case of a Giffen good, the demand curve will be
 (a) Downward sloping to the right (b) Upward sloping to the right
 (c) Vertical (d) None of these
- 91 If the quantity of Banana demanded in 100 kg and quantity supplied is 50 kg, then price per kg of Banana is:
 (a) ₹ 18 (b) ₹ 24
 (c) Less than equilibrium price (d) Greater than equilibrium price
- 92 An example of a good that exhibit direct price-demand relationship is
 (a) Given goods. (b) Complementary goods.
 (c) Substitute goods. (d) None of the above.
- 93 Comforts lies between
 (a) inferior goods and necessities. (b) luxuries and inferior goods.
 (c) necessities and luxuries. (d) none of the above.
- 94 Conspicuous goods are also known as:
 (a) prestige goods. (b) snob goods.
 (c) veblen goods. (d) all of the above.
- 95 A good which cannot be consumed more than once is known as
 (a) durable good (b) non-durable good
 (c) producer good (d) none of the above
- 96 Which of the following is incorrect?
 (a) Comforts lies between necessities and luxuries.
 (b) At higher prices people demand more of certain goods not for their worth but for their prestige value— This is called veblen effect.
 (c) Conspicuous goods are also known as veblen goods/ prestige goods/snob goods.
 (d) A good which can be consumed more than once is known as durable good and a good which cannot be consumed more than once is known as non-durable good.
 (e) None of these
- 97 The DD curve slopes upward from left to right in case of
 (a) Imperfect Substitute Goods (b) Giffen Goods
 (c) Conspicuous Goods (d) All of (a), (b), (c)
 (e) Imperfect Complementary Goods
- 98 The DD curve slopes downward from left to right in case of
 (a) Imperfect Substitute Goods (b) Giffen Goods
 (c) Conspicuous Goods (d) All of (a), (b), (c)
 (e) Imperfect Complementary Goods

- 99 What will happen in the rice market if buyers are expecting higher rice prices in the near future?
- (a) The demand for rice will increase.
 - (b) The demand for rice will decrease.
 - (c) The demand for rice will be unaffected.
 - (d) None of the above.
- 100 When total demand for a commodity whose price has fallen increases, it is due to:
- (a) income effect.
 - (b) substitution effect.
 - (c) complementary effect.
 - (d) price effect.

