Sheth T. J. Education Society's
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MCQs of F. Y. B. Com – Sem I – Business Economics I

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MODULE-I: INTRODUCTION

1. Economics is a science which deals with…………….
a. matters and substance
b. chemicals and reactions
c. human wants and resources
d. numbers and combinations

2. Macroeconomics is a study of ……..
a. Individual variables
b. Aggregate variables
c. Small variables
d. Social variables

3. Microeconomics deals with the study of ....economic entities.
a. Aggregate
b. Individual
c. Macro
d. Socio

4. Opportunity costs are.....................measured in monetary terms.
a. Always
b. Can be
c. Not
d. Never

5. ……….. cost is the cost for next best use of the resource that is forgone.
a. Fixed
b. Variable
c. Opportunity
d. Sunk

6. ………… economics focuses on the functioning of business enterprises.
a. Industrial
b. Agricultural
c. Business
d. Labour

7. The subject matter of business economics includes following points except………

a. Demand analysis
b. Cost and production analysis
c. Market structure
d. Population policy

8. Economic analysis are based on the principle of ………..

a. Incrementalism
b. Marginalism
c. Socialism
d. Capitalism

9. ……….. specifies the mathematical relationship between the dependent and independent variables.

a. Functions
b. Curves
c. Graphs
d. Equations

10. As per law of demand, demand and price of a good are..................... related.

a. Directly
b. Inversely
c. Positively
d. Not

11. Law of supply states that supply and price of a good are.................... related.

a. Positively
b. Negatively
c. Inversely
d. Not

12. Shift and movement in demand are ………..

a. Different
b. Same
c. Equal
a. Complementary

13. Movement in supply is caused by changes in………...

a. Non-price factors
b. price of good alone
c. technology
d. population

14. Shift in demand is caused by changes in the………..
a. non-price factors
b. price of a good alone
c. cost of production
d. raw material prices

15. …………express functional relationship between two or more variables.
a. Functions
b. Combinations
c. Programs
d. Limits

16. Slope of straight line is ....at all points.
a. Different
b. Rising
c. Falling
d. Same

17. According to the law of demand, price and demand for a good are …………
a. Positively related
b. Directly related
c. Negatively related
d. Unrelated

18. Movement in demand for a good occurs due to change in ……………..
a. Price of the good
b. Changes in population
c. Non-price factors of the good
d. Changes in technology

19. As per Law of supply, the supply and price of a good are _____________
a. Inversely related
b. Negatively related
c. directly related
d. Not related

20. Market demand curve is the sum of ___________
a. Individual demand curves
b. Demand for all goods
c. Individual supply curves
d. Supply of all goods

21. Market supply curve is the sum of _____________
a. Individual demand curves
b. Demand for all goods
c. Individual supply curves
d. Supply of all goods

22. The terms 'Expansion' and 'Contraction' in demand are used to understand _____________
a. Shift in demand
b. Movement in demand
c. Movement in supply
d. Shift in supply

23. The equilibrium price of X-good is derived by the intersection of ______________
a. Demand and supply of Y-good
b. Average revenue and marginal revenuec
c. Demand and supply of X-good
d. Average cost and marginal cost

24. When total revenue rises at an increasing rate, marginal revenue ……….
a. Falls
b. Rises
c. Becomes zero
d. Remains constant

25. When total revenue rises at diminishing rate, marginal revenue ……….
a. Falls
b. Rises
c. Becomes zero
d. Remains constant

26. Slope of the line is equal to …………..
a. Change in Y-axis divided by change in X-axis
b. Change in demand due to change in supply
c. Change in demand due to change in price
d. Change in supply due to change in price

27. Marginal cost and incremental cost are ……….
a. Same
b. Equal
c. Substitutable
d. Different

28. When Total values are rising, marginal values are ……….
a. Falling

b. Rising
c. positive
d. Negative

29. When Total values are falling, marginal values are ……….
a. Falling
b. Rising
c. Constant
d. Negative

30. Graph is a..................... tool used to show the relationship between the variables.
a. Physical
b. Economic
c. Social
d. Geometrical

31. ………… shows the rate at which a variable change.
a. Slope
b. Equation
c. Function
d. Data

32. …………shows the positive relation between price and quantity a good.
a. Demand
b. Supply
c. consumption
d. slope

33. ………. shows the inverse relationship between price and quantity of a good.
a. Demand
b. Supply
c. Production
d. Intercept

34. Equilibrium price is determined where demand is __________ supply.
a. More than
b. Less than
c. Equal to
d. Subtracted from

35. Equilibrium price of x-good is set when.................... equal to supply of that good.
a. Demand for x-good
b. Prices of other goods

c. Production
d. Costs

36. Equilibrium price changes when……
a. Only demand changes
b. Only supply changes
c. both demand and supply changes
d. Both remains constant

37. When demand for a commodity increases at a constant rate of supply, equilibrium price ………
a. Increases
b. Decreases
c. Remains same
d. Becomes zero

38. When demand for a commodity decreases at a constant rate of supply, equilibrium price ………
a. Increases
b. Decreases
c. Remains same
d. Becomes zero

39. When supply of a commodity increases at a constant rate of demand, equilibrium price ………
a. Increases
b. Decreases
c. Remains same
d. Becomes zero

40. When supply of a commodity decreases at a constant rate of demand, equilibrium price ………
a. Increases
b. Decreases
c. Remains same
d. Becomes zero

41. When both demand and supply changes by the same proportion, equilibrium price ……
a. Increases
b. Decreases
c. Remains same
d. Becomes zero

MODULE-II: DEMAND ANALYSIS

1. A demand curve has a............... slope.
a. Upward
b. Positive
c. Negative
d. Concave

2. Normal goods have .... income elasticity of demand.
a. Positive
b. Negative
c. Zero
d. Low

3. Inferior goods have .... income elasticity of demand.
a. Positive
b. Negative
c. Zero
d. High

4. When the price elasticity of demand is .... it means demand is perfectly elastic.
a. Zero
b. Infinite
c. One
d. Less than one

5. When the price elasticity of demand is greater than unity; it implies that the demand is……..
a. Perfectly elastic
b. perfectly inelastic
c. relatively elastic
d. relatively inelastic

6. Income elasticity is negative for .... goods.
a. Superior
b. Inferior
c. Normal
d. Foreign

7. Cross elasticity of demand is positive for .... goods.
a. Substitutable
b. Complementary
c. Unrelated
d. Inferior

8. Cross elasticity of demand is ....for complementary goods.
a. Positive
b. Negative
c. Zero
d. Greater than one

9. Small firms............... demand forecasting techniques.
a. do not use
b. make use of
c. never use
d. use few

10. Delphi method is variant of ....method of demand forecasting.
a. expert opinion
b. survey
c. statistical
d. end-use

11. Regression method is a kind of................. method.
a. End-use
b. Expert opinion
c. Statistical
d. Sample survey

12. In the demand function QDx = f {Px, Py, Y, E, …………. N, T}, Py implies …………
a. Price of the good for which demand for good is analyzed
b. Price of other goods
c. Price of substitutable good only
d. Price of complementary good only

13. The demand for a good is not determined by ……………
a. Demand for another good
b. Income of the consumer
c. Speculation
d. Government's policy

14. The AR or demand curve under Perfect Competition is ………………
a. Perfectly inelastic
b. Unit elastic
c. Perfectly elastic
d. Relatively elastic

15. The demand curve under Monopoly is …………….
a. Relatively inelastic

b. Unit elastic
c. Perfectly elastic
d. Relatively elastic

16. When the degree of price elasticity of demand is zero, the demand for good is……….
a. Unit elastic
b. Relatively elastic
c. Perfectly elastic
d. Perfectly inelastic

17. When the degree of price elasticity of demand is greater than one, the demand for a product is
…………
a. Unit elastic
b. Relatively elastic
c. Perfectly elastic
d. Perfectly inelastic

18. The demand for necessities is …………….
a. Unit elastic
b. Relatively inelastic
c. Perfectly elastic
d. Perfectly inelastic

19. The income elasticity is positive for …………….
a. Normal good
b. Giffen good
c. Inferior good
d. None of these

20. The cross elasticity of demand for substitutable goods is ………
a. Positive
b. Negative
c. Zero
d. Equal to one

21. When the demand for a good is relatively elastic, the fall in price leads to ………..
a. Increase in total revenue
b. Fall in total revenue
c. No effect on total revenue
d. Total revenue becomes zero

22. When the demand for a good is relatively inelastic, the rise in price leads to ………..
a. Increase in total revenue

b. Fall in total revenue
c. No effect on total revenue
d. Total revenue becomes zero

23. The demand forecasting is more useful in ……………..

a. Inventory Planning
b. Budgetary process
c. Monetary policy
d. Five-year planning

24. Demand forecasting is called passive, when the investigator is …………
a. Less active
b. Enthusiastic
c. More interested
d. Less interested

25. Which of the following is not among the steps of demand forecasting?
a. Determinants of demand
b. Identifying relevant data
c. Cost analysis
d. Choice of method

26. Which of the following is not the demerit of Delphi method?
a. This method is tedious and involves high costs
b. the method can prove to be faulty.
c. This method cannot give accurate idea about market behavior.
d. This method generates non-structured opinion

27. Sample survey method is a sub type of ……….
a. Statistical method
b. Expert Opinion method
c. Consumer survey method
d. Delphi method

28. Simulated Market Experimentation method of demand forecasting is also called as……………method
a. Mechanical
b. Clinic
c. End-use
d. Productive

29. Trend Analysis is a method which is based on............. for fitting a trend of the variables
a. time series data
b. fashion analysis
c. population growth
d. national income

30. Regression analysis is a type of .... method of demand forecasting.
a. Consumer survey
b. Expert opinion
c. Delphi
d. Statistical

31. Which of the following steps is not used in regression analysis?
a. Identification of variables.
b. Collection of historical data.
c. Choice of demand function
d. Inventory management

32. Consumer survey methods of demand forecasting include………..
a. Delphi method
b. Expert opinion method
c. End-use method
d. Regression analysis

33. Complete enumeration method is a type of ....of demand forecasting.
a. Survey method
b. Expert opinion method
c. Statistical method
d. Delphi method

34. Trend analysis is ....of demand forecasting
a. Survey method
b. Sample survey method
c. Statistical method
d. Time consuming method

35. Under which of the following methods of demand forecasting, all potential consumers are asked about the amount of the commodity they would like to buy?
a. Delphi
b. End-use
c. Complete enumeration
d. Consumer clinic

36. Which of the following methods of demand forecasting makes use of historical data and demand determinants?
a. market experiments
b. Consumer survey
c. End-use
d. statistical

37. If Qdx = 50 -10Px, then at price of Rs. 2/unit, the demand for the good is ……. units.
a. 30
b. 40
c. 10
d. 20

38. If Qdx = 50 -20Px, then at price of Rs. 2/unit, the demand for the good is ... …. units.
a. 20
b. 10
c. Zero
d. 70

39. If Total Revenue is 100 rupees and price of the product is Rs. 20/unit, then it means that theproducer has sold…….. units of the product.
a. 5
b. 10
c. 15
d. 4

40. Under Perfect Competition, if the price of the product is Rs.35 per unit, so theMarginal Revenue of the Product would be .... rupees
a. equal to 35
b. more than 35
c. less than Rs.35
d. 50

41. If one producer sells 25 units of a product, TR is Rs. 250,then average revenue of the product would be ………..
a. Rs. 10
b. Rs. 25
c. Rs. 50
d. Rs. 20

42. If one producer sells 10 units of a product, TR is Rs. 250, then average revenue of the product would be……….
a. 10
b. 20
c. 25
d. 50

43. When price of the product is Rs. 4, and if the Qx = 20 - 5Px the demand for the commodity wouldbe …………
a. Zero unit

b. 5 units
c. 10 units
d. 15 units

44. When price of a commodity changes by 10 % and the demand for the product changes by 5 %,then the price elasticity of demand will be ……….
a. 5
b. 0.5
c. 10
d. 1

45. When the cross elasticity of demand is greater than one, the goods are ………….
a. Complementary
b. Substitutable
c. Unrelated
d. Joint

46. If the supply function is Qsx = 30 + 40Px and price is Rs. 5/unit then the producer would sell.......... units
a. 70
b. 10
c. 230
d. 200

47. Under Perfect Competition when producer sells 500 units at the price of Rs 20, the averagerevenue would be.......
a. 10
b. 20
c. 30
d. 40

48. Demand curve under oligopoly is ………
a. Upward
b. Vertical
c. Kinked
d. Horizontal

49. Demand curve under Monopolistic Competition is ………
a. Horizontal
b. Vertical
c. Kinked
d. Relatively elastic

50. Under monopoly AR=……….
a. Price
b. MR
c. AC
d. MC

51. As per the geometric method the elasticity of demand at the center of the demand line is ....
a. One
b. Zero
c. Infinite
d. Less than one

MODULE-III: SUPPLY AND PRODUCTION DECISIONS

1. Short-run production function shows the functional relation between ………. for a short period.
a. Cost and revenue
b. Materials and matters
c. Inputs and output
d. Functions and equations

2. In the .... all factors or inputs become variable and no input is fixed.
a. Short run
b. long-run
c. law of variable proportions
d. law of diminishing marginal returns

3. The law of variable proportions is also called as……….
a. Law of diminishing marginal returns
b. Law of increasing marginal returns
c. Law of returns
d. Law of proportionate returns

4. The law of variable proportions depends on the assumption …………..
a. Heterogeneity of factor
b. Homogeneity of factor
c. Changing technology
d. Varied types of goods

5. In ....returns phase of the law of variable proportions, TP rises at an increasing rate, So MP and AP are rising.
a. Increasing
b. Decreasing

c. Constant
d. Returning

6. In ………phase of the law of variable proportions, TP rises as decreasing rate, so MP starts diminishing and AP rises.
a. Increasing returns
b. Decreasing returns
c. Constant returns
d. Returning

7. In which phase of the law of variable proportions, TP and AP are falling and MP becomes negative?
a. Increasing returns
b. Decreasing returns
c. Constant returns
d. Negative returns

8. Iso-quant measures the …………
a. Marginal Rate of Technical Substitution between labour and capital
b. Marginal Rate of Substitution between two goods
c. Marginal utility of money
d. Marginal Efficiency of capital

9. Iso-quant is always................ Sloping
a. Downward
b. Upward
c. Concave
d. Positive

10. Two iso-quants............. intersect each other
a. Can
b. Always
c. Do not
d. May

11. Iso-quants are ……… to each other.
a. Opposite
b. Not parallel
c. Parallel
d. Tangent

12. When IQ curve is concave, MRTS is ………..
a. Diminishing

b. Rising
c. Constant
d. Negative

13. Marginal rate of Technical Substitution is the ....of an IQ
a. Slope
b. Function
c. Curve
d. Price

14. ………..are the lines derived by joining the points on the isoquants where marginal product
of factors is zero.
a. Iso cost lines
b. Price lines
c. Ridge line
d. Bridge line

15. ………is defined as the locus or joining of the points of tangency between the isoquants and the iso cost lines.
a. Expansion path
b. Ridge line
c. Iso cost line
d. Price line

16. Economies of scale are the cost………..
a. Disadvantages
b. Structure
c. Analysis
d. Advantages

17. ………are the cost advantages enjoyed by the firm which expands its production.
a. Internal economies
b. External economies
c. Internal differences
d. Monopoly and power

18. …………is called the optimal combination of factor inputs or producer's equilibrium
a. Least-cost Factor Combination
b. List of cost and factors
c. Linear cost function
d. Law of variable proportions

19. Negative slope of an Iso-quant is due to………..
a. Diminishing MRTS of labour and capital
b. Rising MRS
c. Rising MRTS
d. Negative marginal cost

20. ………IQ assumes zero substitutability of factors of production.
a. Left sided
b. Right angled
c. Downward
d. Concave

21. ………isoquant assumes limited substitutability of capital and labor.
a. Kinked isoquant
b. Right angled
c. Downward
d. Convex

22. ………..refers to the lowering of the cost of production of a multi-product firm.
a. economizing
b. Economies of scope
c. MRTS
d. Optimality

23. Technical economies are the examples of.................. economies of scale.
a. Production
b. Managerial
c. By-product
d. Inventory

24. ………economies are enjoyed by all firms in the industry.
a. External
b. Internal
c. Closed
d. Open

25. Internal economies are enjoyed by ………..
a. Firm which is expanding its scale of output
b. Firm which is not expanding its output
c. All firms in the industry
d. Only industry

26. Development of transportation and marketing facilities are .... economies.
a. External
b. Internal
c. Micro
d. Firm’s

27. According to IQ analysis, the firm maximizes its profit, when the .... is equal to the
price ratio of labor and capital.
a. MRTS of labour and capital
b. MRS of land and labour
c. MRTS of all costs
d. MRS of two goods

28. ……………shows all the possible combinations of labor and capital that can produce different levels of production
a. Demand schedule
b. Supply schedule
c. Iso-quant map
d. Ridge line

MODULE-IV: COST OF PRODUCTION

1. ………. cost is the cost of the resources owned by the firm itself, it is incurred but not paid.
a. Implicit
b. Explicit
c. Recurring
d. Variable

2. ……. cost incurred on factor inputs for the production and paid to the factors of production.
a. Explicit
b. Implicit
c. Social
d. Historical

3. ……….. is imputed cost or opportunity cost of resources owned by entrepreneur himself.
a. Implicit
b. Explicit
c. Replacement
d. Social

4. …….. is the cost which is actually incurred plus the cost of resources which are owned by the firm itself.

a. Economic
b. Accounting
c. Historical
d. Replacement

5. ……….. is the actual expenditure of the firm which is incurred and paid.

a. Accounting cost
b. Variable cost
c. Fixed cost
d. Social cost

6. It is the cost incurred by the society without engaging in actual production.

a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

7. It is the cost which is incurred by the firm which is engaged in the production.

a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

8. Negative externalities, like pollution are the examples of ……..

a. Social cost
b. Private cost
c. Multiple cost
d. Replacement cost

9. ……… includes both explicit and implicit costs.

a. Private cost
b. Social cost
c. Original cost
d. New cost

10. ……is the cost of an asset at the time of its creation.

a. Replacement
b. Social
c. Historical Cost
d. Private

11. When a firm incurs diseconomies of scale, the average cost ……..
a. Rises
b. Falls
c. Remains constant
d. Become zero

12. When a firm enjoys economies of scale, the average cost …………
a. Rises
b. Falls
c. Remains constant
d. Become zero

13. ……. cannot be recovered.
a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

14. In the short-run average fixed cost is ……….
a. Rectangular hyperbola
b. L-shaped
c. U-shaped
d. V-shaped

15. LAC curve is also called as……curve.
a. V-shaped
b. Learning
c. Ridge
d. Planning

16. An increase in fixed cost leads to.........in break-even sales
a. Increase
b. Stability
c. No change
d. Decrease

17. An increase in price, leads to …….in break-even sales.
a. Increase
b. Stability
c. No change
d. decrease

18. A decrease in variable cost leads to………….. in break-even sales.
a. Increase
b. Stability
c. No change
d. Decrease

19. A decrease in fixed cost leads to…... in break-even sales.
a. Increase
b. Stability
c. No change
d. Decrease

20. A firm is at break-even point when……………
a. TR > TC
b. TR < TC
c. TR = TC
d. AC = AR

21. At break-even point, the price is equal to ...... ……. cost
a. Total
b. Average
c. Marginal
d. Variable

22. If Total Fixed Cost is Rs. 40,000, Price per unit is Rs. 200 and Average Variable cost is Rs. 120. Then what will be break-even output/quantity?
a. 200 units
b. 300 units
c. 400 units
d. 500 units

23. If break-even output/quantity is 500 units and price per unit is Rs. 200, then what will be total revenue?
a. 1 Lakh
b. 2 Lakh
c. 3 Lakh
d. 4 Lakh