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Department of Economics

MCQs for SYBA – Sem III

Microeconomics II (Old Syllabus 2019-20 Batch)

Module 1 – Utility Analysis

1. Alfred Marshall introduced approach of _______utility.
   a. Cardinal
   b. Ordinal
   c. Form
   d. Time

2. ________is the base of demand.
   a. Price
   b. Income
   c. Utility
   d. Quality

3. __________ of Paul Samuelson makes a distinction between strong ordering and weak ordering.
   a. The law of demand
   b. The law of supply
   c. The law of diminishing marginal utility
   d. The revealed preference theory

4. Paul Samuelson's theory of __________ is based on strong ordering.
   a. Demand
   b. Supply
   c. Revealed preference
   d. Utility

5. __________ analysis is an example of weak ordering.
   a. Indifference curve
   b. Utility
   c. Demand
   d. Supply

6. In economic analysis, a consumer is assumed to be rational when he attempts to maximize __________.
   a. Consumption

b. Production
c. Satisfaction
d. Utility

7. In economic analysis, a producer is assumed to be rational when he attempts to maximize __________.
   a. Income
   b. Consumption
   c. Investment
   d. Profit

8. An indifference curve measures the same level of ________ derived from the different combinations of two commodities say X and Y.
   a. Production
   b. Consumption
   c. Satisfaction
   d. Utility

9. An Indifference curve analysis is an example of ________utility approach.
   a. Cardinal
   b. Ordinal
   c. Form
   d. Place

10. An indifference curve analysis was developed by ________.
    a. Smith and Ricardo
    b. Marshall and Pigou
    c. Allen and Hicks
    d. Mundell and Fleming

11. An indifference curve analysis is applicable only to _________goods.
    a. Substitute
    b. Complementary
    c. Giffen
    d. Capital

12. Consumer's equilibrium was explained by _______ through utility analysis.
    a. Adam Smith
    b. Alfred Marshall
    c. David Ricardo
    d. J.M. Keynes

13. The concept of scale of preference is basis of consumer's ________
    a. Surplus

b. Choices
c. Demand
d. Income

14. An indifference curve slopes _______ from left to right.
a. Upward
b. Downward
c. Vertical
d. Horizontal

15. The ________slope of an indifference curve implies that when a consumer has more if one commodity (X), he gets less of another commodity (Y).
a. Vertical
b. Horizontal
c. Upward
d. Downward

16. An indifference map consists of a set of ______
a. Indifference curves
b. Demand curves
c. Supply curves
d. Cost curves

17. An indifference curve must be ______to the origin.
a. Convex
b. Concave
c. Straight
d. Kinked

18. The necessary condition of consumer's equilibrium is ________
a. MRS xy > Px/Py
b. MRS xy < Px/Py
c. MRS xy = Px/Py
d. MRS xy ≠ Px/Py

19. Convexity of Indifference curve implies ________Marginal Rate of Substitution (MRS).
a. Increasing
b. Diminishing
c. Constant
d. Zero

20. In indifference curve analysis, the price line is also known as _____ line.
a. Income
b. Consumption

c. Budget
d. Investment

21. Price line shifted to left side or right side due to change in _________.
 a. Consumer's income
 b. Prices of commodities
 c. Investments
 d. Savings

22. Slope of price line changes due to change in___________.
 a. Consumer's income
 b. Prices of commodities
 c. Investments
 d. Savings

23. The tangency between indifference curve and price line shows _________
 a. Consumer's surplus
 b. Consumer's equilibrium
 c. Consumer demand
 d. Consumer budget

24. In indifference curve analysis, the necessary condition for consumers' equilibrium is _______.
 a. MRSxy = Px
 b. MRSxy = Py
 c. MRSxy = Px / Py
 d. MRSxy = Px – Py

25. In indifference curve analysis, the sufficient condition for consumers' equilibrium is, at the point of tangency indifference curve must be _______to the origin.
 a. Upward
 b. Convex
 c. Concave
 d. Horizontal

26. Income effect refers to a change in consumer's equilibrium when his _______alone changes and all other things remains constant.
 a. Price
 b. Taste
 c. Income
 d. Demand

27. An inferior good is one, the consumption of which ________ as income increases.
 a. Increases

b. Decreases
c. Remains constant
d. Becomes zero

28. If a commodity is normal, income effect will be________.
    a. Positive
    b. Negative
    c. Zero
    d. Constant

29. In case of inferior good, ICC slopes ________.
    a. Upward
    b. Downward
    c. Horizontal
    d. Either to left or right

30. When demand for a commodity increases with an increase in income, it's called ______ commodity.
    a. Giffen commodity
    b. Normal commodity
    c. Inferior commodity
    d. Luxurious commodity

31. _________ effect refers to the tendency of a consumer to consume more of a one good when its relative price falls and to consume less of that good when its relative price increases.
    a. Income
    b. Price
    c. Substitution
    d. Consumption

32. An upward sloping PCC indicates _______ price effect.
    a. Positive
    b. Neutral
    c. Negative
    d. Zero

33. A backward sloping PCC indicates _______ price effect.
    a. Positive
    b. Neutral
    c. Negative
    d. Zero

34. ______ situation arises when both price effect and income effect on commodity are negative.
    a. Depression

b. Giffen paradox
c. Inflation
d. Recession

35. ____________Effect = Income Effect + Substitution Effect
a. Price
b. Consumption
c. Production
d. Combine

Module II – Production Analysis

1. production function refers to
    a. the input output relationship in the process of production
    b. the technological impact
    c. the technology and other resources in operation
    d. the production method

2. In the short- run production function
    a. all factors are variable
    b. there exist some fixed factors only
    c. output varies with variable factors
    d. there is short time for change

3. In long run production function
    a. Production level can be increased infinitely
    b. All factors are variable
    c. Everything can be changed
    d. Production level refers to period of 10 years above

4. In law of variable proportion, when the total production is maximum
    a. Average product is maximum
    b. Marginal product is maximum
    c. Marginal product is equal to average product
    d. Marginal product is zero

5. In law of returns to scale, increasing return to scale means:
    a. Marginal product s constant
    b. Proportion of change in output is exceeding the proportion of change in input
    c. The marginal product curve is declining
    d. Excellent management
6. The slope of an iso-quant refers to the measurement of
    a. The marginal rate of technical substitution
    b. The marginal physical product of labour

c. The efficiency of capital
d. Marginal rate of substitution

7. 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

8. 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

9. 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
   a. Law of proportionate returns

10. 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

11. In............ phase of the laws of returns to scale, TP rises at an increasing rate, also MP and AP are rising.
   a. Increasing
   b. Decreasing
   c. Constant
   d. Returning

12. In ………phase of the laws of returns to scale, TP rises as decreasing rate because MP starts diminishing, but AP rises.
   a. Increasing returns
   b. Decreasing returns
   c. Constant returns
   d. Returning

13. In this phase of the laws of returns to scale, TP and MP are falling. MP is negative
   a. Increasing returns
   b. Decreasing returns

c. Constant returns
d. Negative returns

14. 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

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

16. Two iso-quants .... intersect each other
    a. Can
    b. Always
    a. Do not
    b. May

17. When IQ curve is concave, MRTS is ………..
    a. Diminishing
    b. Rising
    c. Constant
    d. Negative

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

19. ……….. 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

20. .... 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

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

22. .... isoquant assumes perfect substitutability of capital and labor.
    a. Kinked
    b. Right angled
    c. linear
    d. Convex

23. .... isoquant assumes zero substitutability of capital and labor.
    a. Kinked
    b. Right angled
    c. linear
    d. Convex

24. Isoquant have _______slope.
    a. Negative
    b. Positive
    c. Vertical
    d. Horizontal

25. Higher the isoquant, higher will be the level of ________.
    a. Satisfaction
    b. Consumption
    c. Output
    d. Investment

26. Isoquant _______touch either axis.
    a. Can
    b. Cannot
    c. May be
    d. Always

27. ________ line shows various combinations of labour and capital that the firm could buy for a given amount of money at the given factor prices.
    a. Price
    b. Budget
    c. Iso-cost

d. Revenue

28. Iso-cost line shifted to left side or right side due to change in _________.
    a. Producer's income
    b. Prices of commodities
    c. Investments
    d. Savings

29. Slope of iso-cost line changes due to change in___________.
    a. Consumer's income
    b. Prices of factors of production
    c. Investments
    d. Savings

30. The tangency between iso-quant and iso-cost line shows _________
    a. Producer's surplus
    b. Producer's equilibrium
    c. Producer's demand
    d. Producer's budget

31. In production analysis, the necessary condition for producer's equilibrium is _______.
    a. MRSxy = Px
    b. MRSxy = Py
    c. MRTS LK = PL / PK
    d. MRSxy = Px – Py

32. In production analysis, the sufficient condition for producer's equilibrium is, at the point of tangency isoquant must be _______to the origin.
    a. Upward
    b. Convex
    c. Concave
    d. Horizontal

33. The total amount of output produced is called____.
    a. Total supply
    b. Total product
    c. Average product
    d. Marginal Product

34. Average Product = _____________
    a. Total Product/ Output
    b. Marginal Product / Output
    c. Total Product / Price

d. Marginal Product / Price

35. Marginal Product = __________
a. TUn - TUn-1
b. TPn – TPn-1
c. TCn – TCn-1
d. TRn – TRn-1

Module III – Costs and Revenue

1. The fundamental difference between economic cost and accounting cost is_______.
   a. Conditional
   b. Psychological
   c. Academic
   d. Implicit and explicit

2. Fixed cost refers to
   a. Contractual payment
   b. Labour costs
   c. Out of pocket expenses
   d. Business payment

3. At zero level of output, total cost of a firm is
   a. Equal to zero
   b. Equal t variable cost
   c. Equal to total contractual payment
   d. Equal to marginal cost

4. When average cost is maximum
   a. Marginal cost minimum
   b. Marginal cost is equal to average cost
   c. Marginal cost is also maximum
   d. total is minimum

5. In long-run_________
   a. All cost are variable
   b. Costs are divided into fixed and variable cost
   c. Cost tends to constant
   d. Shape of LAC is always ‘L’

6. _________is the cost that has already been incurred and which cannot be recovered.
   a. Fixed cost
   b. Sunk cost

c. Private cost
d. Social cost

7. Fixed cost is regarded as___ _____cost.
   a. Unavoidable
   b. Variable
   c. Avoidable
   d. Sunk

8. Electricity charges, sales tax etc. are example of ________cost.
   a. Fixed
   b. Variable
   c. Private
   d. Social

9. _____is not related to the level of output
   a. Total cost
   b. Total variable cost
   c. Total fixed cost
   d. Average cost

10. _____is obtained by dividing TC by the level of output produced:
    a. Average fixed cost
    b. Average variable
    c. Total fixed cost
    d. Average total cost

11. A firm's _____is the sum of total fixed cost and total variable cost at each level of output:
    a. Average fixed cost
    b. Average variable cost
    c. Total cost
    d. Average total cost

12. The LAC curve is also referred as____.
    a. Envelope curve
    b. Supply curve
    c. Demand curve
    d. Utility curve

13. The rent of a factory is an example of____.
    a. Variable cost
    b. Fixed cost
    c. Total Cost
    d. Marginal Cost

14. Which of the following curves is used for the planning?
    a. SAC
    b. SMC
    c. LAC
    d. LMC

15. The reduction in cost due to increase in efficiency is referred as_____.
    a. Income effect
    b. Price effect
    c. Learning curve effect
    d. Substitution effect

16. The downward slope of LAC curve is subject to the_____.
    a. Internal economies
    b. Economies and diseconomies
    c. Internal diseconomies
    d. External diseconomies

17. _____cause LAC curve to rise
    a. Internal economies
    b. Economies and diseconomies
    c. External diseconomies
    d. External economies

18. The learning curve slopes downward showing a______ cost per unit of output:
    a. Increasing
    b. Declining
    c. constant
    d. zero

19. ___________ 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

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

21. 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

22. Negative externalities, like pollution are the examples of _______.
a. Social cost
b. Private cost
c. Multiple cost
d. Replacement cost

23. _____________ includes both explicit and implicit costs.
a. Private cost
b. Social cost
c. Original cost
d. New cost

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

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

26. _________ cannot be recovered.
a. private cost
b. Social cost
c. Replacement cost
d. Sunk cost

27. ________is the additional cost in the production process.

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

28. ___________ are the examples of fixed costs.
a. Rent and interest
b. Wages and salaries
c. Raw material cost
d. Profit and perks

29. _________is/are the example of variable cost.
a. Rent
b. Interest
c. Wages
d. Land charges

30. ___________consist of both fixed and variable costs.
a. Short-run costs
b. Long-run costs
c. Rent on inputs
d. Interest on loans

31. In the long run, all costs are ________.
a. Constant
b. Fixed
c. Variable
d. Same

32. Short run Average Cost curve is _________ Shaped
a. L shaped
b. U shaped
c. V shaped
d. W shaped

33. Long-run Average Cost curve is also called as _______.
a. Planning curve
b. Expansion curve
c. Diminishing curve
d. Utility curve

34. _________refers to the receipts obtained by a firm or a seller from the sale of certain quantity of a commodity.
a. Cost

b. Revenue
c. Demand
d. Supply

35. Total Revenue = ___________
   a. Price x Quantity
   b. Price x Average Cost
   c. Price/ Quantity
   d. Price + Average Cost

36. Under Perfect competition________.
   a. AR > MR
   b. AR < MR
   c. AR = MR
   d. AR + MR

37. Under imperfect competition _________.
   a. AR > MR
   b. AR < MR
   c. AR = MR
   d. AR + MR

38. Average Revenue = _____________.
   a. Marginal revenue/ Output
   b. Total revenue / Output
   c. Total revenue / Price
   d. Marginal revenue / Price

<u>Module IV – Competitive markets</u>

1. Under perfect competition there is/are ________ number of sellers.
   a. One
   b. Two
   c. Few
   d. Large

2. Following are the feature of perfect competition except
   a. Price maker
   b. Homogenous products
   c. Free entry and exit
   d. Government intervention

3. Perfect competition assumes_______ commodities.

a. Homogeneous
b. Different
c. Heterogeneous
d. Variety of

4. Under perfect competition, if price will lower than average total cost there will be_____.
   a. Shut down point
   b. Equilibrium point
   c. Loss point
   d. Profit point

5. The demand curve for a firm under perfect competition is______.
   a. Vertical
   b. Horizontal
   c. Downward sloping
   d. Upward sloping

6. Under perfect competition, the firm is in equilibrium when.
   a. MR=MC
   b. MC curve should cut MR curve from below
   c. Both (a) and (b)
   d. MR > MC

7. When AR=MR=MC=AC the firm will get_____ profit.
   a. Normal
   b. Both a and b
   c. Supernormal
   d. None of these

8. Under perfect competition, equilibrium in an industry is established when the______.
   a. LMC = LMR
   b. Price > LAR = LAC
   c. Long run industry demand and supply are different
   d. LAC > LMR

9. Firm's under perfect competition are:
   a. Profit seekers
   b. Price takers
   c. Price setter
   d. Price leader

10. A price taker competitive firm
    a. Accept price administered by government
    b. Can influence the market price

c. Accepts the prevailing market price
d. Shutdown the business when price is below the costs

11. Which of the following comes closer to economic definition of perfect competition?
    a. Mc Donald’s
    b. Air Asia
    c. Stock exchange
    d. Indian railway

12. Following are the features of perfect competition except
    a. Identical goods
    b. Large number sellers
    c. Advertising
    d. Free entry

13. The demand curve for the firm under perfect competition is
    a. Relatively elastic
    b. Relatively Inelastic
    c. Perfectly elastic
    d. Perfectly inelastic

14. A competitive firm maximizes profits by producing output
    a. To the level of MR = MC
    b. Equality MR=TFC
    c. Equally price with average cost
    d. MR < MC

15. Price x quantity =
    a. Average revenue
    b. Marginal revenue
    c. Total revenue
    d. Equilibrium

16. When TR > TC , there is ________
    a. Shut down point
    b. normal profit
    c. Super normal profit
    d. Negative profit

17. _____is a situation of no profit no loss.
    a. Super normal profit
    b. Normal profit
    c. Both a and b
    d. None of the above

18. TC < TR implies:
    a. Loss zone
    b. Profit zone
    c. Super normal zone
    d. None of the above

19. Price under perfect competition is determined by total demand and total ____.
    a. Cost
    b. Supply
    c. Revenue
    d. Income

20. Price under perfect competition is equal to _______.
    a. Total cost
    b. Total revenue
    c. Marginal cost
    d. Average revenue

21. Short run supply curve under perfect competition is the marginal cost curve above____.
    a. SAVC
    b. AC
    c. AR
    d. MR

22. In the long run market supply curve is _______.
    a. Vertical
    b. Upward sloping
    c. Horizontal
    d. Downward

23. In the long run, a firm under perfect competition usually earns ________.
    a. Supernormal profit
    b. Normal profit
    c. Negative Profit
    d. Loss

24. A profit maximizing firm will shut down in the short run when____
    a. Price < Average variable cost
    b. Price < Average Total Cost
    c. Average revenue > Marginal Cost
    d. Average revenue > Average fixed cost

25. The concept of consumer's surplus is explained by _______

a. Adam smith
b. Alfred Marshall
c. David Ricardo
d. Joan Robinson

26. When price is less than marginal utility, consumer surplus is ______
a. Positive
b. Zero
c. Negative
d. One

27. Consumer surplus is equal to_______
a. Total Utility – Price
b. Total Utility – Total expenditure
c. Total utility – Marginal Utility
d. Total utility – average utility

28. Consumer’s surplus indicates following type of welfare________.
a. Economic
b. Social
c. Government
d. Political

29. Which of the following is the assumption on which consumer surplus is explained?
a. Ordinal measurement of utility
b. Utility of money falls
c. Consumer’s income changes
d. Cardinal measurement of utility

30. Producer’s surplus is the difference between _____
a. The marker price and the minimum price which a seller is willing to sell
b. TR and TC
c. AC and AR
d. MC and MR

31. If price increases, producer’s surplus______
a. Increases
b. Decreases
c. Remains constant
d. Becomes zero

32. Economic Efficiency attained at a point where
a. Producers Surplus > Consumer’s Surplus
b. Producers Surplus = Consumer’s Surplus

c. Producers Surplus < Consumer’s Surplus
d. Producers Surplus + Consumer’s Surplus