

PRACTICE PAPER - 30

1. "Economics is the science, which studies human behaviour as a relationship between ends and scarce means which have alternative uses." These lines can be attributed to
 - (a) Lionel Robbins
 - (b) Samuelson
 - (c) Alfred Marshall
 - (d) Kuznets
2. "Economics is what economists do" was stated by
 - a) Adam smith
 - b) Alfred marshall
 - c) R.w.souter
 - d) Jacob viner
3. The total area under the demand curve of a good, measures
 - (a) marginal utility
 - (b) total utility
 - (c) consumer's surplus
 - (d) producer's surplus
4. The law of Demand refers to
 - (a) Price-supply relationship
 - (b) Price-cost relationship
 - (c) Price-demand relationship
 - (d) Price – income relationship
5. If cross-elasticity of one commodity for another turns out to be zero, it means they are-
 - (a) Close complements
 - (b) Good complements
 - (c) Completely unrelated
 - (d) None of these
6. Match the following and choose the correct answer

A. Ricardo	1. Wealth definition
B. Adam Smith	2. Growth definition
C. Robbins	3. Scarcity definition
D. Samuelson	4. Welfare definition
E. Marshall	

 - (a) A1, B1, C3, D2 and E4
 - (b) A2, B2, C1, D3 and E4
 - (c) A3, B3, C2, D3 and E4
 - (d) A1, B2, C3, D4 and E4
7. In which type of product, demand elasticity is negative
 - (a) Normal
 - (b) Giffen
 - (c) Inferior
 - (d) Luxury
8. The fundamental economic problem being faced is one of
 - a) Difference in the living standard of the people
 - b) Decision – making by the government
 - c) Multiplicity of wants and scarcity
 - d) Shortage of labour
9. In a typical demand schedule, quantity demanded
 - (a) Varies directly with price
 - (b) Varies proportionately with price
 - (c) Varies inversely with price
 - (d) Is independent of price
10. A high value of cross-elasticity indicates that the two commodities are-
 - (a) Very good substitutes
 - (b) Poor substitutes
 - (c) Good complements
 - (d) Poor complements
11. Who coined the terms Microeconomics and Macro economics?
 - (a) Irving Fisher
 - (b) Ragnar Frisch
 - (c) Ragnar Nurkse
 - (d) Rangnekar
12. A.K. Sen was awarded the Noble Prize for his contribution to
 - (a) Monetary economics
 - (b) Welfare economics
 - (c) Econometrics
 - (d) Development economics
13. The Historical School was based on
 - (a) Deductive method
 - (b) Inductive method
 - (c) Both of the above
 - (d) None of the above
14. Normally when price per unit of a good falls, its
 - (a) Quantity demanded increases
 - (b) Quantity demanded decreases
 - (c) Quantity demanded remains constant
 - (d) None of these happens



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- 15. The vertical demand curve for a commodity shows that its demand is-**
 (a) Highly elastic (b) Perfectly elastic
 (c) Fairly elastic (d) Moderately elastic
- 16. Economic models are**
 (1) abstractions on the basis of certain consistent assumptions
 (2) presupposes iso-morphism
 (3) constructed for analysis and prediction
 (4) used to derive certain laws
 (a) 1, 2 and 3 only
 (b) 1, 2, 3 and 4 only
 (c) 2, 3 and 4 only
 (d) 1 and 2 only
- 17. An event, whose occurrence can't be calculated is called**
 (a) Risk (b) Certainty
 (c) Ignorance (d) Uncertainty
- 18. The book 'Affluent Society' was written by**
 (a) Jacob Viner
 (b) Ragnar Nurkse
 (c) K. E. Boulding
 (d) J. K. Galbraith
- 19. A fall in the price of a commodity leads to**
 (a) A shift in demand
 (b) A fall in demand
 (c) A rise in consumers real income
 (d) A fall in the consumers real income
- 20. If more is demanded at the same price or the same quantity is demanded at a higher price, this is known as-**
 (a) Extension of demand
 (b) Contraction of demand
 (c) Increase in demand
 (d) Decrease in demand
- 21. An 'Industry' in Economics means a group of firms producing**
 (a) homogeneous products
 (b) close substitutes
 (c) close substitutes and having similar process of production
 (d) none of the above
- 22. In case of concave production function, equilibrium will take place at the point of**
 (a) Tangency (b) Corner solution
 (c) Non soluble (d) Indeterminate
- 23. The meaning of the word 'economic' is most closely connected with the word**
 a) Extravagant
 b) Scarce
 c) Unlimited
 d) Restricted
- 24. Demand schedule is shown as**
 (a) A result of increase in the size of the family
 (b) A result of change in state
 (c) A function of price alone
 (d) None of these
- 25. Utility may be defined as-**
 (a) The power of a commodity to satisfy wants
 (b) The usefulness of a commodity
 (c) The level of satisfaction given by a commodity
 (d) The desire for a commodity
- 26. Allocation of resources in a market economy is guided by**
 (a) government
 (b) preference of consumers
 (c) planning mechanism
 (d) none of the above
- 27. A theory is –**
 a) An assumption
 b) An "if – then proposition
 c) A hypothesis
 d) A validated hypothesis
- 28. The function refers to-**
 a) The demand for a commodity
 b) The supply of a commodity
 c) The demand and supply of a commodity
 d) The relationship between one dependent variable and one or more independent variables

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29. Market demand for any good is a function of the

- (a) Price per unit of the good
- (b) Price per unit of other goods
- (c) Income of consumers
- (d) All of the above

30. The economic analysis expects the consumer to behave in a manner which is

- (a) Rational
- (b) Irrational
- (c) Emotional
- (d) Indifferent

31. Macroeconomics and Microeconomics are concerned with

- (a) utilisation of resources and resources allocation respectively
- (b) allocation of resources and resources utilisation respectively
- (c) saving of resources and productivity of resources respectively
- (d) all the above

32. Co-efficient of price elasticity of demand between two points on the demand curve is called

- (a) Point elasticity
- (b) Arc elasticity
- (c) Line elasticity
- (d) None of the above

33. Theory of Moral Sentiments was written by

- (a) M. W. Senior
- (b) J. S. Mill
- (c) Adam Smith
- (d) J. M. Keynes

34. The demand curve for a commodity is generally drawn on the assumption that

- (a) The commodity has no substitutes
- (b) Tastes, income and all other prices remain constant
- (c) The average house hold consists of two persons
- (d) Purchases of the commodity are made by a free market

35. The economically relevant range of the total utility curve is the portion over which-

- (a) The total utility is rising at a declining rate
- (b) The total utility is rising at an increasing rate
- (c) The total utility is maximum and constant
- (d) The total utility is declining

36. Society faces economic problems because of

- (a) scarcity
- (b) affluence
- (c) both scarcity and affluence
- (d) none of the above

37. The elasticity of technical substitution is measured by

- (a) Slope of isoquant
- (b) Slope of isocost line
- (c) Ratio of factor inputs
- (d) None of the above

38. subject matter of micro- economics may be found

- a) The nature of value in exchange
- b) The size of a country's national income
- c) The allocation of resources among competing uses
- d) The relative prices of specific services

39. A typical demand curve cannot be

- (a) Convex to the origin
- (b) A straight line parallel to y-axis
- (c) A straight line parallel to x-axis
- (d) Rising upwards to the right

40. After reaching the saturation point, consumption of additional units of the commodity cause-

- (a) Total utility to fall and marginal utility to increase
- (b) Total utility and marginal utility both to increase
- (c) Total utility to fall and marginal utility to become negative
- (d) Total utility to become negative and marginal utility to fall

41. Economic static means

- (a) a motionless state
- (b) functional relationship between any two variables at a point of time
- (c) absence of state of balance
- (d) functional relationship between any two variables over a of time

42. If, by increasing the quantity of labour used by one unit, the firm can give up 2 units of capital and still produce the same output, then the $MRTS_{LK}$ is

- (a) 1/2
- (b) 2
- (c) 1
- (d) 4



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- 43. The Works and Correspondence of David Ricardo in ten volumes was written by**
 (a) Charles Newman (b) J. M. Keynes
 (c) Piero Sraffa (d) None of these
- 44. When the law of demand operates the demand curve**
 (a) Slopes downward from left to right
 (b) Slopes upward from left to right
 (c) Slopes upward from right to left
 (d) Parallel to horizontal axis
- 45. Which of the following concepts are most closely associated with Alfred Marshall?**
 (a) Marginal utility theory
 (b) Price mechanism under monopoly
 (c) Modern theory of wage
 (d) Interest theory
- 46. Economic problem arises when**
 (a) wants are unlimited
 (b) means to achieve wants are limited
 (c) means have alternative uses
 (d) all the above (together)
- 47. Short run total cost can never be less than long run total cost**
 (a) Always true (b) Often true
 (c) Never true (d) Sometime true
- 48. Natural demise of capitalism was predicted by**
 (a) Karl Marx (b) Joseph Schumpeter
 (c) J. S. Mill (d) Charles List
- 49. For most consumers apples and oranges are substitutes goods. Therefore we would expect a rise in the price of apples to lead to**
 (a) A right ward shift in the demand curve of oranges
 (b) A left ward shift in the supply curve of apples
 (c) A downward change in the demand curve of oranges
 (d) A fall in the price of oranges
- 50. The law of Equi-Marginal utility states-**
 (a) $MU_x \cdot P_x = MU_y \cdot P_y = MU_z \cdot P_z$
 (b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z} = MU_m$
 (c) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z} > MU_m$
 (d) $\frac{MU_x}{P_x} < \frac{MU_y}{P_y} = \frac{MU_z}{P_z} < MU_m$
- 51. Which of the following is not wealth?**
 (a) Inventory
 (b) Reputation of a firm
 (c) Factory building
 (d) Water in river
- 52. Sellers are myopic about their demand curve in case of**
 (a) Perfect competition
 (b) Monopolistic competition
 (c) Oligopoly (d) Monopoly
- 53. Revolutionary overthrow of capitalism was predicted by**
 (a) H. Taylor (b) Jeremy Bentham
 (c) Karl Marx (d) Bohn-Bawerk
- 54. 'Ceteris paribus' clause in the Law of Demand does not mean**
 (a) The price of the commodity does not change
 (b) The price of its substitutes does not change
 (c) The income of the consumer does not change
 (d) The price of complementary goods does not change
- 55. Law of diminishing Marginal utility states**
 (a) Total utility diminishes with the consumption of every additional unit
 (b) Utility always diminishes whether something is consumed or not
 (c) Utility first increases and after that diminishes at every point
 (d) The additional benefit which a person derives from a given increase of his stock of a thing diminishes with every increase in stock that he already has
- 56. "Concentrating on decisions in a particular segment of the economy in isolation of what is happening in other sectors, under ceteris paribus assumption" is**
 (a) neutral equilibrium
 (b) static equilibrium
 (c) general equilibrium
 (d) partial equilibrium
- 57. In case of Cournot model, each firm will assume that the other firm will hold its constant**
 (a) Price
 (b) Advertising
 (c) Output
 (d) None of the above



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58. Profit is earned by

- (a) Worker (b) Landlord
(c) Entrepreneur (d) None of these

59. Which of the following could provide an example of exceptional demand curves?

- (I) Demand for "Giffen goods"
(II) Demand based on fears of a future rise in prices
(III) Demand for second-hand clothes
(IV) Demand for daily newspapers
- (a) I only (b) I and II
(C) II and III (d) I, II, III and IV

60. Marginal utility (MU) curve is always-

- (a) Rising (b) Falling
(c) Parallel to x-axis (d) Parallel to y-axis

61. "A state in which all markets and all decisionmaking units are in simultaneous equilibrium" it is

- (a) simultaneous equilibrium
(b) multiple equilibrium
(c) general equilibrium
(d) real equilibrium

62. Micro – economics deals primarily with

- a) Comparative statics, general equilibrium and positive economics
b) Concerns itself only with hypothesis which can generally be tested
c) Dynamic, partial equilibrium and positive economics
d) Comparative statics, partial equilibrium and positive economics

63. Supply curve is the relation between supply and

- (a) Demand
(b) Price
(c) Factors of production
(d) None of the above

64. Which one of the following is true increase of normal goods?

- (a) When Price increases, demand decreases
(b) When Price increases, demand also increases
(c) When Price remains constant, demand falls down
(d) When Price falls down, demand remains constant

65. The total utility is maximum when-

- (a) M.U. is zero
(b) A.U. is the highest
(c) M.U. is the highest
(d) M.U. is equal to A.U.

66. Match the following:

- | | |
|-----------------------|---|
| A. Stable equilibrium | 1. Excess demand becomes zero at more than one price. |
| B. Unstable | 2. Initial disturbances bring original situation |
| C. Neutral | 3. Initial disturbance equilibrium move it to the new position. |
| D. Multiple | 4. The system oscillates equilibrium around a position |

- (a) A1, B2, C3 and D4
(b) A4, B3, C2 and D1
(c) A1, B4, C2 and D3
(d) A2, B3, C4 and D1

67. Conditions under which the solution to a general equilibrium model can be said to be optimal is studied under

- (a) Welfare economics
(b) Public finance
(c) Econometrics
(d) Monetary economics

68. Adam Smith advocated

- (a) Laissez Faire (b) Division of labour
(c) Both of these (d) None of these

69. An exceptional demand curve is one that slopes:

- (a) Upwards to the right
(b) Downwards to the right
(c) Upwards to the left
(d) Horizontally

70. The falling part of a TU curve show-

- (a) Increasing marginal utility
(b) Decreasing marginal utility
(c) Zero marginal utility
(d) Negative marginal utility

71. An equilibrium is unique if

- (a) excess supply is greater than the actual demand
(b) excess demand is zero at only one point
(c) excess demand is zero at two different points
(d) none of the above



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72. The transformation curve is derived from

- (a) Consumption curve
- (b) Utility possibility curve
- (c) Social welfare function
- (d) Production contract curve

73. Causes of differential rent was explained by

- (a) David Ricardo
- (b) Malthus
- (c) J. S. Mill
- (d) Adam Smith

74. When there is decrease in demand the demand curve-

- (a) Moves downwards towards the axis
- (b) Moves upwards away from the axis
- (c) Remains unchanged
- (d) None of the above

75. MU of nth unit is found by the following formula-

- (a) $\frac{TU}{n}$
- (b) $TU \cdot n$
- (c) $TU_n - TU_{(n-1)}$
- (d) $TU + n$

76. Which of the following is not an economic problem?

- (a) Deciding between extra paid work and leisure
- (b) Deciding between expenditure on one good and another good
- (c) Deciding between allocation of income to saving and consumption
- (d) Deciding between different ways of spending leisure

77. Micro –economic theory studies how a free-enterprise economy determines

- a) The price of goods
- b) The price of service
- c) The price of economic resources
- d) All of the above

78. Quasi rent was popularised by

- (a) Pigou
- (b) Pareto
- (c) Marshall
- (d) Robinson

79. Two goods have to be consumed simultaneously are

- (a) Identical
- (b) Complementary
- (c) Substitutes
- (d) None of these

80. Total utility curve is-

- (a) Concave to x-axis
- (b) Convex to x-axis
- (c) Concave or convex depending on situations
- (d) Concave to y-axis

81. Price theory is also called

- (a) Value theory
- (b) Microeconomics
- (c) Principles of Economics
- (d) All the above

82. ceteris paribus” term is related to

- a) +monetary theory
- b) Law of demand
- c) Partial equilibrium theory
- d) All of the above

83. If a seller faces a demand curve $p=16-\frac{1}{sq}$, then marginal revenue will be

- a) 16
- b) 8
- c) 4
- d) $\frac{1}{4}$

84. Which of the following pairs of commodities is an example of substitutes

- (a) Coffee and milk
- (b) Diamond and Cow
- (c) Pen and ink
- (d) Mustard oil and coconut oil

85. ‘Utils’ is a term used-

- (a) By Marshall in Demand theory
- (b) By Walras to measure cardinal utility
- (c) To mean Marginal utility
- (d) None of the above

86. To increase the level of satisfaction even more in the present, most of the resources should be allocated to

- (a) strengthen industrial base
- (b) increasing SOC
- (c) production of consumer goods
- (d) exploitation of space

87. Slutsky theorem deals with decomposition of-

- a) Goods into high and low elasticity of demand
- b) Goods into necessities and luxuries
- c) Goods into high price and low price
- d) Price effect into substitution and income effect



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88. Under subsistence theory of wages, wages remain at subsistence level due to

- (a) Increase in growth
- (b) Increase in population
- (c) Both of the above
- (d) None of the above

89. Bread and butter, lamb and mint sauce, illustrate the type of inter related demand known as

- (a) Rival demand
- (b) Composite demand
- (c) Competitive demand
- (d) Joint demand

90. Given below is the MU schedule for commodities x and y-

MU _x	11	10	9	8	7	6
MU _y	9	17	15	13	12	10

If price is Re. 1 permit in each case the consumer will spend his 10th rupee on

- (a) Commodity x
- (b) Commodity y
- (c) Commodity x and y
- (d) Save from both

91. Utility of a commodity refers to

- (a) the satisfaction derived by the consumer from its use
- (b) its want satisfying power
- (c) the price willing to be paid by the consumer for its use
- (d) the price determined by the forces of supply and demand

92. which one of the following is not a characterizes of monopolistic competition?

- a) Relatively small number of producers
- b) Rigidity of pricing policy
- c) Product differentiation
- d) Price equilibrium where MR=MC

93. Takeover of means of production by workers lead to

- (a) Socialism
- (b) Capitalism
- (c) Mixed economy
- (d) Communism

94. A commodity, the price of which has fallen but is expected to fall further, will present a demand curve

- (a) Regressive at the lower end
- (b) Regressive at the upper end
- (c) Kinked in the middle
- (d) Downward sloping to right

95. A consumer's demand curve can be obtained from-

- (a) Income-consumption curve
- (b) Engel's curve
- (c) Price-consumption curve
- (d) None of these

96. Utility has relevance to

- (a) usefulness
- (b) legal implications
- (c) moral implications
- (d) none of the above

97. An isoquant curve will be a straight line if inputs are

- a) Perfect substitute
- b) Good substitute
- c) Poor substitute
- d) Used in a fixed ratio

98. Law of diminishing returns to factors is relevant to

- (a) Short period
- (b) Long period
- (c) Market period
- (d) None of these

99. When an individual's income falls (while everything else remains the same), his demand for an inferior goods:

- (a) Increases
- (b) Decreases
- (c) Remains unchanged
- (d) We cannot say without additional information

100. A consumer will be in equilibrium if he consumes three commodities when-

- (a) $\frac{\text{Price of } x}{\text{Price of } y} = \frac{\text{Price of } y}{\text{Price of } x} = \frac{\text{Price of } y}{\text{Price of } x} = K$
- (b) $\frac{MU_x}{P_x} < \frac{MU_y}{P_y} = \frac{MU_z}{P_z} = K$
- (c) $P_x = P_y = P_z = Z$
- (d) $MU_z = MU_x = MU_y$

MICRO ECONOMICS PRACTICE PAPER ANSWER KEY - 30

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A	D	B	C	C	A	B	C	C	A	B	B	B	A	B	B	D	D	B	C
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
C	B	B	C	A	B	D	D	D	A	A	A	C	B	A	A	D	C	D	C
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
B	B	C	A	A	D	A	B	A	B	D	B	C	A	D	D	C	C	B	B
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
C	D	B	A	A	D	A	C	A	D	B	D	A	A	C	D	D	C	B	A
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
D	C	A	D	B	C	D	B	D	A	B	A	D	A	C	D	A	A	A	B