INTRODUCTION TO MICRO ECONOMICS BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

Created By Careericons Team

Q1. The problem of Economics arises from

a) All of the above

b) Plenty

c) Scarcity of goods

d) More wants and less goods

Q2. Any factor of production can earn economic-rent, when its supply will be

a) All of the above

b) Perfectly elastic

c) Perfectly inelastic

d) Elastic in nature

Q3. Demand in Economics means :

a) Demand backed by purchasing power

b) Aggregate demand

c) Market demand

d) Individual demand

Q4. When average cost production (AC) falls, marginal cost of production must be.

a) Less than the average cost

b) rising

c) Falling

d) Greater than the average cost

Q5. Which of the following occurs when labour productivity rises ?

a) The labour demand curve shifts to the right

b) The equilibrium nominal wage falls.

c) The equilibrium quantity of labour falls.

d) Competitive firms will be induced to use more capital

Q6. Which of the following is an inverted ‘U’ shaped curve ?

a) Fixed cost

b) Average cost

c) Marginal cost

d) Total cost

Q7. The market price is related to :

a) very long period

b) very short period

c) short period

d) long period

Q8. A want becomes a demand only when it is backed by the

a) Utility of the product

b) Ability to purchase

c) Necessity to buy

d) Desire to buy

Q9. The study of factor pricing is alternatively called the theory of

a) wealth distribution

b) functional distribution

c) personal distribution

d) income distribution

Q10. Kinked demand curve is a feature of

a) Duopoly

b) Monopoly

c) Oligopoly

d) Monopsony

Q11. The value of a commodity expressed in terms of money is known as

a) Wealth

b) Price

c) Utility

d) Value

Q12. In equilibrium, a perfectly competitive firm will equate

a) marginal revenue with marginal cost

b) marginal social cost with marginal social benefit

c) market supply with market demand

d) marginal profit with marginal cost

Q13. Production function explains the relationship between

a) output and exports

b) initial inputs and ultimate output

c) inputs and ultimate consumption

d) output and consumption

Q14. The sale of branded articles is common in a situation of

a) pure competition

b) excess capacity

c) monopolistic competition

d) monopoly

Q15. The Marginal Utility Curve slopes downward from left to right indicating

a) An inverse relationship between marginal utility and the stock of commodity

b) A direct relationship between marginal utility and the stock of commodity

c) A constant relationship between marginal utility and the stock of commodity

d) A proportionate relationship between marginal utility and the stock of commodity

Read More introduction to micro economics Question and Answes »

Answers to the above questions :

Q1. Answer: (d)

The theory of Economic problems states that there is scarcity, or that the finite resources available are insufficient to satisfy all human wants and needs.

The problem then becomes how to determine what is to be produced and how the factors of production (such as capital and labour) are to be allocated.

In short, the economic problem is the choice one must make, arising out of limited means and unlimited wants.

Q2. Answer: (c)

Economic rent is the revenue that can be earned from the land or other natural resource for which there is a fixed supply — as economists like to say, the supply is perfectly inelastic.

Because the supply is perfectly inelastic, the amount of its supply does not depend on any income that the resource can produce.

Q3. Answer: (a)

‘ Demand ’ in Economics refers to the quantity of a good or service consumers ate able and willing to buy at a given price in a given market during a specified time period , other things beings equal.

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS

TAXES TYPES, METHODS & BUDGETING PROCESS

BANKING, SECURITY MARKET & INSURANCE

Q4. Answer: (a)

The average cost is the total cost per unit of output. Marginal cost, on the other hand, is the addition to the total cost by producing one more unit of output.

Economies of scale are said to exist if an additional unit of output can be produced for less than the average of all previous units— that is, if long-run marginal cost is below long-run average cost, so the latter is falling.

Conversely, there may be levels of production where marginal cost is higher than average cost, and the average cost is an increasing function of output.

Q5. Answer: (a)

As labour productivity increases, the production function shifts up and simultaneously the labour demand curve shifts out and right. At a given real wage, more workers are hired and output increases.

Similarly, as the capital stock increases, the production function shifts up and simultaneously the labour demand curve shifts out and right.

Q6. Answer: (b)

In economics, a cost curve is a graph of the costs of production as a function of the total quantity produced. Both the Short-run average total cost curve (SRAC) and Long-run average cost curve (LRAC) curves are typically expressed as U-shaped.

However, the shapes of the curves are not due to the same factors.

Q7. Answer: (b)

Marshall was the first economist who analyzed the importance of time in price determination. The market period is a very short period in which supply being fixed, price is determined by demand.

The time period is of few days or weeks in which the supply of a product can be amplified out of given stock to match the demand. This is possible for durable goods.

Q8. Answer: (b)

“Need,” “Want,” and “Demand” are the three key concepts of marketing. Needs are the basic human requirements. These needs become wants when they are directed to specific objects that might satisfy the need, though these wants in themselves are not essential for living. Wants are therefore shaped by one’s society and surroundings.

The third concept, demands, are wanted for specific products backed by an ability to pay. Many people want a luxury car or a weekend break in the Caribbean, but only a few people are willing and able to buy one.

In business terms, companies must measure not only how many people want their product but also how many would actually be willing and able to buy it.

Q9. Answer: (b)

In economics, the study of factor pricing is related to the theory of functional distribution which attempts to explain the prices of land, labour, and capital.

It sees the demand for land, labour, and capital as derived demand, stemming from the demand for final goods.

Q10. Answer: (c)

The kinked demand curve theory is an economic theory regarding oligopoly and monopolistic competition. Kinked demand was an initial attempt to explain sticky prices.

Q11. Answer: (b)

The exchange value of every commodity can be expressed in terms of money. This possibility has enabled money to become a medium for expressing values when the growing elaboration of the scale of values which resulted from the development of exchange necessitated a revision of the technique of valuation.

When the value is expressed in terms of money, it is called price. Thus, the price can be defined as the exchange value of a commodity expressed in terms of money.

Q12. Answer: (a)

A perfectly competitive firm’s supply curve is that portion of its marginal cost curve that lies above the minimum of the average variable cost curve. A perfectly competitive firm maximizes profit by producing the quantity of output that equates to price and marginal cost.

In that price equals marginal revenue for a perfectly competitive firm, price is also equal to marginal cost. In other words, the firm produces by moving up and down along its marginal cost curve.

The marginal cost curve is thus the perfectly competitive firm’s supply curve.

Q13. Answer: (b)

Production function explains the relationship between factor input and output under given technology. It explains as to for increasing the output, in which proportion various inputs or factors may be employed under given technological conditions.

In short, production function may be defined as a technological relationship that tells the maximum output producible from various combinations of inputs. Production function explains the physical relationship between input and output under given technology.

Q14. Answer: (c)

Monopolistic competition is a type of imperfect competition such that many producers sell products that are differentiated from one another (e.g. by branding or quality) and hence are not perfect substitutes.

Textbook examples of industries with market structures similar to monopolistic competition include restaurants, cereal, clothing, shoes, and service industries in large cities.

Q15. Answer: (a)

The Marginal Utility Curve is a curve illustrating the relation between the marginal utility obtained from consuming an additional unit of a good and the quantity of the good consumed.

The negative slope of the marginal utility curve reflects the law of diminishing marginal utility.

The marginal utility curve also can be used to derive the demand curve. Marginal Utility is the utility derived from the last unit of a commodity purchased. One of the earliest explanations of the inverse relationship between price and quantity demanded is the law of diminishing marginal utility.

This law suggests that as more of a product is consumed the marginal (additional) benefit to the consumer falls; hence consumers are prepared to pay less.