ECOnomics

One Mark Questions (New Pattern)

Choose the best answer:
1. The author of scarcity definition is:
   a) Alfred Marshall  b) Lionel Robbins  c) Adam Smith  d) Samuelson
2. The concept of net economic welfare has been given by:
   a) Samuelson  b) Alfred Marshall  c) Adam Smith  d) Lionel Robbins
3. Economics is a
   a) positive science  b) normative science  c) both  d) none
4. The basic force that drives the capitalist economy is:
   a) planning  b) technology  c) government  d) profit-motive
5. Traditional economy is a
   a) subsistence economy  b) market economy  c) command economy  d) monetary economy
6. In a socialist economy, all decisions regarding production and distribution are taken by:
   a) market forces  b) central planning authority  c) customs and traditions  d) private sectors
7. Consumer surplus is:
   a) potential price - actual price  b) MVar=TVn-TVn-1  c) demandL= supply  d) none
8. The indifference curve approach was introduced by
   a) Alfred Marshall  b) Lionel Robbins  c) J.R. Hicks and R.G.D. Allen  d) Adam Smith
9. Single commodity consumption mode is:
   a) production possibility curve  b) law of equi marginal utility  c) law of supply  d) law of diminishing marginal utility
10. The degree of response of demand to change in price is:
    a) Income elasticity of demand  b) Cross - elasticity of demand  c) Price elasticity of demand  d) All the above
11. Demand for a commodity depends on:
    a) Price of that commodity  b) Price of related goods  c) Income  d) All the above
12. Law of Demand establishes:
    a) inverse relationship between price and quantity  b) Positive relationship between price and quantity  c) Both  d) None
13. Above the equilibrium price:
    a) S>D  b) S>D  c) S=D  d) none
14. The time element in price analysis was introduced by:
    a) J.R. Hicks  b) J.M. Keynes  c) Alfred Marshall  d) J.S. Mill
15. In the long period:
    a) All factors change  b) Only variable factor changes  c) Only fixed factor changes  d) Variable and fixed factors remain constant.
16. The initial supply price of land is:
    a) Zero  b) Greater than one  c) Less than one  d) Equal to one
17. Labour cannot be separated from:
    a) Capital  b) labourer  c) profit  d) organization
18. A successful entrepreneur is one who is ready to accept:
    a) Innovations  b) Risks  c) deciding the location of the production unit  d) none
19. Real cost is:
    a) pain and sacrifice  b) subjective concept  c) efforts and foregoing leisure  d) All the above
20. Average cost is obtained by dividing:
    a) TC/Q  b) TFC/Q  c) TVC/Q  d) TR – TC
21. Marginal revenue is the least addition made to the:
    a) average revenue  b) Total production  c) Total revenue  d) none
22. A firm can achieve equilibrium when its:
    a) MC=MR  b) MC=AC  c) MR=AR  d) MR=AC
23. Most important form of selling cost is:
    a) Advertisement  b) Sales  c) Homogeneous product  d) None
24. The firm and industry are one and the same under:
    a) perfect competition  b) duopoly  c) oligoply  d) monopoloy
25. Profits are the reward for:
    a) land  b) capital  c) labour  d) organisation
26. The author of the concept of quasi rent is:
    a) Adam Smith  b) Marshall  c) Ricardo  d) Samuelson
27. The author of liquidity preference theory is 
a) J.M. Keynes b) Marshall c) Samuelson d) Knight

28. The marginal propensity to consume A) \( \frac{dS}{dY} \) B) \( \frac{C}{Y} \) C) \( \frac{\Delta P}{\Delta Q} \) D) \( \frac{\Delta C}{\Delta Y} \)

29. The macro economic thinking was revolutionized by 
a) David Ricardo b) J.M. Keynes c) Adam Smith d) Malthus

30. The central problem in Macroeconomics is 
a) Income and employment b) Price and Output c) Interest and Money d) None

31. Monetary policy is controlled by 
a) central government b) state government c) central bank d) private sector

32. Currency with the public is known as 
a) M1 b) M2 c) M3 d) M4

33. A situation marked by rising prices and stagnation in demand is known as 
a) cost-push inflation b) demand - pull inflation c) stagflation d) wage - push inflation

34. Tax revenue deals with the 
a) Fees b) Kinds of taxes c) Revenue d) Non tax revenue

35. The compulsory charge levied by the government is 
a) Licence b) Gifts and grants c) Loan d) Tax

36. The federal form of government consists of 
a) central, state and local government b) central and state government c) state and local government d) above all

Fill in the blanks:

37. Strictly speaking production refers to the creation of ----.

38. Economics is a ----- science.

39. Production possibility curve is also known as ------.

40. Under mixed economy, the economic control is exercised by ---- and ---- sectors.

41. ---- means using up of goods and services.

42. Marginal utility falls to zero, when the total utility is ------.

43. Goods that are demanded for their social prestige come under ------.

44. The rate of change of supply to a change in price is ------.

45. ------ is the major determinant of supply.

46. At ---- price, there is not tendency to change in price or quantity.

47. ------ is limited by the extent of market.

48. ---- is man-made physical goods used to produce other goods.

49. Economic profit is the difference between total revenue and ------.

50. The marginal cost curve is ----- shaped.

51. The perfect competitive firms are ------.

52. When the average revenue of the firm is greater than its average cost, the firm is earning ------.

53. Organisation is done by the ------.

54. Money wages are also known as ------ wages.

55. The worldwide depression of 1930's was also caused by a -----.

56. ------ refer to the cash holdings of the people.

57. The equation of exchange (MV=PT) was given by ------.

58. Deflation is a period marked by ------ prices.

59. ------ means different sources of government income.

60. ------ tax is a blend of progressive tax and proportional tax.

Match the following and choose the answer using the codes given below:

<table>
<thead>
<tr>
<th>A B C D</th>
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61. A) Principles of economics B) First Nobel prize C) Wealth D) Income
   - 1. Stock a) 1 b) 4 c) 3 d) 2

62. A) Minimum cost B) Opportunity cost C) Bureaucratic expansion D) Market forces
   - 1. supply, demand and price a) 4 b) 1 c) 2 d) 3

63. A) Wants B) Principles of economics C) Indifference curve D) Luxuries
   - 1. Marshall a) 1 b) 2 c) 3 d) 4

64. A) Tea and coffee - 1. Veblen effect
   B) Positive relationship of price and demand - 2. more elastic demand
   C) ED > 1 - 3. Substitutes
   D) Segment between two points - 4. arc

65. A) Equilibrium - 1. demand and supply
   B) Excess demand - 2. pair of price and quantity
   C) Long period supply curve - 3. more elastic
   D) Short period price - 4. D>S

66. A) Division of labour - 1. Marshall
   B) Production function - 2. Hawley
   C) Bundle of risks - 3. Cobb-Douglas
   D) Exertion of body or mind - 4. Adam Smith

67. A) Total cost - 1. TR - TC
   B) Average cost - 2. TFC + TVC
   C) MCn - 3. cost per unit
   D) Profit - 4. TCn - TCn - 1

68. A) Global market - 1. perfect competition
   B) Consumer sovereignty - 2. gold and silver
   C) South Africa - 3. Coca-Cola
   D) Technical monopoly - 4. Diamond

69. A) Residual Claimant theory - 1. Clark
   B) Waiting theory of Interest - 2. Neo-classical theory
   C) Loanable funds theory - 3. Marshall
   D) Dynamic theory of profit - 4. Walker

70. A) Aggregate demand - 1. 1/1 - MPC
   B) Slope - 2. C + 1 + G + (X - M)
   C) K - 3. C + S
   D) Y - 4. vertical change/horizontal change

71. A) Quantitative credit control - 1. low rate of interest
   B) Selective credit control - 2. bank rate
   C) Cheap money policy - 3. moral suasion
   D) Value of money - 4. purchasing power of money

72. A) Canons of taxation - 1. tax rate decreases
   B) Progressive tax - 2. best tax system
   C) Fiscal policy - 3. Rebate and subsidies
   D) Regressive tax - 4. Adam Smith

Choose the odd one out:
73. A) wealth definition  B) welfare definition  C) scarcity definition
    D) net economic welfare

74. A) production possibility curve  B) transformation curve
    C) production possibility curve  D) production line

75. A) necessaries  B) comforts  C) luxuries  D) economic goods

76. A) percentage method  B) point method  C) total outlay method
    D) income elasticity method

77. A) form utility  B) place utility  C) time utility  D) total utility

78. A) long run average cost curve  B) planning curve
    C) envelope curve  D) V shaped curve

79. A) monopoly  B) duopoly  C) oligopoly  D) perfect competition

80. A) Transaction motive  B) precautionary motive
    C) speculative motive  D) profit motive

81. A) medium of exchange  B) measure of value  C) store of value
    D) value of saving

82. A) M1  B) M2  C) M6  D) M3

Choose the correct pair:
83. A) Principle of economics - Adam Smith
    B) Wealth of nations - Alfred Marshall
    C) An essay on the nature and significance of economic science - Lionel Robbins
    D) Net economic welfare - J.M. Keynes
84. A) More elastic demand - \( \text{ed} < 1 \)  B) Less elastic demand - \( \text{ed} > 1 \)
C) Unitary elastic demand = 1  D) Perfectly elastic demand - \( \text{ed} \rightarrow \infty \)
85. A) \( a + b = 1 \)- increasing returns to scale  B) \( a + b = 1 \)- law of variable proportion
C) \( a + b = 1 \)- law of returns to scale  D) \( a + b = 0 \)- Cobb-Douglas production function
86. A) TC = TFC + TSC  B) AC = TC/P  C) MC = TC/Q  D) AFC = TFC/Q
87. A) Monopoly - 2 sellers  B) Duopoly - few sellers  C) Monopolistic competition - single seller
D) Perfect competition - large number of sellers
88. A) Excess demand - D > S  B) AFC = TFC/Q  C) TC - Q.P  D) Y = C + R
89. A) M1 - broad money  B) M3 - narrow money
C) M2 = M1 + post office deposits  D) M4 = M2 + M1
90. A) \( M_{V} = TC - T_{C} \)  B) \( M_{RS} = P_{P} \)
C) \( M_{RTS} = P_{P} \)  D) \( M_{RTS} = \Delta D / \Delta T \)
91. A) \( TR = PQ \)  B) \( AR = TR/Q \)
C) \( MR = TR - QT \)  D) \( TP = MP/N \)
92. A) Equilibrium - MC = AC  B) Equilibrium - MC = AR

Analyse the reason for the following:

93. Assertion (A): Traditional economy is a subsistence economy
Reason (R): In traditional economy, the basic problems are solved by traditions and
custom rules every aspect of behaviour
A) both (A) and (R) are true and (R) is correct explanation of (A)
B) both (A) and (R) are true and (R) is not the correct explanation of (A)
C) (A) is true but (R) is false  D) (A) is false but (R) is true.

94. Assertion (A): Zero based budgeting is one such technique of budgeting.
Reason (R): The budget is viewed as entirely a fresh and whole fiscal initiative (i.e.,)
from zero bases
A) (A) is true but (R) is false  B) both (A) and (R) are true
C) both (A) and (R) are false  D) (A) is false but (R) is true.

95. Assertion (A): Perfect competition is that no one is big enough to have any
appreciable influence over market price
Reason (R): Perfect competition is a market situation where there are infinite
numbers of sellers
A) both (A) and (R) are true and (R) is correct explanation of (A)
B) both (A) and (R) are true and (R) is not the correct explanation of (A)
C) (A) is true but (R) is false  D) (A) is false but (R) is true.

96. Assertion (A): World depression was described as poverty in the midst of plenty
Reason (R): The great depression of 1930’s was caused not so much by scarcity
but by plenty
A) both (A) and (R) are true and (R) is correct explanation of (A)
B) both (A) and (R) are true and (R) is not the correct explanation of (A)
C) (A) is true but (R) is false  D) (A) is false but (R) is true.

97. Assertion (A): Labour is the human in put into the production process
Reason (R): Labour cannot be separated from the labourer
A) both (A) and (R) are true and (R) is correct explanation of (A)
B) both (A) and (R) are true and (R) is not the correct explanation of (A)
C) (A) is true but (R) is false  D) (A) is false but (R) is true.

98. Assertion (A): Only superior lands get rent.
Reason (R): Rent arose on account of differences in the fertility of land
A) (A) is true but (R) is false  B) both (A) and (R) are true
C) both (A) and (R) are false  D) (A) is false but (R) is true.

99. Assertion (A): Monetary policy is usually effective for controlling inflation
Reason (R): But during 1990’s it was found to be ineffective
A) (A) is true but (R) is false  B) both (A) and (R) are true
C) both (A) and (R) are false  D) (A) is false but (R) is true.

100. Assertion (A): In direct tax one cannot evade paying the tax if it is imposed on him
Reason (R): Direct taxes are collected from the public directly. That is to say, these taxes are imposed on and collected from the same person.
A) both (A) and (R) are true and (R) is correct explanation of (A)
B) both (A) and (R) are true and (R) is not the correct explanation of (A)
C) (A) is true but (R) is false  D) (A) is false but (R) is true.