

MCQ -FYBMS-SEM1- Business Economics

1. Managerial Economics is _____
 - A. Dealing only micro aspects
 - B. Only a normative science
 - C. Deals with practical aspects
 - D. All of the above**
2. The techniques of optimization include
 - A. Marginal analysis
 - B. Calculus
 - C. Linear programming
 - D. All of the above**
3. In economics, desire backed by purchasing power is known as
 - A. Utility
 - B. Demand**
 - C. Consumption
 - D. Scarcity
4. Basic assumptions of law of demand include
 - A. Prices of other goods should change.
 - B. There should be substitute for the commodity.
 - C. The commodity should not confer any distinction.**
 - D. The demand for the commodity should not be continuous
5. Higher the price of certain luxurious articles, higher will be the demand, this concept is called
 - A. Giffen effects
 - B. Veblen effects**
 - C. Demonstration effects
 - D. Both b&c above
6. In the case of perfect elasticity, the demand curve is
 - A. Vertical
 - B. Horizontal**
 - C. Flat
 - D. Steep

7. Outlay method of measurement of elasticity is also called as
- A. Percentage method
 - B. Expenditure method**
 - C. Point method
 - D. Geometric method
8. _____ demand forecasting is related to the business conditions prevailing in the economy as a whole
- A. Macro level**
 - B. Industry level
 - C. Firm level
 - D. None of these
9. _____ is the base of marketing planning
- A. Demand Estimation
 - B. Demand analysis
 - C. Demand function
 - D. Demand forecasting**
10. _____ is the change in total revenue irrespective of changes in price or due to the effect of managerial decision on revenue
- A. Average revenue
 - B. Total revenue
 - C. Marginal revenue
 - D. Incremental revenue**
11. Perfect competition is characterized by
- A. large number of buyers and sellers
 - B. homogeneous product
 - C. free entry and exit of firms
 - D. all the above**
12. The distinction between variable cost and fixed cost is relevant only in
- A. long period
 - B. short period**
 - C. medium term
 - D. mixed period
13. Purposes of Short term Demand forecasting doesn't includes;

- A. Making a suitable production policy.
- B. To reduce the cost of purchasing raw materials and to control inventory.
- C. Deciding suitable price policy
- D. Planning of a new unit or expansion of existing unit**

14. In _____ approach, the demand for new product is estimated on the basis demand of existing product

- A. Growth curve approach
- B. Evolutionary approach.**
- C. Opinion polling approach
- D. Vicarious approach.

15. The proportionate change in the quantity demanded of a commodity in response to change in the price of another related commodity is called

- A. Price elasticity
- B. Related elasticity
- C. Cross elasticity**
- D. Income elasticity

16. Which one is the method for measurement of elasticity

- A. Proportional or Percentage Method
- B. Outlay Method
- C. Geometric method
- D. All the above**

17. _____ Method is also known as Sales-Force – Composite method or collective opinion method

- A. Opinion survey**
- B. Expert opinion
- C. Delphi method
- D. Consumer interview method

18. Which of the following is not a method of demand forecasting of new products

- A. Trend projection**
- B. Substitute approach
- C. Evolutionary approach
- D. Sales experience approach

19. Psychological pricing is also called as;

- A. Penetration pricing
- B. Skimming pricing
- C. Odd pricing**
- D. None of these

20. Customary pricing is also known as

- A. Consumer pricing
- B. Conventional pricing**
- C. Cost plus pricing
- D. Full cost pricing

21. _____ is the process of finding current values of demand for various values of prices and other determining variables.

- A. Demand Estimation**
- B. Demand analysis
- C. Demand function
- D. Demand forecasting

22. In the case of _____ a small change in price leads to very big change in quantity demanded

- A. Perfectly elastic demand
- B. Perfectly inelastic demand
- C. Relative elastic demand**
- D. Unit elastic demand

24. In _____ approach, on the basis of the growth of an established product, the demand for the new product is estimated

- A. Growth curve approach**
- B. Evolutionary approach.
- C. Opinion polling approach
- D. vicarious approach

25. Which one of the following is not a reason for adopting penetration price strategy

- A. Product has high price elasticity in the initial stage.
- B. The product is accepted by large number of customers.
- C. Economies of large scale production available to firm
- D. When the buyers are not able to compare the value and utility**

26. Car and petrol are

A. Complimentary goods

- B. Substitute goods
- C. Supplementary goods
- D. Reserve goods

26. Criteria for good demand forecasting includes;

- A. Plausibility
- B. Simplicity
- C. Economy
- D. All the above.**

27. Cost plus pricing is also called

- A. margin pricing
- B. full cost pricing
- C. mark up pricing
- D. all the above**

28. Generally used strategy for pricing new products is/are

- A. Skimming price strategy
- B. Penetration price strategy
- C. Both a & b**
- D. None of these

29. The architect of the theory of monopolistic competition

- A. Rosenstein Roden
- B. JR Hicks
- C. Karl Marx
- D. Chamberlin**

30. The function of combining the other factors of production is done by

- A. land
- B. labour**
- C. Capital
- D. Entrepreneurship

31. _____ means the total receipts from sales divided by the number of unit sold.

- A. Average revenue**
- B. Total revenue

- C. Marginal revenue
- D. Incremental revenue

32. $E_p=0$ in the case of _____ elasticity

- A. Perfectly elastic demand
- B. Perfectly inelastic demand**
- C. Relative elastic demand
- D. Unitary elastic demand

33. Law of demand shows the functional relationship between _____ and quantity demanded

- A. Supply
- B. Cost
- C. Price**
- D. Requirements

34. When the change in demand is exactly equal to the change in price, it is called

- A. Perfectly elastic demand
- B. Perfectly inelastic demand
- C. Relative elastic demand
- D. Unitary elastic demand**

35. Tea and coffee are

- A. Complimentary goods
- B. Substitute goods**
- C. Supplementary goods
- D. Reserve goods

36. Survey method of demand forecasting includes

- A. Opinion survey
- B. Expert opinion
- C. Delphi method
- D. All the above**

37. In _____ pricing fixed cost are excluded.

- A. skimming pricing
- B. going rate pricing
- C. administered pricing
- D. marginal cost pricing**

38. The market with a single producer"

- A. perfect competition
- B. monopolistic competition
- C. oligopoly
- D. monopoly**

39. The short run production function is called;

- A. Returns to scale
- B. law of variable proportion**
- C. Production possibility frontier
- D. None of these

40. Which are the characteristics of monopoly?

- A. Single seller or producer
- B. No close substitutes
- C. Inelastic demand curve
- D. All of these**

41. Whenever _____ is greater than average total cost, average total cost is rising.

- A. Marginal cost**
- B. Variable cost
- C. Fixed cost
- D. Full cost

42. Which of the following is not a macroeconomic concept?

- A. Business cycle
- B. National income
- C. Government policy
- D. None of these**

43. Iso-cost line indicate the price of

- A. Output
- B. Inputs**
- C. Finished goods
- D. Raw material

44. Who classified economies of scale into internal and external?

- A. Robinson
- B. Marshall**
- C. Edward west
- D. Pigue

45. Product differentiation is the important feature of

- A. monopoly
- B. perfect competition
- C. monopolistic competition**
- D. monophony

46. Method of demand forecasting is also called "economic model building"

- A. Opinion survey
- B. Complete enumeration
- C. Correlation and regression**
- D. Delphi method

47. The responsiveness of demand due to a change in promotional expenses is called

- A. Expenditure elasticity
- B. Advertisement elasticity
- C. Promotional elasticity
- D. Above b or c**

48. Want satisfying power of commodity is called

- A. Demand
- B. Utility**
- C. Satisfaction
- D. Consumption

49. The relationship between price and quantity demanded is

- A. Direct
- B. Inverse**
- C. Linear
- D. Non-linear

50. Decision making and _____ are the two important functions of executive of business firms

- A. Forward planning**
- B. Directing

- C. Supervising
- D. Administration

51. _____ shows the change in quantity demanded as a result of a change in consumers' income

- A. Price elasticity
- B. Cross elasticity
- C. Income elasticity**
- D. None of these

52. The firm charges price in tune with the industry's price is called

- A. competitive pricing
- B. going rate pricing**
- C. tune pricing
- D. target pricing

53. Which one of the following is not a reason for adopting skimming price strategy

- A. When the demand of new product is relatively inelastic.
- B. When there is no close substitutes
- C. Elasticity of demand is not known
- D. Product has high price elasticity in the initial stage**

54. Information for pricing decisions involves:

- A. Product information
- B. Market information
- C. Information at the micro level
- D. All of these**

55. The marginal revenue equation can be derived from the:

- A. Demand equation**
- B. Supply equation
- C. Cost equation
- D. Price equation

56. Functional relationship between input and output known as

- A. Conversion
- B. Production function**
- C. Work in progress
- D. Output function

57. In economics _____ means 'a state of rest' or 'stability'

- A. Depression
- B. Equilibrium**
- C. Maturity
- D. growth

58. Selling cost is the feature of the market form

- A. monopoly
- B. monopolistic competition**
- C. oligopoly
- D. none of these

59. Which is the reason of skimming price?

- A. Inelastic demand
- B. Diversion of market
- C. Safer price policy
- D. All of these**

60. Which is the condition of for market penetration?

- A. High price elasticity of demand in the short run
- B. Savings in production costs
- C. Threat of potential competition
- D. All of these**

61. If the commodities are substitute in nature, cross elasticity will be

- A. Negative
- B. Positive**
- C. Zero
- D. Any of the above

62. Which one of the following is not an internal factor influencing pricing policy

- A. cost
- B. objectives
- C. marketing mix
- D. demand**

63. For the commodities like salt, sugar etc., the income elasticity will be

- A. Zero

- B. Negative
- C. Positive
- D. Unitary

64. In the above function, the letter Y stands for

- A. Yield of production
- B. Income of consumers**
- C. Utility
- D. Supply

65. When a small change in price leads to infinite change in quantity demanded, it is called

- A. Perfectly elastic demand**
- B. Perfectly inelastic demand
- C. Relative elastic demand
- D. Relative inelastic demand

66. Price Elasticity of demand=

- A. $\frac{\text{Proportionate change in quantity demanded}}{\text{Proportionate change in price}}$
- B. $\frac{\text{Change in Quantity demanded}}{\text{Change in Price/price}} / \text{Quantity demanded}$
- C. $\frac{(Q2-Q1)/Q1}{(P2-P1) / P1}$
- D. All the above**

67. An increase in income may lead to an increase in the quantity demanded, it is

- A. Positive income elasticity**
- B. Zero income elasticity
- C. Negative income elasticity
- D. Unitary income elasticity

68. Fixing high price during the introduction is called

- A. skimming**
- B. penetrating
- C. full cost pricing
- D. target pricing

69. In a perfectly competitive market, individual firm

A. cannot influence the price of its product

B. can influence the price of its product

C. can fix the price of its product

D. can influence the market force

70. Which is the determinant of the pricing policy of a firm?

A. Channel of distribution

B. Age of product

C. Consumer association

D. All of these

71. The causes of emergence of monopoly is/are:

A. Concentration of ownership of raw materials

B. State regulation

C. Public utility services

D. All of these

72. _____ is situation of severely falling prices and lowest level of economic activities

A. Boom

B. Recovery

C. Recession

D. Depression

73. Purposes of Short term Demand forecasting doesn't includes;

A. Making a suitable production policy.

B. To reduce the cost of purchasing raw materials and to control inventory.

C. Deciding suitable price policy

D. Planning of a new unit or expansion of existing unit

74. Unitary elasticity of demand mean

A. $EP = > 1$

B. $EP = < 1$

C. $EP = 0$

D. $EP = 1$

75. Quantity remains the same whatever the change in price, this is the case of

A. Perfectly elastic demand

B. Perfectly inelastic demand

- C. Relative elastic demand
- D. Relative inelastic demand

76. Which of the following is not a function of managerial economists

- A. Advice on trade and public relations
- B. Economic analysis of agriculture
- C. Investment analysis
- D. Supervision and control**

77. Analysis of long run and short run affects of decisions on revenue as well as costs is based on

- A. Principle of time perspective**
- B. Equi-marginal principle
- C. incremental principle
- D. None of these

78. Which is the characteristics of managerial economics

- A. Deals with both micro and macro aspects
- B. Both positive and normative science
- C. Deals with theoretical aspects
- D. Deals with practical aspects.**

79. In the case of _____ Consumer may moves to higher or lower demand curve

- A. Extension of demand
- B. Contraction of demand
- C. Shift in demand**
- D. Slopes in demand

80. _____ means an attempt to determine the factors affecting the demand of a commodity or service and to measure such factors and their influences

- A. Demand planning
- B. Demand forecasting
- C. Demand analysis**
- D. Demand estimation

82. In the case of unitary elastic demand, the shape of demand curve is

- A. Vertical line
- B. Horizontal line
- C. Rectangular hyperbola**

D. Steep

83. Demand for necessary goods (salt, rice, etc.) is _____ and demand for comfort and luxury good is

- A. Elastic, inelastic
- B. Inelastic, elastic**
- C. Elastic, elastic
- D. Inelastic, inelastic

84. _____ Method is also known as Sales-Force –Composite method or collective opinion method

- A. Opinion survey**
- B. Expert opinion
- C. Delphi method
- D. Consumer interview method

85. Which one of the following is an internal factor influencing pricing

- A. demand
- B. competition
- C. distribution channel
- D. product life cycle**

86. _____ forecasting is more important from managerial view point as it helps the management in decision making with regard to the firms demand and production.

- A. Macro level
- B. Industry level
- C. Firm level**
- D. None of these

87. Total Revenue will be maximum at the point where Marginal Revenue is

- A. One
- B. Zero**
- C. <1
- D. >1

88. Under _____ Method, a panel is selected to give suggestions to solve the problems in hand

- A. Opinion survey
- B. Expert opinion

C. Delphi method

D. Consumer interview

89. Method of charging low price initially called _____

A. skimming

B. penetrating

C. full cost pricing

D. target pricing

90. Which of the following is/ are the reason for adopting skimming price strategy

A. When the buyers are not able to compare the value and utility.

B. To attract the high income customers.

C. When the product has distinctive qualities, luxuries

D. All the above

91. Under oligopoly a single seller cannot influence significantly

A. market price

B. quantity supplied

C. advertisement cost

D. all the above

92. Average cost pricing is also called as

A. cost plus pricing

B. marginal cost pricing

C. margin pricing

D. both a & c

93. Which of the following is / are the reason for adopting penetration price strategy

A. Economies of large scale production available to firm.

B. Potential market for the product is large.

C. Cost of production is low.

D. All the above

94. Purposes of Short term Demand forecasting includes;

A. Making a suitable production policy.

B. To reduce the cost of purchasing raw materials and to control inventory.

C. Deciding suitable price policy

D. All the above

95. Demand for tyres depends on demand of vehicles, the demand for tyres called as

- A. Composite demand
- B. Derivative demand**
- C. Joint demand
- D. Direct demand

96. when income increases, quantity demanded falls, it is

- A. Positive income elasticity
- B. Zero income elasticity
- C. Negative income elasticity**
- D. Unitary income elasticity

97. Consumer Interview method of demand forecasting may undertaken by;

- A. Complete enumeration
- B. Sample survey
- C. End-use method
- D. All the above**

98. Under which method, the cost is added with the predetermined target rate of return on capital invested

- A. Cost plus pricing
- B. Target pricing**
- C. Mark up pricing
- D. None of these

99. Prices of Bata shoe as Rs.99.99, this pricing is

- A. Mark up pricing
- B. Odd pricing**
- C. Marginal cost pricing
- D. Follow up pricing.

100. Average revenue is the revenue per

- A. unit commodity sold**
- B. total commodity sold
- C. marginal commodity sold
- D. none of these

101. In a perfect market both buyers and sellers are

- A. price maker
- B. price giver
- C. price taker**
- D. all the above

102. So long as Average Revenue is falling, Marginal Revenue will be _____
Average Revenue

- A. Less than**
- B. More than
- C. Equal to
- D. None of these

103. Price discrimination is also called as

- A. Discriminatory pricing
- B. Differential pricing
- C. Average cost pricing
- D. a & b above**

104. _____ = $\frac{R_2 - R_1}{Q_2 - Q_1}$

- A. Average revenue
- B. Total revenue
- C. Marginal revenue**
- D. Incremental revenue

105. If the commodities are complimentary, cross elasticity will be

- A. Negative**
- B. Positive
- C. Zero
- D. Any of the above

106. In the oligopoly market there are

- A. large no. of firms
- B. a few firms**
- C. a single firm
- D. an infinite no. of firms

107. The law of diminishing returns applies more to

A. agriculture

B. industry

C. services

D. commerce

108. _____ provide guidelines to carry out _____

A. Pricing strategies, pricing policies

B. Pricing policies, pricing strategies

C. Pricing rules, pricing policies

D. Pricing rules, pricing strategies

109. In case of _____ quantity demanded changes less than proportionate to changes in price

A. Perfectly elastic demand

B. Perfectly inelastic demand

C. Relative elastic demand

D. Relative inelastic demand

110. _____ method measures elasticity between two points

A. Proportional or Percentage Method

B. Outlay Method

C. Geometric method

D. Arc Method

111. Target pricing is also called as

A. Cost plus pricing

B. Rate of return pricing

C. Mark up pricing

D. None of these

View answer

112. The condition for the long run equilibrium of a perfectly competitive firm

A. Price=MC=AC

B. Price=TC

C. MC=AVC

D. MC=MR

View answer

113. The monopoly can be controlled by:

- A. Social boycott
- B. Antimonopoly legislation
- C. Public ownership
- D. All of these**

View answer

114. Where Marginal revenue is negative, TR will be _____.

- A. Rising
- B. Falling**
- C. Zero
- D. One

View answer

115. _____ is the method of leadership pricing

- A. Going rate pricing
- B. Follow up pricing
- C. Barometric pricing**
- D. Parity pricing

View answer

116. The properties of indifference curves are:

- A. Indifference curve slopes downwards from left to right
- B. Convex to the point of origin
- C. Two indifference curve never cut each other
- D. All of these**

View answer

117. The competitive firm's long run supply curve is the portion of it's _____ curve lies above average total cost.

- A. Marginal cost**
- B. Revenue cost
- C. Fixed cost
- D. All of these

View answer

118. The opportunity cost of a given activity is

- A. the value of next best activity**
- B. the value of material used
- C. the cost of input used
- D. none of these

View answer

119. Marginal revenue is _____ at the quantity that generate maximum total revenue and negative beyond that point.

- A. Zero**
- B. One
- C. +1
- D. -1

View answer

120. In business cycle concept, the period of "long wave" is of;

- A. 25 years
- B. 50 years**
- C. 100 years
- D. 200 years

The no. of firms under oligopoly is

- A. 1
- B. 2
- C. many
- D. few**

121. Growth curve approach is used for forecasting demand of _____ products

- A. New**
- B. Old
- C. Existing
- D. Both old and existing.

122. A positive income elasticity may be

- A. Unit income elasticity
- B. Income elasticity greater than unity
- C. Income elasticity less than unity

D. Any of the above

123. The concept of Elasticity of Demand was introduced by

- A. Alfred Marshall**
- B. Lionel Robbins
- C. Adam Smith
- D. J M Keynes

124. When the quantity demanded falls due to a rise in price, it is called

- A. Extension
- B. Upward shift
- C. Downward shift
- D. Contraction**

125. Determinants of demand includes

- A. Price of a commodity
- B. Nature of commodity
- C. Income and wealth of consumer
- D. All the above**

126. Exceptional Demand Curve (Perverse demand curve)

- A. Moving upward from left to right**
- B. Moving upward from right to left
- C. Moving horizontally
- D. Moving vertically

127. Purposes of long term Demand forecasting doesn't include;

- A. Planning of a new unit or expansion of existing unit.
- B. Planning long term financial requirements.
- C. Planning of manpower requirements.
- D. Deciding suitable price policy**

128. Which of the following method of pricing is popular in wholesale and retail trades

- A. skimming
- B. penetrating
- C. full cost pricing**
- D. target pricing

129. _____ is an "objective assessment of the future course of demand"

- A. Demand Estimation
- B. Demand analysis
- C. Demand function
- D. Demand forecasting**

130. The change in demand due to change in price only, where other factors remaining constant, it is called _____

- A. Shift in demand
- B. Extension of demand
- C. Contraction of demand
- D. Both extension and contraction**

131. In the above function, the letter T stands for

- A. Target price
- B. Total supply
- C. Total consumption
- D. Taste and preference of consumers**

132. _____ means relationship between demand and its various determinants expressed mathematically

- A. Demand extension
- B. Demand contraction
- C. Demand analysis
- D. Demand function**

133. " _____ in economics means demand backed up by enough money to pay for the goods demanded"

- A. Utility
- B. Consumption
- C. Supply
- D. Demand**

134. In the case of _____ a small change in price leads to very big change in quantity demanded

- A. Perfectly elastic demand
- B. Perfectly inelastic demand
- C. Relative elastic demand
- D. Unit elastic demand**

135. Basic assumptions of law of demand does not include

- A. There is no change in consumers' taste and preference
- B. Income should remain constant.
- C. Prices of other goods should change.**
- D. There should be no substitute for the commodity

136. in the case of perfect inelasticity, the demand curve is

- A. Vertical**
- B. Horizontal
- C. Flat
- D. Steep

137. Purposes of long term Demand forecasting includes

- A. Making a suitable production policy.
- B. To reduce the cost of purchasing raw materials and to control inventory.
- C. Deciding suitable price policy
- D. Planning of a new unit or expansion of existing unit**

138. Pricing is done on the basis of managerial decisions, not on the basis of cost, demand etc...

- A. Managerial pricing
- B. Administered pricing**
- C. Full cost pricing
- D. Competitive pricing

139. The pricing of cup of tea or coffee, is an example of

- A. Mark up pricing
- B. Marginal cost pricing
- C. Conventional pricing**
- D. Cost plus pricing

141. Which of the following is a short run law?

- A. Law of constant return to scale
- B. Law of increasing return to scale
- C. Law of diminishing return**
- D. None of these

142. Related to production function, MRTS stand for;

- A. Marginal revenue and total sales
- B. Minimum revenue from total sales
- C. Marginal rate of total supply
- D. Marginal rate of technical substitution**

143. Basic economic tools of managerial economics does not include

- A. Principle of time perspective
- B. Equi-marginal principle
- C. Incremental principle
- D. None of these**

144. In the above function, the letters Ps stands for

- A. Preference of consumers
- B. Price of commodity
- C. Price of substitutes**
- D. Product supply

145. Price discrimination occurs when variation in prices for a product in different markets does not reflect variation?

- A. Costs**
- B. Price
- C. Demand
- D. All of these

146. A firm that is the sole seller of a product without close substitutes called:

- A. Monopoly**
- B. Oligopoly
- C. Competition
- D. Bureaucracy

147. Which is not a property of ISOQUANT?

- A. Downward sloping
- B. Convex
- C. Negative slope
- D. Positive slope**

148. Selling at a lower price in export market and at a higher price at home market is called

- A. Export subsidy
- B. Dumping**
- C. Price cut
- D. All the above

149. Modern definition is also called as

- A. Growth definition**
- B. Welfare definition
- C. scarcity definition
- D. Neoclassical definition

150. "A rupee tomorrow is worth less than a rupee today" relates to

- A. Opportunity cost principle
- B. Discounting principle**
- C. Equi-marginal principle
- D. None of these

151. Allocation of available resources among alternatives is based on the principle

- A. Opportunity cost principle
- B. Discounting principle
- C. Equi-marginal principle**
- D. None of these

152. _____ is known as the 'first law in market'

- A. Law of supply
- B. Law of consumption
- C. Law of demand**
- D. Law of production

153. Economics was classified into micro and macro by

- A. Ragnar Frisch**
- B. Adam Smith

- C. J M Keynes
- D. AC Pigou

154. In the long run all input become _____

- A. Fixed
- B. Variable**
- C. Semi variable
- D. None of these

155. In the IS-LM model, an easy monetary in conjunction with a tight fiscal policy

- A. Increases exports and decreases imports
- B. Decreases exports and increases imports
- C. Encourages foreign capital inflows to the U.S.
- D. Both b and c**

156. A consumers demand curve can be obtained from:

- A. ICC
- B. Engel curve
- C. Lorence curve
- D. PCC**

157. A fall in the price of a commodity leads to

- A. A shift in demand
- B. A fall in demand
- C. A rise in the consumer's real income**
- D. A fall in the consumer's real income

158. The utility of a commodity is:

- A. Its expected social value
- B. The extent of its practical use
- C. Its relative scarcity**
- D. The degree of its fashion

159. The traffic which maximizes a country's economic welfare is called

- A. Discriminatory traffic
- B. Protective traffic
- C. Optimum traffic
- D. Non-Discriminatory traffic**

160. Adam Smith advocated

- A. Laissez Faire
- B. Division of Labour
- C. Both of these**
- D. None of these