



PUNE VIDYARTHI GRIHA'S
COLLEGE OF SCIENCE AND TECHNOLOGY
Affiliated to University of Mumbai

Question Bank

Class: FYBMS

Semester: I

Subject: BUSINESS ECONOMICS

1. Opportunity cost means_____.
 - A) the accounting cost minus the marginal benefit.
 - B) the highest-valued alternative forgone.
 - C) the monetary costs of an activity.
 - D) the accounting cost minus the marginal cost.
2. The opportunity cost of any action is_____.
 - A) the time required but not the monetary cost.
 - B) all the possible alternatives forgone.
 - C) the highest-valued alternative forgone.
 - D) the monetary cost but not the time required.
3. The opportunity cost of something you decide to get is_____.
 - A) the amount of money you pay to get it.
 - B) the highest valued alternative you give up to get it.
 - C) the lowest valued alternative you give up to get it.
 - D) all possible alternatives that you give up to get it.
4. Normally a demand curve will have the shape_____.
 - A) Horizontal.
 - B) Vertical.
 - C) Downward sloping.
 - D) Upward sloping.
5. Law of demand shows relation between_____.
 - A) Income and price of commodity
 - B) Price and quantity of a commodity
 - C) Income and quantity demand
 - D) Quantity demanded and quantity supplied.
6. This is an assumption of law of demand_____.
 - A) Price of the commodity should not change

- B) Quantity should not change
 - C) Supply should not change
 - D) Income of consumer should not change
7. Other things equal, if a good has more substitutes, its price elasticity of demand is_____.
- A) Larger
 - B) Smaller
 - C) Zero
 - D) Unity
8. If elasticity of demand is very low it shows that the commodity is_____.
- A) A necessity
 - B) A luxury
 - C) Has little importance in total budget
 - D) Lagre
9. If quantity demanded is completely unresponsive to changes in price, demand is_____.
- A) Inelastic
 - B) Unit elastic
 - C) Elastic
 - D) Perfectly inelastic
10. A desire backed by ability to pay and willingness to pay for a commodity is called._____.
- A) Supply
 - B) Demand
 - C) Cost
 - D) Revenue
11. Demand function of_____.
- A) Price
 - B) Quantity
 - C) Supply
 - D) Cost
12. It describes the law of supply_____.
- A) Supply curve
 - B) Demand curve
 - C) Avarge curve
 - D) Marginal curve
13. Supply curve will shift when_____.
- A) Cost
 - B) Product

- C) Demand shift
- D) Technology change

14. An increase in demand would cause supply curve to _____.

- A) Shift to the left
- B) Shift to the right
- C) Change in slope of supply curve
- D) No effect on supply

15. Demand curve in perfect competition _____.

- A) Each firm is very large.
- B) Their demand curves are downward sloping
- C) Their demand curves are horizontal line
- D) There are no good substitutes for their goods

16. Demand curve under Monopoly competition _____.

- A) Demand curves are downward sloping
- B) Demand curves are vertical line
- C) Kink Demand curve
- D) Demand curve upward sloping

17. Demand curve under Monopolistic competition _____.

- A) Demand curve are stepper
- B) Demand curve falter
- C) Demand curve are normal
- D) Kink Demand curve

18. Demand curve in Oligopoly completion _____.

- A) Supply curve
- B) Demand curve
- C) Kink Demand curve
- D) Demand curves are vertical line

19. Average revenue is equal to the _____ per unit of output.

- A) Total
- B) Average cost
- C) Price
- D) Incremental Income

20. _____ revenue is total sale of certain amount of commodity at a given time.

- A) Negative
- B) Positive

- C) Zero
- D) Total

21. The _____ method uses time series data.

- A) Trend
- B) End -use
- C) Sample survey
- D) Delphi

22. Which of the following methods is used to bridge the opinions given by different experts _____

- A) Trend
- B) End -use
- C) Sample survey
- D) Delphi

23. Which of the following methods makes use of historical data and demand determinants to forecast demand _____

- A) Expert's opinion
- B) Trend Analysis
- C) Statistical
- D) Sample survey.

24. Which is not a feature of market experiment method of demand forecast _____.

- A) Use of consumer clinics
- B) Actual market situations are created.
- C) Forecast is based on past statistical data.
- D) Based on observed consumer behaviour.

25. _____ shows the overall output generated at a given level of input.

- (a) Cost function
- (b) Production function
- (c) Iso cost
- (d) Marginal rate of technical substitution

26. If LAC curve falls as output expands, this is due to _____.

- (a) Law of diminishing returns
- (b) Economics of scale
- (c) Law of variable proportion
- (d) Diseconomies of scale

27. Isoquants are equal to _____

- (a) Product Lines

- (b) Total utility lines
- (c) Cost lines
- (d) Revenue lines

28. The marginal product curve is above the average product curve when the average product is _____.

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) None

29. Increasing returns to scale can be explained in terms of _____

- (a) External and internal economies
- (b) External and internal diseconomies
- (c) External economics and internal diseconomies
- (d) All of these

30. An isoquant is _____ to an iso cost line at equilibrium point.

- (a) Convex
- (b) Concave
- (c) Tangent
- (d) Perpendicular.

31. At the point of inflexion, the marginal product is _____.

- (a) Increasing
- (b) Decreasing
- (c) Maximum
- (d) Negative

32.. Diminishing marginal returns implies _____.

- (a) Decreasing average variable costs
- (b) Decreasing marginal costs
- (c) Increasing marginal costs
- (d) Decreasing average fixed costs

33. If the marginal product of labour is below the average product of labour. It must be true that _____.

- (a) Marginal product of labour is negative
- (b) Marginal product of labour is zero
- (c) Average product of labour is falling
- (d) Average product of labour is negative

34. Law of variable proportion is valid when _____.

- (a) Only one input is fixed and all other inputs are kept variable
- (b) All factors are kept constant
- (c) All inputs are varied in the same proportion
- (d) All other inputs are kept variable

35. Implicit costs are_____.

- A) equal to total fixed costs.
- B) comprised entirely of variable costs.
- C) "payments" for self-employed resources.
- D) always greater in the short run than in the long run.

36. Which would be an implicit cost for a firm? The cost_____.

- A) of worker wages and salaries for the firm.
- B) paid for leasing a building for the firm.
- C) paid for production supplies for the firm.
- D) of wages foregone by the owner of the firm.

37. If a firm's revenues just cover all its opportunity costs, then_____

- A) normal profit is zero.
- B) economic profit is zero.
- C) total revenues equal its explicit costs.
- D) total revenues equal its implicit costs.

38. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it _____.

- A) The firm will earn accounting and economic profits.
- B) The firm will face accounting and economic losses.
- C) The firm will face an accounting loss, but earn economic profits.
- D) The firm may earn accounting profits, but will face economic losses.

39. Opportunity cost is_____.

- (a) Direct cost
- (b) Total cost
- (c) Accounting cost
- (d) Cost of foregone opportunity

40. As output increases, average fixed cost_____.

- (a) Remains constant
- (b) Starts falling
- (c) Start rising
- (d) None

41. Average fixed cost can be obtained through_____.
- (a) $AFC = TFC/TS$
 - (b) $AFC = EC/TU$
 - (c) $AFC = TC/PC$
 - (d) $AFC = TFC/TU$
42. AFC curve is_____
- (a) Convex & downward sloping
 - (b) Concave & downward sloping
 - (c) Convex & upward sloping
 - (d) Concave & upward rising
43. A firm's average fixed cost is Rs 20 at 6 units of output what will it be at 4 units of output_____
- (a) Rs 60
 - (b) Rs 30
 - (c) Rs 40
 - (d) Rs 20
44. U-shaped average cost curve is based on_____
- (a) Law of increasing cost
 - (b) Law of decreasing cost
 - (c) Law of constant returns to scale
 - (d) Law of variable proportions.
45. When shape of average cost curve is upwards, marginal cost_____
- (a) Must be decreasing
 - (b) Must be constant
 - (c) Must be rising
 - (d) Any of these
46. If total cost at 10 units is Rs 600 and Rs 640 for 11th unit. The marginal cost of 11th unit is_____
- (a) Rs 20
 - (b) Rs 30
 - (c) Rs 40
 - (d) Rs 50
47. Economic cost excludes_____
- (a) Accounting cost + explicit cost
 - (b) Accounting cost + implicit cost
 - (c) Explicit cost + Implicit cost
 - (d) Accounting cost + opportunity cost
48. Which of the following cost curves is never 'U' shaped_____.

- (a) Average cost curve
- (b) Marginal cost curve
- (c) Total cost curve
- (d) Fixed cost curve

49. When the total product curve is falling, the_____.

- A) marginal product of labor is zero.
- B) marginal product of labor is negative.
- C) average product of labor is increasing.
- D) average product of labor must be negative.

50. When marginal product reaches its maximum, what can be said of total product_____

- A) total product must be at its maximum
- B) total product starts to decline even if marginal product is positive
- C) total product is increasing if marginal product is still positive
- D) total product levels off

51. Variable costs are_____

- A) sunk costs.
- B) multiplied by fixed costs.
- C) costs that change with the level of production.
- D) defined as the change in total cost resulting from the production of an additional unit of output.

52. Which is not a fixed cost_____

- A) monthly rent of \$1,000 contractually specified in a one-year lease
- B) an insurance premium of \$50 per year, paid last month
- C) an attorney's retainer of \$50,000 per year Page 3
- D) a worker's wage of \$15 per hour

53. If you know that with 8 units of output, average fixed cost is \$12.50 and average variable cost is \$81.25, then total cost at this output level is _____

- A) \$93.75. B) \$97.78. C) \$750. D) \$880.

54. With fixed costs of \$400, a firm has average total costs of \$3 and average variable costs of \$2.50. Its output

is _____

- A) 200 units. B) 400 units. C) 800 units. D) 1,600 units.

55. The reason the marginal cost curve eventually increases as output increases for the typical firm is

because _____

- A) of diseconomies of scale.
B) of minimum efficient scale.
C) of the law of diminishing returns.
D) normal profit exceeds economic profit.

56. If the short-run average variable costs of production for a firm are rising, then this indicates that: A) average

total costs are at a maximum _____

- B) average fixed costs are constant.
C) marginal costs are above average variable costs.
D) average variable costs are below average fixed costs.

57. If a more efficient technology was discovered by a firm, there would be _____

- A) an upward shift in the AVC curve.
B) a downward shift in the AFC curve.
C) an upward shift in the AFC curve.

D) a downward shift in the MC curve.

58. The firm's short-run marginal-cost curve is increasing when _____

A) marginal product is increasing.

B) total fixed cost is increasing.

C) marginal product is decreasing.

D) average fixed cost is decreasing.

59) Of the following, demand is likely to be the least elastic for _____

A) Toyota automobiles.

B) compact disc players.

C) Ford automobiles.

D) toothpicks.

60) Of the following, demand is likely to be the least elastic for _____.

A) pink grapefruit.

B) iceberg lettuce.

C) insulin for diabetics.

D) diamonds.

61) The demand for food is most elastic in countries _____

A) with low income levels.

B) that are highly urbanized.

C) with intermediate income levels.

D) with high income levels

62) If a price decrease results in your expenditure on a good decreasing, your demand must be _____

A) unit.

B) inelastic.

C) inear.

D) elastic.

63) The elasticity of demand for Gateway computers is probably _____

A) elastic and smaller than the elasticity of demand for computers overall.

- B) inelastic and smaller than the elasticity of demand for computers overall.
- C) inelastic but larger than the elasticity of demand for computers overall.
- D) elastic and larger than the elasticity of demand for computers overall.

64) Aglets are the metal or plastic tips on shoelaces that make it easier to lace your shoes. The demand for aglets is probably _____.

- A) perfectly elastic.
- B) inelastic.
- C) elastic but not perfectly elastic.
- D) unit elastic.

65) The cross elasticity of demand measures the responsiveness of the quantity demanded of a particular good to changes in the prices of _____.

- A) its complements but not its substitutes.
- B) its substitutes but not its complements.
- C) its substitutes and its complements.
- D) neither its substitutes nor its complements.

66) If goods are complements, definitely their _____.

- A) income elasticities are negative.
- B) income elasticities are positive.
- C) cross elasticities are positive.
- D) cross elasticities are negative

.

67) If a rise in the price of good 1 decreases the quantity of good 2 demanded, _____

- A) the cross elasticity of demand is negative.
- B) good 1 is an inferior good.
- C) good 2 is an inferior good.
- D) the cross elasticity of demand is positive.

68) The cross elasticity of demand between apples and oranges is defined as _____.

- A) the price elasticity of demand for apples divided by the price elasticity of demand for oranges.
- B) the change in the quantity of apples demanded divided by the change in the quantity of oranges demanded.
- C) the percentage change in the quantity of apples demanded divided by the percentage change in the price of

oranges.

D) the percentage change in the quantity of apples demanded divided by the percentage change in the quantity of

oranges demanded.

69) If the cross elasticity of demand between goods A and B is positive,_____.

- A) the demands for A and B are both price elastic.
- B) A and B are complements.
- C) A and B are substitutes.
- D) the demands for A and B are both price inelastic.

70) If the cross elasticity of demand between goods A and B is negative,_____.

- A) the demands for A and B are both price elastic.
- B) A and B are complements.
- C) the demands for A and B are both price inelastic.
- D) A and B are substitutes.

71) The greater the substitutability between Northwest timber and Southeast timber, the _____ is the cross elasticity of demand between timber from the two regions and the _____ is the elasticity of demand for Northwest timber.

- A) smaller; smaller
- B) larger; smaller
- C) smaller; larger
- D) larger; larger

72) If goods A and B are complements,_____.

- A) the cross elasticity of demand between A and B is negative.
- B) the cross elasticity of demand between A and B is positive.
- C) their income elasticities of demand are both less than 1.
- D) their income elasticities of demand are both greater than 1.

73) If a rise in the price of good B increases the quantity demanded of good A,_____.

- A) B is a substitute for A, but A is a complement to B.
- B) A is a substitute for B, but B is a complement to A.
- C) A and B are complements.

D) A and B are substitutes.

74) If a fall in the price of good A increases the quantity demanded of good B,_____.

A) A and B are substitutes.

B) A and B are complements.

C) B is a substitute for A, but A is a complement to B.

D) A is a substitute for B, but B is a complement to A.

75) The cross elasticity of demand between Coca-Cola and Pepsi-Cola is_____.

A) positive, that is, Coke and Pepsi are complements.

B) negative, that is, Coke and Pepsi are complements.

C) positive, that is, Coke and Pepsi are substitutes.

D) negative, that is, Coke and Pepsi are substitutes.

76) A rise in the price of good A will shift the_____.

A) supply curve of good B rightward if the cross elasticity of demand between A and B is positive.

B) demand curve for good B rightward if the cross elasticity of demand between A and B is negative.

C) demand curve for good B rightward if the cross elasticity of demand between A and B is positive.

D) supply curve of good B rightward if the cross elasticity of demand between A and B is negative.

77) The income elasticity of demand is the percentage change in_____.

A) income divided by the percentage change in price.

B) the quantity demanded divided by the percentage change in income.

C) the price divided by the percentage change in income.

D) income divided by the percentage change in quantity demanded.

78) Demand is income elastic if_____.

A) an increase in income will not affect the quantity demanded.

B) a small percentage increase in income will result in a large percentage increase in quantity demanded.

C) the good in question has close substitutes.

D) a large percentage increase in income will result in a small percentage increase in quantity demanded.

79) The income elasticity of demand is high for_____.

- A) shelter.
- B) luxuries.
- C) clothing.
- D) food.

80) To say that turnips are inferior goods means that the income elasticity_____.

- A) is definitely greater than 1.
- B) is negative.
- C) is positive but could be greater than or less than (or equal to) 1.
- D) is definitely between 0 and 1.

81) An increase in Abigail's income decreases her demand for cassette tapes. For her, cassette tapes are_____.

- A) a complement to any good.
- B) a normal good.
- C) an inferior good.
- D) a substitute good.

82) Goods whose income elasticities are negative are called_____

- A) superior goods.
- B) inferior goods.
- C) normal goods.
- D) complements.

83) The expansion path of production theory is analogous in consumption theory to the _____

- A) Engel curve
- B) Price consumption line
- C) Income consumption line
- D) Budget constraint line

84) The vertical distance between TVC and TC is equal to _____

- A) TFC
- B) AVC
- C) MC
- D) AC

85) The Law of Diminishing Returns is applied to all fields of production was stated by_____

- A) A. C. Pigou
 - B) Walras
 - C) Alfred Marshall
 - D) David Ricardo
- 86) The prime cost may be considered as _____
- A) Sunk cost
 - B) Direct cost
 - C) Variable cost
 - D) Fixed cost
- 87) The slope of the TVC or total cost curve indicates the _____
- A) Average cost
 - B) Marginal revenue
 - C) Marginal cost
 - D) Variable cost
- 88) An increase in a firm's fixed costs will _____
- A) Change total costs but not marginal costs
 - B) Change both marginal and total costs
 - C) Change variable costs but not marginal costs
 - D) Change marginal costs but not total costs
- 89) The law of increasing returns is only applicable to agriculture; according to _____
- A) Classical school
 - B) J. M. Keynes
 - C) Modern school
 - D) Neo-classical school
- 90) Marginal cost curve _____
- A) Has the shape of the inverted U
 - B) Has the shape of the alphabet U
 - C) Has the shape a rectangular hyperbola
 - D) Has the shape a hyperbola
- 91) Economies of Scale means _____
- A) Reductions in unit cost of production
 - B) Reductions in unit cost of distribution
 - C) Addition to the unit cost of production
 - D) Reduction in the total cost of production
- 92) Arc elasticity gives a better measure of point elasticity of a curvilinear demand curve as _____

- A) The curvature of the demand curve over the arc becomes less
- B) Change variable costs but not marginal costs
- C) Change marginal costs but not total costs
- D) Reduction in the total cost of production

93) Short-run cost curves are influenced by _____

- A) External and internal economies and diseconomies
- B) Law of variable proportions
- C) Principle of returns to scale
- D) None of these

94) The normal long run average cost curve is influenced by the _____

- A) Principle of diminishing returns
- B) Economies and diseconomies of large scale production
- C) Principle of constant returns to scale
- D) All of the above

95) Each short-run average cost curve coincides with long run cost curve _____

- A) At middle point
- B) At lower point
- C) At upper point
- D) No permanent position

96) Which is an inverted 'U' shaped curve? _____

- A) AFC
- B) MC
- C) FC
- D) TFC

97) The slope of the Iso-cost line is determined by _____

- A) Prices of the two factors
- B) Degree of substitutability of two factors
- C) Productivity of the two factors
- D) None of these

98) In general, if the average revenue curve is a straight line, the marginal revenue curve will be

- A) U-shaped
- B) A straight line
- C) C-shaped

D) Bell-shaped

99) "Steps downwards at first and then upwards". It is the movement of _____

A) TFC Curve

B) AFC Curve

C) TVC Curve

D) TC Curve

100) The vertical distance between TVC and TC is equal to _____

A) AVC

B) MC

C) TFC

D) None of these

101. The slope of long-run cost curve is influenced by -----.

A. The artist

B. Managerial economy

C. Economics and dis economics of scale

D. Input-output technical relationship

102. Application of automotive devices with expanding scale of operation leads to -----.

A. Industrial economy

B. Technical economy

C. External economy

D. Technical force

103. Internal economies are realized by the firm-----.

A. When its size is big

B. Scale of operation is large

C. Within itself

D. When it is small

1. External economies occur when -----.

A. Size of firm expands

B. Size of industry expands

C. Economy grows

D. Constant

2. _____ type of iso-quant assumes perfect substitutability.

A. Leontief iso-quant

B. Kinked iso-quant

C. Linear iso-quant

D. Smooth convex iso-quant

3. The area lying between the two ridge lines is the _____.

A. Non-economic region

B. Economic region

C. Economic of scope

D. Non-economic scope

4. _____ is attributed to the multi-product cost function.

A. Economies of scope

B. Dis economies of scale

- C. Economies of scale
- D. Macro Economic

10.If there is zero substitutability between capital and labour the isoquant is_____.

- A. A straight line
- B.L shaped
- C.concave to the origin
- D. Scale of operation is large

11.The point of tangency between iso–cost line and iso–quant is the point of _____.

- A.Consumer’s equilibrium
- B.Producer’s equilibrium
- C.Consumer Surplus
- D.Producer Surplus

12. The total amount of output produced is called _____.

- A. Total supply
- B. Total product
- C. Total Demand
- D. Total Quantity

13. Using five units of labour a firm can produce 2500 units of a good. Using six units of labour the firm can produce 3000 units of the good. The marginal product of the sixth unit of labour is.-----.

- A.100 units
- B.1500 units
- C.2000 units
- D.500 units

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