

CHAPTER-1: INTRODUCTION TO MICRO ECONOMICS

1. The meaning of the word 'Economic' is most closely connected with the word

- (a) Extravagant (b) Scarce
(c) Unlimited (d) Restricted

2. In economics, 'the central economic problem' means:

- (a) Consumers do not have as much money as they would wish.
(b) There will always be a certain level of unemployment
(c) Resources are not always allocated in an optimum way
(d) Output is restricted to the limited availability of resources

3. Which of the following suggests a micro approach for India?

- (a) Identifying the causes of large scale unemployment in India
(b) Input output analysis for the economy
(c) Finding causes of high turnover in ABC Ltd.
(d) Analyzing distribution of coal in the country

4. Who expressed the words "The range of our enquiry becomes restricted to that part of social welfare that can be brought directly of indirectly into relation with the measuring rod of money"?

- (a) Alfred Marshall (b) A.C. Pigou
(c) Keynes (d) Robbins

5. Which of the following can be regarded as law of economics?

- (a) Ceteris Paribus, if the price of a commodity rises, the quantity demanded of it will fall
(b) Higher the income, greater is the expenditure.
(c) Taxes have no relation with the benefits which a person derives from the state.
(d) None of the above.

6. State whether economics is:

- (a) A positive science only,
(b) Neither a positive nor normative science.
(c) A science but not art.
(d) A science or an art depending on who uses economics and for what purpose.

7. Which of the following embody a more widely accepted definition of economics?

- (a) "An inquiry into the nature and causes of the wealth of nations".
(b) "The part of social welfare which can be brought directly or indirectly into relationship with the measuring rod of money".
(c) A study of mankind in the ordinary business of life material requisites of well-being".
(d) A science which studies human behaviour as a relationship between end ...which have alternative uses".

8. State which of the following refers to the macro approach from a national angle:

(a) Unemployment among the educated people in India.

(b) Profitability ratio of Bharat Heavy Electricals Limited.

(c) Turnover ratio in Telco.

(d) None of the above

9.Economics explains economic phenomena according to their causes and effects.

(a) Positive (b) Normative

(c) Empirical (d) Applied.

10. State interference is maximum in:

(a) Mixed economy (b) Socialistic economy

(c) Capitalistic economy (d) None of the above.

11. Which of the following is related to micro economics?

(a) Inflation in the economy

(b) Problem of unemployment

(c) National income

(d) Income from the railways

12. Which of the following is normative statement?

(a) Planned economics allocate resources via government departments.

(b) Most transitional economics have experienced problems of falling output and rising prices over the past decade.

(c) There is greater degree consumer of sovereignty in market economies.

(d) Reducing inequality should be a major priority for mixed economies.

13. Who expressed the view that economics is the study of mankind in the ordinary business of life?

(a) Marshall (b) Robbins

(c) Adam Smith (d) Ricardo

14. Scarcity can be avoided by making:

(a) Needs unlimited

(b) Wants unlimited

(c) Resources limited

(d) Wants and needs limited

15. Every economy is characterized by:

(a) Unlimited wants and needs

(b) No energy resources

(c) Unlimited material resources

(d) Abundant productive labour

16. Which of the following statements is not true about positive and normative science?

(a) Positive economics says nothing about the ends.

(b) Positive economics is not concerned with moral judgments.

(c) Positive economics is concerned with moral judgments

(d) A normative statement involves ethical values.

17. The norms of behaviours which satisfy the requirements of social rationality of economic activity are established by

- (a) Positive economics
- (b) Normative economics
- (c) Business economics
- (d) Mathematical economics

18. Eliminating the scarcity problem would:

- (a) Eliminate the need to study economics
- (b) Increase the need to study economics
- (c) Divert resources from government activity to education.
- (d) Eliminate the possibility of "freelunch"

19. The U.S. economy, which uses a combination of markets and government to allocate resources, is best considered:

- (a) Socialism
- (b) Communism
- (c) Market based capitalism
- (d) Pure market economy

20. Economists who are concerned about the behaviour of individual households, firms and industries are studying:

- (a) Microeconomics (b) Macroeconomics
- (c) Nan economics (d) Neoeconomics

21. In which type of economic system has the government no control over price fluctuations?

- (a) Market economy (b) Command economy

- (c) Mixed economy (d) Regulated economy

22. Reasoning proceeds from particular to general under

- (a) Deductive method (b) Inductive method
- (c) Conclusive method (d) None of above

23. A normative economic statement is:

- (a) The basic minimum wages should be raised to Rs.25 per hour.
- (b) Economics is a social science that studies human behaviour.
- (c) Economics is not a social science that studies human behaviour.
- (d) The United States spends a \$ 1 trillion on national defence.

24. Which one of the following is NOT a feature of mixed economy?

- (a) Market forces deciding investment and consumption
- (b) Reservation of certain areas for public sector investment
- (c) Emphasis on social justice
- (d) Strong anti-monopoly legislation.

25. The production possibility curve is also known as

- (a) Opportunity cost curve
- (b) Transformation curve
- (c) Production possibility frontiers
- (d) All the above.

26. Mixed economy means

- (a) Co-existence of small and large industries
- (b) Promoting both agriculture and industries in the economy
- (c) Co-existence of public and private sectors
- (d) Co-existence of rich and poor.

27.helps us to understand the problem of scarcity better, by showing what can be produced with given resources and technology.

- (a) Isoquant curve
- (b) Production possibility frontier
- (c) Giffen's paradox
- (d) Isocost curve.

28. In which type of economy can each producer allocate his resources based on the demand?

- (a) Market economy (b) Command economy
- (c) Mixed economy (d) Regulated economy

29. Opportunity costs are a result of.....

- (a) Scarcity
- (b) Overproduction
- (c) Technology obsolescence
- (d) Abundance of resources.

30. The production possibility curve is..... to the origin.

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

31. The aim of an entrepreneur is to earn as much profit as possible. The entrepreneur belongs to

- (a) Socialistic economy (b) Capitalistic economy
- (c) Mixed economy (d) All of the above.

32. If a point falls inside the production possibility curve, what does it indicate?

- (a) Resources are overutilized
- (b) Resources are underutilized
- (c) There is unemployment in the economy
- (d) Both b and c.

33. The PPC does not give the desirable point of production it only indicates the possible combination of.....that can be produced with the available resources.

- (a) Two goods (b) Three goods
- (c) Number of goods (d) A single good.

34. Which of the following is an important message that a production possibility curve conveys to an economy?

- (a) It indicates the limited number of production possibility during a given period of time
- (b) It shows the maximum amount of any good that can be produced with the available resources
- (c) It shows the maximum expected demand in the near future
- (d) Both a and b.

35. Which type of economy gives rise to the most efficient allocation of resources and capital in the standard macroeconomics framework?

- (a) Free market economy
- (b) Command market economy
- (c) Controlled market economy
- (d) Regulated market economy

36. A production possibility curve presents valuable information about production. Which of the following statements describes the information best?

- (a) The maximum output of any two products that can be produced with given resources
- (b) The rise and fall of total output when resources and techniques are fixed
- (c) The production pattern in an economy when resources and techniques are fixed
- (d) The growth of production over a period of time with given resources

37. Point inside the production possibility curve given represents

- (a) Attainable combination of good x and good y
- (b) Full utilization of resources
- (c) Under-utilization of resources
- (d) Economically efficient combination of good x and good y

38. What does an outward shift of the production possibilities curve indicate?

- (a) Inflation
- (b) Economic growth
- (c) Overproduction
- (d) Over employment production

39. In which type of economy do consumers and producers make their choices based on the market forces of demand and supply?

- (a) Open economy (b) Controlled economy
- (c) Command economy (d) Market economy.

40. Monopoly of State on production and Investment is feature of

- (a) Mixed economy (b) Socialistic economy
- (c) Capitalistic economy (d) None of above

41. Which of the following is/are the method adopted for investigating economic facts

- (a) Conclusive method (b) Inductive method
(c) Deductive method (d) Both b& c

42. Right of private property is found in

- (a) Socialism (b) Capitalism
(c) Mixed economy (d) None of above

43.is also known as price theory

- (a) Microeconomics (b) Macroeconomics
(c) Both of above (d) None of above

44. Indicate the suitable match

- (a) Economics is the science of wealth-Adam smith
(b) Economics is the science of material well being -Samuelson
(c) Economics is the science of choice making - Marshall
(d) Economics is the science of growth and development- Robbins

45. If the marginal (additional) opportunity cost is a constant then the PPC would be

- (a) Convex. (b) Straight line.
(c) Backward bending. (d) Concave.

46. Which of the following statements regarding market economy is not true?

- (a) Price plays a major role in a market economy.
(b) The government controls production and distribution of goods
(c) Consumers choose the goods they want.
(d) Efficiency is achieved through the profit motive.

47. Reasoning proceeds from general to particular under

- (a) Deductive method (b) Inductive method
(c) Conclusive method. (d) None of above

48. The production possibility curve is not used for which of the following purposes?

- (a) Knowledge of economics efficiency
(b) Distribution of nations' resources
(c) Choice of techniques of production
(d) Demand-supply analysis

49. Micro economics is related to:

- (a) Demand (b) Supply
(c) Price mechanism (d) All the above

50. PPC shifts to leftward because of:

- (a) Drought (b) Floods

(c) Starvation (d) All the above

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