

MCQ's

Of

ECONOMICS

By

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BATCH ONE SUMMER -1995

FILL IN THE BLANKS

1	----- is study of how people choose to use scarce resources in an attempt to satisfy unlimited wants
2	----- cost is value of next best alternative foregone
3	Ups and downs in real GNP are called-----
4	Demand is perfectly ----- when price elasticity of demand is zero
5	----- profit is total revenue minus all costs, explicit & implicit

ANSWERS

1	Economics	Samuelson	Page No. 45 17 th Edition	Dewett	Page No. 5 21st Edition
2	Opportunity	Samuelson	137	Dewett	148
3	Business cycles	Samuelson	416	Dewett	397
4	Inelastic	Samuelson	70	Dewett	81
5	Economic	Samuelson	274	Dewett	299

TRUE / FALSE

1	Fixed cost is dependent on output while variable cost is independent of output
2	Marginal revenue is change in total cost after a one unit change in production
3	GNP does not include transactions that do not officially pass through market
4	Under monopoly average and marginal revenue curves are horizontal straight lines
5	Production efficiency is achieved when output is produced with least cost combination of inputs and using best available technology

ANSWERS

1	False	Samuelson	Page 760	Dewett	Page 151
2	False	Samuelson	769	Dewett	168
3	True	Samuelson	449	Dewett	328
4	False	Samuelson	176	Dewett	211
5	True	Samuelson	131	Dewett	144

ALTERNATIVES

1-- Which of following is not economic good			
A-Text book	B-Irrigation water from a dam	C-Today's newspaper	D-Sun light
2-- Which of following is fixed cost of owning automobile			
A- Petrol	B- Depreciation	C- Tyres	D-Servicing program
3-- Position of supply curve is not directly affected by			
A-State of Technology	B- Price of Resources used	C-Income level of consumers	D-All of above
4-- If money GNP rises, it means that			
A-People are happier	B- Real GNP has risen	C-There may have been no change in real GNP	D- Real GNP has fallen
5-- If 20 % rise in tuition fee of ICMAP leads to 10% fall in enrolment, price elasticity of demand will be			
A- 2	B- .2	C- .3	D- .5

ANSWERS

1	D	Samuelson	762	Dewett	4
2	B	Samuelson	760	Dewett	150
3	C	Samuelson	53	Dewett	53
4	C	Samuelson	439	Dewett	00
5	D	Samuelson	68	Dewett	86

RELATE CORRECTLY

Group A		Group B	
1	Demand Curve	A	Output level that must be reached to avoid loss
2	Supply Curve	B	Intersection of supply & demand curves
3	Production Equilibrium	C	Upward sloping to right
4	Equilibrium Price	D	No net tendency to change
5	Break-even Price	E	Downward sloping to right

ANSWERS

1	Demand Curve	E	Samuelson	48	Dewett	44
2	Supply Curve	C	Samuelson	52	Dewett	158
3	Production Equilibrium	A	Samuelson	181	Dewett	173
4	Equilibrium Price	B	Samuels on	763	Dewett	194
5	Break-even Price	D	Samuelson	155	Dewett	183

BATCH TWO
WINTER -1995

FILL IN THE BLANKS

1	-----is economic system in which there are both public & private sectors
2	Education & health services are best examples of----- goods
3	Production includes output of both----- & -----
4	Balance of payments consists of-----&-----accounts
5	Shift in demand or supply curve is due to any factor other than-----

ANSWERS

1	Mixed Economy	Samuelson	41	Dewett	611
2	Public	Samuelson	774	Dewett	00
3	Goods & services	Samuelson	108	Dewett	98
4	Current & Capital	Samuelson	615	Dewett	496
5	Price	Samuelson	50	Dewett	195

TRUE / FALSE

1	Under conditions of perfect competition loss-making firm is free to leave Market
2	GNP at factor cost is to subtract taxes and add subsidies
3	Monetarists believe that variations in money supply do not influence the level of National income
4	High rate of taxes act as disincentive to work and accordingly reduce output & employment
5	If demand for imports is inelastic, devaluation will result in balance of trade surplus

ANSWERS

1	True	Samuelson	151	Dewett	165
2	True	Samuelson	445	Dewett	325
3	False	Samuelson	770	Dewett	448
4	True	Samuelson	338	Dewett	561
5	False	Samuelson	622	Dewett	502

ALTERNATIVES

1---In short run to stay in business, firm must cover			
A- Total costs	B- Fixed costs	C- Variable costs	D- Normal Profit
2--- Which statement is correct			
A-Demand for tobacco is usually inelastic	B- Supply of rubber is elastic	C-Demand for potatoes is elastic	D- Demand for salt is extremely elastic
3--- Which one has negative income effect			
A- Normal goods	B- Superior goods	C- Inferior goods	D- Merit goods
4---When price of good is held above equilibrium price, normal result will be			
A-Excess demand	B-Increase in demand	C- Increase in supply	D- Surplus of product

ANSWERS

1	C	Samuelson	151	Dewett	184
2	A	Samuelson	74	Dewett	80
3	C	Samuelson	767	Dewett	82
4	D	Samuelson	56	Dewett	194

RELATE CORRECTLY

Group A		Group B	
1	Optimum output	A	Rate increase with increase in income
2	Shift in demand curve	B	Where average cost is minimum
3	Progressive tax	C	Output divided by input
4	Normal profit	D	Firm just covering total cost
5	Productivity of labor	E	Is caused by change in any factor other than price

ANSWERS

1	Optimum output	B	Samuelson	757	Dewett	154
2	Shift in demand curve	E	Samuelson	49	Dewett	195
3	Progressive tax	A	Samuelson	774	Dewett	549
4	Normal Profit	D	Samuelson	149	Dewett	177
5	Productivity of labor	C	Samuelson	774	Dewett	243

BATCH THREE SUMMER 1996

FILL IN THE BLANKS

1	-----is change in total cost due to change in total output
2	----- is extra satisfaction obtained from consuming one more unit of goods or services
3	Elasticity of demand is unitary if demand curve is-----
4	Firm will continue production in short run provided revenue covers -----cost
5	----- has been defined as wealth used in production of further wealth

ANSWERS

1	Marginal cost	Samuelson	127	Dewett	152
2	Marginal utility	Samuelson	769	Dewett	34
3	Rectangular hyperbola	Samuelson	00	Dewett	82
4	Average variable	Samuelson	151	Dewett	184
5	Capital	Samuelson	33	Dewett	102

TRUE / FALSE

1	Price discrimination under monopoly is always profitable
2	GNP minus foreign remittance is equal to GDP
3	Focal point of determining equilibrium of national income, according to Keynes is effective demand
4	Profit maximization output is where average cost is maximum

ANSWERS

1	False	Samuelson	190	Dewett	216
2	True	Samuelson	445	Dewett	327
3	True	Samuelson	494	Dewett	335
4	False	Samuelson	149	Dewett	173

ALTERNATIVES

1---Economic rent represents excess payment to a factor of production over and above its-----			
A- Transfer payments	B-Transfer costs	C-Transfer earnings	D-Variable costs
2---Demand for product of individual firm in perfect competition is			
A-Fairly elastic	B-Unitary elastic	C- Perfectly elastic	D- Fairly inelastic
3---In short run to stay in business firm must cover			
A- Normal profit	B- Total cost	C- Fixed cost	D- Variable cost
4---According to Keynesian analysis consumption is a function of			
A- Permanent income	B- Current income	C- Previous income	C- Estimated life Time income
5---Revaluation of exchange rate must result in an improvement in country's			
A-Terms of trade	B- Balance of Trade	C- Balance of payments	D- Capital account

ANSWERS

1	C	Samuelson	00	Dewett	271
2	A	Samuelson	759	Dewett	182
3	D	Samuelson	151	Dewett	184
4	B	Samuelson	460	Dewett	358
5	B	Samuelson	621	Dewett	502

RELATE CORRECTLY

Group A		Group B	
1	Normative economics	A	Brings demand & supply into equilibrium
2	Price mechanism	B	How much change in income occurs due to Change in investment
3	Cartel	C	How much change in investment occurs due to change in demand/income
4	Multiplier	D	Expression of value judgments
5	Accelerator	E	Agreement on price and output between producers

ANSWERS

1	Normative economics	D	Samuelson	772	Dewett	13
2	Price mechanism	A	Samuelson	27	Dewett	310
3	Cartel	E	Samuelson	758	Dewett	239
4	Multiplier	B	Samuelson	771	Dewett	373
5	Accelerator	C	Samuelson	756	Dewett	379

No objectives in Batch- 4 & Batch-5

BATCH SIX WINTER -1997

FILL IN THE BLANKS

1	-----is amount of satisfaction obtained by consuming units of good
2	-----shows amount of good which producers are willing and able to sell at different prices
3	-----measures responsiveness of demand for good-A to a given change in price of good-B
4	Addition to output made by each extra worker is called-----
5	-----is process of net addition in existing capital stock

ANSWERS

1	Total Utility	Samuelson	87	Dewett	35
2	Supply	Samuelson	52	Dewett	158
3	Cross elasticity	Samuelson	760	Dewett	82
4	Marginal product	Samuelson	769	Dewett	243
5	Investment	Samuelson	442	Dewett	365

TRUE OR FALSE

1	Monopolist is always able to earn super normal profit
2	According to Liquidity preference theory of interest, there is negative relation between interest rate & price of bonds
3	Indirect tax is surcharge on price imposed on sale of goods & services by Govt.
4	GDP can be calculated by subtracting foreign remittances from GNP
5	Pure public good is product which can be produced in free market economy

ANSWERS

1	False	Samuelson	181	Dewett	210
2	True	Samuelson	515	Dewett	291
3	True	Samuelson	766	Dewett	565
4	True	Samuelson	445	Dewett	327
5	False	Samuelson	37	Dewett	00

ALTERNATIVES

1---Total revenue of firm under imperfect competition will be at maximum when			
A- $MC = MR$	B- Average cost is lowest	C- MR is zero	D- $MC = AR$
2---Which following forms largest part of money supply in Pakistan			
A- Coins & Notes	B- Bank deposits	C- Treasury bills	D- Gold
3---Transfer earnings represent the amount paid			
A- Pensions & social security payments	B- To encourage a person to change job	C- To keep a person in his current job	D- To persuade employed person to take job
4---Firm will continue production in short run provided that revenue covers			
A- Total cost	B- Average cost	C- Variable cost	D- Fixed cost
5---Demand pull inflation may initially be caused by			
A- Increase in bank credit	B- Increase in profits	C- Increase in wages	D- Increase in rent

ANSWERS

1	A	Samuelson	178	Dewett	173
2	B	Samuelson	524	Dewett	415
3	C	Samuelson	0	Dewett	251
4	C	Samuelson	151	Dewett	184
5	C	Samuelson	692	Dewett	437

RELATE CORRECTLY

Group A		Group B	
1	Terms of Trade	A	Value of one currency in terms of other currency
2	Exchange Rate	B	Average price of exports as a ratio of average price of imports
3	Productive efficiency	C	Expression of value judgment
4	Allocative efficiency	D	When price is equal to marginal cost
5	Normative economics	E	When at equilibrium output AC is minimum

ANSWERS

1	Terms of Trade	B	Samuelson	777	Dewett	482
2	Exchange Rate	A	Samuelson	764	Dewett	507
3	Productive efficiency	E	Samuelson	00	Dewett	154
4	Allocative efficiency	D	Samuelson	291	Dewett	182
5	Normative economics	C	Samuelson	772	Dewett	13

BATCH SEVEN
SUMMER- 1998

FILL IN THE BLANKS

1	---- is minimum amount of money required to keep a factor in its present use
2	-----is slope of indifference curve
3	-----is main feature of Monopolistic Competition
4	Main cause of wage differential is-----
5	-----is positive in case of substitutes

ANSWERS

1	Transfer earnings	Samuelson	00	Dewett	250
2	M. R. S.	Samuelson	102	Dewett	54
3	Product differentiation	Samuelson	168	Dewett	225
4	Quality of jobs	Samuelson	249	Dewett	223
5	Cross elasticity	Samuelson	760	Dewett	82

TRUE / FALSE

1	Change in demand due to change in income is shown by shift in demand curve
2	Fundamental condition for revenue maximization is that MC equals MR
3	Transfer payments are welfare payment
4	Real wages are defined as purchasing power of money wages
5	Real rate of interest minus nominal rate of interest is equal to rate of inflation

ANSWERS

1	True	Samuelson	758	Dewett	195
2	True	Samuelson	150	Dewett	173
3	True	Samuelson	39	Dewett	541
4	True	Samuelson	775	Dewett	255
5	False	Samuelson	272	Dewett	00

ALTERNATIVES

1---Which is best example of public good			
A- Airline service	B- Education	C- Health services	D- Radio broadcasts
2---International trade might eventually cease if there is			
A- Perfect mobility of labor	B-High transport costs	C- Same tax rates in all countries	D- Free floating exchange rates
3---Resource allocation is said to be technically most efficient when			
A- $AC = AR$	B- $MC = MR$	C- AC is minimum	D- $MC = Price$
4----If price of good falls and negative income effect outweighs positive substitution effect, good is defined as			
A- Substitute good	B- Inferior good	C- Giffen good	D- Public good
5---When interest rate falls			
A- Investment falls	B- Bond prices rise	C- MEC declines	D- People save more

ANSWERS

1	D	Samuelson	774	Dewett	00
2	A	Samuelson	297	Dewett	473
3	C	Samuelson	291	Dewett	183
4	C	Samuelson	00	Dewett	63
5	B	Samuelson	515	Dewett	291

RELATE CORRECTLY

Group A		Group B	
1	Regressive tax	A	When long run average cost falls as a result of an increase in scale of production
2	Progressive tax	B	When burden of tax falls more on poor
3	Economies of scale	C	When rate of tax is associated with level of income
4	Budget deficit	D	When exports earnings are less than import expenditure
5	Balance of trade deficit	E	When governments expenditure exceed governments revenue

ANSWERS

1	Regressive tax	B	Samuelson	774	Dewett	550
2	Progressive tax	C	Samuelson	774	Dewett	549
3	Economies of scale	A	Samuelson	762	Dewett	119
4	Budget deficit	E	Samuelson	757	Dewett	581
5	Balance of trade deficit	D	Samuelson	731	Dewett	496

BATCH EIGHT WINTER -1998

FILL IN THE BLANKS

1	-----economics is concerned with behavior of economy as a whole
2	Inductive and-----are two methods of economic analysis
3	While making purchases, consumer will always try to maximize his-----
4	Law of demand explains relationship between-----and quantity demanded
5	-----erodes real value of money

ANSWERS

1	Macro	Samuelson	768	Dewett	9
2	Deductive	Samuelson	00	Dewett	17
3	Satisfaction	Samuelson	85	Dewett	51
4	Price	Samuelson	48	Dewett	43
5	Inflation	Samuelson	688	Dewett	436

TRUE / FALSE

1	Fixed cost varies with output while variable cost does not change with output
2	Under monopoly AR and MR curves are horizontal straight line
3	Real wages are paid or received in the form of money
4	Direct taxes are paid by those on whom they are levied
5	Equilibrium level of national income need not necessarily be at full employment

ANSWERS

1	False	Samuelson	760	Dewett	151
2	False	Samuelson	175	Dewett	208
3	False	Samuelson	775	Dewett	255
4	True	Samuelson	761	Dewett	565
5	True	Samuelson	00	Dewett	344

ALTERNATIVES

1-Economic system in which public & private sectors exist side by side is called as			
A- Capitalism	B- Islamic economic system	C- Mixed economy	D- Socialism
2--Oligopoly is form of market in which there exists			
A- A single firm	B- Two firms	C- Few Firms	D- Many firms
3---Market value of all final goods & services produced annually with domestic resources is called			
A- GNP	B- NNP	C- GDP	D- National Income
4--Curve that shows inverse relationship between inflation & unemployment is known as			
A- Indifference curve	B- Phillips curve	C- Laffer curve	D- Demand curve
5---Break-even point of competitive firm occurs where			
A- Price=AFC	B- Price > AVC	C- Price = ATC	D- Price < ATC

ANSWERS

1	C	Samuelson	8	Dewett	611
2	C	Samuelson	772	Dewett	166
3	C	Samuelson	765	Dewett	325
4	B	Samuelson	773	Dewett	442
5	C	Samuelson	151	Dewett	183

RELATE CORRECTLY

Group A		Group B	
1	Opportunity cost	A	Stops imports completely
2	Elasticity of demand	B	Least cost combination of factors of production
3	Investment	C	Value of next best alternative forgone
4	Protective Tariffs	D	Flow of spending that adds to physical stock of capital
5	Producer's equilibrium	E	Measure of responsiveness of demand to changing prices

ANSWERS

1	Opportunity cost	C	Samuelson	137	Dewett	149
2	Elasticity of demand	E	Samuelson	68	Dewett	80
3	Investment	D	Samuelson	442	Dewett	365
4	Protective Tariffs	A	Samuelson	306	Dewett	495
5	Producer's equilibrium	B	Samuelson	768	Dewett	144

BATCH NINE
SUMMER- 1999

FILL IN THE BLANKS

1	-----is part of stock which is available in market at prevailing price
2	Difference between inflation rate and nominal interest rate is called-----
3	According to Monetarists----- is required to control inflation
4	-----is defined as high rate of inflation accompanied by high unemployment rate
5	Mixed economic system has private sector and-----

ANSWERS

1	Supply	Samuelson	00	Dewett	158
2	Real rate of interest	Samuelson	272	Dewett	00
3	Tight Monetary control	Samuelson	770	Dewett	447
4	Stag-flation	Samuelson	776	Dewett	436
5	Public sector	Samuelson	8	Dewett	611

TRUE / FALSE

1	Product differentiation is main characteristic of perfect competition
2	Increase in money wages improves standard of living
3	Effective demand determines equilibrium level of income according to Keynes
4	Progressive taxation promotes more equal distribution of income in country
5	Increase in fixed cost causes increase in marginal cost

ANSWERS

1	False	Samuelson	168	Dewett	225
2	False	Samuelson	775	Dewett	255
3	True	Samuelson	494	Dewett	336
4	True	Samuelson	774	Dewett	561
5	True	Samuelson	128	Dewett	151

ALTERNATIVES

1---Which of following cost has to be covered by firm to continue in short run			
A- Fixed cost	B- Total cost	C- Marginal cost	D- Average Variable cost
2---Which of following concept is used to show operation of laws of Returns			
A-Marginal product	B-Marginal rate of substitution	C- Marginal Revenue	D- Average product
3---Following is not the condition of perfect competition			
A- MC is below AC	B- AVC is rising	C- AFC is falling	D- MR is below AR
4--If a bond paying 5% interest is sold for Rs100 what will be price of bond when interest rate falls to 4%			
A- Rs.104	B- Rs.125	C- Rs.96	D- Rs.80
5--If consumption function runs along the 45 line, saving function will			
A- Lie along 45 line	B- Lie along vertical axis	C- Lie along horizontal axis	D- Be negative

ANSWERS

1	D	Samuelson	151	Dewett	184
2	B	Samuelson	761	Dewett	131
3	D	Samuelson	148	Dewett	163
4	B	Samuelson	515	Dewett	191
5	C	Samuelson	461	Dewett	00

RELATE CORRECTLY

1	Real interest rate	A	Amount of money spent on consumer goods
2	Stag-flation	B	Series of consumption expenditures at different income levels
3	Price Mechanism	C	Automatic process of price determination
4	Consumption Function	D	Nominal interest rate minus inflation rate
5	Consumption Expenditure	E	Unemployment accompanied by high inflation rate

ANSWERS

1	Real interest rate	D	Samuelson	272	Dewett	00
2	Stag-flation	E	Samuelson	776	Dewett	436
3	Price Mechanism	C	Samuelson	27	Dewett	310
4	Consumption Function	B	Samuelson	760	Dewett	356
5	Consumption Expenditure	A	Samuelson	760	Dewett	34

BATCH TEN
WINTER-1999

FILL IN THE BLANKS

1	Economics is concerned with the way in which-----are allocated among alternative uses to satisfy human wants
2	If price elasticity of demand for gasoline is Rs.0.50, a -----percent increase in price of gasoline will be required to reduce quantity demanded of gasoline by 1%
3	Different market baskets on same indifference curve should be given the----- --values of utility
4	Condition for consumer equilibrium is that budget line be----- on indifference curve
5	Market value of all final goods & services produced in economy during one year period is-----

ANSWERS

1	Scarce resources	Samuelson	4	Dewett	6
2	One	Samuelson	59	Dewett	81
3	Same/equal	Samuelson	102	Dewett	51
4	Tangent	Samuelson	105	Dewett	58
5	G.D.P.	Samuelson	765	Dewett	324

TRUE / FALSE

1	Price system plays some role but only minor one in allocating resources in free enterprise economy
2	Demand curve for free good (good with zero price) must be horizontal line
3	Indifference curves are always convex to origin
4	Large number of sellers in market is main characteristic of oligopoly
5	Decrease in variable costs causes decrease in marginal cost

ANSWERS

1	False	Samuelson	27	Dewett	309
2	True	Samuelson	765	Dewett	00
3	True	Samuelson	103	Dewett	54
4	False	Samuelson	772	Dewett	166
5	True	Samuelson	149	Dewett	151

ALTERNATIVES

1---Micro economics is concerned with			
A- Optimal production decisions	B-Optimal resource allocation	C- Pricing policy	D- All of above
2---Basic assumption of theory of consumer choice is that			
A- Consumer tries to get on highest indifference curve	B-Consumer tries to get the most of good Y	C- budget line is concave	D- All of above
3---Substitution effect must always be			
A- Positive	B- Negative	C- Zero	D- Bigger than income effect
4---Demand for good is price inelastic if			
A- Price elasticity is one	B- Price elasticity is less than one	C- Price elasticity is greater than one	D- All of above
5---If marginal propensity to consume is 0.75, the multiplier has value of			
A- 5	B- 4	C- 3	D- 2

ANSWERS

1	D	Samuelson	5	Dewett	9
2	A	Samuelson	105	Dewett	58
3	A	Samuelson	90	Dewett	62
4	B	Samuelson	68	Dewett	81
5	B	Samuelson	497	Dewett	374

RELATE PROPERLY

Group A		Group B	
1	Real per capita output	A	Ratio of change in income to change in autonomous spending (like investment)
2	Long-run	B	Time period in which at least one factor of production is fixed in quantity
3	Short-run	C	When aggregate demand exceeds the economy's capacity to produce
4	Demand-pull inflation	D	Total output (GNP) divided by total population
5	Multiplier	E	Time period when all factors of production are variable

ANSWERS

1	Real per capita output	D	Samuelson	416	Dewett	640
2	Long-run	E	Samuelson	113	Dewett	184
3	Short-run	B	Samuelson	113	Dewett	183
4	Demand-pull inflation	C	Samuelson	761	Dewett	436
5	Multiplier	A	Samuelson	771	Dewett	373

BATCH ELEVEN
SUMMER--2000

FILL IN THE BLANKS

1	GDP does not include figures of-----
2	Quasi rent can be earned only in -----run
3	Product differentiation is chief characteristic of-----
4	Real rate of interest is nominal rate of interest minus----
5	Price of a bond is -----related with rate of interest

ANSWERS

1	Foreign remittances	Samuelson	437	Dewett	325
2	Short	Samuelson	00	Dewett	278
3	Monopolistic competition	Samuelson	168	Dewett	225
4	Rate of inflation	Samuelson	272	Dewett	00
5	Inversely	Samuelson	516	Dewett	291

TRUE / FALSE

1	Savings are zero when consumption function runs along 45 line
2	Opportunity cost of producing one thing more in terms of other thing on production Possibility curve
3	Firm should not shut down if it covers variable cost in short run
4	Central Bank starts selling bonds in open market in face of deflation
5	Best price policy is to increase prices when demand for product is elastic

ANSWERS

1	False	Samuelson	461	Dewett	00
2	True	Samuelson	13	Dewett	149
3	True	Samuelson	151	Dewett	163
4	False	Samuelson	772	Dewett	462
5	False	Samuelson	72	Dewett	80

ALTERNATIVES

1---If firm's fixed costs are doubled, Marginal cost will			
A- Remain unchanged	B- Double	C-More than double	D- Increase by 50%
2---Which of following costs must be covered by average revenue in short run			
A-Marginal cost	B-Average variable cost	C-Average total cost	D-Average fixed cost
3---Increase in rate of interest is most likely to cause increase in			
A- Capital inflow	B-Capital outflow	C-Value of property	D-Volume of investment
4---Which of following forms of profit economists regard as normal			
A- Gross	B-Undistributed	C- Net	D- Transfer earnings
5---If Marginal propensity to consume is 0.9, multiplier has value of			
A- 10	B- 1	C- 5	D- 4

ANSWERS

1	B	Samuelson	128	Dewett	151
2	B	Samuelson	151	Dewett	184
3	A	Samuelson	648	Dewett	498
4	D	Samuelson	00	Dewett	250
5	A	Samuelson	497	Dewett	374

RELATE CORRECTLY

1	Inflationary gap	A	Excess expenditure over income at full employment level
2	Quasi rent	B	Size of unemployment when AD falls short of AS at full employment
3	Economic rent	C	Determination of prices through supply and demand forces
4	Output gap	D	Amount of money earned over transfer earnings in short run only
5	Market Mechanism	E	Amount of money earned over transfer earnings in long run

ANSWERS

1	Inflationary gap	A	Samuelson	494	Dewett	347
2	Quasi rent	D	Samuelson	00	Dewett	278
3	Economic rent	E	Samuelson	762	Dewett	00
4	Output gap	B	Samuelson	00	Dewett	339
5	Market mechanism	C	Samuelson	27	Dewett	310

BATCH TWELVE
WINTER--2000

FILL IN THE BLANKS

1	Operating on production possibility frontier implies that economy was producing----
2	To convert nominal GNP we deflate dividing by-----
3	----is most comprehensive measure of nation's production of goods & services
4	The-----is the schedule relating total consumption to total income
5	Relationship between quantities of output & quantities of inputs is called-----function

ANSWERS

1	Technologically efficiently	Samuelson	11	Dewett	125
2	GNP deflator	Samuelson	440	Dewett	00
3	GDP	Samuelson	434	Dewett	324
4	Consumption Function	Samuelson	760	Dewett	356
5	Production	Samuelson	774	Dewett	128

TRUE / FALSE

1	Marginal product of an input is extra product or output added by 1 extra unit of that input while other inputs are held constant
2	Economy is producing efficiently when it produces more of one good without producing less of another when it is on production possibility frontier
3	Market is arrangement by which buyers & sellers of a commodity interact to determine its price & quantity
4	Long run average cost is generally represented by U-shaped curve that always intersect at its minimum point by rising marginal cost curve
5	Firm will find its maximum profit position where last unit it sells brings extra revenue equal to its extra variable cost

ANSWER

1	True	Samuelson	769	Dewett	243
2	False	Samuelson	774	Dewett	125
3	True	Samuelson	769	Dewett	162
4	True	Samuelson	154	Dewett	156
5	False	Samuelson	148	Dewett	173

ALTERNATIVES

1---Budget set consists of all bundles of goods that consumer can afford at given			
A- Consumer's budget	B- Elasticity of demand	C- Prices and costs	D- Prices & Income
2---Economic situation when there is way to make some group of people better off without making some other group of people worse off is called			
A- Pareto substitution	B- Pareto monopoly	C- Welfare optimum	D- Pareto efficient
3---Giffen goods are goods for which demand decrease when their prices			
A- Increase	B- Decrease	C- Remain constant	D- Reduce to a certain level
4---An exchange rate			
A- Ratio of dollar volume of nation's exports to dollar volume of its imports	B- Measures interest rate ratios of any two nations	C- Amount which one nation must export to obtain \$ 1 worth of import	D- Price at which currencies of two nations exchange
5---Which of following is not tool of monetary policy			
A- Change in margin requirement	B- Open market operation	C- Change in reserve requirement	D- Change in discount rate

ANSWERS

1	D	Samuelson	102	Dewett	57
2	C	Samuelson	00	Dewett	695
3	B	Samuelson	91	Dewett	63
4	D	Samuelson	764	Dewett	506
5	A	Samuelson	770	Dewett	445

RELATE CORRECTLY

Group A		Group B	
1	Aggregate supply	A	Graph showing trade off between unemployment & inflation
2	Allocative Efficiency	B	Total value of goods & services that firms would willingly produce in a given time period
3	Oligopoly	C	Activity of central bank of buying or selling government bonds to influence bank reserves, money supply & interest rates
4	Open Market Operations	D	Use of economic resources that produces maximum level of satisfaction possible with given inputs & technology
5	Phillips Curve	E	Situation of imperfect competition in which industry is dominated by small number of suppliers

ANSWERS

1	Aggregate supply	B	Samuelson	756	Dewett	345
2	Allocative Efficiency	D	Samuelson	743	Dewett	127
3	Oligopoly	E	Samuelson	772	Dewett	166
4	Open Market Operation	C	Samuelson	772	Dewett	445
5	Phillips Curve	A	Samuelson	773	Dewett	441

BATCH THIRTEEN SUMMER--2001

FILL IN THE BLANKS

1	Laws of returns are related to the behavior of production in -----run
2	----- and Deductive are two methods of economic analysis
3	Net National Product is arrived by subtracting-----from GNP
4	Balance of trade of a country includes----trade only
5	According to Quantity theory of money, value of money varies---with quantity of money

ANSWERS

1	Short	Samuelson	00	Dewett	133
2	Inductive	Samuelson	00	Dewett	17
3	Depreciation	Samuelson	771	Dewett	325
4	Visible goods/merchandise	Samuelson	757	Dewett	498
5	Inversely	Samuelson	774	Dewett	428

TRUE / FALSE

1	Change in demand and change in quantity demanded are one and the same concept
2	Law of diminishing marginal returns is not applicable in long run
3	Direct tax is one where impact and incidence lie on same person
4	Free gift of nature is called Land
5	When total value of imports of country exceeds total value of exports, balance of payments is said to be favorable

ANSWERS

1	False	Samuelson	51	Dewett	194
2	True	Samuelson	00	Dewett	133
3	True	Samuelson	761	Dewett	550
4	True	Samuelson	9	Dewett	98

ALTERNATIVES

1 ---Consumer's equilibrium is determined by			
A- Equality of supply & demand of product in market	B- Point on next highest indifference curve	C- Point on indifference curve that indicates consumers satisfaction	D- Point at which budget line is tangent to indifference curve
2---Demand curve that is equilateral hyperbola is			
A- Perfectly elastic	B- Unit elastic	C- Relatively elastic	D- Perfectly inelastic
3---Commercial banks are able to create money by			
A- Printing money	B- Making loans	C- Moral suasion	D- Selling Govt. bonds
4---Which of following is most likely to discourage capital investment?			
A- High saving rates	B- Increasing corporate profits	C- High interest rates	D- Moderate growth of GNP
5---Which of following is characteristic of underdeveloped nation			
A- High per capita income	B- High growth rate of GNP	C- Relatively high educational levels	D- High population growth rates

ANSWERS

1	D	Samuelson	105	Dewett	58
2	B	Samuelson	00	Dewett	82
3	B	Samuelson	521	Dewett	451
4	C	Samuelson	576	Dewett	291
5	D	Samuelson	593	Dewett	621

RELATE CORRECTLY

Group A		Group B	
1	Acceleration	A	Locus of combination of two goods yielding equal level of satisfaction
2	Returns to scale	B	Ratio of change in income due to change in investment
3	Indifference curve	C	Effects on production when all inputs are changed in same ratio
4	Multiplier	D	Ratio of change in investment to change in income
5	Demand curve	E	Inverse relationship between price and quantity demanded

ANSWERS

1	Acceleration	D	Samuelson	765	Dewett	379
2	Returns to scale	C	Samuelson	112	Dewett	138
3	Indifference curve	A	Samuelson	102	Dewett	52
4	Multiplier	B	Samuelson	771	Dewett	373
5	Demand curve	E	Samuelson	48	Dewett	46

BATCH FOURTEEN WINTER--2001

FILL IN THE BLANKS

1	-----are form of international reserve currency created by IMF
2	Under system of-----exchange rates, exchange rate is determined by forces of demand & supply
3	Product differentiation is main characteristic of -----competition
4	-----is agreement among firms to co-ordinate production & pricing decisions
5	---- leader is firm whose prices are followed by rest of industry

ANSWERS

1	S .D. R's (Special Drawing Rights)	Samuelson	627	Dewett	519
2	Flexible or Floating Exchange Rate	Samuelson	764	Dewett	509
3	Monopolistic	Samuelson	168	Dewett	225
4	Cartel	Samuelson	758	Dewett	239
5	Price	Samuelson	186	Dewett	237

TRUE / FALSE

1	Marginal utility & Marginal returns are one and same concepts
2	Income elasticity of demand for normal goods is always positive
3	Monetary Policy is use of Govt. Spending, taxes & borrowing to influence aggregate economic activity
4	Two goods are complements if increase in price of one leads to decrease in demand for other
5	Indifference curve is convex to origin due to diminishing marginal rate of transformation

ANSWERS

1	False	Samuelson	769	Dewett	34
2	True	Samuelson	92	Dewett	82
3	False	Samuelson	770	Dewett	391
4	True	Samuelson	92	Dewett	82
5	False	Samuelson	102	Dewett	53

ALTERNATIVES

1---When we reduce level of unemployment the effect may be			
A- Deflation	B- Inflation	C- Depression	D- Recession
2---To avoid double counting in estimation of GNP, economists will			
A- Add price of all goods & services bought and sold	B- Use the GNP deflator	C- Price of only intermediate goods	D- Calculate value added at each stage of production
3---Which one of following statement is NOT true of Monopoly			
A- Single firm produces entire market supply	B- Under Monopoly AR is horizontal straight line	C- MR is less than AR	D- Monopolist has power to alter market prices
4---Society will be at points inside production possibilities curve when			
A- Resources are not used efficiently	B- There is full employment of resources	C- Per capita income is increasing	D- Income is distributed equally amongst all
5---Any thing firm uses in its production process is called			
A- Technology	B- Production function	C- Inputs	D- All of above

ANSWERS

1	B	Samuelson	702	Dewett	441
2	D	Samuelson	438	Dewett	325
3	B	Samuelson	181	Dewett	209
4	A	Samuelson	774	Dewett	126
5	C	Samuelson	9	Dewett	98

RELATE CORRECTLY

Group A		Group B	
1	Tariff	A	Producers catering to consumers taste
2	Break-even Point	B	Locus of points which represents combinations of two inputs used to produce given level of output
3	Investment	C	Tax on imports
4	Consumers Sovereignty	D	Output level that must be reached to avoid loss
5	Iso-quant	E	Flow of spending that adds to physical stock of capital

ANSWERS

1	Tariff	C	Samuelson	777	Dewett	495
2	Break-even Point	D	Samuelson	151	Dewett	172
3	Investment	E	Samuelson	442	Dewett	365
4	Consumers Sovereignty	A	Samuelson	28	Dewett	00
5	Iso-quant	B	Samuelson	763	Dewett	140

BATCH FIFTEEN
SUMMER -2002

FILL IN THE BLANKS

1	GNP-----is money GNP converted to constant or real dollars
2	----- profit is total revenue minus all explicit & implicit costs
3	Demand is perfectly inelastic when price elasticity of demand is-----
4	Some unfinished goods and most public goods are calculated at-----instead of market prices
5	At the-----point, consumption equals income

ANSWERS

1	Real	Samuelson	439	Dewett	324
2	Economic	Samuelson	274	Dewett	280
3	Zero	Samuelson	70	Dewett	81
4	Cost	Samuelson	438	Dewett	326
5	Break-even	Samuelson	460	Dewett	348

TRUE / FALSE

1	Nominal rate of interest is equal to real rate of interest plus expected rate of inflation
2	Income elasticity of demand is percentage change in quantity demanded divided by percentage change in income
3	Keynes held that there are cash leakages from circular flow of income
4	GNP does not include transactions that do not officially pass through market
5	MPC can be greater than one, equal to one or less than one

ANSWERS

1	True	Samuelson	518	Dewett	00
2	True	Samuelson	91	Dewett	82
3	True	Samuelson	521	Dewett	376
4	True	Samuelson	449	Dewett	328
5	False	Samuelson	462	Dewett	357

ALTERNATIVES

1---Purpose of tariff is to			
A- Reduce imports	B- Increase revenue	C- Reduce costs	D- None of the above
2---Which of following is not major impediment to free trade			
A- Quotas	B- Tariffs	C- Export subsidies	D- All are impediments
3---If 20% increase in tuition fee of an educational institute leads to 10% fall in admission, the price elasticity of demand will be			
A- 2.0	B- 0.3	C- 0.2	D- 0.5
4--- A commodity is free if			
A-It is sold at zero price	B- If Govt. supplies it	C- If somebody gets it without sacrificing anything else of value	D- When everyone has it
5---MEC curve will not shift if			
A- Taxes are changed	B- National income falls	C- Interest rate falls	D- Capacity utilization increases

ANSWERS

1	A	Samuelson	308	Dewett	495
2	D	Samuelson	765	Dewett	493
3	D	Samuelson	68	Dewett	86
4	C	Samuelson	4	Dewett	00
5	D	Samuelson	472	Dewett	369

RELATE CORRECTLY

GROUP A		GROUP B	
1	Public good	A	Sales Tax
2	Quota	B	Country A more efficient than country B
3	Oligopoly	C	Street-light
4	Progressive tax	D	Limit on imports
5	Absolute advantage	E	Market form with few producers

ANSWERS

1	Public good	C	Samuelson	39	Dewett	00
2	Quota	D	Samuelson	775	Dewett	492
3	Oligopoly	E	Samuelson	772	Dewett	166
4	Progressive tax	A	Samuelson	763	Dewett	549
5	Absolute advantage	B	Samuelson	756	Dewett	475

BATCH SIXTEEN
WINTER- 2002

FILL IN THE BLANKS

1	-----rate is annual percentage increase in general price level
2	The----is summary of all economic transactions between one county and rest of world during given period of time
3	----denotes single producer of a product that has no close substitutes in market
4	Goods with income elasticity of less than zero are called-----goods
5	-----cost is the change in total cost when output changes by one unit

ANSWERS

1	Inflation	Samuelson	767	Dewett	436
2	Balance of Payments	Samuelson	757	Dewett	496
3	Monopoly	Samuelson	771	Dewett	207
4	Inferior	Samuelson	91	Dewett	82
5	Marginal	Samuelson	760	Dewett	151

TRUE / FALSE

1	Price discrimination is selling at same prices to different consumers
2	Oligopoly is market structure where there is small number of firms whose decisions are interdependent
3	Transfer payments are benefits received in cash or kind by individuals as outright grants from Govt.
4	Two goods are substitutes if increase in price of one leads to decrease in demand for other
5	A change in quantity supplied is a movement along given supply curve in response to change in price of goods

ANSWERS

1	False	Samuelson	773	Dewett	214
2	True	Samuelson	772	Dewett	214
3	True	Samuelson	777	Dewett	00
4	False	Samuelson	92	Dewett	82
5	True	Samuelson	54	Dewett	00

ALTERNATIVES

1---Which one of following is not held constant in drawing up nation's PPF curves			
A- Nation's technology	B- Nation's labor resources	C- Nation's capital resources	D- Nation's money income
2---Type of financial instruments that pays specified dividend is called			
A- Common stock	B- Preferred stock	C- Bond	C- IOU
3---Modern economists regard utility as			
A-Easily measurable	B- Constant over time	C- Independent of tastes	D- None of above
4---If marginal cost is less than average cost then with increased inputs average cost of production will tend to			
A- Rise	B- Remain the same	C- Drop	D- None of above
5---Which of following is not advanced as reason for specialization & trade			
A- Economies of scale	B- Leasing	C-Difference in national tastes	D- Need for self sufficiency

ANSWERS

1	D	Samuelson	11	Dewett	125
2	B	Samuelson	120	Dewett	00
3	D	Samuelson	102	Dewett	34
4	A	Samuelson	96	Dewett	00
5	B	Samuelson	312	Dewett	492

RELATE CORRECTLY

Group A		Group B	
1	Anti-trust laws	A	Increase in per capita income
2	Economic Growth	B	Market with two producers
3	Prohibitive Tariff	C	Long Term Debt
4	Duopoly	D	Measures designed to promote competition
5	Bond	E	Stops imports almost completely

ANSWERS

1	Anti-trust laws	D	Samuelson	353	Dewett	214
2	Economic Growth	A	Samuelson	762	Dewett	618
3	Prohibitive Tariff	E	Samuelson	308	Dewett	495
4	Duopoly	B	Samuelson	762	Dewett	235
5	Bond	C	Samuelson	757	Dewett	462

BATCH SEVENTEEN
SUMMER -2003

FILL IN THE BLANKS

1	-----are either costs or benefits conferred on parties not directly involved in production or use of a commodity
2	Marginal cost curve is also called ----- curve
3	-----is not endowed by nature but produced by man
4	-----unemployment is short run normal inactivity during jobs
5	-----is a flow and an addition to stock of capital

ANSWERS

1	Externalities	Samuelson	764	Dewett	00
2	Supply	Samuelson	150	Dewett	188
3	Economic good	Samuelson	4	Dewett	00
4	Frictional	Samuelson	765	Dewett	388
5	Investment	Samuelson	468	Dewett	365

TRUE / FALSE

1	Monopolist will stop production, if losses exceed its fixed costs in short run
2	Measures designed to reduce rate of inflation may increase unemployment
3	Demand for commodity is price inelastic if price elasticity of demand is greater than one
4	Higher the consumer's money income, lower the budget line
5	Marginal product curve intersects average product curve when the latter is at its maximum

ANSWERS

1	False	Samuelson	178	Dewett	210
2	True	Samuelson	705	Dewett	443
3	False	Samuelson	68	Dewett	80
4	False	Samuelson	105	Dewett	57
5	True	Samuelson	111	Dewett	132

ALTERNATIVES

1---Factors of production are			
A- Land & capital	B- Labor only	C- Inputs	D- Outputs
2---Excess supply signifies			
A-There is shortage	B- There is surplus	C- Quantity Demanded is less	D- Supply is greater than demand at each price
3---Sunk costs are			
A- Part of Variable costs	B- Another name for marginal costs	C- Non recoverable Costs	D- Costs which increase as production increases
4. If investment increases by 20 when income rises by 100, marginal propensity to investment will be			
A- 20	B- 100	C- 5	D- 0.2
5---In Keynesian theory level of employment is particularly linked to			
A- Fluctuating prices	B- Fluctuating national income	C- Fluctuation in real wage rates	D- Adjustments in Govt. expenditure

ANSWERS

1	C	Samuelson	764	Dewett	98
2	B	Samuelson	56	Dewett	335
3	C	Samuelson	126	Dewett	00
4	D	Samuelson	00	Dewett	00
5	B	Samuelson	477	Dewett	00

RELATE CORRECTLY

Group A		Group B	
1	Opportunity cost	A	Areas of poverty
2	Economies of Scale	B	Input-output relation
3	Less developed countries	C	Employment, interest and Money
4	Production function	D	Cost reducing measures
5	J. M. Keynes	E	Value of next best alternative forgone

ANSWERS

1	Opportunity cost	E	Samuelson	772	Dewett	149
2	Economies of Scale	D	Samuelson	762	Dewett	119
3	Less developed countries	A	Samuelson	592	Dewett	619
4	Production function	B	Samuelson	774	Dewett	128
5	J. M. Keynes	C	Samuelson	5	Dewett	335

BATCH EIGHTEEN
WINTER- 2003

FILL IN THE BLANKS

1	Relationship between quantity of output and quantities of inputs is called -----function
2	Product differentiation is chief characteristic of-----competitive market
3	Quantity of product offered for sale at a price is called-----
4	The extent to which demand of good changes as a result of changes in price of another good, is termed as -----elasticity
5	Under system of -----exchange rates, the exchange rate is determined by forces of demand & supply

ANSWERS

1	Production	Samuelson	774	Dewett	128
2	Monopolistic	Samuelson	168	Dewett	225
3	Supply	Samuelson	52	Dewett	158
4	Cross	Samuelson	760	Dewett	82
5	Flexible	Samuelson	764	Dewett	509

TRUE / FALSE

1	Firm should not shut down if it covers variable cost in short run
2	Increase in prices should be considered when demand for product is elastic
3	Marginal product of input is extra product or output added by one extra unit of that input while other inputs are held constant
4	Change in demand & change in quantity demanded are one and same concepts
5	Two goods are complementary if increase in price of one leads to decrease in demand of other

ANSWERS

1	True	Samuelson	151	Dewett	184
2	False	Samuelson	68	Dewett	81
3	True	Samuelson	769	Dewett	243
4	False	Samuelson	51	Dewett	00
5	True	Samuelson	92	Dewett	82

ALTERNATIVES

1---Following method is used for measurement of national income			
A-Output method	B- Income method	C-Expenditure method	D- All of above
2---Which of following is not economic good			
A- Text books	B- Newspaper	C- Radio	D- Sun shine
3---Demand for good is inelastic if			
A- Price elasticity is one	B - Price-elasticity is less than one	C- Price elasticity is greater than one	D- All of above
4-- Increase in rate of interest is most likely to cause increase in			
A- Capital inflow	B-Capital Outflow	C-Value of property	D-Volume of investment
5-- Which of following is not basic assumption of perfect competition			
A- Free entry & exit	B Large Buyers /sellers	C- Homogenous products	D-short run

ANSWER

1	D	Samuelson	435	Dewett	326
2	D	Samuelson	762	Dewett	4
3	B	Samuelson	68	Dewett	81
4	A	Samuelson	648	Dewett	498
5	D	Samuelson	759	Dewett	165

RELATE CORRECTLY

Group A		Group B	
1	Returns to scale	A	Locus of combination of two goods yielding equal level of satisfaction
2	Demand curve	B	Ratio of change in income due to change in investment
3	Multiplier	C	Effects of production when all inputs are changed in same ratio
4	Indifference curve	D	Ratio of change in investment to change in income
5	Acceleration	E	Inverse relationship between price & quantity demanded

ANSWERS

1	Returns to scale	C	Samuelson	775	Dewett	138
2	Demand curve	E	Samuelson	48	Dewett	45
3	Multiplier	B	Samuelson	771	Dewett	373
4	Indifference curve	A	Samuelson	102	Dewett	52
5	Acceleration	D	Samuelson	756	Dewett	379

BATCH NINETEEN
SUMMER -2003

FILL IN THE BLANKS

1	Price discrimination is not profitable when elasticity of demand in both markets is -----
2	Under perfect competition firm always earns-----profit in long run
3	A----- tax is one wherein the impact and incidence lie on same person
4	-----is defined as high rate of inflation accompanied by high rate of unemployment
5	During period of inflation, profits of entrepreneurs tend to -----

ANSWERS

1	Same	Samuelson	190	Dewett	216
2	Normal	Samuelson	151	Dewett	183
3	Direct	Samuelson	761	Dewett	565
4	Stagflation	Samuelson	776	Dewett	436
5	Increase	Samuelson	688	Dewett	447

TRUE / FALSE

1	Under perfect competition, demand for product of firm is perfectly inelastic
2	Normal profit per unit of product is difference between average revenue and average cost
3	Demand curve in market period dominates in determination of price
4	Least cost combination of factors of production for any level of output is that where Iso cost line is tangent to Iso product curve
5	M.P.C. measures relationship between change in consumption and change in income

ANSWERS

1	False	Samuelson	759	Dewett	182
2	False	Samuelson	150	Dewett	183
3	True	Samuelson	55	Dewett	197
4	True	Samuelson	145	Dewett	145
5	True	Samuelson	461	Dewett	356

ALTERNATIVES

1---If all inputs are increased by 100% and the result is 120% increase in output, this would explain			
A- Law of increasing returns	B- Law of Diminishing returns	C- Increasing Returns to Scale	D- Contradict principle of increasing returns to scale
2---If consumer's income falls and price rise			
A- Budget line will shift to left	B- Budget line will shift to right	C- Budget line will not shift	D- Higher indifference curve is attainable
3---In monopolistic competition, firms desire to sell more outputs at equilibrium because			
A- Price > AC	B- Price > MC	C- Price < AC	D- Price = MC increases
4---If M.P.S (Marginal propensity to save) is 0.1, multiplier has a value of			
A- 1	B- 2	C- 5	D- 10
5--- Speculative demand for money is			
A--Money set a side to meet unexpected events	B- Money set aside to invest in future	C- Money allocated for monthly expenses	D- Money saved to pay direct taxes

ANSWERS

1	C	Samuelson	775	Dewett	138
2	A	Samuelson	104	Dewett	57
3	D	Samuelson	179	Dewett	227
4	D	Samuelson	497	Dewett	375
5	B	Samuelson	761	Dewett	415

RELATE CORRECTLY

Group A		Group B	
1	Standard metallic money	A	Tradeoff between unemployment & inflation
2	Iso-quants	B	Face value = intrinsic value
3	Returns to scale	C	All combinations of two inputs used to produce given level of output
4	Prof. Robbins	D	Effect on outputs when all inputs are changed in same ratio
5	Phillips curve	E	Science of scarcity & choice

ANSWERS

1	Standard metallic money	B	Samuelson	00	Dewett	416
2	Iso-quants	C	Samuelson	763	Dewett	140
3	Returns to scale	D	Samuelson	775	Dewett	138
4	Prof. Robbins	E	Samuelson	00	Dewett	5
5	Phillips curve	A	Samuelson	694	Dewett	442

BATCH TWENTY WINTER- 2004

FILL IN THE BLANKS

1	Laws of returns are related to behaviors of production in -----run
2	Market structure characterized by-----is called monopolistic competition
3	The----product of factor of production is increase in total output by employing one more unit of the factor
4	-----shows all combinations of two inputs that can be used to produce given level of output
5	According to monetarists-----is successful in curbing inflation in economy

ANSWERS

1	Short	Samuelson	111	Dewett	133
2	Product differentiation	Samuelson	168	Dewett	225
3	Marginal	Samuelson	109	Dewett	243
4	Iso-product curve	Samuelson	763	Dewett	140
5	Tight monetary control	Samuelson	713	Dewett	448

TRUE / FALSE

1	Production possibility frontier is concave due to marginal rate of substitution
2	Phillips curve shows trade-off between unemployment & inflation
3	According to quantity theory of money there is a positive relationship between quantity of money & value of money
4	Equilibrium level of national income need not necessarily be at full employment level
5	Balance of trade is summary of all economic transactions between one country and rest of world during one year

ANSWERS

1	False	Samuelson	10	Dewett	126
2	True	Samuelson	694	Dewett	442
3	False	Samuelson	714	Dewett	428
4	True	Samuelson	710	Dewett	339
5	True	Samuelson	757	Dewett	496

ALTERNATIVES

1---Allocative efficiency is achieved under			
A- Perfect competition	B- Monopolistic competition	C- Oligopoly	D- Monopoly
2---Which one of following would cause demand-pull inflation			
A--Wage gains in proportion to productivity gains	B. Increase in production cost	C-An increase in aggregate demand with shortages of supply	D- High payments to factors of production
3---Which one of following is subtracted from personal income to have disposable personal income			
A- Excise duty & sales tax	B- Non-business interest	C- Transfer payments	D- Income tax
4---Commercial banks are able to create money by			
A- Printing money	B- Making loans	C- Moral suasion	D- Selling Govt. bonds
5---Which one of following is most likely to discourage capital investment			
A- High saving rates	B- Increasing corporate profits	C- Moderate growth of GNP	D- High interest rates

ANSWERS

1	A	Samuelson	756	Dewett	00
2	D	Samuelson	692	Dewett	436
3	D	Samuelson	773	Dewett	326
4	B	Samuelson	521	Dewett	451
5	D	Samuelson	576	Dewett	291

RELATE CORRECTLY

Group A		Group B	
1	Terms of trade	A	Rate of tax is associated with level of income
2	Exchange rate	B	Agreement on price and output among producers
3	Regressive tax	C	Average price of export as a ratio of average price of imports
4	Progressive tax	D	Burden of tax falls more on poor class
5	Cartel	E	Value of one currency in terms of other currency

ANSWERS

1	Terms of trade	C	Samuelson	777	Dewett	484
2	Exchange rate	E	Samuelson	764	Dewett	506
3	Regressive tax	D	Samuelson	774	Dewett	550
4	Progressive tax	A	Samuelson	774	Dewett	549
5	Cartel	B	Samuelson	758	Dewett	239

MODEL MCQ's FOR BATCH TWENTY-ONE SUMMER- 2005
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1. What is a free good: -

	One provided free by the government
?	One which is not relatively scarce
	One whose total utility is zero
	One whose fixed costs are zero

2. An airline acknowledges an externality when it provides: -

	First class and economy class areas
?	Smoking and non-smoking areas
	Special rates to large groups of travellers
	Flights with or without meals

3. In a free market economy prices of goods and services are determined: -

	By the demand only
	By the general consumers
?	By the forces of demand and supply
	By the suppliers

4. Commercial banks are able to create money by: -

	Printing money
	Selling government bonds
	Moral suasion
?	Making loans

5. A deflationary gap is measured by the: -

	Rate of employment
	Balance of trade deficit
?	Increase in injections needed to reach full employment
	Rate of deflation

6. An increase in country's exports will tend to: -

	Reduce the domestic money supply
	Reduce its trade surplus
?	An increase upward pressure on exchange rate
	Increase in domestic unemployment

7. In the situation of perfect competition firms are: -

	Many
	Few
	Large
?	Very large

8. If the MPC in a country is 0.9 then the value of multiplier is: -

	1.13
	5
	8
?	10

9. Which one of the following is an injection into the circular flow of income: -

	Personal income tax
	Business taxes
?	Government purchases of factor services
	Savings

10. A student works for a bookshop for several days during the holidays. He is offered the alternative of being paid Rs.50 in cash or books of Rs.80 from the shelves. What is the opportunity cost to the student of choosing the books: -

	Rs.30
?	Rs.50
	Rs.80
	The alternative use to which his time could have been put

11. If the percentage change in the demand is more than the percentage change in price, then the elasticity of demand is:-

	Less than unity
	Equal to unity
?	More than unity
	Elasticity is zero

12. In oligopoly market structure firms are: -

	Many
	Only one
	Two
?	A few

13. Interest is the remuneration/reward of: -

?	Capital
	Labor
	Organization
	Land

14. Curve that shows inverse relationship between inflation and unemployment is : -

	Indifference curve
?	Phillips curve
	Laffer curve
	Demand curve

15. Which of the following cost has to be covered by a firm to continue in short period: -

	Fixed cost
	Total cost
	Marginal cost
?	Average variable cost

16. If consumption function runs along the 45 line, the saving function will: -

	Lie along the 45 line
	Lie along the vertical axis
?	Lie along the horizontal axis
	Be negative

17. An increase in the rate of interest is most likely to case an increase in: -

?	Capital inflow
	Capital outflow
	Value of property
	Value of investment

18. The consumer's equilibrium is determined by: -

	The equality of supply and demand of the product in the market
	A point on the next highest indifference curve
	A point on the indifference curve that indicates consumer's satisfaction
?	A point at which the budget line is tangent to the indifference curve

19. Sunk costs are: -

	Part of variable costs
	Another name of marginal costs
?	Non-recoverable costs
	Costs which increase as production increases

20. Which one is subtracted from personal income to have disposable personal income: -

	Excise duty and sales tax
	Non-business interest
	Transfer payments
?	Income tax

21. When is a good defined as a public good?

	When consumption of the good by one individual prevents consumption by any other individual
	When it confers benefits on consumers which are greater than they themselves perceive
	When it is supplied by the government and financed out of taxation
?	When benefits it confers on consumers can be extended to others at zero cost

22. Which combination makes it likely that a good will be a GIFFEN Good: -

	% of income spent on good	Income elasticity of demand
	Low	Slightly negative
?	High	Strongly negative
	Low	Strongly negative
	High	Slightly negative

23. For which pair of commodities are the cross price elasticities of demand most likely to be negative?

	Cinema tickets and videos
	First and second class rail tickets
?	Petrol and cars
	Slat and sugar

24. The average fixed costs (AFC) of production of a firm: -

	Fall as output rises at first but then rise
?	Fall continuously as output rises
	Increase continuously as output rises
	Remain unchanged at all output levels

25. During a year there has been a rise in national income of 10% and a rise in the retail price index of 8%. The population has fallen by 2%. What is the approximate rise in real income per head?

	0%
	2%
?	4%
	Nothing

26. What would result from a devaluation of a country's exchange rate?

	An increase in the foreign currency price of exports
	An increase in the foreign currency price of imports
	A reduction in the domestic currency price of exports
?	An increase in the domestic currency price of imports

27. Other things being equal, what is likely to result from a reduction in interest rates?

	A capital inflow
	A fall in investment
	An appreciation in currency
?	An increase in consumption

28. Under which conditions will an indirect tax fall entirely on the consumer?

	Demand is of unitary elasticity
?	Demand is perfectly inelastic
	Supply is of unitary elasticity
	Supply is perfectly inelastic

29. Which type of unemployment is associated with a deficiency in aggregate demand?

?	Cyclical
	Frictional
	Structural
	Voluntary

30. Which one of the following do you consider would be the most appropriate government action to deal with a situation of high structural unemployment?

	Increasing aggregate demand
	A general increase in tariffs
	Restraining wage increases
?	Financial incentives for new industries

31. Short run is distinguished from long run by the assumption that in short run:-

	All costs are fixed
	All costs are variable
?	At least one factor input is fixed
	All factor inputs are variable

MODEL MCQ's FOR BATCH TWENTY-TWO WINTER- 2005
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1. Which one is not a basic assumption of a perfect competitive market: -

	Perfect knowledge of market
	Identical product
	Free entry and exit in the business
?	Short period of time

2. Which one of the following is not an economic good: -

	A text book
	Today's newspaper
?	Sun light
	Irrigation water from a dam

3. According to Keynesian analysis consumption is a function of: -

	Permanent income
?	Current income
	Previous income
	Estimated life time income

4. Demand pull inflation may initially be caused by: -

	An increase in bank credit
	An increase in profits
	An increase in rent
?	An increase in wages

5. When interest rate falls then: -

	Investment falls
?	Bond prices rise
	MEC declines
	People save more

6. Shift in the demand for a good may be due to: -

	Change in the price
	Change in price of resources which are used to produce the good
?	Change in expectations for further rise in price
	Price change of other goods that could be produced using similar resources

7. Monopoly is the market structure where in: -

	There are no close substitutes available in the market
	Demand curve moves from left to the right downward
	There is only one producer
?	All the three mentioned above

8. In order to reduce the money supply in the economy, the Central bank of the country, through its monetary policy: -

	Purchases the government bonds and treasury bills through the open market
	Reduces the discount rate
?	Sells the government bonds and treasury bills in the open market
	All of the above

9. Marginal rate of substitution for x and y goods is obtain by: -

	The slope of demand curve
	The slope of supply curve
	The slope of budget line of the consumer
?	The slope of an indifference curve

10. Economic system in which public and private sectors exist side by side is known as: -

	Capitalism
	Socialism
?	Mixed economy
	Islamic economic system

11. To avoid double counting in the estimation of GNP, economists will: -

	Add price of all goods and services bought and sold
	Use the GNP deflator
	Add the price of only intermediate goods
?	Calculate the value added at each stage of production

12. If all inputs are increased by 100% and the result is 120% increase in output, this would: -

	Illustrate the law of increasing returns
	Illustrate the law of diminishing returns
?	Illustrate the increasing returns to scale
	Contradict the principle of increasing returns to scale

13. Which one of the following is most likely to discourage capital investment: -

	High saving rates
	Increasing corporate profits
	Moderate growth of GNP
?	High interest rates

14. Consumer's Surplus is defined as: -

	Amount by which the income of consumers exceeds their expenditure
?	Amount of money consumers would be prepared to pay for a good in excess of what they pay
	Value of goods and services which are provided free to consumers by Govt.
	Value of the goods bought which are in excess of subsistence requirements

15. To maximize his utility, a consumer must spend his income so that: -

	The total utility obtained from each good is equalized
	The average utility from each good is equalized
	The marginal utility obtained from each good is equalized
?	The ratio of marginal utility to price for each good is equalized

16. Monopolistic competition differs from perfect competition in that: -

	There are very few firms
	Barriers exist to the entry of new firms
?	Products are differentiated
	Marginal revenue exceeds marginal cost in long-run equilibrium

17. Abnormal profit cannot be earned under conditions of: -

	Monopoly in the long run
	Oligopoly in the long run
	Perfect competition in the short run
?	Perfect competition in the long run

18. Which of the following is an injection into the circular flow of income in an economy

	Corporation tax paid by private sector firm
?	Money spent by overseas visitors on food and drink
	The purchase of government stock
	The purchase of shares on the Stock Exchange

19. Which of the following assets of the commercial banks is the most profitable: -

	Balances at the central bank
	Eligible commercial bills
	Treasury bills
?	Loans and advances

20. What is implied by existence of a negative externality: -

	Individuals are not the best judge of their own well-being
	Output is below its optimum level
	Producers are not profit maximisers
?	There is a divergence between private and social costs

21. Which one of the following is an example of Fiscal policy?

	A reduction of credit controls
	The alteration of the foreign exchange rate
	The introduction of a ceiling on wage increase in the private sector
?	A reduction in value added tax

22. A Regressive tax is defined as one that requires: -

	All tax payers to pay the same absolute amount of their income in taxation
	High income earners to pay more in taxes than low income earners
?	High income earners to pay a lower proportion of their income in taxes than low income earners
	High income earners to pay a higher proportion of their income in taxes than low income earners

23. Which one of the following is normally classified as instrument of Fiscal policy?

	Control of interest rate
	Control of the money supply
	Management of the National Debt
?	Control of the level of government expenditure

24. The Acceleration principle postulates that:-

	The rate of change of net investment influences national income
?	The rate of change of output influences net investment
	The rate of change of net investment is determined by the level of output
	The capital output ratio changes as demand changes

25. According to Keynesian theory, in a closed economy without government, planned savings are brought into equality with planned investment by changes in: -

	The rate of interest
?	The level of national income
	The level of autonomous consumption
	The level of induced consumption

26. Which condition is necessary for successful Price Discriminations?

	The presence of import controls
?	Separability of the markets involves
	Totally elastic supply of the product
	Identical elasticities of demand in the separate markets in which the product is sold

27. Multiplier effect of an increase in Govt. spending on national income is weakened by:

	A fall in interest rates
?	An increase in the propensity to import
	An increase in the propensity to consume
	An improvement in business confidence

28. Equilibrium of the economy is the level of national income at which: -

?	There is no tendency for the national income to change
	The budget is exactly balanced
	The balance of payments is evenly balanced
	The economy is producing the full employment national product

29. In which one of the following market situations would a firm take account of the restrictions of its competitors before deciding to cut its price?

	Monopoly
	Monopolistic competition
	Perfect competition
?	Oligopoly

30. The direction of the Income effect of a price change: -

	Is always positive except in the case of Giffen goods
	Is always the same as the substitution effect
?	May be positive, negative or zero
	May be positive or zero but is never negative

PREFACE TO THE THIRD EDITION

The first and second editions of this small booklet were welcomed and appreciated by all those who are interested in the objective type questions of economics, irrespective of the fact whether they are general readers or studying in any professional institute.

The present MCQ's are very helpful in understanding the various terminologies used in the relevant chapters of the course books of economics. Students are advised to go through these MCQ's time and again in order to have a complete grasp of the topics of their syllabus.

It is interesting to note that answers of all the questions have been found and picked-up from the following highly authentic and core books. The page numbers of both these books have been mentioned for further reference and study.

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|---------------------------|-------------|-----------------------|
| 1. Economics | Samuelson | Seventeenth Edition |
| 2. Modern Economic Theory | K.K. Dewett | Twenty- first Edition |

First edition -----1000 copies -----printed on Ist August 2003

Second edition ---1000 copies -----printed on Ist January 2005

Third edition -----1000 copies -----printed on Ist June 2006

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