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CA/CS FOUNDATION

MICRO ECONOMICS TEST

50 Questions of 1 Marks each (No negative markings).

1. For an inferior good, income elasticity of demand is
 - a. Negative
 - b. positive
 - c. zero
 - d. infinity
2. Demand curve for a Giffen Good will be
 - a. Horizontal
 - b. Vertical
 - c. Slopping downward to the right
 - d. Slopping upward to the right
3. Which of the following curves is not U-shaped?
 - a. Average fixed cost curve
 - b. Average variable cost curve
 - c. Average total cost curve
 - d. Marginal cost curve
4. The demand curve of a firm under a perfectly competitive market will be
 - a. Vertical
 - b. Horizontal
 - c. Negatively slopped
 - d. Positively slopped
5. Firm under perfect competition in the short run earn only-
 - a. Abnormal profit
 - b. Normal Profit
 - c. A Loss
 - d. Any of the above
6. In a 'Kinked-demand curve' model the upper portion of the demand curve is-
 - a. Elastic
 - b. Inelastic
 - c. Perfectly Elastic
 - d. Unitary Elastic
7. Under perfect competition the price of the product:
 - a. can be controlled

- b. Cannot be controlled
 - c. Can be controlled within certain limit
 - d. None of the above
8. The monopolist charges different prices from different buyers is called-
- a. Price Discrimination
 - b. Place Discrimination
 - c. Personal Discrimination
 - d. None of these
9. Selling Cost is a feature of:
- a. Perfect Competition
 - b. Monopoly
 - c. Monopolistic Competition
 - d. Bilateral Monopoly
10. The feature of perfect competition that drives a firm's profit to zero in the long run is:
- a. Product Differentiation
 - b. Price leadership
 - c. Market Power
 - d. Free entry of firms
11. An indifference curve is always
- a. Concave to the origin
 - b. Convex to the origin
 - c. L-Shaped
 - d. A vertical Straight line
12. The case of a right angled indifference curve occurs when-
- a. The two goods are perfect compliment
 - b. The two goods are perfect substitutes
 - c. The two goods are inferior
 - d. The two goods are normal
13. Marginal utility curve of a consumer is also his-
- a. Supply
 - b. Demand Curve
 - c. Total Utility Curve
 - d. None of these
14. Total utility is maximum when
- a. Marginal utility is zero
 - b. Marginal utility is negative
 - c. Marginal utility is positive
 - d. Marginal utility is equal to average utility
15. Marginal utility is equal to
- a. Total utility minus average utility
 - b. Total utility divided by number of units consumed
 - c. Addition to total utility by consuming additional unit
 - d. Total utility plus average utility
16. Indifference curves do not cut each other because:
- a. Each curve is parallel to the other
 - b. Each curve represents a different level of satisfaction.
 - c. Each curve relates to different persons

- d. It is an assumption.
17. 'Break Even Point' is the position where?
- Maximum, profit minimum loss
 - Minimum profit maximum loss
 - There is no profit & loss
 - Maximum profit maximum loss
18. When will the consumer be in equilibrium:
- $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
 - $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
 - $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
 - None of these
19. The cost that firm must pay even if it produces no output is known as-
- Fixed Cost
 - Variable Cost
 - Marginal Cost
 - Explicit Cost
20. The point where the total cost equals the total revenue is known as-
- Expansion Point
 - Break-Even Point
 - Shut Down Point
 - Focal Point
21. Marginal cost curve intersect AC curve at its-
- Rising portion
 - Falling Portion
 - Minimum Point
 - Any where
22. Which of the following is correct regarding the shape of total fixed cost curve?
- Rectangular hyperbola
 - U-shaped
 - Inverted U-shaped
 - Straight line parallel to horizontal axis
23. Shut-down point for a firm is a situation where its-
- Average Revenue = Average Cost
 - Average Revenue > Average Cost
 - Average Revenue = Average Variable Cost
 - Average Revenue > Average Variable Cost
24. Production function relates-
- Cost to input
 - Wages to profit
 - Cost to output
 - Inputs to output
25. Production is
- Creating some new product
 - Conversion of raw material into finished goods
 - Creating utilities in commodity
 - All of the above

26. According to Cobb-Douglas model which are essential for production-
- Land & Labour
 - Land & Capital
 - Labour & Capital
 - Labour & Entrepreneurship
27. The marginal product curve is above the average product curve when the Average production is-
- Increasing
 - Decreasing
 - Constant
 - None of these
28. In the theory of production the long run is defined as the period of time in which-
- All factors can be varied
 - No factors can be varied
 - Some factors are fixed but other can be varied
 - None of these
29. When labour and capital are increased by 10% and production increases by 15% then we have:
- Constant returns to scale
 - Increasing returns to scale
 - Decreasing returns to scale
 - Negative return to scale
30. Which factor of production shows maximum mobility in case of change in its prices?
- Capital
 - Labour
 - Land
 - All of the above
31. When the price of a substitute of commodity 'X' falls, the demand of 'X' will-
- Rise
 - Fall
 - Remain Unchanged
 - Any of the above
32. With the rise in demand of goods A, if the demand for good 'B' also rise, then the goods A and B are
- Substitutes goods
 - Complementary Goods
 - Giffen Goods
 - Goods B is better than A
33. With a rise in Income, when demand of a good increases there will be:
- A rightwards movement along the demand curve
 - A leftwards movement along the demand curve
 - A rightwards shift in demand curve
 - A leftwards shift in demand curve
34. When income falls, the demand for Normal goods_____
- Rises
 - Falls
 - Remains Constant
 - Any of these
35. What would be the nature of elasticity of demand for salt, newspaper and medicine
- Elastic
 - Less Elastic

- c. Perfectly Elastic
 - d. Any of the above
36. What will be elasticity of demand for Luxury goods:
- a. Elastic
 - b. Less Elastic
 - c. Perfectly Elastic
 - d. Any of the above
37. What would be elasticity of demand at a point left to the middle point:
- a. $E_d = 1$
 - b. $E_d > 1$
 - c. $E_d < 1$
 - d. $E_d = \text{infinity}$
38. The demand for a commodity measured through expenditure approach is inelastic, a fall in price will Result in:
- a. No change in expenditure
 - b. Increase in expenditure
 - c. Decrease in expenditure on it
 - d. Any one of above
39. Which of the following is the reason for rightwards shift in Supply curve of Good X?
- a. Rise in Price of Substitute Good Y
 - b. Improvement in technique of production
 - c. Rise in price of factors of production
 - d. All of the above
40. If a firms production department data says that Total Variable cost for producing 8 units and 10 Units of output are Rs. 2500 and Rs. 3000 respectively, the marginal cost of 10th Unit will be:
- a. Rs. 100
 - b. Rs. 150
 - c. Rs. 500
 - d. Rs. 250
41. Under imperfect competition when TR is maximum, MR would be:
- a. Positive
 - b. Negative
 - c. Zero
 - d. None of these
42. A firm is able to sell more quantity of a good only by lowering the price. The firms marginal revenue as it goes on selling would be:
- a. Greater than average revenue
 - b. Less than average revenue
 - c. Equal to average revenue
 - d. Zero
43. Which of following market has Price Rigidity?
- a. Competitive market
 - b. Monopoly
 - c. Monopolistic competitive
 - d. Oligopoly
44. A seller cannot influence the market price under
- a. Perfect Competition
 - b. Monopoly

- c. Monopolistic Competitive
 - d. All of the above
45. Marginal Revenue of a firm is constant throughout under
- a. Perfect Competition
 - b. Monopolistic Competitive
 - c. Oligopoly
 - d. All of the above
46. Given, $AR = 5$ and Elasticity of demand = 2 Find MR.
- a. + 2.5
 - b. - 2.5
 - c. + 1.5
 - d. + 2.0
47. If a seller obtains Rs. 3,000 after selling 50 units and Rs. 3,100 after selling 52 units, then marginal revenue will be
- a. Rs. 59.62
 - b. Rs. 50.00
 - c. Rs. 60.00
 - d. Rs. 59.80
48. Those benefits which are available to a firm from its own activities are known as?
- a. External Economies
 - b. Internal Economies
 - c. Internal and External Economies
 - d. None
49. Main cause of law of diminishing marginal returns is?
- a. Scarcity of factors
 - b. Imperfect substitution of factors
 - c. Both A and B
 - d. None of these
50. Short run production function is related to:
- a. Law of Variable Proportion
 - b. Returns of scale
 - c. Both A and B
 - d. None of these