



# **LILHA EDUCATION CENTRE**

## **A Complete Commerce Education Centre.**

**www.lilhaeducationcentre.in**

**Mob. No.- +91-9305907823, 9336981775**

### **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 10<sup>th</sup> 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