

MBA-I / SEM-I/ 2019 PATTERN

Subject: 103- Economic Analysis For Business Decisions

Multiple Choice Questions

UNIT – I

Sr. No.	Question	Ans. Option
1	Economics is a ----- science which deals with human wants and their satisfaction. A. Social B. Political C. Natural D. Physical	A
2	Managerial economics generally refers to the integration of economic theory with business A. Ethics B. Management C. Practice D. All of the above	C
3	Under_____, price is determined by the interaction of total demand and total supply in the market. A. Perfect competition B. Monopoly C. Imperfect competition D. All of the above	A
4	Oligopoly is a type of_____market. A_____exists in the industry A. Perfect, few firms B. Imperfect, few firms C. Perfect, many firms D. Imperfect, many firms	B
5	The management of the_____form of business organization is totalitarian in nature. a) Cooperative b) Partnership c) Individual proprietorship d) All of the above	A
6	From the resource allocation view point, perfect competition is preferable because A. There is no restriction on entry and exit of firms B. There is a whole variety of output produced C. The firms operate at excess capacity levels D. There is no idle capacity	D

7	In perfect competition, there is a process of A. Restricted entry and exit of the firms B. Free entry and free exit of the firms C. Free entry but restricted exit of the firms D. Semi-free exit but absolute free entry	B
8	Pure monopoly exists A. When there is a single producer with close substitutes B. When there is a single producer without any close substitutes C. When there is a single producer D. When a few producers control the industry	B
9	Managerial economics cannot be used to identify A. microeconomic consequences of managerial behavior. B. how macroeconomic forces affect the organization. C. goals of the organization. D. ways to efficiently achieve the organization's goals.	A
10	In perfectly competitive market A. Firm is the price giver and the industry the price-taker B. Firm is the price-taker and industry the price giver C. Both are the price-takers D. Both are Price givers	B
11	Government regulation is important because government A. uses scarce resources. B. regulation reduces public-sector employment. C. produces most of society's services output. D. produces most of society's material output.	A
12	Under the perfect competition, the transportation cost A. Is considered to be negligible and thus, ignored B. Is charged along with the price of the commodity C. Is considered to be vital for the calculation of total cost D. Excluded from the prime cost	A
13	The central problem in economics is that of A. comparing the success of various economies B. allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied as well as possible C. guaranteeing that production occurs in the most efficient manner D. guaranteeing a minimum level of income for every citizen	B
14	Which of the following occupations should be included under the heading of "Primary production"? (1) Quarrying (2) Fishing (3) Farming (4) Coal mining A. 1 and 3 B. 1 and 2 C. 1 only D. 1, 2, 3 and 4	D

15	<p>----- defined economics as a study of mankind in the ordinary business of life.</p> <p>A. Adam smith B. Lionel Robbins C. Samuelson D. Alfred Marshall</p>	D
16	<p>-----equals revenue minus all explicit costs.</p> <p>A. Accounting profit B. Economic profit C. Normal profit D. d. Loss</p>	A
17	<p>The father of New Economics is :</p> <p>A. Marshall B. J.M.Keynes C. Adam Smith D. d. Karl Marx</p>	B
18	<p>In a free-market economy the allocation of resources is determined by:</p> <p>A. Votes taken by consumers B. A central planning authority C. By consumer preferences D. The level of profits of firms</p>	D
19	<p>A rational person does not act unless:</p> <p>A. The action is ethical B. The action produces marginal costs that exceed marginal benefits C. The action produces marginal benefits that exceed marginal costs D. The action makes money for the person</p>	C
20	<p>----- defined economics as a study of mankind in the ordinary business of life.</p> <p>A. Adam smith B. Samuelson C. Lionel Robbins D. Alfred Marshall</p>	D
21	<p>-----equals revenue minus all explicit costs.</p> <p>A. Accounting profit B. Economic profit C. Normal profit D. Loss 7</p>	B
22	<p>The-----problem refers to the possibility that owners and their managers may have different objectives.</p> <p>A. Company- Manager problem B Principal-Agent Problem</p>	B

	C. Firm-Employee problem D. Problem of different objectives	
23	Economic profit refers to --- minus all relevant costs, both explicit and implicit. A. Profit B. Cost C. Expenses D. Revenues	D
24	The interaction of individuals and firms in a market can be described as a-----of money, goods and services and resources through product and factor markets. A. Constant flow B. Stable flow C. Circular Flow D. Regular Flow	C
25	----- focuses on the behavior of the individual actors on the economic stage , that is, firms and individuals and their interaction in markets. A. Macroeconomics B. Microeconomics C. Managerial Economics D. Economics	B
26	In free market economy, the organization and interaction of producers and consumers is accomplished through the_____ system A. Price B. Cost C. Profit D. Revenue	
27	An economic system: A. Requires a grouping of private markets linked to oneanother. B. Is a particular set of institutional arrangements and a coordinating mechanism used to respond to the economizing problem. C. Requires some sort of centralized authority (such asgovernment) to coordinate economic activity. D. d. Is a plan or scheme that allows a firm to make moneyat some other firm's expense	B
28	The regulatory mechanism of the market system is: A. Self-interest. B. Private property. C. Competition. D. Specialization	C

29	From society's point of view the economic function of profits and losses is to: A. Promote the equal distribution of real assets and wealth. B. Achieve full employment and price level stability. C. Contribute to a more equal distribution of income. D. Reallocate resources from less desired to more desired uses	D
30cost are also known as Imputed Costs A. Opportunity B. Marginal C. Total D. Historical	A
31	According to profit maximization theory of the firm, management. A. Decides output level which maximizes revenue B. Output level which minimizes cost. C. Output level which maximizes difference between the two D. None of these	C
32	According to Simon if a firm fails to achieve its target initially results in: A. A sense of helplessness B. Search behavior C. Sacking of its managerial team D. Appropriate revision of the aspiration level	B
33	Managerial utility function is expressed as: A. $U = S(S, M, I)$ B. $U = S(S, M)$ C. $U = f(S, M, I)$ D. $U = F(S, M, I)$	C
34	If economic profit equal to zero then: A. Owners receive a profit more than their opportunity cost. B. Owners receive a profit less than their opportunity cost. C. Owners receive a profit equal to their opportunity cost.	C
35	Trade-offs are required because wants are unlimited and resources are: A. Economical. B. Efficient C. Marginal D. Scarce	D
36	Which of the following is not a Productive Resource? A. Labour B. Land C. Money D. Capital	C

37	<p>Factors of production are :</p> <ul style="list-style-type: none"> A. Inputs into the production process. B. Weather, social, and political conditions that affect production. C. The physical relationships between economic inputs and outputs. D. The mathematical calculations firms make to determine production 	A
38	<p>Business Economics is also known as _____</p> <ul style="list-style-type: none"> A. Managerial Economics B. Economics for Executive C. Economic Analysis for Business Decision D. All the above 	D`
39	<p>Which of the following is true regarding the circular flow model?</p> <ul style="list-style-type: none"> A. Households provide the demand for the factor market and business provide the supply for the goods and services market. B. Households provide the demand for the goods and service market and business provides the supply for the factor market. C. Households provide the supply for the factor market and business provides the supply for the goods and service market D. Households provide both the supply and demand for the goods and services market 	C`
40	<p>The concept of opportunity cost:</p> <ul style="list-style-type: none"> A. Suggests a major increase in public health-care spending means an expansion in other B. areas will be harder to achieve. C. Suggests all our wants can be achieved. D. Would be irrelevant if we eliminated poverty. E. Is relevant only for a capitalist economy like the United States. 	A
41	<p>Inflation is:</p> <ul style="list-style-type: none"> A. A decrease in the overall level of economic activity. B. An increase in the overall level of economic activity. C. An increase in the overall price level. D. A decrease in the overall price level 	C
42	<p>An economic theory is _____</p> <ul style="list-style-type: none"> A. A generalization that summarizes what we understand about economic choices. B. A positive statement that cannot use the ceteris paribus clause. 	A

	<p>C. Usually more complex than the real world.</p> <p>D. Always a mathematical, or nonverbal, model.</p>	
43	<p>Microeconomics focuses on all of the following EXCEPT</p> <p>A. The effect of increasing the money supply on inflation.</p> <p>B. The purchasing decisions that an individual consumer makes.</p> <p>C. The effect of an increase in the tax on cigarettes on cigarette sales.</p> <p>D. The hiring decisions that a business makes.</p>	A
44	<p>Entrepreneurs do all of the following EXCEPT</p> <p>A. Bear risk from business decisions.</p> <p>B. Own all the other resources.</p> <p>C. Come up with new ideas about what, how, when and where to produce.</p> <p>D. d. Organize labor, land, and capital.</p>	B
45	<p>Invisible Hand theory was described by</p> <p>A. Robert Anthony</p> <p>B. Adam Smith</p> <p>C. Amartya Sen</p> <p>D. C.K. Pralhad</p>	B
46	<p>The regulatory mechanism of the market system is:</p> <p>A. Self-interest.</p> <p>B. Private property</p> <p>C. Competition</p> <p>D. Specialization</p>	C
47	<p>The invisible-hand concept suggests that: .</p> <p>A. Market failures imply the need for a national economic plan.</p> <p>B. Big businesses are inherently more efficient than small businesses.</p> <p>C. The competitiveness of a capitalistic market economy invariably diminishes over time.</p> <p>D. Assuming competition, private and public interests will coincide</p>	D
48	<p>Decision making and _____ are the two important functions of executive of business firms</p> <p>A. Forward planning</p> <p>B. Directing</p> <p>C. Supervising</p> <p>D. Administration</p>	A

49	Which of the following is not a macroeconomic concept? A. Business cycle B. National income C. Government policy D. None of these	D
50	In a perfectly competitive market, individual firm A. cannot influence the price of its product B. can influence the price of its product C. can fix the price of its product D. can influence the market force	A
51	Which of the following is not a function of managerial economists A. Advice on trade and public relations B. Economic analysis of agriculture C. Investment analysis D. Supervision and control	D
52	in economics _____ means 'a state of rest 'or' stability' A. Depression B. Equilibrium C. Maturity D. Growth	B

UNIT – II.

Sr. No.	Question	Ans.
1	The law of demand states that an increase in the price of a good: A. Increases the supply of that good. B. Decreases the quantity demanded for that good. C. Increases the quantity supplied of that good. D. None of these answers	B
2	If the price of a good is above the equilibrium price, A. There is a surplus and the price will rise. B. There is a shortage and the price will fall. C. The quantity demanded is equal to the quantity supplied and the price remains unchanged. D. There is a surplus and the price will fall.	D
3	The price elasticity of demand is defined as A. The percentage change in the quantity demanded divided by the percentage change in income. B. The percentage change in income divided by the percentage change in the quantity demanded. C. The percentage change in the quantity demanded of a good divided by the percentage change in the price of that good. D. None of these answers.	C
4	In economics, desire backed by purchasing power is known as A. Utility B. Demand C. Consumption D. Scarcity	B
5	Basic assumptions of law of demand include A. Prices of other goods should change. B. There should be substitute for the commodity. C. The commodity should not confer any distinction. D. The demand for the commodity should not be continuous	C

6	Higher the price of certain luxurious articles, higher will be the demand, this concept is called A. Giffen effects B. Veblen effects C. Demonstration effects D. Both b & c above	B
7	In the case of perfect elasticity, the demand curve is A. Vertical B. Horizontal C. Flat D. Steep	B
8	Outlay method of measurement of elasticity is also called as A. Percentage method B. Expenditure method C. Point method D. Geometric method	B
9	_____ demand forecasting is related to the business conditions prevailing in the economy as a whole A. Macro level B. Industry level C. Firm level D. None of these	A
10	_____ is the base of marketing planning A. Demand Estimation B. Demand analysis C. Demand function D. Demand forecasting	D
11	_____ is the change in total revenue irrespective of changes in price or due to the effect of managerial decision on revenue A. Average revenue B. Total revenue C. Marginal revenue D. Incremental revenue	D
12	Perfect competition is characterized by A. large number of buyers and sellers B. homogeneous product C. free entry and exit of firms D. all the above	D
13	The distinction between variable cost and fixed cost is relevant only in A. long period B. short period C. medium term D. mixed period	B

14	Purposes of Short term Demand forecasting doesn't includes; A. Making a suitable production policy. B. To reduce the cost of purchasing raw materials and to control inventory. C. Deciding suitable price policy D. Planning of a new unit or expansion of existing unit	D
15	In _____ approach, the demand for new product is estimated on the basis demand of existing product A. Growth curve approach B. Evolutionary approach. C. Opinion polling approach D. Vicarious approach.	B
16	The proportionate change in the quantity demanded of a commodity in response to change in the price of another related commodity is called A. Price elasticity B. Related elasticity C. Cross elasticity D. Income elasticity	C
17	Which one is the method for measurement of elasticity A. Proportional or Percentage Method B. Outlay Method C. Geometric method D. All the above	D
18	_____ Method is also known as Sales-Force – Composite method or collective opinion method A. Opinion survey B. Expert opinion C. Delphi method D. Consumer interview method	A
19	Which of the following is not a method of demand forecasting of new products A. Trend projection B. Substitute approach C. Evolutionary approach D. Sales experience approach	A
20	Psychological pricing is also called as; A. Penetration pricing B. Skimming pricing C. Odd pricing D. None of these	C
21	Customary pricing is also known as A. Consumer pricing B. Conventional pricing C. Cost plus pricing D. Full cost pricing	B

22	_____ is the process of finding current values of demand for various values of prices and other determining variables. A. Demand Estimation B. Demand analysis C. Demand function D. Demand forecasting	A
23	In the case of _____ a small change in price leads to very big change in quantity demanded A. Perfectly elastic demand B. Perfectly inelastic demand C. Relative elastic demand D. Unit elastic demand	C
24	In _____ approach, on the basis of the growth of an established product, the demand for the new product is estimated A. Growth curve approach B. Evolutionary approach. C. Opinion polling approach D. vicarious approach	A
25	Car and petrol are A. Complimentary goods B. Substitute goods C. Supplementary goods D. Reserve goods	A
26	Criteria for good demand forecasting includes; A. Plausibility B. Simplicity C. Economy D. All the above.	D
27	Cost plus pricing is also called A. margin pricing B. full cost pricing C. mark up pricing D. all the above	D
28	Generally used strategy for pricing new products is/are A. Skimming price strategy B. Penetration price strategy C. Both a & b D. None of these	C
29	The architect of the theory of monopolistic competition A. Rosenstein Roden B. JR Hicks C. Karl Marx D. Chamberlin	D
30	The function of combining the other factors of production is done by A. land B. labour C. Capital	B

	D. Entrepreneurship	
31	_____ means the total receipts from sales divided by the number of unit sold. A. Average revenue B. Total revenue C. Marginal revenue D. Incremental revenue	A
32	$E_p=0$ in the case of _____ elasticity A. Perfectly elastic demand B. Perfectly inelastic demand C. Relative elastic demand D. Unitary elastic demand	B
33	Law of demand shows the functional relationship between _____ and quantity demanded A. Supply B. Cost C. Price D. Requirements	C
34	When the change in demand is exactly equal to the change in price, it is called A. Perfectly elastic demand B. Perfectly inelastic demand C. Relative elastic demand D. Unitary elastic demand	D
35	Survey method of demand forecasting includes A. Opinion survey B. Expert opinion C. Delphi method D. All the above	D
36	In _____ pricing fixed cost are excluded. A. skimming pricing B. going rate pricing C. administered pricing D. marginal cost pricing	D
37	The market with a single producer" A. perfect competition B. monopolistic competition C. oligopoly D. monopoly	D
38	The short run production function is called; A. Returns to scale B. law of variable proportion C. Production possibility frontier D. None of these	B
39	Which are the characteristics of monopoly? A. Single seller or producer B. No close substitutes C. Inelastic demand curve	D

	D. All of these	
40	Whenever _____ is greater than average total cost, average total cost is rising. A. Marginal cost B. Variable cost C. Fixed cost D. Full cost	A
41	When a small change in price leads to infinite change in quantity demanded, it is called E. Perfectly elastic demand F. Perfectly inelastic demand G. Relative elastic demand H. Relative inelastic demand	A
42	Iso-cost line indicate the price of A. Output B. Inputs C. Finished goods D. Raw material	B
43	Who classified economies of scale into internal and external? A. Robinson B. Marshall C. Edward west D. Pigue	B
44	Product differentiation is the important feature of A. monopoly B. perfect competition C. monopolistic competition D. monophony	C
45	13th Finance Commission has been constituted under the chairmanship of: A. C.Rangarajan B. Vijay L Kelkar C. Deepak Parekh D. Indira Bhargara	B
46	Method of demand forecasting is also called "economic model building" A. Opinion survey B. Complete enumeration C. Correlation and regression D. Delphi method	C
47	The responsiveness of demand due to a change in promotional expenses is called A. Expenditure elasticity B. Advertisement elasticity C. Promotional elasticity D. Above b or c	D
48	Want satisfying power of commodity is called A. Demand	B

	B. Utility C. Satisfaction D. Consumption	
49	The relationship between price and quantity demanded is A. Direct B. Inverse C. Linear D. Non-linear	B
50	_____ shows the change in quantity demanded as a result of a change in consumers' income A. Price elasticity B. Cross elasticity C. Income elasticity D. None of these	C
51	For the commodities like salt, sugar etc., the income elasticity will be A. Zero B. Negative C. Positive D. Unitary	A
52	Price Elasticity of demand= A. <u>Proportionate change in quantity demanded</u> / <u>Proportionate change in price</u> B. <u>Change in Quantity demanded / Quantity demanded</u> / <u>Change in Price/price</u> C. <u>(Q2-Q1)/Q1</u> (P2-P1) / P1 D. All the above	D
53	An increase in income may lead to an increase in the quantity demanded, it is A. Positive income elasticity B. Zero income elasticity C. Negative income elasticity D. Unitary income elasticity	A
54	Purposes of Short term Demand forecasting doesn't includes; A. Making a suitable production policy. B. To reduce the cost of purchasing raw materials and to control inventory. C. Deciding suitable price policy D. Planning of a new unit or expansion of existing unit	D
55	Unitary elasticity of demand mean A. $EP \Rightarrow 1$ B. $EP \Rightarrow < 1$ C. $EP = 0$ D. $EP = 1$	D
56	Quantity remains the same whatever the change in price, this is the case of A. Perfectly elastic demand	B

	B. Perfectly inelastic demand C. Relative elastic demand D. Relative inelastic demand	
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UNIT –III

Sr. No.	Question	Ans.
1	Which of the following would decrease the supply of wheat? A. A decrease in the price of pesticides. B. An increase in the demand for wheat. C. A rise in the price of wheat. D. d. An increase in the price of corn.	D
2	Law of supply establishes A. Inverse relationship between price and supply B. Positive relationship between price and supply C. Both D. none	B
3	The market supply curve shows A. The effect on market demand of a change in the supply of a good or service. B. The quantity of a good that firms would offer for sale at different prices. C. The quantity of a good that consumers would be willing to buy at different prices. D. All of the above are correct.	B
4	Unionized workers may be able to negotiate with management for higher wages during periods of economic prosperity. Suppose that workers at automobile assembly plants successfully negotiate a significant increase in their wage package. How would the new wage contract be likely to affect the market supply of new cars? A. Supply will shift to the right. B. Supply will shift to the left. C. Supply will not shift, but the quantity of cars produced per month will decrease. D. d. Supply will not shift, but the quantity of cars produced per month will increase.	B
5	If automobile manufacturers are producing cars faster than people want to buy them, A. There is an excess supply and price can be expected to decrease. B. There is an excess supply and price can be expected to increase. C. There is an excess demand and price can be expected to decrease. D. There is an excess demand and price can be expected to increase.	A
6	If a computer software company introduces a new program and finds that orders from wholesalers far exceed the number of units	D

	<p>that are being produced,</p> <ul style="list-style-type: none"> A. There is an excess supply and price can be expected to decrease. B. There is an excess supply and price can be expected to increase. C. There is an excess demand and price can be expected to decrease. D. There is an excess demand and price can be expected to increase. 	
7	<p>Market equilibrium refers to a situation in which market price</p> <ul style="list-style-type: none"> A. is high enough to allow firms to earn a fair profit. B. is low enough for consumers to buy all that they want. C. is at a level where there is neither a shortage nor a surplus. D. d. is just above the intersection of the market supply and demand curves. 	C
8	<p>If the price of a good increases while the quantity of the good exchanged on markets increases, then the most likely explanation is that there has been</p> <ul style="list-style-type: none"> A. an increase in demand. B. a decrease in demand. C. an increase in supply. D. d. a decrease in supply. 	A
9	<p>If the price of a good decreases while the quantity of the good exchanged on markets increases, then the most likely explanation is that there has been</p> <ul style="list-style-type: none"> A. an increase in demand. B. a decrease in demand. C. an increase in supply. D. a decrease in supply. 	C
10	<p>If the price of a good increases while the quantity of the good exchanged on markets decreases, then the most likely explanation is that there has been</p> <ul style="list-style-type: none"> A. an increase in demand. B. a decrease in demand. C. an increase in supply. D. a decrease in supply. 	D
11	<p>If the price of a good decreases while the quantity of the good exchanged on markets decreases, then the most likely explanation is that there has been</p> <ul style="list-style-type: none"> A. an increase in demand. B. a decrease in demand. C. an increase in supply. D. a decrease in supply. 	B
12	<p>An increase in the demand for a good will cause</p> <ul style="list-style-type: none"> A. an increase in equilibrium price and quantity. B. a decrease in equilibrium price and quantity. C. an increase in equilibrium price and a decrease in equilibrium quantity. 	A

	D. a decrease in equilibrium price and an increase in equilibrium quantity.	
13	An increase in the supply of a good will cause A. an increase in equilibrium price and quantity. B. a decrease in equilibrium price and quantity. C. an increase in equilibrium price and a decrease in equilibrium quantity. D. d. a decrease in equilibrium price and an increase in equilibrium quantity.	B
14	During 2002 – 2005 we saw significant increases in the construction of new housing stock in the US. During the same time period we also observed significant rises in the demand for homes. We know that during that time period both price and the level of homes traded increased. Based on that information what most likely happened in the market? A. The rise in supply outpaced the rise in demand. B. The rise in demand outpaced the rise in supply. C. The rise in demand was perfectly matched by rise in the supply. D. d. None of the above	B
15	If a rise in supply exceeds a rise in demand, then we should expect A. the equilibrium price and quantity levels will rise. B. the equilibrium price will rise while the equilibrium quantity will decline. C. The equilibrium price will fall while the equilibrium quantity will rise. D. d. the equilibrium price and quantity levels will decline	C
16	In which instance will both the equilibrium price and quantity rise? A. When demand and supply increase, but the rise in demand exceeds the rise in supply. B. When demand and supply increase, but the rise in supply exceeds the rise in demand. C. When demand and supply decline, but decline in the demand exceeds the decline in supply. D. When demand and supply decline, but the decline in supply exceeds decline in the demand.	A
17	In which instance can we observe a rise in the equilibrium price accompanied by a decline in the equilibrium quantity? A. If both demand and supply decline, but the decline in demand exceeds the decline in supply. B. If supply declines while demand increases, and the decline in supply exceeds the increase in demand. C. If both demand and supply increase. D. None of the above.	A
18	To be an importer of a product the country must have its domestic price of the product be _____ the foreign price	A

	<p>A. higher than</p> <p>B. lower than</p> <p>C. equal to</p>	
19	<p>To be an exporter of a product the country must have its domestic price of the product be _____ the foreign price</p> <p>A. higher than</p> <p>B. lower than</p> <p>C. equal to</p>	B
20	<p>Which of the following will help a country become an exporter of a product (assume that the product is a normal good given the median consumer income)?</p> <p>A. An increase in incomes of domestic consumers</p> <p>B. A recession abroad</p> <p>C. An increased productivity of domestic labor</p> <p>D. An increased cost of domestic labor</p>	C
21	<p>In 2010 Russia was affected by a significant draught. Russia is a major producer and exporter of several agricultural commodities. As a result of the draught, Russia reduced some of its agricultural exports. In the context of the world supply/demand model for the affected agricultural commodities we should observe:</p> <p>A. Reduced demand and reduced supply</p> <p>B. Reduced supply and unchanged demand</p> <p>C. Reduced supply and increased demand</p> <p>D. Increased supply and unchanged demand</p> <p>E. Increased supply and reduced demand</p>	B
22	<p>In November of 2010 the US Central Bank, the Federal Reserve, embarked on a policy of quantitative easing. Since this policy essentially represents an increase in the supply of money, it may create inflationary expectations. Let's assume (and this is a strong assumption), that as a result of this policy, US households start to expect inflation (price increases) in the housing market. The effect on the housing market will be:</p> <p>A. A rise in the demand, causing prices to increase</p> <p>B. A rise in the supply, causing prices to decrease</p> <p>C. A decline in the demand, causing prices to decrease</p> <p>D. d. None of the above</p>	A
23	<p>Which of the following would NOT be a determinant of demand?</p> <p>a. the price of related goods</p> <p>b. income</p> <p>c. tastes</p> <p>d. the prices of the inputs used to produce the good</p>	D
24	<p>If the price of a substitute to good X increases, then</p> <p>a. the demand for good X will increase.</p> <p>b. the market price of good X will decrease.</p>	A

	c. the demand for good X will decrease. d. the demand for good X will not change.	
25	Suppose you like banana cream pie made with vanilla pudding. Assuming all other things are constant, you notice that the price of bananas is higher. How would your demand for vanilla pudding be affected by this? a. It would decrease. b. It would increase. c. It would be unaffected. d. There is insufficient information given to answer the question.	A
26	A higher price for batteries would tend to A. increase the demand for flashlights. B. decrease the demand for electricity. C. increase the demand for electricity. D. d. increase the demand for batteries	C
27	What will happen in the rice market if buyers are expecting higher prices in the near future? A. The demand for rice will increase. B. The demand for rice will decrease. C. The demand for rice will be unaffected. D. d. The supply of rice will increase.	A
28	Holding all else constant, a higher price for ski lift tickets would be expected to A. increase the number of skiers. B. decrease demand for skis. C. decrease the demand for other winter recreational activities. D. d. decrease the supply of ski resorts.	B
29	Ceteris paribus is a Latin phrase that literally means A. "other things being equal." B. "after this therefore because of this." C. "to respond slowly to a change in price." D. d. "There's no such thing as a free lunch."	A
30	When the price of a good or service changes, A. there is a movement along a stable demand curve. B. demand shifts in the opposite direction. C. demand shifts in the same direction. D. d. supply shifts in the opposite direction.	A
31	Other things equal, when the price of a good rises, the quantity supplied of the good also rises. This is A. the law of increasing costs. B. the law of diminishing returns. C. the law of supply. D. d. the law of demand.	C
32	. Suppose that there is an increase in input prices. We would expect A. supply to increase. B. supply to decrease. C. supply could increase or decrease.	B

	D. d. supply to remain unchanged.	
33	If, at the current price, there is a shortage of a good, A. the price is below the equilibrium price. B. the market can be in equilibrium. C. sellers are producing more than buyers wish to buy. D. d. All of the above answers are correct.	A
34	When the price is higher than the equilibrium price, A. a shortage will exist. B. buyers desire to purchase more than is produced. C. sellers desire to produce and sell more than buyers wish to purchase. D. d. quantity demanded equals quantity supplied.	C
35	When there is a shortage in a market, A. there is downward pressure on price. B. there is upward pressure on price. C. the market could still be in equilibrium. D. d. the price must be above equilibrium.	B
36	Suppose that a decrease in the price of X results in less of good Y sold. This would mean that X and Y are A. complementary goods. B. substitute goods. C. unrelated goods. D. d. normal goods.	B
37	Which of the following is a determinant of demand? A. the price of a substitute good B. the price of a complement good C. the price of the good next month D. d. all of the above	D
38	When we move up or down a given demand curve, A. only price is held constant. B. all nonprice determinants of demand are assumed to be constant. C. income and the price of the good are held constant. D. d. all determinants of quantity demanded are held constant.	B
39	Which of the following would NOT shift the demand curve for a good or service? A. a change in income B. a change in the price of a related good C. a change in expectations about the price of the good or service D. a change in the price of the good or service	D
40	The downward-sloping demand curve reflects which of the following? A. The price is positively related to quantity supplied. B. There is an inverse relationship between price and quantity demanded. C. There is a direct relationship between price and quantity demanded.	B

	D. d. When the price falls, buyers willingly buy less.	
41	Holding the nonprice determinants of supply constant, a change in price would A. result in a change in supply. B. result in a movement along a stable supply curve. C. result in a shift of demand. D. d. have no effect on the quantity supplied.	B
42	Wheat is the main input in the production of flour. If the price of wheat increases, all else equal, we would expect A. the supply of flour to be unaffected. B. the supply of flour to decrease. C. the supply of flour to increase. D. d. the demand for flour to decrease.	B
43	Suppose that the number of buyers in a market increases and a technological advancement occurs also. What would we expect to happen in the market? A. The equilibrium price would increase, but the impact on the amount sold in the market would be indeterminate. B. The equilibrium price would decrease, but the impact on the amount sold in the market would be indeterminate. C. Both equilibrium price and equilibrium quantity would increase. D. Equilibrium quantity would increase, but the impact on equilibrium price would be indeterminate.	D
44	The firm can achieve equilibrium when its A. $MC = MR$ B. $MC = AC$ C. $MR = AR$ D. $MR = AC$	A
45	Ten rupees is the equilibrium price for good X. If government fixes price at Rs. 5, there is: A. A shortage B. A surplus C. Excess supply D. Loss	A
46	A rise in supply and demand in equal proportion will result in: A. Increase in equilibrium price and decrease in equilibrium quantity B. Decrease in equilibrium price and increase in equilibrium quantity C. No change in equilibrium price and increase in equilibrium quantity D. Increase in equilibrium price and no change in equilibrium quantity	C
47	Market Equilibrium relates to A. Demand & Supply B. Production and Raw Material	A

	C. Demand and Price D. Supply and Production	
48	A decrease in demand causes the equilibrium price to: A. Rise B. Fall C. Remain constant D. Indeterminate	B
49	If equilibrium price rises but equilibrium quantity remains unchanged, the cause is: A. Supply and demand both increase equally B. Supply and demand both decrease equally C. Supply decreases and demand increases D. Supply increases and demand decreases	C
50	Equilibrium: A. Is a state that can never be achieved in economics B. Is an important idea for predicting economic changes C. Is a stable condition D. Is an unstable condition	B

UNIT –IV

Sr. No.	Question	Ans.
1	Which is the condition of for market penetration? A. High price elasticity of demand in the short run B. Savings in production costs C. Threat of potential competition D. All of these	D
2	Which one of the following is not an internal factor influencing pricing policy A. cost B. objectives C. marketing mix D. demand	D
3	Fixing high price during the introduction is called A. skimming B. penetrating C. full cost pricing D. target pricing	A
4	In a perfectly competitive market, individual firm A. cannot influence the price of its product B. can influence the price of its product C. can fix the price of its product D. can influence the market force	A
5	Which is the determinant of the pricing policy of a firm? A. Channel of distribution B. Age of product C. Consumer association D. All of these	D

6	_____ is situation of severely falling prices and lowest level of economic activities A. Boom B. Recovery C. Recession D. Depression	D
7	Analysis of long run and short run affects of decisions on revenue as well as costs is based on A. Principle of time perspective B. Equi-marginal principle C. incremental principle D. None of these	A
8	n the case of _____ Consumer may moves to higher or lower demand curve A. Extension of demand B. Contraction of demand C. Shift in demand D. Slopes in demand	C
9	_____ means an attempt to determine the factors affecting the demand of a commodity or service and to measure such factors and their influences A. Demand planning B. Demand forecasting C. Demand analysis D. Demand estimation	C
10	In the case of unitary elastic demand, the shape of demand curve is A. Vertical line B. Horizontal line C. Rectangular hyperbola D. Steep	C
11	Demand for necessary goods (salt, rice, etc,) is _____ and demand for comfort and luxury good is _____ A. Elastic, inelastic B. Inelastic, elastic C. Elastic, elastic D. Inelastic, inelastic	B
12	_____ Method is also known as Sales-Force –Composite method or collective opinion method A. Opinion survey B. Expert opinion C. Delphi method D. Consumer interview method	A
13	Which one of the following is an internal factor influencing pricing A. demand B. competition C. distribution channel D. product life cycle	D
14	_____ forecasting is more important from managerial	C

	view point as it helps the management in decision making with regard to the firms demand and production. A. Macro level B. Industry level C. Firm level D. None of these	
15	Total Revenue will be maximum at the point where Marginal Revenue is A. One B. Zero C. <1 D. >1	B
16	Under _____ Method, a panel is selected to give suggestions to solve the problems in hand A. Opinion survey B. Expert opinion C. Delphi method D. Consumer interview	C
17	Method of charging low price initially called _____ A. skimming B. penetrating C. full cost pricing D. target pricing	B
18	Which of the following is/ are the reason for adopting skimming price strategy A. When the buyers are not able to compare the value and utility. B. To attract the high income customers. C. When the product has distinctive qualities, luxuries D. All the above	D
19	Under oligopoly a single seller cannot influence significantly A. market price B. quantity supplied C. advertisement cost D. all the above	D
20	Average cost pricing is also called as A. cost plus pricing B. marginal cost pricing C. margin pricing D. both a & c	D
21	Which of the following is / are the reason for adopting penetration price strategy A. Economies of large scale production available to firm. B. Potential market for the product is large. C. Cost of production is low. D. All the above	D
22	Purposes of Short term Demand forecasting includes; A. Making a suitable production policy.	D

	<p>B. To reduce the cost of purchasing raw materials and to control inventory.</p> <p>C. Deciding suitable price policy</p> <p>D. All the above</p>	
23	<p>Demand for tyres depends on demand of vehicles, the demand for tyres called as</p> <p>A. Composite demand</p> <p>B. Derivative demand</p> <p>C. Joint demand</p> <p>D. Direct demand</p>	B
24	<p>Consumer Interview method of demand forecasting may undertaken by;</p> <p>A. Complete enumeration</p> <p>B. Sample survey</p> <p>C. End-use method</p> <p>D. All the above</p>	D
25	<p>Under which method, the cost is added with the predetermined target rate of return on capital invested</p> <p>A. Cost plus pricing</p> <p>B. Target pricing</p> <p>C. Mark up pricing</p> <p>D. None of these</p>	B
26	<p>Prices of Bata shoe as Rs.99.99, this pricing is</p> <p>A. Mark up pricing</p> <p>B. Odd pricing</p> <p>C. Marginal cost pricing</p> <p>D. Follow up pricing.</p>	B
27	<p>Average revenue is the revenue per</p> <p>A. unit commodity sold</p> <p>B. total commodity sold</p> <p>C. marginal commodity sold</p> <p>D. none of these</p>	A
28	<p>In a perfect market both buyers and sellers are</p> <p>A. price maker</p> <p>B. price giver</p> <p>C. price taker</p> <p>D. all the above</p>	C
29	<p>So long as Average Revenue is falling, Marginal Revenue will be _____ Average Revenue</p> <p>A. Less than</p> <p>B. More than</p> <p>C. Equal to</p> <p>D. None of these</p>	A
30	<p>Price discrimination is also called as</p> <p>A. Discriminatory pricing</p> <p>B. Differential pricing</p> <p>C. Average cost pricing</p> <p>D. a & b above</p>	D

31	_____ = $\frac{R_2 - R_1}{Q_2 - Q_1}$ A. Average revenue B. Total revenue C. Marginal revenue D. Incremental revenue	C
32	If the commodities are complimentary, cross elasticity will be A. Negative B. Positive C. Zero D. Any of the above	A
33	In the oligopoly market there are A. large no. of firms B. a few firms C. a single firm D. an infinite no. of firms	B
34	The law of diminishing returns applies more to A. agriculture B. industry C. services D. commerce	A
35	_____ provide guidelines to carry out _____ A. Pricing strategies, pricing policies B. Pricing policies, pricing strategies C. Pricing rules, pricing policies D. Pricing rules, pricing strategies	B
36	In case of _____ quantity demanded changes less than proportionate to changes in price A. Perfectly elastic demand B. Perfectly inelastic demand C. Relative elastic demand D. Relative inelastic demand	D
37	_____ method measures elasticity between two points A. Proportional or Percentage Method B. Outlay Method C. Geometric method D. Arc Method	D
38	Target pricing is also called as A. Cost plus pricing B. Rate of return pricing C. Mark up pricing D. None of these	B
39	The condition for the long run equilibrium of a perfectly competitive firm A. Price=MC=AC B. Price=TC C. MC=AVC D. MC=MR	A
40	Where Marginal revenue is negative, TR will be _____.	B

	<p>A. Rising B. Falling C. Zero D. One</p>	
41	<p>_____ is the method of leadership pricing</p> <p>A. Going rate pricing B. Follow up pricing C. Barometric pricing D. Parity pricing</p>	C
42	<p>The properties of indifference curves are:</p> <p>A. Indifference curve slopes downwards from left to right B. Convex to the point of origin C. Two indifference curve never cut each other D. All of these</p>	D
43	<p>The competitive firm's long run supply curve is the portion of it's _____ curve lies above average total cost.</p> <p>A. Marginal cost B. Revenue cost C. Fixed cost D. All of these</p>	A
44	<p>The opportunity cost of a given activity is</p> <p>A. the value of next best activity B. the value of material used C. the cost of input used D. none of these</p>	A
45	<p>Marginal revenue is _____ at the quantity that generate maximum total revenue and negative beyond that point.</p> <p>A. Zero B. One C. +1 D. -1</p>	A
46	<p>In business cycle concept, the period of "long wave" is of;</p> <p>A. 25 years B. 50 years C. 100 years D. 200 years</p>	B
47	<p>Cinema Theater, telephone bills etc.. are following</p> <p>A. Full cost pricing B. Marginal cost pricing C. Differential pricing D. Mark up pricing</p>	C
48	<p>The factors used in the production</p> <p>A. Land and labor B. capital & entrepreneurship C. both a&b D. only capital</p>	B
49	<p>A cost that has already been committed and cannot be recovered known as:</p>	A

	<ul style="list-style-type: none"> A. Sunk cost B. Total cost C. Full cost D. Variable cost 	
50	<p>In business cycle concept, the period (approximately) of "Kit chin cycle" is of:</p> <ul style="list-style-type: none"> A. 5 years B. 10 months C. 2 years D. 4 months 	D

UNIT –V

Sr. No.	Question	Ans.
1	<p>Which of the following is true for "Consumption"?</p> <ul style="list-style-type: none"> A. Total spending made by the household sector at a given level of income is called consumption. B. The functional relationship between consumption and level of income is the consumption function. C. Both A&B D. None 	C
2	<p>Which of the following is true for "Savings"?</p> <ul style="list-style-type: none"> A. The income remaining from the household sector after all consumption has taken place. B. The functional relationship between savings and the level of income is the savings function. C. Both A&B D. None 	C
3	<p>Identify what is correct for Keynes' Psychological Law –</p> <ul style="list-style-type: none"> A. People increase their consumption as their income increases, but not by as much as their income increases. B. Aggregate consumption can increase due to increased aggregate income, but the increase in aggregate consumption will be less than the increase in income. C. What isn't spent on consumption is saved. D. All of the above 	D
4	<p>Determinants of the consumption function include:</p> <ul style="list-style-type: none"> I. Real income II. Distribution of wealth III. Expectations of price changes IV. Changes in Fiscal Policy Changes in Interest Rates <p>A. All of the above</p>	A

	<p>B. (I) and (IV) only C. (II) (III) and (V) only D. None</p>	
5	<p>The proposed mathematical formula for Keynesian theory of consumption is:</p> <p>A. $Y = a + bX$ B. $C = a + bY$ C. $C = a - bX$ D. None</p>	B
6	<p>The extra consumption resulting from an increase in income is called_____.</p> <p>A. Induced consumption B. Real disposable income C. Autonomous spending D. None</p>	A
7	<p>The consumption at a given level of income is made up of _____ the amount of which depends on the marginal propensity to consume.</p> <p>A. Consumer spending plus the Induced spending B. Autonomous spending plus the Induced spending C. Real disposable income plus Autonomous spending D. None</p>	B
8	<p>The Keynesian consumption function ($C = a + bY$) is an equation of a straight. Identify which of the following is true.</p> <p>A. It follows that an increase in income leads to an increase in total consumer demand. B. This suggests that as income rises, consumer spending will rise. C. Both A&B D. None</p>	C
9	<p>How a Shifts in the consumption curve is possible?</p> <p>A. Changes in some variables (e.g. interest rate) B. Changes in real disposable income C. Both A&B D. None</p>	A
10	<p>Investment – An asset, item, or project that is purchased with the</p>	B

	<p>hope of generating future income.</p> <p>A. False</p> <p>B. True</p>	
11	<p>Types of investment that exist within the macroeconomy include:</p> <p>A. Autonomous investment</p> <p>B. Induced investment</p> <p>C. Both A&B</p> <p>D. None</p>	C
12	<p>Which of the following is true for Autonomous investment –</p> <p>A. Investment that is motivated by the wellbeing to society that it delivers.</p> <p>B. This type of investment is independent of the level of income and aggregate demand.</p> <p>C. This type of investment is ordinarily undertaken by public bodies, or private organisations not pursuing profit</p> <p>D. All of the above</p>	D
13	<p>Which of the following is true for Induced investment –</p> <p>A. Investment that is motivated by the margin of profit that it delivers.</p> <p>B. Investment that is dependent on the level of income.</p> <p>C. This type of investment is associated with private enterprise in pursuit of maximising profit.</p> <p>D. All of the above</p>	D
14	<p>Keynes stated factors that determined the level of investment in an economy are:</p> <p>A. Marginal Efficiency of Capital</p> <p>B. Market rate of interest</p> <p>C. Both A&B</p> <p>D. None</p>	C
15	<p>Marginal efficiency of capital (MEC) –</p> <p>A. The rate of discount which makes the present value of the prospective yield from the capital asset equal to its supply price.</p> <p>B. The rate at which a firm or household must pay for funds in the present, which will be paid back in the future. This rate is expressed as a percentage of the principal.</p> <p>C. Both A&B</p>	A

	D. None	
16	<p>Market rate of interest –</p> <ul style="list-style-type: none"> A. The rate of discount which makes the present value of the prospective yield from the capital asset equal to its supply price. B. The rate at which a firm or household must pay for funds in the present, which will be paid back in the future. This rate is expressed as a percentage of the principal. C. Both A&B D. None 	B
17	<p>The Marginal Efficiency of Capital (MEC) can shift outwards if the expected rate of return increases. Identify from the following, reasons that could cause this in Short Run:</p> <ul style="list-style-type: none"> A. Demand for the good B. Change in income C. Current rate of investment D. All of the above E. Change in sentiment 	D
18	<p>The Marginal Efficiency of Capital (MEC) can shift outwards if the expected rate of return increases. Identify from the following, reasons that could cause this in long Run:</p> <ul style="list-style-type: none"> A. Population growth B. Technological development C. Tax rates D. All of the above E. Quantity of capital goods already in existence 	D
19	<p>19. Which of the following ways the government can use to influence the level of private investment?</p> <ul style="list-style-type: none"> I. Control interest rates II. Provide direct encouragement to investing firms III. Seek to stimulate business confidence IV. Encourage technological developments V. Influencing the volume of consumption VI. Government spending <ul style="list-style-type: none"> A. All of the above B. (I) (IV) and (VI) only C. (II) (III) and (V) only 	A

	D. None	
20	<p>The Consumption would fall for a number of reasons. From the following identify such reasons:</p> <ul style="list-style-type: none"> A. High interest rates encourage people to save. This would put a downward pressure on consumption. B. High interest rates would result in lower disposable income for those people with loans and mortgages. C. High interest rates make it more expensive to borrow. This would reduce consumption. D. All of the above 	D
21	<p>The Consumption would rise for a number of reasons. From the following identify such reasons:</p> <ul style="list-style-type: none"> A. Low interest rates discourage saving. B. Low interest rates result in higher disposable income for those people with loans and mortgages. C. High interest rates make it less expensive to borrow. This would increase consumption. D. All of the above 	D
22	<p>Marginal Propensity to Consume is</p> <ul style="list-style-type: none"> A. Increase in consumption due to one unit increase in income. B. Total consumption divided by total income. C. Both (a) and (b). D. Neither (a) nor (b) 	A
23	<p>Assume that the consumption function is of the form, $C = 50 + .8Y$. If income is Rs 1000/- then consumption is,-</p> <ul style="list-style-type: none"> A. Rs 50/- B. Rs 1050/- C. Rs 50/- D. Rs 850/- 	D
24	<p>The marginal propensity to consume is equal to</p> <ul style="list-style-type: none"> A. Total spending/Total consumption B. Total consumption/ Total income. C. Change in consumption/ Change in income D. Change in consumption/ Change in savings 	C
25	<p>An increase in investment is caused by</p> <ul style="list-style-type: none"> A. Lower interest rates B. Expectations of lower national income C. A decrease in the marginal propensity to consume 	A

	D. An increase in withdrawals	
26	An increase in interest rates A. is likely to reduce savings B. is likely to reduce external value of currency C. Leads to a shift in the MEC schedule D. Leads to a movement along MEC schedule.	D
27	20 .A profit maximizing firm will invest up to the level of investment where A. The cost of borrowing equals marginal efficiency of capital B. The cost of borrowing is greater than marginal efficiency of capital C. The cost of borrowing is less than marginal efficiency of capital D. The cost of borrowing is equal to marginal propensity to consume	A
28	If an increase in investment leads to a bigger increase in national income A. Accelerator B. Aggregate demand C. Monetarism D. Multiplier	D
29	What possesses general acceptability? A. Bill of exchange B. Bond C. Money D. Bank draft	C
30	Which of the following is true for Multiplier effect? A. The number by which a change in investment must be multiplied to result in the final change of total output. B. The concept proposes that an increase in private investment can increase output and employment, and a decrease in investment will cause it to contract. C. The term multiplier is used to show that the spending done to boost investment has an amplified effect on output. D. All of the above	D
31	Which of the following is true for Marginal rate of tax on income? A. The percentage of income that is paid to the government in the form of tax. B. It is also known as the marginal propensity of tax (MPT) C. Both A&B D. None	C
32	The percentage of income that is used to buy goods and services outside of the domestic economy is called Marginal propensity to import (MPM). a. True	A

	b. False	
33	<p>Factors and assumptions underlying Multiplier effect include:</p> <ul style="list-style-type: none"> A. Marginal Propensity to Consume – How much of income generated through the investment will be spent on other goods and services in the economy. B. Tax rate – How much of this income will be returned to the government in the form of tax. C. Fall in the aggregate demand D. All of the above 	D
34	<p>The limitations of Multiplier effect include:</p> <ul style="list-style-type: none"> A. Elasticity of supply – despite an equal increase in aggregate demand, the overall effect on output is not the same. B. Time lag – i.e. when the initial investment will be made, and when the full effects of the multiplier will be felt. C. Both A&B D. None 	C
35	<p>In an open economy, the value of the multiplier depends on:</p> <ul style="list-style-type: none"> A. The marginal propensity to save B. The marginal propensity to import C. The level of taxes D. All of the above 	D
36	<p>Which of the following is true for Accelerator effect?</p> <ul style="list-style-type: none"> A. Investment levels in an economy are positively related to a change in the rate of GDP B. It looks at what effect a change in the level of output will have on the rate of investment. C. If output increases, then firms will have to invest more in order to maintain a higher output. D. All of the above 	D
37	<p>Assumptions of the principle of accelerator include:</p> <ul style="list-style-type: none"> A. Real profits move with the aggregate output. B. Resources are considered to be elastic so that investment in new capital goods can be undertaken easily. C. Money supply especially credit money is considered to be elastic so that funds for induced investment are readily available. D. All of the above 	D
38	<p>Limitations of the accelerator theory include:</p> <ul style="list-style-type: none"> A. The time and resources to adjust levels of capital stock are not considered in the simple model. 	C

	<p>B. There may be spare capacity within the firm which means it does not need to increase net investment by such a large amount – its existing resources could manage.</p> <p>C. Both A&B</p> <p>D. None</p>	
39	<p>Important factors that limit the significance of the multiplier include:</p> <p>A. It is relevant to a demand-deficient economy with high unemployment of resources. If there is full employment, any increase in demand will lead to inflation rather than a growth in the economy.</p> <p>B. The leakages from the circular flow of income might make the value of the multiplier very low.</p> <p>C. There may be a long period of adjustment before the benefits of the multiplier are felt.</p> <p>D. If consumption is unpredictable, measures to influence national income through the multiplier will be impossible to predict too.</p> <p>E. All of the above</p>	E
40	<p>All of the following are correct EXCEPT.</p> <p>A. The accelerator also works in reverse. A decline in demand for consumer goods will result in a much sharper decline in demand for the capital goods which make them.</p> <p>B. The accelerator implies that investment, and hence national income, remain high only as long as consumption is rising.</p> <p>C. The accelerator comes into effect as a consequence of changes in the rate National income.</p> <p>D. None</p>	C
41	<p>Which of the following factor is not used in the multiplier formula for the open economy?</p> <p>A. Marginal propensity to save</p> <p>B. Marginal propensity to import</p> <p>C. Marginal propensity to tax</p> <p>D. Marginal propensity to export</p>	D
42	<p>The concept of the Multiplier discusses:</p> <p>A. Savings and investments</p> <p>B. Income and investments</p> <p>C. Income and expenditure</p> <p>D. Income and savings</p>	B
43	<p>In an economy where, out of every extra £100 of national income, £25 is paid in tax, £10 is spent on imports and £15 is saved, the value of the multiplier will be</p> <p>A.2 B. 5 C.5 D.10</p>	A

44	Which of the following is the basic concept which underlies the accelerator theory of investment? A. Investment depends on the level of savings B. Investment is inversely related to the rate of interest C. Investment is determined by the volume of commercial bank lending D. Investment rises when there is an increase in the rate of growth of demand in the economy	D
45	In a given economy, of each additional £1 of income, 30% is taken in taxes, 10% is spent on imports and 40% is spent on domestically produced goods. The multiplier is: A. 5 B. 67 C. 25 D. 6	B
46	An irregular and nonrepeating up-and-down movement of business activity that takes place around a generally rising trend and that shows great diversity is the A. economic growth. B. stagflation. C. recession. D. business cycle.	D
47	Whatever the shocks are that hit the economy, a crucial variable that is affected is A. imports. B. exports. C. investments. D. government spending.	C
48	The Keynesian theory of the business cycle regards _____ as the main source of economic fluctuations. A. fluctuations in the quantity of money B. random fluctuations in productivity C. volatile expectations D. unanticipated fluctuations in aggregate demand	C
49	The monetarist theory of the business cycle regards _____ as the main source of economic fluctuations. A. unanticipated fluctuations in aggregate demand B. fluctuations in the quantity of money C. volatile expectations D. random fluctuations in productivity	B
50	The new classical theory of the business cycle regards _____ as the main source of economic fluctuations. A. volatile expectations B. random fluctuations in productivity C. unanticipated fluctuations in aggregate demand D. fluctuations in the quantity of money	C