

# HERAMB PROFESSIONAL INSTITUTE

Date: 31-05-2017

CA-CPT / ECONOMICS

MARKS: 50

DURATION: 1 HR

1. A consumer compares \_\_\_\_\_ from the good purchased with the price to be paid for it.  
(a) Consumers surplus (b) Total utility  
(c) Marginal utility (d) Average utility
2. To a consumer, the utility of a good is the \_\_\_\_\_ which is expected from the consumption.  
(a) Actual satisfaction (b) Surplus  
(c) Maximum satisfaction (d) Expected satisfaction
3. In case of a free good, the level of consumption where MU is Zero and the TU is maximum, it is called \_\_\_\_\_.  
(a) Consumers equilibrium (b) Consumer dissatisfaction  
(c) Negative utility (d) Equi-Marginal utility
4. Consumer equilibrium is a situation where a consumer secures satisfaction out of his expenditure \_\_\_\_\_.  
(a) Optimum (b) Maximum (c) Zero (d) Minimum
5. Demand curve can be drawn from \_\_\_\_\_ curve.  
(a) Total utility curve (b) Average utility curve  
(c) Marginal utility curve (d) All of the above
6. Utility means \_\_\_\_\_.  
(a) Power to satisfy a want (b) Quality of a service  
(c) willingness of a person to purchase (d) Desire to have a good.
7. If marginal utility derived from the consumption of a commodity by the consumer is zero, the total utility will be \_\_\_\_\_.  
(a) minimum (b) maximum (c) zero (d) None of these
8. Choose the most appropriate answer from the given options in respect of the following.  
(a) Marginal utility falls to zero (b) Total utility falls to the level of price  
(c) Marginal utility to the level of its price (d) Total utility falls to zero
9. When the TU curve reaches its maximum level MU is \_\_\_\_\_.  
(a) Zero (b) Positive (c) Rising (d) Negative
10. A vertical supply curve parallel to Y axis implies that the elasticity of supply is:  
(a) Zero (b) Infinity  
(c) Equal to one (d) Greater than one

11. Which of the following pairs of goods is an example of substitutes?

- (a) Tea and sugar. (b) Tea and coffee.
- (c) Pen and ink. (d) Shirt and trousers.

12. The Law of Demand, assuming other things to remain constant, establishes the relationship between :

- (a) income of the consumer and the quantity of a good demanded by him.
- (b) price of a good and the quantity demanded.
- (c) price of a good and the demand for its substitute.
- (d) quantity demanded of a good and the relative prices of its complementary goods.

13. The law of demand is :

- (a) a quantitative statement.
- (b) a qualitative statement.
- (c) both a quantitative and a qualitative statement.
- (d) neither a quantitative nor a qualitative statement.

14. If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for :

- (a) Coke will decrease. (b) 7-Up will decrease.
- (c) Coke and 7-UP will increase. (d) Coke and 7-Up will decrease.

15. In the case of a Giffen good, the demand curve will be :

- (a) horizontal. (b) downward-sloping to the right.
- (c) Vertical (d) upward-sloping to the right.

16. The quantity demanded of a good or services is the amount that

- (a) Consumer plan to buy during a given time period at a given price
- (b) Firms are willing to sell during a given time period at a given price
- (c) A consumer would like to buy but might not be able to afford
- (d) Is actually bought during a given time period at a given price

17. Apple juice and orange juice are substitutes in consumption and apple juice and apple sauce are substitutes in production. If the price of orange juice \_\_\_\_\_ or the price of apple sauce \_\_\_\_\_, then the demand for apple juice will \_\_\_\_\_

- (a) Increases; increases; increase (b) Decreases; decreases; increase
- (c) Decreases; increases; decrease (d) Increases; increases; increase

18. When total demand for a commodity whose price has fallen increases, it is due to

- (a) Income effect (b) Substitution effect
- (c) Complementary effect (d) Price effect

19. An increase in consumer income will increase demand for a \_\_\_\_\_ but decrease demand for a \_\_\_\_\_.

- (a) Substitute good, inferior good (b) normal good, inferior good
- (c) Inferior good, normal good (d) normal good, complementary good

20. An increase in the supply of a good is caused by

- (a) improvements in its technology.
- (b) fall in the prices of other goods.
- (c) fall in the prices of factors of production.
- (d) all of the above.

21. Contraction of supply is the result of :

- (a) decrease in the number of producers.
- (b) decrease in the price of the good concern.
- (c) increase in the prices of other goods.
- (d) decrease in the outlay of sellers.

22. An increase in the number of sellers of bikes will increase the

- (a) the price of a bike
- (b) demand for bike
- (c) the supply of bikes
- (d) demand for helmets

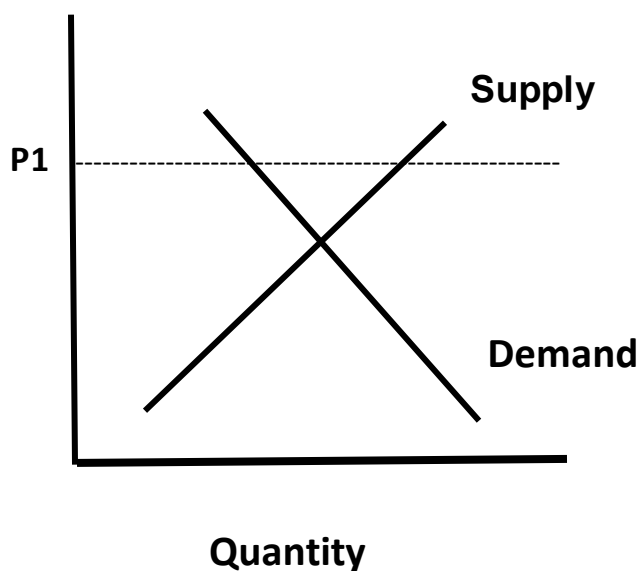
23. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

- (a) Price will increase; quantity cannot be determined.
- (b) Price will decrease; quantity cannot be determined.
- (c) Quantity will increase; price cannot be determined.
- (d) Quantity will decrease; price cannot be determined.

24. If cross elasticity of demand is less than zero for two products X and Y, then X and Y are:

- (a) Substitutes
- (b) Complements
- (c) Independent goods
- (d) Giffen good

25. Refer to the below supply and demand diagram



- (a) A shortage will occur and the market price will fall.

- (b) A shortage will occur and the market price will and rise.
- (c) A surplus will occur and market price will fall.
- (d) A surplus will occur and market price will rise.

26. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price :

- (a) Equal to one. (b) Greater than one.
- (c) Smaller than one. (d) Zero

27. If a good is a luxury, its income elasticity of demand is :

- (a) Positive and less than 1. (b) Negative but greater than -1.
- (c) Positive and greater than 1. (d) Zero.

28. Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from ` 300 to ` 200 and the quantity demanded increases from 3,000 plate-settings to 5,000 plate-settings, what is the price elasticity of demand for silverware?

- (a) 0.8 (b) 1.0 (c) 1.25 (d) 1.50

29. If the local pizzeria raises the price of a medium pizza from ` 60 to ` 100 and quantity demanded falls from 700 pizzas a night to 100 pizzas a night, the price elasticity of demand for pizzas is :

- (a) 0.67 (b) 1.5 (c) 2.0 (d) 3.0

30. An increase in price will result in an increase in total revenue if :

- (a) The percentage change in quantity demanded is less than the percentage change in price.
- (b) The percentage change in quantity demanded is greater than the percentage change in price.
- (c) Demand is elastic.
- (d) The consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low.

31. When people have very little time to respond to price changes, demand becomes :

- (a) Less elastic
- (b) More elastic
- (c) Unitary Elastic
- (d) Time does not affect price elasticity of demand

32. Expansion or contraction in demand are caused by :

- (a) Change in income (b) Change in population
- (c) Change in price of a commodity (d) Changes in the prices of related goods

33. Increase in the population of India will :

- (a) Increase the supply of housing
- (b) Increase the demand for housing
- (c) Increase the quantity supplied of housing
- (d) Increase the quantity demanded for housing

34. If the demand curve for product B shifts to the right as the price of product A declines, it can be concluded that :

- (a) A and B are complementary goods
- (b) A and B are related goods
- (c) A and B are substitutes
- (d) B is superior and A an inferior good

35. Which of the following is true with reference to a straight - line demand curve?

- (a) The slope of the curve is equal to its elasticity
- (b) The elasticity increases as one moves down the curve
- (c) The elasticity is zero at the mid point of the curve
- (d) At any point on the curve, the elasticity is the ratio of the length of the lower portion to the length of the upper portion

36. Which of the following is a movement along the supply curve?

- (a) A fall in the output of rice because of a rise in the prices of pesticides and fertilizers.
- (b) An increase in supply of air travel because of the liberalization of the aviation sector.
- (c) A rise in the price of sugar leading to an increased production of sugarcane.
- (d) A rise in the wages for workers in the software industry leading to an increase in the supply of software professionals.

37. When price of a commodity falls by 80%, the quantity demanded increases by 100%. Find

out price elasticity of demand :

- (a) 1.00
- (b) 1.50
- (c) 1.35
- (d) 1.25

38. The coefficient of cross elasticity of demand between X and Y is 3, which implies that goods

X and Y are :

- (a) Complementary goods
- (b) Substitutes
- (c) Inferior goods
- (d) Normal goods

39. When the demand curve is a rectangular hyperbola curve, then the total outlay curve is

- (a) Upward sloping
- (b) Horizontal
- (c) Vertical
- (d) Downward sloping

40. Elasticity of supply is more elastic in the :

- (a) Short period
- (b) Long period
- (c) Market period
- (d) None of these

41. 'Total utility is maximum when :

- (a) marginal utility is zero.
- (b) marginal utility is at its highest point.
- (c) marginal utility is equal to average utility.
- (d) average utility is maximum.

42. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of

- (a) Law of demand.
- (b) Law of diminishing returns.
- (c) Law of diminishing utility
- (d) Law of supply.

43. By consumer surplus economists mean

- (a) The area inside the budget line.

- (b) The area between the average revenue and marginal revenue curves.
- (c) The difference between the maximum amount a person is willing to pay for a good and its market price.
- (d) None of the above.

44. Demand for a commodity refers to :

- (a) desire for the commodity.
- (b) need for the commodity.
- (c) quantity demanded of that commodity.
- (d) quantity of the commodity demanded at a certain price during any particular period of time.

45. Contraction of demand is the result of :

- (a) decrease in the number of consumers.
- (b) increase in the price of the good concerned.
- (c) increase in the prices of other goods.
- (d) decrease in the income of purchasers.

46. All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?

- (a) The preference of the individual.
- (b) His monetary income.
- (c) Price.
- (d) Price of related goods.

47. Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be :

- (a) an increase in equilibrium price and quantity.
- (b) a decrease in equilibrium price and quantity.
- (c) an increase in equilibrium quantity and uncertain effect on equilibrium price
- (d) a decrease in equilibrium price and increase in equilibrium quantity.

48. If the price of a video rental is below the equilibrium price, the quantity supplied is \_\_\_\_\_ than the quantity demanded. If the price of video rentals is above the equilibrium price, the quantity supplied is \_\_\_\_\_ than the quantity demanded.

- (a) less; greater (b) greater; greater (c) greater; less (d) less; less

49. If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought

- (a) increases and the price might rise, fall or not change
- (b) doesn't change but the price falls
- (c) doesn't change but the price falls
- (d) increases and the price rises

50. In the case of a straight line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be

- (a) 0 (b) 1 (c) 1.5 (d) 2