

# UNIVERSITY OF CALICUT

## SCHOOL OF DISTANCE EDUCATION

*1 Semester (2019 Admn.)*

Complementary Course for **B.Com**

### MANAGERIAL ECONOMICS

#### QUESTION BANK & ANSWER KEY

1. Consumption of a free good will be carried to the point at which:
  - a. The marginal utility derived from the good equals the marginal utility derived from the consumption of all other goods.
  - b. The total utility derived from the good equals the total utility derived from the consumption of all other goods.
  - c. The total utility derived from the good is maximised.
  - d. The marginal utility derived from the good begins to decline.
2. An indifference curve shows combinations of two goods that:
  - a. a consumer could buy with their given income.
  - b.. could provide the consumer with similar levels of satisfaction.
  - c.. would provide the consumer with the same level of satisfaction.
  - d.. could be available to the consumer in a given time period.
3. Which of the following statements is NOT TRUE of indifference curves?
  - a. They could intersect
  - b. They are convex to origin
  - d. They exhibit higher levels of utility
  - d. as you move from the origin
4. A consumer with a given income will maximise their utility when:
  - a. the marginal utility derived from each commodity is equal.
  - b. the marginal utility derived from each product consumed is zero.
  - c. the total utility derived from each commodity consumed is equal.
  - d. the marginal utilities derived from each commodity consumed are proportional

5. The typical indifference curve .....
- a. Shows that as a consumer has more of a good he/she is less willing to exchange it for one unit of another good.
  - b. Shows all combinations of goods that give a consumer in same level of utility
  - c. Shifts out if income increases
  - d. Both B and C
6. The rate at which a consumer is able to substitute one good for another is determined by the .....
- a. Consumers income
  - b. Indifference map
  - c. Ratio of the prices of the goods
  - d. Marginal rate of substitution.
7. A utility function shows the relation between .....
- a. The amount of goods consumed and a consumer utility.
  - b. Income and a consumer utility.
  - c. Prices and consumers utility.
  - d. Maximum utility and the price and income facing a consumer.
8. Along an indifference curve
- a. The ratio of the marginal utilities is constant
  - b. MRS is constant
  - c. The price ratio is constant
  - d. Both B and C
  - e. None of the above.
9. Indian economy is
- a. Socialistic
  - b. Mixed
  - c. Gandhian
  - d. Free economy
10. Which of the following is the measure to control inflation.
- a. Granting credit on liberal terms
  - b. Raising bank rate
  - c. Demonetization
  - d. None of these
11. Which of the following is a measure to reduce inequality of income
- a. Promotion of industries
  - b. Social securities
  - c. Granting of credit to poor on concessional rate
  - d. None of these
12. The most outstanding feature of capitalist economic system is ...
- a. Unemployment
  - b. Poverty
  - c. Inequality of income
  - d. Industrial backwardness
13. Employment of people who take jobs below their capacity is known as
- a. Underemployment
  - b. Disguised unemployment
  - c. Cyclical unemployment
  - d. None of these
14. Which of the following is a social consequences of unemployment in india
- a. Burden on the government
  - b. Loss of income and respect
  - c. Wastages of resources
  - d. None of these

15. Unemployment caused by a decline in demand for production in a particular industry is a.
- a. Seasonal unemployment
  - b. Frictional unemployment
  - c. Structural unemployment
  - d. None of these
16. Which of the following is not a development issue in india
- a. Unemployment
  - b. Population pressure
  - c. Inflation
  - d. Decreasing trend of foreign capital
17. Indian economy growth is primarily driven by
- a. Industry
  - b. Agriculture
  - c. Service
  - d. None of these
18. Law of equi-marginal utility is
- a. Cardinal utility theory
  - b. Ordinal utility theory
  - c. None of these
19. Law of equi-marginal utility was suggested by
- a. Marshal
  - b. Robins
  - c. HH Ghosen
  - d. None of these
20. The concept of consumer surplus was developed by
- a. Marshal
  - b. HH Ghosen
  - c. Bhentham
  - d. None of these
21. Indifference curve analysis is a
- a. Cardinal utility approach
  - b. Ordinal utility approach
  - c. None of these
22. Indifference curve analysis is based on the principles of
- a. Consumer surplus
  - b. Diminishing marginal utility
  - c. Diminishing marginal rate of substitution
  - d. None of these
23. Which of the following is correct.
- a. Indifference curve has a negative slope
  - b. Indifference curve is a convex to the point of origin
  - c. Two indifference curves may intersect each other.
24. The author of the wealth of nation is
- a. Marshal
  - b. Robins
  - c. Adam smith
  - d. None of these
25. Macro economic theory is also known as
- a. Price theory
  - b. Income theory
  - c. Demand theory
  - d. None of these
26. The study of entire economic system is called
- a. Macro economics
  - b. Micro economics
  - c. Economics
  - d. None of these

27. The author of "the wealth of nations" is
- a. Marshal
  - b. Ricardo
  - c. Robins
  - d. Adam smith
28. The study of international trade and national income is part of
- a. Global economics
  - b. Macro economics
  - c. Positive economics
  - d. Micro economics
29. If the income elasticity of demand is that one, the good is a
- a. Necessity
  - b. Luxury
  - c. Substitute
  - d. Complement
30. The income elasticity of demand is negative for a
- a. Positive good
  - b. Normal good
  - c. Elastic good
  - d. Inferior good
31. If the price of DVRs fell and as a result the demand for VHS recorders fell we could conclude that VHS recorders DVRs are
- a. Normal goods
  - b. Substitutes
  - c. Elastic goods
  - d. Unrelated
32. What effect is working when the price of a good falls and consumers tend to buy it instead of other goods
- a. Income effect
  - b. Substitution effect
  - c. Price effect
  - d. None of these
33. The quantity demanded of a product increases when
- a. The consumers suddenly want more of the goods
  - b. The consumers level of income falls
  - c. The price of the product falls
  - d. More buyers of the goods enter the market
34. Two goods that are used jointly to provide satisfaction are called
- a. Inferior goods
  - b. Normal goods
  - c. Complementary goods
  - d. Substitute goods
35. Demand curve slopes downwards because of
- a. The law of diminishing marginal utility
  - b. The income effect
  - c. Substitution effect
  - d. All of the above
36. If the income and substitution effect of a price increase works in the same direction the good whose price has changed is a
- a. Giffen goods
  - b. Inferior goods
  - c. Normal goods
  - d. Superior
37. A rise in the relative price of bus transport will lead to
- a. Fall in the demand for taxi service
  - b. Fall in the demand for new cars
  - c. Expansion of new bus routes available for customers
38. Which of the following is not a survey method of demand forecasting
- a. Consumers interview method
  - b. Expert opinion method
  - c. Barometric method
  - d. Collective opinion method

39. Which of the following is not a method of demand forecasting
- a. Trend projection method
  - b. Substitute approach
  - c. Sales experience approach
  - d. Evolutionary approach
40. Which one is not a property of isoquant
- a. Downward sloping
  - b. Convex
  - c. Negative slope
  - d. Positive slope
41. In which production function, the degree of homogeneity is always one
- a. Cobb doubglas production fuction
  - b. Homogeneous production function
  - c. Linear homogeneous production function
  - d. None of these
42. Which of the following is a short run law
- a. Law of diminishing returns
  - b. Law of constant returns to scale
  - c. Law increasing returns to scale
  - d. None of these
43. Which of the following is not a variable input
- a. Raw material
  - b. Power
  - c. Equipment
  - d. None of these
44. Which cost is more useful for decision making
- a. Opportunity cost
  - b. Sunk cost
  - c. Historical cost
  - d. None of these
45. Which cost are recorded in books of accounts
- a. Opportunity cost
  - b. Implicit cost
  - c. Social cost
  - d. Explicit cost
46. Fixed cost per unit increases when
- a. Volume of production decreases
  - b. Volume of production increases
  - c. Variable cost per unit decreases
  - d. None of these
47. Variable cost per unit
- a. Remains fixed
  - b. Varies with the volume of production
  - c. Varies with sales
  - d. None of these
48. Firms in a oligopoly
- a. Are independent of each other's action
  - b. Can each influence the market price
  - c. Charge a price equal to marginal revenue
  - d. All of these
49. Duopoly is
- a. Another name for monopoly
  - b. Special type of monopolistic competition
  - c. Two firm oligopoly
  - d. None of these
50. Product differentiation is an important feature of
- a. Perfect competition
  - b. Monopolistic competiton
  - c. Monopoly
  - d. None of these

51 Globalisation has created new opportunities of

- a. Establishing rules of domestic trade
- b. Restricting trade practices
- c. Liberalizing international trade
- d. None of these

52 Removing barriers or restrictions set by the government is called

- a. Liberalization
- b. Investment
- b. Favourable trade
- d. Free trade

53 WTO aims at

- a. Establishing rules for domestic trade
- b. Restricting trade practices
- c. Liberalizing international trade
- d. None of these

54 What are “hawala transaction”

- a. Foreign trade in goods that are banned by the government.
- b. Transfer of money without actually moving it
- c. Illegal drug trade at the international level
- d. Conversion of black money into white money

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62 India's economy growth is primarily driven by

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- b. Agriculture
- c. Service
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- 
- 63 In which exchange rate system, exchange rate is fixed by the monetary authority
- a. Flexible exchange rate system
  - b. Fixed exchange rate system
  - c. Managed floating exchange rate system
  - d. None of these
- 64 Which of the following does not come under foreign direct investment
- a. Investment in GDR
  - b. Wholly owned subsidiary
  - c. Joint venture
  - d. Acquisition
- 65 Direct foreign investment is part of
- a. Current account
  - b. Fixed account
  - c. Long term account
  - d. Financial account
- 66 MNC
- a. Always produce primary goods
  - b. Always produce manufactured goods
  - c. Always produce service,
  - d. May produce primary or manufactured goods
- 67 One major initiative to attract foreign companies to invest in India is
- a. Raise the standard of education
  - b. To promote unemployment in the public sector
  - c. To build up special economic zones
  - d. Both A & B
- 68 The portfolio investment by foreign institutional investor is
- a. FDI
  - b. FII
  - c. BOP
  - d. SDR
- 69 Under the new trade policy, import licensing was abolished except in case of
- a. Textile industry
  - b. Consumer goods industry
  - c. IT industry
  - d. Hazardous and environmentally sensitive industry
- 70 Where do MNCs choose to set up production?
- a. Cheap goods,
  - b. Cheap labour resources
  - c. Economic sustainability
  - d. None of these.
- 71 Cargil foods, an MNC has bought over which indigenous Indian company?
- a. Amul
  - b. Britannia
  - c. Parakh foods
  - d. Dabur
- 72 For motors entered the Indian automobile business in collaboration with which Indian manufacturer?
- a. Mahindra and Mahindra
  - b. Tata motors
  - c. Maruthi Suzuki
  - d. Hindustan Motors
- 73 What is happening with the import of Chinese toys in India?
- a. Indian toys are selling more
  - b. Indian consumers are buying less
  - c. Indian consumers are getting more choice at cheaper rates
  - d. Chinese consumers are falling short of choice
- 74 Trade between countries
- a. Determines prices of products in different countries
  - b. Decreases competition between countries
  - c. Makes a country dependent on the other
  - d. None of these
-

75 Globalization by connecting countries leads to

- a. Lesser competition among producers
- b. Greater competition among producers
- c. No competition between producers
- d. None of these

76 If tax is imposed on Chinese toys, what will happen?

- a. Chinese toy makers will benefit
- b. Indian toy makers will proposer
- c. Chinese toys will remain cheap,
- d. Indian consumers will buy more Chinese toys

77 Which of the following is an example of a trade barrier?

- a. Foreign investment
- b. Delay or damage of goods
- c. Tax on imports
- d. None of these

78 Which out of the following industries has a large number of well off buyers in urban areas?

- a. Footwear
- b. Automobile
- c. Jewellery
- d. Clothing and accessories

### Answer Key

1	C	21	B	41	C	61	D
2	C	22	C	42	A	62	C
3	B	23	B	43	C	63	B
4	D	24	C	44	A	64	A
5	B	25	A	45	D	65	D
6	C	26	A	46	A	66	D
7	A	27	D	47	B	67	C
8	E	28	B	48	B	68	A
9	B	29	B	49	C	69	D
10	B	30	D	50	B	70	B
11	B	31	B	51	D	71	C
12	C	32	B	52	A	72	A
13	A	33	C	53	C	73	C
14	B	34	C	54	B	74	A
15	C	35	D	55	B	75	B
16	D	36	C	56	B	76	B
17	C	37	C	57	C	77	C
18	A	38	C	58	A	78	B
19	B	39	A	59	B		
20	A	40	D	60	C		

*Prepared by : Sri. Rajan.P*

*Assistant Professor on Contract,*

*School of Distance Education, University of Calicut.*