UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION
BBA (2019 Admission)
Semester I
Complementary Course

BBA1C01 Managerial Economics

QUESTION BANK

1. 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.
2. _______ is known as father of economics
   a. Marshal
   b. Robins
   c. Adam smith
   d. A C Pigou
3. The famous book on economics "An Enquiry into the Nature and Cause of Wealth of Nation" was written by
   a. Marshal
   b. Ricardo
   c. Robins
   d. Adam smith
4. Welfare (neo classical) definition of economics is given by
   a. J B Say
   b. Lionel Robbins
   c. Adam Smith
   d. Alfred Marshall
5. If the income elasticity of demand is that one, the good is a
   a. Necessity
   b. Luxury
   c. Substitute
   d. Complement
6. The income elasticity of demand is negative for a
   a. Positive good
   b. Normal good
   c. Elastic good
   d. Inferior good
7. 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

8. “A rupee tomorrow is worth less than a rupee today” relates to
   a. Opportunity cost principle
   b. Discounting principle
   c. Equi-marginal principle
   d. None of these
9. Basic economic tools of managerial economics does not include
   a. Principle of time perspective
   b. Equi-marginal principle
   c. Incremental principle
   d. None of these
10. ……..
   principle is closely related to the marginal costs and marginal revenue of economic theory
   a. Principle of time perspective
   b. Equi-marginal principle
   c. Incremental principle
   d. None of these
11. Analysis of long run and short run affects of decisions on revenue as well as costs is bas ed on
   a. Principle of time perspective
   b. Equi-marginal principle
   c. incremental principle
   d. None of these
12. Two goods that are used jointly to provide satisfaction are called
   a. Inferior goods
   b. Normal goods
   c. Complementary goods
   d. Substitute goods
13. 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
14. 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
15. 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
16. 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

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17. Which one is not a property of isoquant
    a. Downward sloping
    b. Convex
    c. Negative slope
    d. Positive slope
18. 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
19. 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
20. Which of the following is not a variable input
    a. Raw material
    b. Power
    c. Equipment
    d. None of these
21. Which cost is more useful for decision making
    a. Opportunity cost
    b. Sunk cost
    c. Historical cost
    d. None of these
22. Which cost are recorded in books of accounts
    a. Opportunity cost
    b. Implicit cost
    c. Social cost
    d. Explicit cost
23. 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
24. Variable cost per unit
    a. Remains fixed
    b. Varies with the volume of production
    c. Varies with sales
    d. None of these
25. Firms in an 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
26. Duopoly is
    a. Another name for monopoly   b. Special type of monopolistic competition
    b. Two firm oligopoly
    c. None of these

27. Product differentiation is an important feature of
    a. Perfect competition
    b. Monopolistic competition
    c. Monopoly
    d. None of these
28. ……… refers to the quantity of a good or service that producers are willing and able to sell during a certain period under a given set of conditions
    a. Supply
    b. Demand
    c. Price
    d. Production
29. ………. for a product is a statement of the relation between the quantity supplied and all factors affecting that quantity
    a. Market demand function
    b. Production function
    c. Market supply function
    d. All of the above
30. Which is/are determinants of Supply…….
    a. Price of the commodity
    b. State of Technology
    c. Cost of Production
    d. All the above
31. …………a statement in the form of a table that shows the different quantities of a commodity that a firm or a producer offers for sale in the market at different prices.
    a. Supply schedule
    b. Production schedule
    c. Demand schedule
    d. Price schedule

32. ……….. a schedule that depicts the supply by an individual firm or producer of a commodity in relation to its price
    a. Market price schedule
    b. Market Supply Schedule
    c. Individual Supply Schedule
    d. None of them
33. …………… is the degree of responsiveness of supply to changes in the price of a good
    a. Elasticity of demand
    b. Elasticity of supply
    c. Both (a) & (b)
    d. None of them
34. Business Economics is also known as…………
    a. Managerial Economics
    b. Economics for Executives
    c. Economic analysis for business decisions
    d. All the above

35. An input should be so allocated that the value added by the last unit is the same in all cases.
    a. Opportunity Cost Principle
    b. Equi-Marginal Principle
    c. Incremental Principle
    d. Discounting Principle

36. The principle reasons behind economic problems
   a. Unlimited wants
   b. Limited or Scarce of Means
   c. Alternatives Uses of Means
   d. All of the above
37. 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)
38. The value of an entrepreneur's resources that she uses in production are known as:
   a. Explicit costs.
   b. Sunk costs.
   c. Operating expenses.
   d. Implicit costs.
39. Inflation is:
   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.
40. A recession is:
   a. A period of declining unemployment.
   b. A period of declining prices
   c. A period during which aggregate output declines
   d. A period of very rapidly declining prices.
41. Opportunity cost means
   a. The accounting cost minus the marginal benefit.
   b. The highest-valued alternative forgone.
   c. The monetary costs of an activity.
   d. The accounting cost minus the marginal cost
42. ______ is economic theory used in business whereas ______ is economics theory used in business and non-business organization
   a. Micro economics, macro economics
   b. Business economics, managerial economics
   c. Positive economics and normative economics
   d. None of these

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43. Managerial economics is also called
    a. Micro economics
    b. Theory of the firm
    c. Economics of the firm
    d. All of the above.
44. Want satisfying power of commodity is called
    a. Demand
    b. Utility
    c. Satisfaction
    d. Consumption
45. In economics, desire backed by purchasing power is known as
    a. Utility
    b. Demand
    c. Consumption
    d. Scarcity
46. The demand has three essentials - Desire, Purchasing power and ………..
    a. Quantity
    b. Cash
    c. Supply
    d. Willingness to purchase
47. …………. 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
48. …………. is known as the 'first law in market"
    a. Law of supply
    b. Law of consumption
    c. Law of demand
    d. Law of production
49. Demand = Desires + ………….. + Willingness to pay
    a. Supply
    b. Utility
    c. Want
    d. Purchasing power

50. Law of demand shows the functional relationship between _______ and quantity demanded
    a. Supply
    b. Cost
    c. Price
    d. Requirements

51. 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

52. Generally demand curve have …………
    a. Negative slope
    b. Positive slope
    c. Horizontal line
    d. Vertical line

53. The change in demand due to change in price only, where other factors remaining constant, it is called……….
    a. Shift in demand
    b. Extension of demand
    c. Contraction of demand
    d. Both extension and contraction

54. When the quantity demanded of a commodity rises due to a fall in price, it is called
    a. Extension
    b. Upward shift
    c. Downward shift
    d. Contraction

55. When the quantity demanded falls due to a rise in price, it is called
    a. Extension
    b. Upward shift
    c. Downward shift
    d. Contraction

56. The Giffen goods are ………. Goods
    a. Inferior goods
    b. Superior goods
    c. Related goods
    d. Same goods

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57. 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
58. Demand for milk, sugar, tea for making tea, is an example of
    a. Composite demand
    b. Derivative demand
    c. Joint demand
    d. Direct demand
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    c. Joint demand
    d. Direct demand
60. Perfect elasticity is known as
    a. Finite elastic
    b. Infinite elastic
    c. Unitary elastic
    d. Zero elastic
61. In the case of perfect elasticity, the demand curve is
    a. Vertical
    b. Horizontal
    c. Flat
    d. Steep
62. 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
63. 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

64. The market with a single producer
    a. Perfect competition
    b. Monopolistic competition
    c. Oligopoly
    d. Monopoly
65. Selling cost is the feature of the market form
    a. Monopoly
    b. Monopolistic competition
    c. Oligopoly
    d. None of these
66. The product under monopolistic competition are
    a. Differentiated with close substitute
    b. Perfect substitute
    c. Differentiated without close substitute
    d. Homogeneous
67. In business cycle concept, the period of "long wave" is of;
    a. 25 years
    b. 50 years
    c. 100 years
    d. 200 years
68. In economics …….. means 'a state of rest 'or 'stability'
    a. Depression
    b. Equilibrium
    c. Maturity
    d. growth
69. Selling at a lower price in export market and at a higher price at home market is called
    a. Export subsidy
    b. Dumping
    c. Price cut
    d. All the above
70. A fall in the price of a commodity leads to
    a. A shift in demand
    b. A fall in demand
    c. A rise in the consumer's real income
    d. A fall in the consumer's real income

71. An exceptional demand curve is one that slopes
    a. Upward to the left
    b. Downward to the right
    c. Horizontally
    d. Upward to the right
72. Which one is not an exception to the Law of Demand?
    a. Normal good
    b. Articles of Distinction
    c. Ignorance
    d. Inferior good
73. Demand for a commodity is elastic when it has:
    a. Only one use
    b. Uses which cannot be postponed
    c. Many uses
    d. Uses very essential for the consumer
74. When the demand curve is a rectangular hyperbola, it represents:
    a. Perfectly elastic demand
    b. Unitary elastic demand
    c. Perfectly inelastic demand
    d. Relatively elastic demand
75. The horizontal demand curve for a commodity shows that its demand is:
    a. Perfectly elastic
    b. Highly elastic
    c. Perfectly inelastic
    d. Moderately elastic
76. When an individual's income falls (while everything else remains the same), his demand for an inferior good:
    a. Increases
    b. Decrease
    c. Remains unchanged
    d. We cannot say without additional information
77. A fall in the price of a commodity whose demand curve is a rectangular hyperbola causes total expenditure on the commodity to:
    a. Increases
    b. Decrease
    c. Remains unchanged
    d. Any of the above

78. The utility may be defined as:
a. The desire for a commodity
b. The usefulness of a commodity
c. The necessity of a commodity
d. The power of a commodity to satisfy wants
79. The utility of a commodity is:
a. Its expected social value
b. The extent of its practical use
c. Its relative scarcity
d. The degree of its fashion
80. Marginal utility curve of a given consumer is also his:
a. Indifference curve
b. Total utility curve
c. Demand curve
d. Supply curve
81. The relationship between demand for a commodity and price, ceteris paribus, is:
a. Negative
b. Positive
c. Non-negative
d. Non-positive
82. A demand curve which takes the form of horizontal line parallel to quantity axis illustrates elasticity which is:
a. Zero
b. Infinite
c. Greater than one
d. Less than one
83. Consider a demand curve which takes the form of a straight line cutting both axes. Elasticity at the mid-point of the line would be:
a. Zero
b. One infinite
c. Infinite
d. Cannot be calculated
84. The elasticity of demand for a product will be higher:
a. The more available are substitutes for that product
b. The more its buyers demand loyalty
c. The more the product is considered a necessity by its buyers
d. All of the above
85. In case of Giffen goods, demand curve will slope:
a. Vertical
b. Horizontal
c. Upward
d. Downward
86. Cross elasticity of demand between tea and sugar is:
a. Positive

b. Zero

c. Infinity

d. Negative

87. If the percentage increase in quantity of a commodity demanded is its price, the coefficient of price elasticity of demand is:
    a. Greater than 1
    b. Equal to 1
    c. Less than 1
    d. Zero
88. If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is
    a. Greater than 1
    b. Equal to 1
    c. Less than 1
    d. Zero
89. Unitary elasticity of demand is:
    a. Zero
    b. Equal to one
    c. Greater than 1
    d. Less than 1
90. The real business cycle theory is most closely related to
    a. Keynesian theory
    b. Monetarist theory
    c. The classical theory
    d. The new Keynesian theory
91. In the real business cycle model, business cycles are
    a. Efficient and do not represent lost output
    b. Driven by technology shocks
    c. Occur when markets clear
    d. All of the above
92. Real business cycle proponents argue that
    a. Recessions are caused by movements of output away from the natural rate of output
    b. Prices and wages are sticky
    c. Macroeconomics should be based on the same assumptions as microeconomics
    d. Monetary policy is important in determining recessions
93. Implicit costs are:
    a. Equal to total fixed costs.
    b. Comprised entirely of variable costs.
    c. "payments" for self-employed resources.
    d. always greater in the short run than in the long run.

94. The law of diminishing returns states that:
   a. As a firm uses more of a variable resource, given the quantity of fixed resources, the average product of the firm will increase.

   b. As a firm uses more of a variable resource, given the quantity of fixed resources, marginal product of the firm will eventually decrease.

   c. In the short run, the average total costs of the firm will eventually diminish.

   d. In the long run, the average total costs of the firm will eventually diminish.

95. The law of diminishing returns only applies in cases where:
   a. there is increasing scarcity of factors of production.

   b. the price of extra units of a factor is increasing.

   c. there is at least one fixed factor of production.

   d. capital is a variable input.

96. The marginal product of labour curve shows the change in total product resulting from a:
   a. One-unit increase in the quantity of a particular resource used, letting other resources vary.

   b. One-unit increase in the quantity of a particular resource used, holding constant other resources.

   c. Change in the cost of a variable resource.

   d. Change in the cost of a fixed resource.

97. When the total product curve is falling, the:
   a. marginal product of labour is zero.

   b. marginal product of labour is negative.

   c. average product of labour is increasing.

   d. average product of labour must be negative.

98. When marginal product reaches its maximum, what can be said of total product?
   a. total product must be at its maximum

   b. total product starts to decline even if marginal product is positive

   c. total product is increasing if marginal product is still positive

   d. total product levels off

99. Variable costs are:
   a. sunk costs.

   b. multiplied by fixed costs.

   c. costs that change with the level of production.

   d. defined as the change in total cost resulting from the production of an additional unit of output.

100. The reason the marginal cost curve eventually increases as output increases for the typical firm is because:
a. of diseconomies of scale.
b. of minimum efficient scale.
c. of the law of diminishing returns.
d. normal profit exceeds economic profit.

101. If the short-run average variable costs of production for a firm are rising, then this indicates that:
a. average total costs are at a maximum.
b. average fixed costs are constant.
c. marginal costs are above average variable costs.
d. average variable costs are below average fixed costs.

102. If a more efficient technology was discovered by a firm, there would be:
a. an upward shift in the AVC curve.
b. an upward shift in the AFC curve.
c. a downward shift in the AFC curve.
d. a downward shift in the MC curve.

103. The firm's short-run marginal-cost curve is increasing when:
a. marginal product is increasing.
b. marginal product is decreasing.
c. total fixed cost is increasing.
d. average fixed cost is decreasing.

104. A firm encountering economies of scale over some range of output will have a:
a. rising long-run average cost curve.
b. falling long-run average cost curve.
c. constant long-run average cost curve.
d. rising, then falling, then rising long-run average cost curve.

105. When a firm doubles its inputs and finds that its output has more than doubled, this is known as:
a. economies of scale.
b. constant returns to scale.
c. diseconomies of scale.
d. a violation of the law of diminishing returns.

106. The larger the diameter of a natural gas pipeline, the lower is the average total cost of transmitting 1,000 cubic feet of gas 1,000 miles. This is an example of:
a. economies of scale.

b. normative economies.

c. diminishing marginal returns.

d. an increasing marginal product of labour.

107. If all resources used in the production of a product are increased by 20 percent and output increases by 20 percent, then there must be:
a. economies of scale.

b. diseconomies of scale.

c. constant returns to scale.

d. increasing average total costs.

108. Economies and diseconomies of scale explain why the:
a. short-run average fixed cost curve declines so long as output increases.
b. marginal cost curve must intersect the minimum point of the firm's average total cost curve.
c. long-run average total cost curve is typically U-shaped.
d. short-run average variable cost curve is U-shaped.
109. Surplus is a condition of:
a. excess supply
b. a deficiency in supply
c. market equilibrium
d. excess demand
110. The effect on sales of an increase in price is a decrease in:
a. the quantity demanded
b. demand
c. supply
d. the quantity supplied
111. The quantity of product X supplied can be expected to rise with a fall in:
a. Prices of competing products
b. price of X
c. energy savings technical charge
d. input prices
112. Firms under perfectly competitive markets generally are
a. Price makers
b. Price givers
c. Price taker
d. None of these
113. The concept of product differentiation was introduced by
a. TR Malthus
b. JM Keynes
c. Mrs. Robinson
d. Chamberlin
114. The architect of the theory of monopolistic competition
a. Rosenstein Roden
b. JR Hicks
c. Karl Marx
d. Chamberlin
115. The concept of monopsony was invented by:
a. Marshall
b. AP. Learner
c. Chamberlin
d. Mrs. J. Robinson
116. A cost that has already been committed and cannot be recovered known as:
a. Sunk cost
b. Total cost
c. Full cost
d. Variable cost
117. ------------ is situation of severely falling prices and lowest level of economic activities
a. Boom
b. Recovery
c. Recession
d. Depression

118. ------------ is situation with increased investment and increased price
   a. Recession
   b. Progress
   c. Boom
   d. Recovery
119. A graph indicating different combination of inputs with different level of output is called
   a. Iso-cost map
   b. BEP map
   c. Input-output map
   d. Iso-quant map
120. Iso-cost line indicate the price of
   a. Output
   b. Inputs
   c. Finished goods
   d. Raw material

ANSWER KEY

1	A	31	A	61	B	91	D
2	C	32	C	62	A	92	C
3	D	33	B	63	D	93	C
4	D	34	D	64	D	94	B
5	B	35	B	65	B	95	C
6	D	36	D	66	A	96	B
7	B	37	C	67	B	97	B
8	B	38	D	68	B	98	C
9	D	39	C	69	B	99	C
10	C	40	C	70	C	100	C
11	A	41	B	71	D	101	C
12	C	42	B	72	A	102	D
13	D	43	D	73	C	103	B
14	C	44	B	74	B	104	B
15	C	45	B	75	A	105	A
16	A	46	D	76	B	106	A
17	D	47	C	77	C	107	C
18	C	48	C	78	D	108	C
19	A	49	D	79	C	109	A
20	C	50	C	80	C	110	B
21	A	51	C	81	A	111	B
22	D	52	A	82	D	112	A
23	A	53	D	83	B	113	D
24	B	54	A	84	A	114	D
25	B	55	D	85	C	115	D
26	C	56	A	86	D	116	A
27	B	57	B	87	C	117	D
28	A	58	C	88	D	118	C
29	C	59	C	89	B	119	D
30	C	60	B	90	C	120	B