

Competitive Exams: Economics MCQs (Practice-Test 107 of 122)

1. Which one of the following formulae based on the given diagram would be appropriate for measuring the elasticity of demand at point R?

a. $\frac{RS}{RA} = \frac{OU}{PU}$

b. $\frac{RS}{RA} = \frac{RS}{SB} = \frac{PU}{OU}$

c. $\frac{RA}{RB} = \frac{OQ}{OB} = \frac{PA}{PO}$

d. $\frac{RB}{RA}$

$RA = QB$

$OQ = OP$

PA

2. Classical writers could not resolve the 'water-diamond' paradox because they could not distinguish between (AU = Average utility, MU = marginal utility, TU = total utility, MC = Marginal cost)

a. AU from MU

b. MU from TU

c. AU from TU

d. MU from MC

3. Which one of the following statement is an apt reflection of J R Hick's indifference Curve Analysis of demand?

a. Pareto's theory with Pareto's method.

b. Pareto's theory with Pareto's method

c. Marshall's theory with Pareto's method

d. Marshall's theory with Marshall's methods

4. The revealed preference approach can be described by

- a. strong ordering and lexicographic preference pattern.
 - b. rationality, consistency and transitivity
 - c. rationality and weak ordering
 - d. transitivity and weak ordering
5. Expansion path in the theory of production corresponds to:
- a. Engel's curve
 - b. Price consumption curve
 - c. Income consumption curve
 - d. Budget constraint
6. if capital 'K' is plotted on the vertical axis and labour 'L' on the horizontal axis, then the slope of the straight line iso-cost curve will be
- a. $k P P?$
 - b. $k P P?$
 - c. $k P P-?$
 - d. $k P$
- $P? -$
7. Quasi rent is
- a. equal to the firm's total profits
 - b. greater than firm's total profits
 - c. smaller than firm's total profits
 - d. not related to firm's profits
8. the backward-bending supply curve for labour exists
- a. only in inflationary conditions
 - b. whenever income effect overcomes substitution effect
 - c. only in labour intensive industry
 - d. only in a high cost industry

9. If the current rate of interest is 4 per cent, then for a broker in the stock market to be indifferent between holding speculative balances and income yielding asset, the expected rate of interest should be.

- a. 3.28
- b. 3.85
- c. 4.15
- d. 4.16

10. An ethical or value judgment must be made in order to derive the

- a. transformation curve
- b. grand utility possibility curve
- c. consumption contract curve
- d. social welfare function

11. According to the Kaldor-Hicks compensation criterion, a change in economic policy leads to an improvement in social welfare, if

- a. the gainers can just compensate the losers
- b. the losers can profitably bribe the gainers to induce them to stay in the old position.
- c. the gainers can compensate the losers for their loss and still remain better-off themselves than before:
- d. the losers do not oppose the change

12. match List I with list II and select the correct answer using the cods given below the lists:

List-I (Curves)

- a. Offer curve
- b. Laffer curve
- c. Lorenz curve
- d. Kinked curve

List-II (Ideas)

- a. market segmentation
- b. Sticky price
- c. Reciprocal demand
- d. Inequalities
- e. Public

A B C D

- a. 1 4 5 3
- b. 3 5 4 2
- c. 1 5 3 2
- d. 4 2 3 1

13. Consider the following statements: The item chosen to serve as the medium of exchange should be

- a. recognizable as money
- b. portable
- c. durable
- d. homogeneous

Of the above statements

- a. 1, 2 and 3 are correct
- b. 1, 2 and 4 are correct
- c. none is correct
- d. all are correct

14. Demand deposits with banks are considered as money because they are

- a. generally acceptable as a means of payment
- b. more liquid than ash
- c. held by the government
- d. managed efficiently by bank managers

15. On which (one or more) of the following statement (s) is Friedman's re-statement of the quantity theory of money based?

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- a. An equi-proportionate change in all prices will change the demand for nominal money balances in the same proportion.
- b. Demand for real money balances varies proportionately with permanent real income.
- c. Demand for money is perfectly interest-inelastic.
- d. Demand for money is a stable function of a small number of variables.

Select the correct answer using the codes given below:

Codes:

- a. 1
- b. 1 and 4
- c. 2 and 3
- d. 1, 2, 3 and 4