

Examrace

Competitive Exams: Economics MCQs (Practice_Test 49 of 122)

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1. According to the quantity theory of money, the price level rises if
 - a. there is a decrease in money supply
 - b. the velocity of circulation of money rises
 - c. the aggregate volume of transactions increases
 - d. the real demand for money rises
2. In the compensating variation method of measuring the substitution effect of a rise in price, the consumer is
 - a. under-compensated
 - b. over-compensated
 - c. Just compensated
 - d. unaffected
3. On the expansion path of the firm operating with homogeneous production function, which among the following remain constant?
 - a. input ratio
 - b. price ratio of inputs
 - c. marginal rate of technical substitution between the factor
 - d. Elasticity of substitution

Select the code given below the codes given below:

- a. 1 and 4
 - b. 1 and 2
 - c. 2, 3 and 4
 - d. 1, 2, 3 and 4
4. When both the demand and the supply curves slope downwards and the demand curve is steeper than the supply curve, the equilibrium is

- a. stable in both Marshallian and Walrasian sense
 - b. unstable in both Marshallian and Walrasian sense
 - c. stable in the Marshallian sense but unstable in the Walrasian sense
 - d. unstable in the Marshallian sense but stable in the Walrasian sense
5. Consider the following combinations of inputs & outputs: Labour Capital Output
- | | | | | |
|----|----|----|----|----|
| 5 | 10 | 1 | 6 | 12 |
| 2 | 7 | 14 | 3 | 8 |
| 16 | 4 | 9 | 18 | 5 |
| 10 | 20 | 6 | | |
- This production technology satisfies
- a. increasing returns to scale
 - b. diminishing returns to scale
 - c. constant returns to scale
 - d. increasing returns initially, followed by decreasing returns to scale
6. In the context of cost minimization by a competitive producer, which one of the following is NOT correct?
- a. Marginal rate of technical substitution of the factors equals relative factor price ratio.
 - b. Ratio of marginal physical productivities of the factor equals the ratio of factor prices
 - c. Slope of the isoquant in question equals slope of the budget line
 - d. marginal rate of technical substitution of factors of production divided by relative factor price ratio is zero.
7. In the short run, the supply curve of a competitive firm is
- a. the rising portion of the marginal cost curve lying above the minimum point of the average variable cost curve.
 - b. the falling portion of the marginal cost curve lying before the minimum point of the average variable cost curve
 - c. the rising portion of the marginal cost curve after the highest point of total cost curve
 - d. None of the above
8. Suppose, there is a situation where two individuals are engaged in exchange and if individual 1 is a price maker and individual 2 is a price-taker, equilibrium
- a. takes place on the offer curve of individual 1
 - b. takes place on the offer curve of individual 2
 - c. takes place at the intersection point of the two offer curves
 - d. is indeterminate

9. In the long run, the market price of a commodity is equal to its minimum average cost of production, if there is
- perfect competition
 - monopoly
 - oligopoly
 - monopolistic competition
10. The kinked demand curve is reflected in a discontinuity in the
- total revenue curve
 - marginal cost curve
 - average revenue curve
 - marginal revenue curve
11. Rent earned by a factor of production equals
- what this factor can earn in its next best use
 - the sum of what this factor earns in its current use and what it can earn in its next best use
 - its transfer earning
 - the difference between what this factor is currently earning and what it can earn in its next best use
12. In the linearly homogeneous Cobb-Douglas production function with two inputs, the elasticity of substitution between the inputs is
- zero
 - greater than one
 - one
 - less than one
13. Suppose that there are two goods, X and Y, facing a consumer. The prices are $p_x = \text{Rs. } 4$ and $p_y = \text{Rs. } 5$. He has Rs. 110 to spend on these goods. Suppose, he is currently buying 15 units of goods X (with marginal utility equal to 40) and 10 units of good Y (with marginal utility equal to 45). In the above context, which one of the following statements is correct?
- his total utility will increase if he spends more on good Y and less on goods X
 - his total utility will increase if he spends more on good Y and less on good X

- c. His total utility will increase if he spends less on both the goods
 - d. His total utility is being maximized subject to the budget constraint he is facing
14. if an individual is observed to work less in response to an increase in the wage rate for his services, this implies that
- a. for this individual, leisure is a normal good
 - b. for this individual, leisure is an inferior good
 - c. the individual is irrational
 - d. leisure could be a Giffen good
15. Consider the demand curve depicted in the following diagram: The elasticities of demand at price P_1 and P_2 are different because, at these prices
- a. slopes are different
 - b. prices are different
 - c. quantities are different
 - d. price-quantity ratios are different

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