Examrace

Competitive Exams: Economics MCQs (Practice_Test 57 of 122)

1. In the market for oranges, a rise in income with other things remaining unchanged, will lead to

    a. an upward movement along the demand curve

    b. an upward movement along the supply curve

    c. an upward shift of the demand curve

    d. a downward shift of the demand curve

2. In a market, if ‘A’ learns of B's demand for a goods, he may be induced to demand more of it, since everybody else is demanding the good. The effect of this kind of ‘keeping up with he Joneses’ psychology on individual demand is called as

    a. Social snobbery effect

    b. Bandwagon effect

    c. substitution effect

    d. Domino effect

3. The additively of utility in the Marshallian analysis is based on the assumptions of

    a. rationality and diminishing marginal utility

    b. cardinality and independence of utility

    c. constancy of marginal utility of money and divisibility

    d. consistency and transitivity

4. The price of two goods X and Y are: PX = Rs. 6 and PY these two commodities is at a point on the budget constraint where MRSXY (marginal rate of substitution of X for Y) is 3: 1, then

    a. the total utility of the consumer is being maximized at this point

    b. the total utility of the consumer will increase if he reallocates his expenditure leading to an increase in the amount of X and a reduction in the amount of Y.

c. the total utility of the consumer will increase if he reduce his expenditure on both the commodities

d. the total utility of the consumer will increase if he reallocates his expenditure leading to an increase in the amount of Y and a reduction in the amount of X

5. Hicks substitution effect for a fall in the price of a commodity, other this remaining constant, is given by:

a. a movement up a given indifference curve

b. a movement down a given indifference curve movement form a lower to a higher indifference curve

c. a movement from a lower to a higher indifference curve

d. a movement from a higher to a lower indifference curve

6. In the case of an inferior good

a. substitution and income effect are positive

b. positive substitution effect is equal to the negative income effect

c. substitution effect is positive and income effect is negative

d. substitution and income effect are negative

7. Which one of the following is not an assumption of the theory of revealed preference developed by P A Samuelson?

a. there is transitivity in consumer's preferences

b. thee is consistency of choice in consumer's behaviour

c. Consumer always behaves rationally to maximise his satisfaction from a given income.

d. Consumer prefers a combination of more goods to less in a situation.

8. Consider tow straight line demand curve NM an RS in the given figure. Select the correct statement from amongst the following:

a. Price elasticity of demand will be equal to 1 at point A and less than 1 at point B

b. Price elasticity of demand will be greater than 1 at point a and equal to 1 at point B

c. Price elasticity of demand will be less than 1 at point A

d. Price elasticity of demand will be greater than 1 at point B.

9. The production function X = L3/5 K1/2 is homogeneous of degree.

a. greater than 1

b. 1

c. less than 1

d. zero

10. If there is a perfect substitution between two factors of production, the shape of isoquant is

a. non-linear

b. linear

c. right-angled

d. positively sloped

11. In a two-input situation (K and L), if one of the inputs, say L is available free of cost to a produce, then the factor price curve or the producer's budget curve is

a. horizontal

b. exponential

c. rectangular hyperbolic

d. L-shaped

12. Consider the following statements: If all the factors of production are paid according to their respective marginal products, the total product would be

a. exhausted under constant returns to scale.

b. more than exhausted under increasing returns to scale

c. less than exhausted under decreasing returns to scale.

Which of these statement s is/are correct?

a. 1 only

b. and 2

c. 2 and 3

d. 1, 2 and 3

13. In the perfect competition, the downward sloping part of the marginal value productivity curve of a factor shows

a. demand curve for the factor

b. wages of the factor

c. level of employment of the factor

d. supply of the factor.

14. Consider the following statements:

a. the increasing returns to scale imply that the marginal product of a variable factor will always increase.

b. The constant returns to scale imply that the marginal product of a variable factor will always diminish.

c. Managerial diseconomies constitute an important cause of decreasing returns to scale.

Which of this statement is/are correct?

a. 1, 2 and 3

b. 1 and 3

c. 2 only

d. 2 and 3

15. To produce a given level of output, a firm maximizes profits when the marginal rate of technical substitution is equal to the ratio of factor prices. This principle is know as

a. Diminishing marginal productivity

b. increasing marginal productivity

c. Equi-marginal productivity

d. Law of diminishing returns