

## Competitive Exams: Economics MCQs (Practice-Test 74 of 122)

1. Consider the following statements regarding Pareto-optimality in consumption (two commodities & two individuals case):
  - a. Each point in the Edgeworth Box, in this case, specifies six variables.
  - b. Each point on the contract curve represents a Pareto-optimal distribution.
  - c. Each point on the contract curve depicts a situation of general equilibrium in consumption.

Which of the statements given above are correct?

- a. 1, 2 and 3
  - b. 1 and 2, only
  - c. 2 and 3, only
  - d. 1 and 3, only
2. What does the Coase's theorem deal with?
    - a. Internalisation of externalities
    - b. Pricing of public goods
    - c. Solution to the problem of externalities of terms of well-defined and exchangeable property rights
    - d. None of the above
  3. Which one of the following is the correct statement? Consumer surplus is largest in
    - a. discriminating monopoly
    - b. monopolistic competition
    - c. single-price monopoly
    - d. perfect competition
  4. Consider the following statements relating to consumer surplus:
    - a. Boulding renamed consumer surplus as buyer surplus.

- b. Hicks explained consumer surplus through indifference curves.
- c. There is direct relationship between price and consumer surplus.
- d. Consumer surplus is nothing but the difference between the price that 'one is willing to pay' and the price 'one actually pays for a particular product'

Which of the statements given above are correct?

- a. 1, 2 and 4
  - b. 2, 3 and 4
  - c. 1, 3 and 4
  - d. 1, 2 and 4
5. Which one of the following is not included in Net National Product (NNP) at factor cost?
- a. Undistributed profits
  - b. Rent
  - c. Consumption of fixed capital
  - d. Interest
6. If utensils worth Rs. 1000/-are produced with copper worth Rs. 500/-, wages paid are Rs. 100/-, other material purchased is worth Rs. 100/-and depreciation of machinery is zero, then what is the value added in the process?
- a. Rs. 1000/-
  - b. Rs. 500/-
  - c. Rs. 400/-
  - d. Rs. 300/-
7. Consider the following statements:
- a. GDP at current prices and GDP at constant prices are identical in the base year.
  - b. GDP at current prices is the economy's final output valued at the base year's prices.
  - c. GDP at constant prices is the economy's final output valued at the base year's prices.
  - d. GDP at current prices and GDP at constant prices are identical at the current year.

Which of the statements given above are correct?

Visit examrace.com for free study material, doorsteptutor.com for questions with detailed explanations, and "Examrace" YouTube channel for free videos lectures

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

8. Based on the above graph, match List-I (Variable) with List-II (Identified in the Graph) and select the correct answer using the code given below the Lists:

List-I

- a. Aggregate Demand
- b. Aggregate Supply
- c. Consumption at zero level of income
- d. Level of Investment

List-II

- a. C + I
- b. C + S
- c. ab
- d. n
- e. m

**A B C D**

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

9. Suppose in two economies A and B, both of which are closed,  $Y = C + G$  ( $Y$  = real income,  $C$  = real consumption and  $G$  = real govt. Expenditure). Assume that both economies have identical consumption function  $C = 200 + 0.75 Y$ . Further, assume  $G = 200$  units. Finally in economy A,  $G$  is spent on building roads and bridges while in economy B,  $G$  is spent on running cars and air-conditioners for public servants. What will be the equilibrium level of  $Y$  in economies A and B?

- a. A: 400; B: 400

- b. A: 800; B: 600
- c. A: 1600; B: 800
- d. A: 1600; B: 1600

10. Consider the following: There will be a change in the level of national income with the following changes:
- a. Government spending and taxes increased by amount x.
  - b. Government spending & taxes decreased by amount x.
  - c. Only Government spending increased by amount x.
  - d. Only Government spending decreased by amount x.

What is the correct sequence of the changes in level of national income in descending order?

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

11. Which one of the following statements is correct? Investment increases with
- a. an increase of output and a decrease in capital stock
  - b. a decrease of output and an increase in capital stock
  - c. an increase in both output and capital stock
  - d. a decrease in both output and capital stock
12. Compared with monopolist charging single price, a monopolist adopting discriminatory practices would not end up with which one of the following?
- a. Larger revenue and larger profit
  - b. Larger output and larger revenue
  - c. Larger profit and larger output
  - d. Shorter output but larger profit

13. Which one of the following is the correct statement? Price of a commodity does not go down when

- a. only supply curve move rightward
  - b. only supply curve moves leftward
  - c. only demand curve moves leftward
  - d. supply curve moves rightward and demand curve moves leftward
14. Which one of the following statements is correct? A monopolist charging different prices in two different markets will charge a higher price in the market in which the price elasticity of
- a. demand is greater
  - b. supply is greater
  - c. demand is smaller
  - d. supply is smaller
15. Which one of the following statements is correct? A firm under perfect competition will be in stable equilibrium in the long run if the price is equal to
- a. marginal revenue
  - b. marginal cost
  - c. average fixed cost
  - d. average variable cost