

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?

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- 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 $C = 200 + 0.25 Y$. 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