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Competitive Exams: Economics MCQs (Practice_Test 94 of 122)

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1. Under perfect competition supply curve is identified as which one of the following?
   a. Rising portion of marginal cost curve
   b. Rising portion of average total cost curve
   c. Rising portion of average variable cost curve
   d. Portion of marginal cost above the average variable cost curve
2. Which one of the following statements is correct? A straight line demand curve (cutting both the axes) is elastic
   a. throughout the length of the demand curve.
   b. at the mid-point.
   c. below the mid-point towards the demand axis.
   d. above the mid-point towards the price axis.
3. Consider the following statements:
   a. The shape of a unitary elastic demand curve a is rectangular hyperbola.
   b. The shape of a perfectly elastic demand curve a is rectangular hyperbola.
   c. Perfectly inelastic demand curve is parallel to the price axis.
   d. Perfectly elastic demand curve is parallel to the quantity axis.

   Which of the statements given above are correct?
   a. 1 and 2
   b. 1, 3 and 4
   c. 2 and 3
   d. 2 and 4
4. Which of the following is not a necessary condition of perfect competition?
   a. Large number of firms in the industry producing homogeneous products

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b. Free entry and free exit of firms

c. Need for incurring selling costs to attract consumers

d. Absence of artificial restrictions by the government

5. Consider the following statements Short run profit is maximum under perfect competition when

a. Second order condition is satisfied.

b. MC curve cuts MR curve from below:

c. MC curve cuts MR curve from above:

Which of the statements given above is/are correct?

a. 1 and 3

b. 1 and 2

c. 1 only

d. 2 only

6. In the kinked demand curve model, suppose MC curve shifts upward in the discontinuous range of the MR curve. Which one of the following is correct? At equilibrium

a. price rises but quantity remains the same.

b. price and quantity both remain the same.

c. quantity rises but price remains the same.

d. price and quantity both rise.

7. Who developed the Time Preference Theory of Interest?

a. Irving Fisher

b. N. Senior

c. J. R. Hicks

d. J. M. Keynes

8. In the graph given above, what does the point B indicates?

a. Excess supply in the goods market and excess demand in the money market

b. Excess demand in the goods market and excess supply in the money market

c. Excess supply in both goods and money market

d. Excess demand in both goods and money market

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9. Which one of the following is the most important determinant of speculative demand for money?
   a. Income
   b. Interest rate
   c. Profits
   d. Prices
10. Which one of the following equations was used by Fischer to explain the Quantity Theory of Money (Symbols have their usual meanings)?
   a. MVPT
   b. MP' = VT
   c. MP'PT
   d. PVMT
11. If Y is the total money income of the community, M is the supply and P is the price level, then how is Vy (the income velocity of money) defined as?
   a. Vy = M/Y
   b. Vy = Y/M
   c. Vy = Y/(MP)
   d. Vy = PY/M
12. When shall an increase in money supply have a small effect on nominal Gross Domestic Product?
   a. If the velocity is decreasing
   b. If the velocity is unchanged
   c. If the velocity is increasing
   d. If the Government's spending is also increasing
13. What is the theory that opening a country to world markets gives an opportunity to utilize unemployed and underemployed resources known as?
   a. Ricardian theory
   b. Hecksher-Ohlin theory
   c. Vent-for-surplus theory
   d. Strategic trade theory

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14. There are a number of banks in a market. The initial total primary deposit is Rs. 1, 000. Every bank is required to maintain a 10% reserve legally. The transactions are completely made through cheque and no transaction is made in cash. What will be the total credit creation in the market?

    a. Rs. 1, 000

    b. Rs. 5, 000

    c. Rs. 10, 000

    d. None of the above

15. Which one of the following is a qualitative credit control method?

    a. Open market operations

    b. Bank rate

    c. Variable cash reserve ratio.

    d. Moral suasion

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