MODEL QUESTION PAPER

SUBJECT CODE : MB0042
SUBJECT : Managerial Economics

SECTION A-(1X40)

1. Production cost is concerned with _____ to produce a given quantity of output.
a. Demand Forecast
b. Estimation of Costs
c. Profit Management
d. Pricing Policies

2. Integration of business economics and strategic planning has given rise to a new area of study called __________.
a. Micro Economics
b. Corporate Economics.
c. Macro Economics
d. Managerial Economics

3. The study of cost-output relationship comes under _________.
a. Production and Cost Analysis
b. Pricing Decisions
c. Capital Management
d. Strategic Planning

4. Which theory holds the statement, "Demand is strengthened with a rise in price or weakened with a fall in price".
a. Veblen’s effect
b. Giffen’s Paradox
c. Speculation
d. Necessaries

5. Due to increase in the price of the given commodity, there would be ___________ in demand.
a. Decrease

b. Contraction
c. Increase
d. Expansion

6. ________ helps in formulating appropriate sales promotional strategy
a. Substitution Elasticity of Demand
b. Advertising or Promotional Elasticity of Demand
c. Income elasticity of demand
d. Cross elasticity of demand
7. In which method of demand forecasting, consumer-buyers are asked to reveal their 'future purchase plans with respect to specific items.
a. Collective opinion method
b. Delphi Method
c. Survey of buyer's intentions or preferences
d. Trend Projection Method

8. At which level, estimating industry demand for the economy as a whole will be based on macro-economic variables.
a. Macro level
b. Micro level
c. Industry level
d. Micro and Industry level both.

9. Experts views generally avoid or reduce the "Halo – Effects" and "Ego – Involvement" of the views of the others under ___.
a. End Use Method
b. Economic Indicators
c. Trend Projection Method
d. Delphi Method

10. __________ in supply means, less quantity is supplied at a lower price.
a. Decrease
b. Contraction
c. Increase
d. Expansion

11. The demand curve will have a downward slope indicating ________ .

a. the expansion of demand with a fall in price
b. contraction of demand with a rise in price
c. the expansion of demand with a fall in price and contraction of demand with a rise in price
d. rise in price causes a rise in supply

12. When supply is relatively inelastic, elasticity of supply ES = ______.
a. greater than one
b. zero
c. less than one
d. one

13. Trace the variable on which cost function does not depend.
a. Technology
b. Production function
c. The market prices of inputs
d. Period of time

14. Cost function usually refers to the relationship between cost and ___________.
a. fixed cost
b. rate of output
c. variable cost
d. direct cost

15. The position of equilibrium is indicated at the point where Iso-Quant curve is ___________ to ISO-Cost line.
a. Convex
b. Parallel
c. Tangential
d. Concave

16. _______ introduces the concept of "expense preference".
a. Williamson
b. Boumal
c. Marris
d. Cyert and March

17. Surplus generation is possible when the firm produces __________.

a. Minimum output with minimum costs

b. Maximum output with minimum costs.

c. Maximum output with maximum costs

d. Minimum output with maximum costs

18. Cyert and March's Behavior Theory explains the usual and normal behavior of different groups of people who work in an organization having ____________ .

a. Sales goal

b. Market-share goal

c. Profit goal

d. Mutually opposite goals

19. Charging high prices for new products is known as _________.

a. Penetration price policy

b. Charm prices

c. Marginal Cost Pricing

d. Price skimming

20. Select the wrong statement in case of imperfect market.

a. The MR curve is similar to that of the AR curve

b. MR is less than AR

c. AR and MR curves are different.

d. Generally AR curve lies below the MR curve.

21. ___________ is a variant of going rate pricing.

a. Rate of Return Pricing

b. Rate of Return Pricing

c. Imitation Pricing

d. Price skimming

22. Which of the following is the market structure in which the firms produce homogeneous products?

a. Monopolistic competition

b. Oligopoly

c. Perfect competition

d. Monopoly

23. Which out of the following is not an assumption for price – output determination under monopoly?
a. The monopoly firm aims at maximizing its total profit.
b. The monopolist can fix the price and control the supply simultaneously.
c. It is completely free from Govt. controls.
d. It charges a single & uniform high price to all customers.

24. Dumping policy refers to selling of goods at ___ prices in the competitive International market and at ___ prices in the protected domestic market.
a. Lower, Higher
b. Lower, Lower
c. Higher, Lower
d. Higher, Higher

25. The price we pay for a commodity basically depends on its .
a. retailer selling it
b. manufacturer
c. Worthiness and Utility
d. consumer willing ness

26. ________ is the difference between the actual price at which producer is selling and the price at which producer is willing to sell.
a. Consumers' surplus
b. Optimum price
c. Producers' surplus
d. Total receipts

27. Commodities which have more value- in- exchange give ___ satisfaction than others which have more value in use.
a. High
b. Negative
c. Balanced
d. Less

28. The ____ indicates the percentage of income earned by capital in the form of interest out of total national income .
a. Land’s share of income
b. Capital’s share of income
c. Labor’s share of income
d. Cash - income ratio

29. A _____ expresses quantitative relationship between two different variables at a certain time.
a. Functional variables
b. Flow variable
c. Stock variable
d. Ratio variable

30. _____ refers to the amount of capital required to produce a unit of output.
a. Saving income ratio
b. Consumption Income Ratio
c. Capital output ratio
d. Input-output ratio

31. _________ explains the functional relationship that exists between income and the level of consumption.
a. Investment function
b. Multiplier
c. Consumption function
d. Accelerator

32. Increasing the volume of investment in an economy can only fill up the gap between income and ______ .
a. Saving
b. Rate of Interest
c. Marginal efficiency of capital
d. Consumption.

33. Physical policy is also known as _________ .
a. Monetary Policy
b. Direct Controls

c. Fiscal Policy
d. Stabilization policy

34. _____ deals with the total money supply and its management in an economy.
a. Fiscal Policy
b. Direct Controls
c. Monetary Policy
d. Stabilization Policy

35. Burns and Mitchell observe that peaks and ____ are the two main mark-off points of a business cycle.
a. Expansion
b. Prosperity
c. Revival
d. Troughs

36. A business cycle has _____ phases
a. Five
b. Two
c. Four
d. Six

37. ________ is just opposite to inflation
a. Stagflation
b. Deflation
c. Inflationary gap
d. Phillips curve

38. In the words of ______ "Deflation is that state of falling prices which occurs at the time when output of goods and services increases more rapidly than the value of money income in the economy".
a. Prof. Pigou
b. Prof. Crowther
c. Prof. Samuelson
d. Prof. Paul Einzig

39. ________ , Environmental Degradation and Market Failure all three are interrelated to each other.
a. Internalizing externality
b. Externalities
c. Price mechanism
d. Direct government regulations

40. If Marginal Social Cost > Marginal Private Cost of an activity, the government has to_______ .
a. Tax on producers
b. Subsidize producers
c. Tax on consumers
d. Subsidize consumers

SECTION B-(2X20)

41. What are the two major functions of a managerial economist?
a. Decision making & Profit management
b. Decision making & Capital management
c. Decision making & Forward planning
d. Pricing decisions & Policies and practices

42. _______ offers actual numerical solution to the problems of making optimum choices.
a. Demand Analysis
b. Capital Management
c. Linear Programming
d. Theory of Games

43. __________ measures price elasticity of demand at different points on a demand curve.
a. The point method
b. Total Expenditure Method
c. Arc Method
d. Production planning

44. The numerical co-efficient of perfectly inelastic demand ED= ___
a. ED>1
b. ED=0
c. ED<1
d. ED=1

45. Under which method, the sale of the product under consideration is projected on the basis of demand surveys of the industries using the given product as an intermediate product.
a. Delphi Method
b. Complete enumeration Method
c. Input – Output Method
d. Direct interview Method

46. Demand for new Tata Indica, which is a modified version of Old Indica can most effectively be projected based on the sales of the old Indica, can be the example of ______.
a. Substitute Approach
b. Evolutionary Approach
c. Opinion Poll Approach
d. Sales Experience Approach

47. Which of the following is not the factor in determining Elasticity of Supply
a. Availability and mobility of factors of production
b. Time period
c. Technological improvements
d. Natural factors

48. When supply of a commodity remains constant and does not change whatever may be the change in price, it is said to be ______
a. Perfectly elastic supply
b. Perfectly inelastic supply
c. Relatively Elastic supply
d. Relatively Inelastic supply

49. Which of the following is not a feature of long run AC curves?
a. Tangent curve

b. Flatter U-shaped or dish-shaped curve
c. Planning curve
d. Minimum point of LAC curve should not always be lower than the minimum point of SAC curve

50. Which of the following shows various combinations of two factors which can be purchased with a given amount of money at the given price of each input.
a. ISO – product curve
b. ISO cost lines
c. ISO – Quant Map
d. Optimum factor combination

51. According to Marris Growth Maximization Model, which of the following is not a variable of utility function of the managers.
a. Salaries
b. Power
c. market share
d. status

52. Under _______ method, a producer decides a predetermined target rate of return on capital invested.
a. Full – Cost pricing
b. Going Rate Pricing
c. Rate of Return Pricing
d. Administered prices

53. An industry under perfect competition in the short run, reaches the position of equilibrium when all firms in the industry are producing an equilibrium level of output at which _________.
a. AR = AC
b. MR = MC
c. MR = AR
d. MC = AC

54. If price rises, quantity demanded falls in accordance with law of demand. This leads to ________________ .
a. Transfer of producers' surplus to consumer's surplus.

b. Increase in consumers' surplus.
c. Reduction in producers' surplus.
d. Transfer of consumer’s surplus to producers’ surplus.

55. _____ is a statistical device by which changes in prices of the same articles at different periods are calculated and computed.
a. GNP deflator
b. Real GNP
c. Index number
d. Nominal GNP

56. Investment expenditure depends on the marginal efficiency of capital and the ______
a. Size of income
b. Effective demand
c. Rate of interest
d. Consumers’ propensity to consume

57. Which of the following is not a disadvantage of Direct controls?
a. Direct controls suppress individual initiative and enterprise.
b. Direct controls can be more discriminatory than monetary and fiscal controls.
c. Direct controls may induce speculation which may have destabilizing effect.
d. Direct control tends to inhibit innovations.

58. In which phase of the trade cycle do the level of investment in stocks decline?
a. Recovery
b. Depression
c. Over full Employment
d. Prosperity

59. Which of the following is not one of the positive effects of inflation?
a. Encourage entrepreneurship
b. Full utilization of resources
c. Increase in Exports
d. Leads to rise in investment

60. Which of the following is not one of the adverse effects of ozone depletion?

a. More ultra violet radiations are harmful to the life system on the earth and natural vegetation.

b. It is responsible for sunburn, skin cancer, blindness etc.

c. Have adverse effects due to acidification of lakes and streams and acquatic life

d. Create adverse effects on animal life and cause damage to wild life and marine life.

SECTION C-(4X15)

61. Match the following:

Part A

1. Strategic planning
2. Production
3. Capital management
4. Profit maximization

Part B

A. transformation of inputs into outputs.

B. objective of a firm in olden days

C. provides framework for long term decisions

D. is a cost-benefit analysis

a. 1B, 2A, 3D, 4C

b. 1C, 2A, 3B, 4D

c. 1C, 2A, 3D, 4B

d. 1D, 2A, 3C, 4B

62. Calculate the price elasticity of demand for the good, if demand for the good reduces by 4% due to the rise in price by 20%.

a. +0.40

b. -0.40

c. +0.20

d. -0.20

63. Identify the false statement from the features of demand forecasting stated below .

Statement 1 It is an informed and well thought out guesswork.

Statement 2 It is in terms of specific quantities

Statement 3 It is not made for a specific period of time

Statement 4 It is based on historical information and the past data.

a. Only statement 3

b. Statement 1, 2, 3, and 4

c. Statement 2, 3, and 4

d. Only statement 1

64. Match the following

Part A

1. Expansion in supply
2. Contraction in supply
3. Increase in supply
4. Decrease in supply

Part B

A. more quantity is supplied at a higher price

B. less quantity is supplied at a lower price.

C. more supply at the same price

D. same quantity is supplied at a higher price.

a. 1A, 2C, 3B, 4D

b. 1D, 2B, 3C, 4A

c. 1A, 2B, 3D, 4C

d. 1A, 2B, 3C, 4D

65. If a product can be manufactured using two combinations say A and B. Combination A takes 8 units of labor and 2 units of capital, where in combination B takes 5 units of labor and 3 units of capital, what will be the marginal rate of technical substitution of labor for capital ?

a. 4:1

b. 3:1

c. 2:1

d. 1:1

66. Identify the conditions when a firm will be maximizing its profits in Marginal Revenue and Marginal Cost approach of Profit maximization model.

Condition 1. MR=MC

Condition 2. MR curve cut MC curve from below

Condition 3. MC curve cut MR curve from below

Condition 4. MC curve cut MR curve from above

a. Condition 1 and 3 are the conditions when a firm will be maximizing its profits

b. Condition 1 and 2 are the conditions when a firm will be maximizing its profits

c. Condition 1 and 4 are the conditions when a firm will be maximizing its profits

d. Condition 2 is the condition when a firm will be maximizing its profits

67. A firm sells 2000 units of a product at the rate of Rs. 4 per unit. What will be the total revenue and the average revenue of the firm?

a. TR = 500, AR = 125
b. TR = 8000, AR = 500
c. TR = 8000, AR = 4
d. TR = 500, AR = 4

68. Suppose there is only one factory in a small town providing employment for labor in the area. And there is a trade union which controls the supply of labor in the factory. What kind of market situation it is?

a. Oligospony
b. Monospony
c. Bilateral monopoly
d. Monopoly

69. Shyam is a seller and is ready to sell his product at Rs. 120-00. He now sells the product at Rs. 130-00.

Ram is ready to pay Rs. 145-00 for the product and he now purchases the product at Rs. 130-00. Calculate the consumers' surplus and the producers' surplus.

a. CS = 10, PS = 15
b. CS = 15, PS = 10
c. CS = 10, PS = 10
d. CS = 15, PS = 15

70. Identify true and false statements.

Statement1. Exogenous variables are influenced by outside or external factors or forces.

Statement2. Microeconomic variables deal with the study of individual units.

Statement3. Macroeconomics splits up the economy into big lumps for the purpose of the convenience of the study.

Statement4. Income theory gives a detailed description about the performance and achievements of different sectors of the economy

a. Statement 1, 2, 4 are true and 3 is false.
b. Statement 1, 2, 3, and 4 are true
c. Statement 2, 3, 4 are true and 1 is false.
d. Statement 4 is false and 1, 2, 3 are true

71. Which of the following is not a pre requisite condition for the working of the multiplier?
a. Existence of involuntary unemployment.
b. Corporate savings
c. Existence of an Industrial Economy
d. Existence of elastic supply of other factor inputs in the market.

72. Match the following:

Part A

1. Public Revenue
2. Built in stabilizers
3. Public Debt
4. Deficit financing

Part B

A. Automatic changes in tax collections and transfer payments or public expenditure programmes so that it may reduce destabilizing effect on aggregate effective demand.
B. All loans taken by the government.
C. Receipts of public authorities.
D. Printing of fresh and new currency notes by the government by running down the cash balances with the central bank.

73. Lord Over stone describes the course of business cycle in the following words – Identify the correct sequence.

a. A state of quiescence (inert or silent) - next improvement – growing confidence – prosperity – excitement – overtrading – convulsion – pressure – distress – ending – again in quiescence
b. A state of quiescence (inert or silent) – next improvement – prosperity – growing confidence– excitement – overtrading – convulsion – pressure – distress – ending – again in quiescence
c. A state of quiescence (inert or silent) – next improvement – prosperity – excitement – growing confidence – overtrading – convulsion – pressure – distress – ending – again in quiescence
d. A state of quiescence (inert or silent) – next improvement – growing confidence – prosperity – excitement – overtrading – convulsion – pressure – ending – distress – again in quiescence

74. Increase in aggregative effective demand is responsible for inflation. Which out of the following is not a reason for increase in effective demand?

a. Increase in Imports
b. Increase in money supply
c. Increase in disposable income
d. Increase in private consumption expenditure and investment expenditure

75. Identify the correct statement.

a. Social costs are to be considered while making private profits and private profits should not come in the way of social benefits and welfare.
b. Private costs are to be considered while making Social profits and private costs should not come in the way of social benefits and welfare.
c. Social costs are to be considered while making private profits and private profits should come in the way of social benefits and welfare.
d. Private profits are to be considered while making social profits and private profits should not come in the way of social benefits and welfare.