

1. “An Enquiry into the Nature and Causes of Wealth of Nations” is the book of economist—

- (A) Adam Smith
- (B) Marshall
- (C) Robbins
- (D) None of above

2. “Economics is the Science of Wealth” who gave this definition ?

- (A) J. K. Mehta
- (B) Marshall
- (C) Adam Smith
- (D) Robbins

3. “Economics is what economists do.” It has been supported by—

- (A) Richard Jones
- (B) Comte
- (C) Gunnar Myrdal
- (D) All of the above

4. “Human Welfare is the subject of Economics.” This statement is associated with the name of which of the economists ?

- (A) Marshall
- (B) Pigou
- (C) Penson
- (D) All of the above

5. Who has given scarcity definition of economics ?

- (A) Adam Smith
- (B) Marshall
- (C) Robbins
- (D) Robertson

6. “Economics is a science” the basis of this statement is—

- (A) Relation between cause and effect
- (B) Use of deductive method and inductive method for the formations of laws
- (C) Experiments
- (D) All of the above

7. Characteristics of economic laws are—

- (A) Mere statements of economic tendencies
- (B) Less certain
- (C) Hypothetical
- (D) All of the above

8. Which theory is generally included under micro economics ?

- (A) Price Theory
- (B) Income Theory
- (C) Employment Theory
- (D) None of the above

9. Whose opinions have revolutionised the scope of macro economics ?

- (A) Adam Smith
- (B) J.B. Say
- (C) J.M. Keynes
- (D) All of the above

10. Which of the following is an economic activity ?

- (A) Teaching of a teacher in the school
- (B) To teach son at home
- (C) To serve her child by mother
- (D) To play football by a student

11. Passive factor of production is—

- (A) Only land
- (B) Only capital
- (C) Both land and capital
- (D) Neither land nor capital

12. Under law of demand—

- (A) Price of commodity is an independent variable
- (B) Quantity demanded is a dependent variable
- (C) Reciprocal relationship is found between price and quantity demanded
- (D) All of the above

13. For inferior commodities, income effect is—

- (A) Zero

- (B) Negative
- (C) Infinite
- (D) Positive

14. When total utility becomes maximum, then marginal utility will be—

- (A) Minimum
- (B) Average
- (C) Zero
- (D) Negative

15. Utility means—

- (A) Power to satisfy a want
- (B) Usefulness
- (C) Willingness of a person
- (D) Harmfulness

16. Marginal utility is equal to average utility at that time when average utility is—

- (A) Increasing
- (B) Maximum
- (C) Falling
- (D) Minimum

17. At point of satiety, marginal utility is—

- (A) Zero
- (B) Positive

- (C) Maximum
- (D) Negative

18. Which of the following is the second law of Gossen ?

- (A) Law of equi-marginal utility
- (B) Law of equi-product
- (C) Theory of indifference curve
- (D) Law of diminishing marginal utility

19. Total utility of a commodity is measured by which price of that commodity ?

- (A) Value in use
- (B) Value in exchange
- (C) Both of above
- (D) None of above

20. According to Marshall, the basis of consumer surplus is—

- (A) Law of diminishing marginal utility
- (B) Law of equi-marginal utility
- (C) Law of proportions
- (D) All of the above

Answer of MCQ

1-a	2-c	3-d	4-d	5-c	6-d	7-d	8-a	9-c	10-a	11-c	12-d	13-b
	14-c	15-a	16-b	17-a	18-a	19-a	20-a					

1 Four of the following statements correctly describe conditions in the stock market during the year and a half preceding the Great Crash of 1929. Which is the exception?

- A) There was a widespread speculative fever.
- B) The average price of most stock increased dramatically.
- C) The daily volume of stock traded increased dramatically.
- D) Most brokers required cash payment in full for stock purchases.
- E) Credit was easily obtained to those buying stock.

2 One of the most important causes of the Great Depression was the fact that during the 1920s

- A) government regulation and trust busting had stifled free enterprise.
- B) there was a fundamental maldistribution of purchasing power.
- C) not enough profits were plowed back into business as new capital investment.
- D) low tariff policies had benefited foreign competitors and seriously damaged domestic industry.
- E) stock prices rose too dramatically.

3 In much of the 1920s, European nations were able to make their war-debt payments to the United States, and Germany and Austria were able to continue reparation payments by

- A) inflating their currencies.
- B) draining their gold reserves.
- C) expanding exports to the United States.
- D) decreasing imports from the United States.
- E) getting new loans from the United States.

4 The stock market crash of 1929

- A) caused the Great Depression.

- B) was a result of the Great Depression.
- C) triggered a chain of events that led to the economic crisis.
- D) had no effect on the onset of the Depression.
- E) caused stock prices to increase dramatically.

5 At the depth of the Depression in 1932, the unemployment rate in the United States was estimated to have been

- A) 50 percent.
- B) 75 percent.
- C) 25 percent.
- D) 10 percent.
- E) 15 percent.

6 The Dust Bowl

- A) was caused solely by a particularly bad drought.
- B) was largely a result of farming practices on the Great Plains.
- C) caused the dust from the plains to blow as far as Chicago.
- D) only lasted for about a year.
- E) lasted throughout the Great Depression.

7 In the early 1930s, the term "Okies" referred to

- A) moonshiners trying to make a living in Appalachia.
- B) oil speculators losing money in the Southwest.
- C) swamp dwellers out of the mainstream in the Deep South.
- D) poor African-American farmers in the South.

E) dispossessed farmers fleeing the Dust Bowl.

8 Four of the following statements accurately describe the condition of blacks during the Great Depression. Which is the exception?

- A) The migration of blacks to the North ended abruptly.
- B) Blacks suffered a higher unemployment rate than whites.
- C) Discrimination against blacks increased, particularly in competition for jobs.
- D) Local government and private relief benefits for blacks were smaller than for whites.
- E) Over half the blacks in the South in 1932 were unemployed.

9 In the 1920s, the great majority of Hispanics in California and the American Southwest originally migrated from

- A) Cuba.
- B) Mexico.
- C) Puerto Rico.
- D) Haiti.
- E) None of the answers is correct.

10 One effect of the Great Depression on women was to

- A) open up new opportunities for women in the professions.
- B) strengthen the belief that a woman's place was in the home.
- C) drive most women out of the labor force by the time the economic crisis was over.
- D) gain increased public support for such feminist organizations as the National Woman's Party.
- E) encourage women to get out of the home and work to support their families.

11 Four of the following were effects of the Great Depression on the American family. Which is the exception?

- A) The birth rate declined.
- B) The marriage rate declined.
- C) The divorce rate increased.
- D) Middle-class and working-class families suffered traumatic impact.
- E) Working class families saw what little gains they had disappear.

12 Popular culture during the Depression era—as manifested by radio, movies, and literature—was generally characterized by

- A) a celebration of affluence.
- B) appeals to prurient interests in sex and crime.
- C) a return to traditional religious values.
- D) a deep social concern to portray the human consequences of the national economic disaster.
- E) upbeat and romantic messages as a sort of escapism.

13 Four of the following novels manifest an implicit protest against social injustices in then-contemporary American society. Which is the exception?

- A) Erskine Caldwell's *Tobacco Road* (1932)
- B) Margaret Mitchell's *Gone with the Wind* (1936)
- C) John Steinbeck's *The Grapes of Wrath* (1939)
- D) Richard Wright's *Native Son* (1940)
- E) James Agee's *Let Us Now Praise Famous Men* (1941)

14 Movie attendance during the Depression

- A) rose throughout the decade.

- B) fell throughout the decade.
- C) rose initially but then fell as the Depression worsened.
- D) fell initially but then rose as the Depression worsened.
- E) stayed the same as before the Depression.

15 The Popular Front

- A) was a radio show about detectives in New York City.
- B) was a broad coalition of "antifascist" groups on the political Left.
- C) was one of the most successful programs of the New Deal.
- D) was a name given to the Nazi Party by the State Department.
- E) was a popular film starring the Marx brothers.

16 The Abraham Lincoln brigade was most closely associated with

- A) Coxey's Army.
- B) the Bonus Army.
- C) the Spanish Civil War.
- D) veterans of the American Expeditionary Force in World War I.
- E) The Grapes of Wrath.

17 The tactics pursued by the American Communist Party between 1935 and 1939 were aimed at developing a broad alliance against

- A) fascism.
- B) Franklin Delano Roosevelt.
- C) racial injustice.
- D) nonpolitical unionism.

E) Herbert Hoover.

18 For the eight years immediately before becoming president, Herbert Hoover had been the

A) vice president.

B) secretary of state.

C) secretary of commerce.

D) speaker of the House of Representatives.

E) secretary of navy.

19 The purpose of the Agricultural Marketing Act, proposed by Hoover even before the Great Crash of 1929, was to

A) aid struggling small farmers during poor harvests.

B) impose government regulation on the commodities exchange market.

C) establish quotas for the importation of foreign agricultural products.

D) promote reciprocal trade agreements with foreign countries for agricultural products.

E) keep farm prices up.

20 Hoover's first efforts to control the Depression focused on

A) a recovery program for the banking industry.

B) voluntary cooperation by business leaders in restoring the public confidence in the economy.

C) a massive federal relief bill.

D) creating millions of federal jobs.

E) closing all banks.

Answer of MCQ

1-d 2-b 3-e 4-c 5-c 6-b 7-e 8-a 9-b 10-b 11-c 12-e 13-b
14-d 15-b 16-c 17-a 18-c 19-e 20-b

1 The 'law of demand' implies that:

- A as prices rise, demand decreases.
- B as prices rise, quantity demanded increases.
- C as prices fall, demand increases.
- D as prices fall, quantity demanded increases.

2 The Setrite Corporation produces chairs. An economist working for the firm predicts that 'if people's incomes rise next year, then the demand for our chairs will increase, ceteris paribus.' The accuracy of the economist's prediction depends on whether the chairs Setrite produce:

- A have few complementary goods.
- B are normal goods.
- C have few substitutes.
- D have many complementary goods.

3 What effect is working when the price of a good falls and consumers tend to buy it instead of other goods?

- A The diminishing marginal utility effect.
- B The substitution effect.
- C The income effect.
- D The ceteris paribus effect.

4 The quantity demanded of Pepsi has decreased. The best explanation for this is that:

- A the price of Pepsi increased.

- B Pepsi's advertising is not as effective as in the past.
- C the price of Coca Cola has increased.
- D Pepsi consumers had an increase in income.

5 Demand curves are derived while holding constant:

- A tastes and the price of other goods.
- B income and tastes.
- C income, tastes, and the price of the good.
- D income, tastes, and the price of other goods.

6 When the decrease in the price of one good causes the demand for another good to decrease, the goods are:

- A inferior.
- B substitutes.
- C complements.
- D normal.

7 Suppose the demand for good Z goes up when the price of good Y goes down. We can say that goods Z and Y are:

- A complements.
- B perfect substitutes.
- C unrelated goods.
- D substitutes.

8 If the demand for coffee decreases as income decreases, coffee is:

- A a substitute good.

- B a normal good.
- C a complementary good.
- D an inferior good.

9 Which of the following will NOT cause a shift in the demand curve for compact discs?

- A A change in wealth.
- B A change in the price of pre-recorded cassette tapes.
- C A change in income.
- D A change in the price of compact discs.

10 Which of the following is consistent with the law of supply?

- A As the price of calculators rise, the supply of calculators increases, ceteris paribus.
- B As the price of calculators rise, the quantity supplied of calculators increases, ceteris paribus.
- C As the price of calculators rise, the quantity supplied of calculators decreases, ceteris paribus.
- D As the price of calculators falls, the supply of calculators increases, ceteris paribus.

11 The price of computer chips used in the manufacture of personal computers has fallen. This will lead to _____ personal computers.

- A an increase in the supply of
- B a decrease in the quantity supplied of
- C a decrease in the supply of
- D an increase in the quantity supplied of

12 When excess demand occurs in an unregulated market, there is a tendency for:

- A price to fall.
- B price to rise.
- C quantity supplied to decrease.
- D quantity demanded to increase.

13 Market equilibrium exists when _____ at the prevailing price.

- A quantity supplied is greater than quantity demanded
- B quantity demanded is less than quantity supplied
- C quantity demanded is greater than quantity supplied
- D quantity demanded equals quantity supplied

14 A movement along the demand curve to the left may be caused by:

- A a fall in the number of substitute goods.
- B a rise in income.
- C a rise in the price of inputs.
- D a decrease in supply.

15 The price elasticity of demand is the:

- A ratio of the change in price to the change in quantity demanded.
- B ratio of the percentage change in quantity demanded to the percentage change in price.
- C ratio of the change in quantity demanded to the change in price.
- D ratio of the percentage change in price to the percentage change in quantity demanded.

16 The price of apples falls by 5% and quantity demanded increases by 6%. This means that demand is:

- A elastic.
- B perfectly elastic.
- C inelastic.
- D zero elastic.

17 The price of burgers increases by 22% and the quantity of burgers demanded falls by 25%. This indicates that demand for burgers is:

- A perfectly elastic.
- B elastic.
- C inelastic.
- D unitarily elastic.

18 If the cross-price elasticity of demand between two goods is negative, then the two goods are:

- A substitutes.
- B unrelated goods.
- C normal goods.
- D complements.

19 If the quantity demanded of beef increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between beef and chicken is:

- A -4.
- B 0.25.
- C 4.
- D -0.25.

20 When the market operates without interference, price increases will distribute what is available to those who are willing and able to pay the most. This process is known as:

- A quantity setting.
- B quantity adjustment.
- C price fixing.
- D price rationing.

Answer of MCQ

1-d 2-b 3-b 4-a 5-d 6-b 7-a 8-b 9-d 10-b 11-a 12-b 13-d
14-d 15-b 16-a 17-b 18-d 19-b 20-d

1. Which of the following enjoys limited liability?

- A. A general partnership.
- B. A corporation.
- C. A sole proprietorship.
- D. None of the above.

2. Michael Cohn is a "member" (a type of owner) of a marine supply business. Michael's business is

- A. a sole proprietorship.
- B. a corporation.
- C. a limited liability company.
- D. a general partnership.

3. The Counting House, Inc., purchased 5-year property class equipment for \$60,000. It uses the MACRS method of depreciation. What is tax depreciation for the second year of the asset's life?

- A. \$12,000
- B. \$19,200
- C. \$20,000

D. \$24,000

4. A corporation in which you are a shareholder has just gone bankrupt. Its liabilities are far in excess of its assets. You will be called on to pay:

- A. a proportionate share of bondholder claims based on the number of common shares that you own.
- B. a proportional share of all creditor claims based on the number of common shares that you own.
- C. an amount that could, at most, equal what you originally paid for the shares of common stock in the corporation.
- D. nothing.

5. A 30-year bond issued by Gary's Plaid Pants Warehouse, Inc., in 1997 would now trade in the

- A. primary money market.
- B. secondary money market.
- C. primary capital market.
- D. secondary capital market.

6. A major advantage of the corporate form of organization is:

- A. reduction of double taxation.
- B. limited owner liability.
- C. legal restrictions.
- D. ease of organization.

7. Money market mutual funds

- A. enable individuals and small businesses to invest indirectly in money-market instruments.
- B. are available only to high net-worth individuals.
- C. are involved in acquiring and placing mortgages.
- D. are also known as finance companies.

8. The purpose of financial markets is to:

- A. increase the price of common stocks.
- B. lower the yield on bonds.
- C. allocate savings efficiently.
- D. control inflation.

9. Which of the following is NOT an example of a financial intermediary?

- A. International Business Machines, Inc. (IBM).
- B. Vanguard Mutual Fund.
- C. El Dorado Savings and Loan Association.
- D. Bank of America.

10. How are funds allocated efficiently in a market economy?

- A. The most powerful economic unit receives the funds.
- B. The economic unit that is willing to pay the highest expected return receives the funds.
- C. The economic unit that considers itself most in need of funds receives them.
- D. Receipt of the funds is rotated so that each economic unit can receive them in turn.

Answer of MCQ

1-b 2-c 3-b 4-d 5-d 6-b 7-a 8-c 9-a 10-b

1 Which two of the following are present under perfect competition?

- A Homogeneous products.
- B Long-run normal profits.
- C Long-run super – normal profits.
- D Differentiated products.

2 Which two of the following are present under monopolistic competition?

- A Differentiated product.

- B Average cost is a minimum in the long run.
- C Homogeneous product.
- D Average cost is above the minimum in the long run.

3 The 'classical case' against monopoly as compared to perfect competition involves which two of the following?

- A Higher price.
- B Higher output.
- C Lower price.
- D Lower output.

4 Which one of the following might explain why the 'classical case' against monopoly may not hold?

- A Inelastic demand for the product.
- B Substantial economies of scale.
- C Diseconomies of scale.
- D Few economies of scale.

5 Which one of the following is characteristic of a 'natural monopoly'?

- A Diseconomies of scale are significant.
- B Few economies of scale or scope.
- C The 'minimum efficient size' is so small that many efficient producers can be found in that industry.
- D The 'minimum efficient size' is so large that it will permit no more than one efficient producer in that industry

Answer of MCQ

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