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1. QUESTION: What is economics?

- A. Management of scarce resources to maximize utility.
- B. Management of resources only.
- C. Maximization of utility.
- D. None of the above

CORRECT ANSWER IS: Management of scarce resources to maximize utility.

2. QUESTION: Which of the following is considered as a factor of production?

- A. Unskilled Labour
- B. Traders
- C. Land
- D. Labour

CORRECT ANSWER IS: Land and Labour

3. QUESTION: Short run is the time period in which

- A. All factors of production are fixed
- B. Variable factors of production can change
- C. All factors of production can change
- D. None of the above

CORRECT ANSWER IS: Variable factors of production can change

4. QUESTION: Long run is a period in which

- A. All factors of production can change
- B. Capital can not be changed
- C. Only one factor of production is fixed
- D. Labour can not be changed

CORRECT ANSWER IS: All factors of production can change

5. QUESTION: Which group shows the basic factors of production?

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- A. Land, Labour, Natural Resources, Capital
- B. Land, Labour, Capital, Technology
- C. Land, Management Skills, Capital, Technology
- D. Land, Labour, Capital, Enterprise

CORRECT ANSWER IS: Land, Labour, Capital, Enterprise

6. QUESTION: Economies of scale represents the

- A. Rising average cost
- B. Constant average cost
- C. Falling average cost
- D. Positive average cost

CORRECT ANSWER IS: Falling average cost

7. QUESTION: The fundamental economic problem is

- A. Unemployment
- B. Scarcity
- C. Poverty
- D. Inflation

CORRECT ANSWER IS: Scarcity

8. QUESTION: The term capitalism refers the

- A. State and Private ownership of capital goods
- B. Use of markets
- C. State ownership of capital goods
- D. Private ownership of capital goods

CORRECT ANSWER IS: Private ownership of capital goods

9. QUESTION: Economic growth is Illustrated as

- A. Production Possibilities Frontier shifts outwards

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- B. Production Possibilities Frontier shifts inwards
- C. Movement from inside the curve towards the curve
- D. Movement along the production possibilities Frontier towards capital goods

CORRECT ANSWER IS: Production Possibilities Frontier shifts outwards

10. QUESTION: Points on the Production Possibilities Frontier are

- A. Inefficeint
- B. Unattainable
- C. Efficient
- D. None of the above

CORRECT ANSWER IS: Efficient

11. QUESTION: The opportunity cost of a good refers the

- A. The expenditure on a good
- B. The others goods sacrificed to get another unit of that good
- C. Loss of interest in using savings
- D. The time lost in finding it

CORRECT ANSWER IS: The others goods sacrificed to get another unit of that good

12. QUESTION: Microeconomics is related to

- A. The whole economy
- B. The household purchase decisions
- C. The individual economic behavior
- D. None of the above

CORRECT ANSWER IS: The individual economic behavior

13. QUESTION: The author of the book "The Wealth of Nations" is _____

- A. David Ricardo
- B. Alfred Marshall
- C. J.M Keynes

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D. Adam Smith

CORRECT ANSWER IS: Adam Smith

14. QUESTION: "The Wealth of Nations" was published in _____

- A. 1676
- B. 1776
- C. 1876
- D. 1976

CORRECT ANSWER IS: 1776

15. QUESTION: The concept of Invisible hand was coined by _____

- A. David Ricardo
- B. Alfred Marshall
- C. J.M Keynes
- D. Adam Smith

CORRECT ANSWER IS: Adam Smith

16. QUESTION: Adam Smith was also a _____

- A. Political economist
- B. Sociologist
- C. Politician
- D. None of the above

CORRECT ANSWER IS: Political Economist

17. QUESTION: David Ricardo coined the concept of _____

- A. Invisible Hand
- B. Diminishing Returns
- C. Partial Equilibrium
- D. General Equilibrium

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CORRECT ANSWER IS: Diminishing Return

18. QUESTION: Theory of choice is about _____

- A. Production
- B. Cost of Production
- C. Market Structure
- D. Preferences of People

CORRECT ANSWER IS: Preferences of People

19. QUESTION: Utility is defined as _____

- A. Satisfaction
- B. Preferences
- C. Constraint
- D. All of the above

CORRECT ANSWER IS: Satisfaction

20. QUESTION: Ceteris Paribus is defined as _____

- A. Everything is variable
- B. Other things are equal/constant
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Other things are equal/constant

21. QUESTION: The theories of consumer behavior explains that _____

- A. How to maximize utility without considering budget constraint
- B. How to maximize utility from consuming goods/services within in the limit of budget.
- C. How to allocate budget without considering utility maximization
- D. All of the above

CORRECT ANSWER IS: How to maximize utility from consuming goods/services within in the limit of budget.

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22. QUESTION: There are two theories of consumer behavior i.e.

- A. Cardinal approach
- B. Ordinal approach
- C. Budget constraint Theory
- D. Utility Theory

CORRECT ANSWER IS: Both a & b

23. QUESTION: Cardinal Approach implies that _____

- A. Utility is measurable in terms of number of goods consumed.
- B. Utility is measurable in monetary terms.
- C. Utility cannot be measured.
- D. None of the above

CORRECT ANSWER IS: Utility is measurable in monetary terms.

24. QUESTION: In cardinal approach of consumer behavior marginal utility of money is _____.

- A. increasing
- B. decreasing
- C. constant
- D. Varies with time and situation

CORRECT ANSWER IS: Constant

25. QUESTION: According to cardinal approach of consumer behavior, Consumer is _____.

- A. Rational
- B. Irrational
- C. Varies person to person
- D. None of the above

CORRECT ANSWER IS: Rational

26. QUESTION: Total utility increases at _____ rate

- A. Increasing
- B. Decreasing
- C. Constant
- D. Varies with time and situation

CORRECT ANSWER IS: Decreasing

27. QUESTION: When total utility increases at decreasing rate, Marginal Utility _____.

- A. Increases
- B. Decreases
- C. remains constant
- D. Varies with time and situation

CORRECT ANSWER IS: Decreases

28. QUESTION: When total utility falls, Marginal utility becomes _____.

- A. Positive
- B. Negative
- C. Constant
- D. Varies with time and situation

CORRECT ANSWER IS: Negative

29. QUESTION: Marginal utility is defined as _____

- A. The net change in total utility by consuming an additional unit of commodity.
- B. No change in total utility by consuming an additional unit of commodity.
- C. The net change in Marginal utility by consuming an additional unit of commodity.
- D. No change in Marginal utility by consuming an additional unit of commodity.

CORRECT ANSWER IS: The net change in total utility by consuming an additional unit of commodity.

30. QUESTION: What is law of diminishing marginal utility?

- A. Marginal utility decreases as we consume more and more of a commodity.

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- B. Marginal utility increases as we consume more and more of a commodity
- C. Marginal utility remains constant as we consume more and more of a commodity
- D. Varies with time and situation

CORRECT ANSWER IS: Marginal utility decreases as we consume more and more of a commodity

31. QUESTION: What is law of equi marginal utility?

- A. When consumption of both goods yield same level of satisfaction
- B. When consumption of both goods yield different level of satisfaction
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: When consumption of both goods yield same level of satisfaction

32. QUESTION: Consumer equilibrium in law of equi marginal utility of cardinal approach of consumer behaviour

- A. $MU_x/P_x = MU_y/P_y$
- B. $MU_x/P_x > MU_y/P_y$
- C. $MU_x/P_x < MU_y/P_y$
- D. All of the above

CORRECT ANSWER IS: $MU_x/P_x = MU_y/P_y$

33. QUESTION: if $MU_x/P_x > MU_y/P_y$, the consumer will _____

- A. consume more items of goods X
- B. consume more items of goods Y
- C. consume more items of goods X and goods Y
- D. None of the above

CORRECT ANSWER IS: consume more items of goods X

34. QUESTION: if $MU_x/P_x < MU_y/P_y$, the consumer will _____

- A. consume more items of goods X
- B. consume more items of goods Y
- C. consume more items of goods X and goods Y

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D. Stop consuming

CORRECT ANSWER IS: consume more items of goods Y

35. QUESTION: if $MU_x/P_x = MU_y/P_y$, the consumer will _____

- A. consume more items of goods X
- B. consume more items of goods Y
- C. consume more items of goods X and goods Y
- D. Stop consuming, utility from both goods is maximized!

CORRECT ANSWER IS: Stop consuming, utility from both goods is maximized!

36. QUESTION: When price falls, marginal utility of money _____

- A. Increases
- B. Decreases
- C. remains constant
- D. Varies with time and situation

CORRECT ANSWER IS: Increases

37. QUESTION: In cardinal Approach, Leon Walras had derived consumer demand curve for goods X from

- A. Marginal Utility schedule of goods X
- B. Total Utility schedule of goods X
- C. Cardinal Equilibrium approach
- D. All of the above

CORRECT ANSWER IS: Cardinal Equilibrium approach

38. QUESTION: In cardinal Approach, Alfred Marshal had derived consumer demand curve from goods X from

-
- A. Marginal Utility schedule of goods X
 - B. Total Utility schedule of goods X
 - C. Cardinal Equilibrium approach
 - D. None of the above
-

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CORRECT ANSWER IS: Marginal Utility schedule of goods X

39. QUESTION: Sir Jhon Richard Hicks was a _____ economist

- A. British and neo-clasicals
- B. British and Classicals
- C. British and Modern
- D. All of the above

CORRECT ANSWER IS: British and neo-clasicals

40. QUESTION: Ordinal Approach to consumer behavior is presented by _____ economist.

- A. Neo-Classicals
- B. Classical
- C. Modern
- D. None of the above

CORRECT ANSWER IS: Neo-Classicals

41. QUESTION: Ordinal Approach to consumer behavior is also known as _____

- A. Optimal Choice theory
- B. Hicksian/neo-classicals approach to consumer behavior
- C. Indifference curve theory
- D. Axiomatic approach to consumer behavior

CORRECT ANSWER IS: All of the Above (Option is not listed, but all of the above are used as alternative names of Ordinal Approach)

42. QUESTION: IC stands for _____

- A. Incomplete Curve
- B. Independent Curve
- C. Indifference curve
- D. All of the above

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CORRECT ANSWER IS: Indifference curve

43. QUESTION: Who introduced the concept of IC for the first time in 1881.

- A. Jhon Richard Hicks
- B. Alfred Marshall
- C. Francis Edgeworth
- D. None of the above

CORRECT ANSWER IS: Francis Edgeworth

44. QUESTION: Cardinal Approach theory measures the utility

- A. Quantitatively
- B. Qualitatively
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Quantitatively

45. QUESTION: Ordinal approach to consumer behavior implies that, utility cannot be measured

-
- A. Quantitatively
 - B. Qualitatively
 - C. Both a & b
 - D. None of the above

CORRECT ANSWER IS: Quantitatively

46. QUESTION: According to neo-classicals utility can be _____

- A. Ranked Qualitatively
- B. Measured Quantitatively
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Ranked Qualitatively

47. QUESTION: IC shows different combinations of two goods that yield

- A. Same level of satisfaction
- B. Different levels of satisfaction
- C. Nill
- D. Nill

CORRECT ANSWER IS: Same level of satisfaction

48. QUESTION: The convex IC shows the _____ marginal rate of substitution.

- A. Diminishing
- B. Increasing
- C. constant
- D. None of the above

CORRECT ANSWER IS: Diminishing

49. QUESTION: The slope of IC is called _____

- A. Marginal rate of substitution (MRS)
- B. Marginal rate of technical substitution (MRTS)
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Marginal rate of substitution (MRS)

50. QUESTION: Marginal rate of substitution is defined as _____

- A. How many units of one commodity has to forego to get an additional unit of another commodity that give same level of satisfaction
- B. How many units of one commodity has to forego to get an additional unit of another commodity that gives different levels of satisfaction
- C. Both a & b
- D. None of the above

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CORRECT ANSWER IS: How many units of one commodity has to forego to get an additional unit of another commodity that give same level of satisfaction

51. QUESTION: Budget line shows the _____ of consumer, when price of two commodity is given.

- A. Purchasing Power
- B. Level of satisfaction
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Purchasing Power

52. QUESTION: In ordinal approach, consumer is in equilibrium when _____

- A. Budget line cuts IC
- B. Slope of Budget line tangent Slope of IC
- C. only at budge line
- D. only at IC

CORRECT ANSWER IS: Slope of Budget line tangent Slope of IC

53. QUESTION: the necessary condition for consumer equilibrium for two commodities is _____

- A. $MU_x/P_x = MU_y/P_y$
- B. $MU_x/P_x > MU_y/P_y$
- C. $MU_x/P_x < MU_y/P_y$
- D. All of the above

CORRECT ANSWER IS: $MU_x/P_x = MU_y/P_y$

54. QUESTION: The sufficient condition for two commodities for consumer equilibrium is that _____.

- A. IC must be vertical
- B. IC must be horizontal
- C. IC must concave to origin
- D. IC must Convex to origin

CORRECT ANSWER IS: IC must Convex to origin

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55. QUESTION: Price elasticity of demand of a good is defined as the responsiveness of its demand due to change in _____.

- A. Income of consumer
- B. Price of another commodity
- C. its own price.
- D. All of the above

CORRECT ANSWER IS: its own price.

56. QUESTION: Income elasticity of demand of a commodity is defined as the responsiveness of its demand due to change in _____.

- A. Income of consumer
- B. Price of another commodity
- C. its own price.
- D. All of the above

CORRECT ANSWER IS: Income of consumer

57. QUESTION: Cross elasticity of demand of a good is defined as the responsiveness of its demand due to change in _____.

- A. Income of consumer
- B. Price of another commodity
- C. its own price.
- D. All of the above

CORRECT ANSWER IS: Price of another commodity

58. QUESTION: Price elasticity is measured by two formulas called _____ and _____.

- A. Point elasticity, Arc elasticity
- B. Income elasticity, Arc elasticity
- C. Cross elasticity, point elasticity
- D. None of the above

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CORRECT ANSWER IS: Point elasticity, Arc elasticity

59. QUESTION: Point elasticity is used when change in price is _____.

- A. Small
- B. greater
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Small

60. QUESTION: Arc elasticity is used when change in price is _____.

- A. Small
- B. greater
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Greater

61. QUESTION: Arc elasticity is also known as _____ elasticity

- A. Average Elasticity
- B. Income elasticity
- C. Point Elasticity
- D. All of the above

CORRECT ANSWER IS: Average elasticity

62. QUESTION: Formula of point elasticity or general price elasticity is _____.

- A. $(dQ/Q)/(dP/P)$
- B. $(dQ/Q)/(dY/Y)$
- C. $(dP/P)/(dQ/Q)$
- D. None of the above

CORRECT ANSWER IS: $(dQ/Q)/(dP/P)$

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63. QUESTION: Formula of Arc elasticity is _____.

- A. $(dQ / (Q_1+Q_2)) / (dP / ((P_1+P_2)))$
- B. $(dQ/Q)/(dP/P)$
- C. $(dQ/Q)/(dY/Y)$
- D. None of the above

CORRECT ANSWER IS: $(dQ / (Q_1+Q_2)) / (dP / ((P_1+P_2)))$

64. QUESTION: Income elasticity is measured as

- A. $(dQ / Q) / (dP / P)$
- B. $(dQ / (Q_1+Q_2)) / (dP / ((P_1+P_2)))$
- C. $(dQ / Q) / (dY / Y)$
- D. None of the above

CORRECT ANSWER IS: $(dQ / Q) / (dY / Y)$

65. QUESTION: Cross elasticity is measured as _____.

- A. $(dQ_x / Q_x) / (dP_y / P_y)$
- B. $(dQ/Q)/(dP/P)$
- C. $(dQ/Q)/(dY/Y)$
- D. None of the above

CORRECT ANSWER IS: $(dQ_x / Q_x) / (dP_y / P_y)$

66. QUESTION: If elasticity is equal to 0, Demand is _____

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: Perfectly inelastic

67. QUESTION: If elasticity is equal to 1, Demand is _____

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- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Unitary elastic

CORRECT ANSWER IS: Unitary elastic

68. QUESTION: If elasticity is equal to infinity, Demand is _____

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: Perfectly elastic

69. QUESTION: If close substitutes of a goods are available, demand for good is _____.

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: More elastic

70. QUESTION: In case of necessary goods, price elasticity of demand is _____.

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: inelastic

71. QUESTION: In case of luxury goods, price elasticity of demand is _____

- A. inelastic

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- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: More elastic

72. QUESTION: In long run usually price elasticity of demand is _____.

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: More elastic

73. QUESTION: If elasticity of demand lies between 0 and 1, the demand of a goods is _____.

- A. perfectly inelastic
- B. Less elastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: Less elastic

74. QUESTION: If elasticity of demand lies between 1 and infinity, the demand of a goods is _____.

- A. inelastic
- B. Perfectly inelastic
- C. More elastic
- D. Perfectly elastic

CORRECT ANSWER IS: More elastic

75. QUESTION: If elasticity is equal to 0, Demand curve is _____

- A. Negatively sloped
- B. Horizontal
- C. Vertical

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D. None of the above

CORRECT ANSWER IS: Vertical

76. QUESTION: If elasticity is equal to 1, Demand curve is _____

- A. Negatively sloped
- B. Horizontal
- C. Vertical
- D. None of the above

CORRECT ANSWER IS: Negatively sloped

77. QUESTION: If elasticity is equal to infinity, Demand curve is _____

- A. Negatively sloped
- B. Horizontal
- C. Vertical
- D. None of the above

CORRECT ANSWER IS: Horizontal

78. QUESTION: Market demand is defined as _____.

- A. Individual demand
- B. Demand from elite class consumers
- C. Demand from poor class consumer
- D. Sum of individuals demand in the market

CORRECT ANSWER IS: Sum of individuals demand in the market

79. QUESTION: Total expenditure of consumers in market is derived by _____.

- A. Market demand
- B. Individual demand
- C. Both a & b
- D. None of the above

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CORRECT ANSWER IS: Market Demand

80. QUESTION: Total expenditure of consumers of purchasing particular commodity is equal to the _____ of the firms selling the particular commodity.

- A. Marginal Revenue
- B. Total Cost
- C. Total Revenue
- D. None of the above

CORRECT ANSWER IS: Total Revenue

81. QUESTION: Total revenue of firm is obtained as the product of _____ and its _____.

- A. Quantity sold, price
- B. Quantity sold and quantity demanded
- C. quantity sold and total expenditure
- D. None of the above

CORRECT ANSWER IS: Quantity sold, price

82. QUESTION: Marginal revenue is defined as the change in _____ resulting in selling additional unit of commodity.

- A. Total cost
- B. Total revenue
- C. Average revenue
- D. Marginal cost

CORRECT ANSWER IS: Total revenue

83. QUESTION: The relationship between marginal revenue and price is explained by the _____ of demand.

- A. Price Elasticity
- B. Income elasticity
- C. Cross elasticity
- D. None of the above

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CORRECT ANSWER IS: Price elasticity of demand

84. QUESTION: If price elasticity of demand is more elastic ($e > 1$), Slope of total revenue will be _____ and marginal revenue will _____.

- A. Increasing, greater than 0
- B. Increasing, less than 0
- C. Increasing, equal to 0
- D. None of the above

CORRECT ANSWER IS: Increasing, greater than 0

85. QUESTION: If price elasticity of demand is unitary elastic ($e = 1$), Slope of total revenue will be _____ and marginal revenue will be _____.

- A. Maximum, Greater than 0
- B. Maximum, Less than 0
- C. Maximum, equal to 0
- D. None of the above

CORRECT ANSWER IS: Maximum, equal to 0

86. QUESTION: If price elasticity of demand is less elastic ($e < 1$), Slope of total revenue will be _____ and marginal revenue will be _____.

- A. Decreasing, greater than 0
- B. Decreasing, less than 0
- C. Decreasing, equal to 0
- D. None of the above

CORRECT ANSWER IS: Decreasing, less than 0

87. QUESTION: Production function shows the technical relationship between _____ and _____.

- A. Input(factors of production) and Output-produced goods)
- B. Input(factors of production) and profit of the firm
- C. Revenue and cost of firm
- D. All of the above

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CORRECT ANSWER IS: Input(factors of production) and Output(produced goods)

88. QUESTION: Isoquant shows all possible combination of two factors of production _____ and _____ to produce a given level of output.

- A. Land and Labor
- B. Land and Capital
- C. Labor and Capital
- D. None of the above

CORRECT ANSWER IS: Labor and Capital

89. QUESTION: Linear isoquant shows the _____ substitutability of factors of production.

- A. Perfect
- B. No
- C. Limited
- D. Continuous

CORRECT ANSWER IS: Perfect

90. QUESTION: Input-Output isoquant shows the _____ substitutability of factors of production.

- A. Perfect
- B. No
- C. Limited
- D. Continuous

CORRECT ANSWER IS: No

91. QUESTION: kinked isoquant shows the _____ substitutability of factors of production.

- A. Perfect
- B. No
- C. Limited
- D. Continuous

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CORRECT ANSWER IS: Perfect

92. QUESTION: Returns to scale refers to the _____ analysis of laws of production.

- A. Short-run
- B. Long-run
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Long-run

93. QUESTION: Law material bears _____ relation to output at all level of production

- A. Increasing
- B. Decreasing
- C. Constant
- D. No

CORRECT ANSWER IS: Constant

94. QUESTION: Efficiency parameter in production function refers to the _____ efficiency.

- A. Land
- B. Labor
- C. Capital
- D. Entrepreneurial-organizational

CORRECT ANSWER IS: Entrepreneurial-organizational

95. QUESTION: Marginal product is defined as the change in _____ due to change in _____.

- A. Output, Input factors
- B. Input factors, Output
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Output, Input factors

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96. QUESTION: The Slope of the isoquant is called _____.

- A. rate of technical substitution
- B. Marginal product of labor and capital
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: rate of technical substitution

97. QUESTION: The elasticity of substitution of factors is defined as the percentage change in _____ divided by the percentage change in _____.

- A. capital-Labor ratio, rate of technical substitution
- B. rate of technical substitution, capital-labor ratio
- C. labor, capital
- D. marginal product of labor, marginal product of capital

CORRECT ANSWER IS: capital-Labor ratio, rate of technical substitution

98. QUESTION: Cost functions are derived from _____.

- A. Production function
- B. Utility function
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Production function

99. QUESTION: There is concept of _____ in traditional Theory of Cost.

- A. Reserve Capacity
- B. Excess Capacity
- C. Constant level of Capacity
- D. None of the above

CORRECT ANSWER IS: Excess Capacity

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100. QUESTION: Excess Capacity implies that there is _____ where firm can produce optimally.

- A. One point
- B. a range
- C. No point
- D. None of the above

CORRECT ANSWER IS: One point

101. QUESTION: Modern cost theory introduces the concept of _____ capacity.

- A. Reserve
- B. Excess
- C. Constant
- D. None of the above

CORRECT ANSWER IS: Reserve

102. QUESTION: In Traditional Cost Theory, Total Cost is equal to

- A. Total Variable Cost
- B. Total Fixed Cost
- C. Total Variable cost and Total fixed Cost
- D. Average Total Cost

CORRECT ANSWER IS: Total Variable cost and Total fixed Cost

103. QUESTION: Total Variable Cost Curve and Total Cost curve is _____ shaped.

- A. Inverse S
- B. U
- C. V
- D. None of the above

CORRECT ANSWER IS: Inverse S

104. QUESTION: Average Total Cost is equal to _____.

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- A. Average variable cost and Average Fixed Cost
- B. Total Cost divided by output
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Both a & b

105. QUESTION: Average Variable cost is equal to _____.

- A. Total cost divided by ouput
- B. Total Variable Cost divided by ouput
- C. Total fixed cost divided by output
- D. None of the above

CORRECT ANSWER IS: Total Variable Cost divided by output

106. QUESTION: Average Variable Cost curve and Average Total Cost curve are _____ shaped.

- A. Inverse S
- B. U
- C. V
- D. None of the above

CORRECT ANSWER IS: U

107. QUESTION: The minimum point of Average total cost curve occurs _____ the minimum point of Average Variable Cost Curve.

- A. after
- B. before
- C. equal to
- D. None of the above

CORRECT ANSWER IS: after

108. QUESTION: Graphically, Marginal Cost curve is slope of _____ curve

- A. Total cost

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- B. Average total cost
- C. Total fixed cost
- D. Average Fixed Cost

CORRECT ANSWER IS: Total Cost

109. QUESTION: Mathematically, Marginal Cost is equal to change in _____ divided by change in output.

- A. Total Cost
- B. Total Fixed Cost
- C. Average Total Cost
- D. Average Fixed Cost

CORRECT ANSWER IS: Total Cost

110. QUESTION: Graphically, Marginal Cost curve cuts average total cost curve and Average variable cost curve from its _____ point

- A. Minimum
- B. Maximum
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Minimum

111. QUESTION: Long Run Cost is also known as _____ cost.

- A. Planning Cost
- B. Ex-ante Cost
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Both a & b

112. QUESTION: Perfect competition is defined as the _____ of rivalry.

- A. Presence
- B. Absence

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- C. Sometimes presence or absence
- D. None of the above

CORRECT ANSWER IS: Absence

113. QUESTION: In perfect Competition there is large number of

- A. Sellers
- B. Buyers
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Both a & b

114. QUESTION: In Perfect Competition firms are Price _____.

- A. Taker
- B. Maker
- C. Sometimes taker or maker
- D. None of the above

CORRECT ANSWER IS: Taker

115. QUESTION: In perfect competition firms are price taker because of _____.

- A. Slight difference in Products
- B. Product Homogeneity
- C. complete difference in products
- D. None of the above

CORRECT ANSWER IS: Product Homogeneity

116. QUESTION: In perfect competition the goal of firm is _____.

- A. Cost minimization
- B. Profit maximization
- C. Output Maximization
- D. Inventory maximization

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CORRECT ANSWER IS: Profit Maximization

117. QUESTION: In perfect competition, there is _____ mobility of factors of production.

- A. Imperfect
- B. Perfect
- C. No
- D. None of the above

CORRECT ANSWER IS: Perfect

118. QUESTION: In perfect competition, there is _____ entry and exit of firms.

- A. No
- B. Free
- C. Partial Barriers
- D. None of the above

CORRECT ANSWER IS: Free

119. QUESTION: In perfect competition, government intervention is _____.

- A. Allowed
- B. Prohibited
- C. partial
- D. None of the above

CORRECT ANSWER IS: Prohibited

120. QUESTION: In perfect competition, Firm maximizes its profit when total cost is _____ total revenue.

- A. Greatest than
- B. lowest than
- C. equal to
- D. None of the above

CORRECT ANSWER IS: Greatest than

121. QUESTION: In perfect competition the best approach to measure profit maximization is _____ approach.

- A. Marginal cost and Marginal revenue
- B. Total cost and Total revenue
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Marginal cost and Marginal revenue

122. QUESTION: If Marginal cost is greater than marginal revenue it implies that profit is _____.

- A. Maximized
- B. not maximized
- C. minimum
- D. All of the above

CORRECT ANSWER IS: not maximized

123. QUESTION: If marginal cost is greater than marginal revenue it implies that profit is being _____.

- A. increased
- B. reduced
- C. maximized
- D. None of the above

CORRECT ANSWER IS: reduced

124. QUESTION: If Marginal cost is equal to marginal revenue it implies that profit is _____.

- A. Maximized
- B. Minimized
- C. firm need to increase the cost
- D. None of the above

CORRECT ANSWER IS: maximized

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125. QUESTION: In perfect competition, The first condition of firm equilibrium is _____.

- A. MC = MR
- B. MC > MR
- C. MR > MC
- D. Slope of MC > Slope of MR

CORRECT ANSWER IS: MC = MR

126. QUESTION: In perfect competition The second condition of firm equilibrium is _____.

- A. Slope of TC > Slope of TR
- B. Slope of ATC > Slope of AVC
- C. Slope of MC > Slope of MR
- D. None of the above

CORRECT ANSWER IS: Slope of MC > Slope of MR

127. QUESTION: In perfect competition P (price) is equal to _____.

- A. Marginal cost
- B. Marginal revenue
- C. Total cost
- D. Total revenue

CORRECT ANSWER IS: Marginal Revenue

128. QUESTION: In pure competition, Average revenue is equal to _____ and _____.

- A. Price, Marginal revenue
- B. Price, Total revenue
- C. Marginal revenue , Total revenue
- D. None of the above

CORRECT ANSWER IS: Price, Marginal revenue

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129. QUESTION: In perfect competition and in case of short run equilibrium level of profit depends on the level of _____.

- A. Average variable cost
- B. Average total cost
- C. Average fixed cost
- D. All of the above

CORRECT ANSWER IS: Average total cost

130. QUESTION: In perfect competition and in case of short run equilibrium, firm earns excess profit if average total cost is _____ the price at equilibrium.

- A. above
- B. below
- C. equal
- D. None of the above

CORRECT ANSWER IS: below

131. QUESTION: In perfect competition and in case of short run equilibrium, firm earns normal profit if average total cost is _____ the price at equilibrium.

- A. above
- B. below
- C. equal
- D. None of the above

CORRECT ANSWER IS: equal

132. QUESTION: In perfect competition and in case of short run equilibrium, firm losses its profit if average total cost is _____ the price at equilibrium.

- A. above
- B. below
- C. equal
- D. None of the above

CORRECT ANSWER IS: above

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133. QUESTION: In perfect competition and in case of long run, firms earn _____ profit.

- A. Excess
- B. No
- C. Normal
- D. None of the above

CORRECT ANSWER IS: Normal

134. QUESTION: In perfect competition, In long run , the equilibrium of the firm is _____.

- A. $LMC = LAC = P$
- B. $SMC = LMC$
- C. $SMC = LMC = P$
- D. $SMC = LAC = P$

CORRECT ANSWER IS: $LMC = LAC = P$

135. QUESTION: In perfect competition, the first condition for optimal resource allocation is that output is produced at _____ feasible cost.

- A. Maximum
- B. Minimum
- C. Sometime Minimum, Sometimes Maximum
- D. None of the above

CORRECT ANSWER IS: Minimum

136. QUESTION: In perfect competition, the second condition for optimal resource allocation is that consumers pay _____ possible prices

- A. Maximum
- B. Minimum
- C. Normal
- D. None of the above

CORRECT ANSWER IS: Minimum

137. QUESTION: In perfect competition, The third condition for optimal resource allocation is that plants of the firm uses its _____ capacity.

- A. full
- B. lowest
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: full

138. QUESTION: In perfect competition, the fourth condition for optimal resource allocation is that firms earn _____ profit.

- A. normal
- B. excess
- C. low
- D. None of the above

CORRECT ANSWER IS: Normal

139. QUESTION: Optimal resource allocation implies that there is _____ in long run equilibrium of the industry.

- A. Minimum cost of production and normal profit of firms
- B. Minimum price of the product
- C. Plants are used at full capacity
- D. All of the above

CORRECT ANSWER IS: All of the Above

140. QUESTION: An industry is a constant cost industry, if prices of factors of production remains _____ as the output of industry expands.

- A. Constant
- B. increases
- C. decreases
- D. None of the above

CORRECT ANSWER IS: constant

141. QUESTION: An industry is a increasing-cost industry, if prices of factors of production _____ as the output of industry expands.

- A. Increases
- B. decreases
- C. remain constant
- D. None of the above

CORRECT ANSWER IS: increases

142. QUESTION: An industry is a decreasing-cost industry, if prices of factors of production _____ as the output of industry expands.

- A. Increases
- B. Decreases
- C. remains constant
- D. All of the above

CORRECT ANSWER IS: decreases

143. QUESTION: An industry is said to be constant-cost industry if its long-run supply curve is _____.

- A. Negative
- B. Positive
- C. straight to the output axis.
- D. None of the above

CORRECT ANSWER IS: straight to the output axis.

144. QUESTION: An industry is said to be increasing-cost industry if its long-run supply curve is _____.

- A. Positive
- B. Negative
- C. straight to the output axis.
- D. straight to price axis.

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CORRECT ANSWER IS: Positive

145. QUESTION: An industry is said to be decreasing-cost industry if its long-run supply curve is _____.

- A. Positive
- B. Negative
- C. straight to the output axis.
- D. straight to price axis.

CORRECT ANSWER IS: Negative

146. QUESTION: In perfect competition and in case of short run if fixed cost increase, firm will _____ its production.

- A. continue the same level of
- B. stop
- C. increase
- D. decrease

CORRECT ANSWER IS: continue the same level of

147. QUESTION: In perfect competition and in case of short run, if fixed cost rises, firm continues its production because rise in fixed cost does not effect _____.

- A. Marginal cost and average variable cost
- B. Average variable cost and average total cost
- C. Marginal cost and average total cost
- D. None of the above

CORRECT ANSWER IS: Marginal cost and average variable cost

148. QUESTION: In perfect competition and in case of long run increase in fixed cost will take the firm out of the business because firm earns _____ profit in long run.

- A. normal
- B. excess
- C. low level

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D. None of the above

CORRECT ANSWER IS: normal profit

149. QUESTION: In perfect competition, in case of short-run , if wages/rent of capital changes it effects _____.

- A. ATC, AVC, and MC
- B. AFC, AVC and MC
- C. ATC, MC and AFC
- D. Only MC

CORRECT ANSWER IS: ATC, AVC, and MC

150. QUESTION: in perfect competition and in case of short run, if variable cost increases, price of the product will _____ and output will _____.

- A. increase, decrease
- B. decrease, increase
- C. remain constant, decrease
- D. increase, remain constant

CORRECT ANSWER IS: increase, decrease

151. QUESTION: In perfect competition, effect of lump-sum tax is considered same as the effect of change in _____ cost.

- A. Average fixed cost
- B. Average variable cost
- C. Marginal cost
- D. Total cost

CORRECT ANSWER IS: Average fixed cost

152. QUESTION: In perfect competition, increase in profit tax _____ profit.

- A. reduce
- B. increase
- C. keeps consatant

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D. None of the above

CORRECT ANSWER IS: reduce

153. QUESTION: In perfect competition, the effect of profit tax is considered as the change in average _____ cost and _____ tax.

- A. fixed, lump-sum
- B. variable,lump-sum
- C. total, lump-sum
- D. None of the above

CORRECT ANSWER IS: fixed, lump-sum

154. QUESTION: In perfect competition, specific sales tax effect the _____ cost.

- A. Average fixed
- B. Marginal
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Marginal

155. QUESTION: In perfect competition and in short-run case, if specific sales tax is applied the MC (which is also the supply curve of the firm) curve will shift upward to the left, output will _____ at the going price.

- A. reduce
- B. increase
- C. remains contant
- D. None of the above

CORRECT ANSWER IS: reduce

156. QUESTION: if market supply curve is more elastic to price, the consumer will bear _____ proportion of tax.

- A. lower
- B. higher

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- C. no
- D. None of the above

CORRECT ANSWER IS: higher

157. QUESTION: if market supply is less elastic the consumer will bear _____ proportion of tax

- A. lower
- B. higher
- C. no
- D. None of the above

CORRECT ANSWER IS: lower

158. QUESTION: if market supply is perfectly elastic the whole tax burden will be borne by the _____.

- A. consumer
- B. firm
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: consumer

159. QUESTION: if market supply is perfectly inelastic the whole tax burden will be borne by the _____.

- A. Consumer
- B. firm
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: firm

160. QUESTION: Monopoly is a market structure where there is _____.

- A. Single seller
- B. no close substitute for the commodity it produces.
- C. barriers to entry

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D. All of the above

CORRECT ANSWER IS: All of the Above

161. QUESTION: In Monopoly the demand curve of firm is _____.

- A. upward sloping
- B. downward sloping
- C. horizontal
- D. vertical

CORRECT ANSWER IS: downward sloping

162. QUESTION: Total revenue of monopolist is _____ into _____.

- A. price, output
- B. cost, output
- C. price, cost
- D. None of the above

CORRECT ANSWER IS: price output

163. QUESTION: Average revenue of the monopolist is equal to _____ or _____.

- A. total revenue/output. price
- B. total revenue/price, output
- C. output/price, total revenue
- D. None of the above

CORRECT ANSWER IS: total revenue/output. price

164. QUESTION: The marginal revenue of monopolist is derived by the change in _____ divided by the change in _____.

- A. price, output
- B. output, price
- C. total revenue, output
- D. output, total revenue

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CORRECT ANSWER IS: total revenue, output

165. QUESTION: There are _____ equilibrium condition for the monopolist.

- A. one
- B. two
- C. three
- D. four

CORRECT ANSWER IS: two

166. QUESTION: The first equilibrium condition for the monopolist is _____.

- A. $MC = MR$
- B. $ATC = MC$
- C. $AVC = MC$
- D. $TC = MC$

CORRECT ANSWER IS: $MC = MR$

167. QUESTION: The second equilibrium condition for monopolist is _____.

- A. Slope of $TC >$ Slope of TR
- B. Slope of $ATC >$ Slope of AVC
- C. Slope of $MC >$ Slope of MR
- D. None of the above

CORRECT ANSWER IS: Slope of $MC >$ Slope of MR

168. QUESTION: The monopolist is a price _____.

- A. maker
- B. taker
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: maker

169. QUESTION: the monopolist earn excess profit even in long-run because there is _____.

- A. no close substitute of product
- B. barriers to entry
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Both a & b

170. QUESTION: if the fixed cost of monopolist increases there will be _____ price and output.

- A. no change in
- B. increment in
- C. decrement in
- D. None of the above

CORRECT ANSWER IS: no change in

171. QUESTION: in long-run if fixed cost of monopolist increases, the monopolist will continue production if fixed cost _____ profit.

- A. greater than
- B. lesser than
- C. equal to
- D. both a and c

CORRECT ANSWER IS: both a and c

172. QUESTION: if the variable cost of monopolist increase the output will increase and price may _____.

- A. decreases
- B. increases
- C. remain constant
- D. All of the above

CORRECT ANSWER IS: All of the Above

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173. QUESTION: if variable cost of monopolist increase, output will also increase but the price may remain constant, increase or decrease because firm is price _____.

- A. taker
- B. maker
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: maker

174. QUESTION: In monopoly, the effect of lump-sum tax and profit tax is similar to the effect of change in _____.

- A. fixed cost
- B. total cost
- C. variable cost
- D. marginal cost

CORRECT ANSWER IS: fixed cost

175. QUESTION: Imposition of sales tax on monopolist firm _____ output and _____ price.

- A. decrease, keeps constant
- B. decrease, increase
- C. increase decrease
- D. None of the above

CORRECT ANSWER IS: decrease, increase

176. QUESTION: Bilateral monopoly is a market structure where there is _____ and _____ buyer.

- A. single, many
- B. many, single
- C. many, many
- D. single, single

CORRECT ANSWER IS: single single

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177. QUESTION: Single buyer in the market is called _____.

- A. Monopsonist
- B. monopolist
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Monopsonist

178. QUESTION: Single seller in the market is called _____.

- A. Monopsonist
- B. monopolist
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Monopolist

179. QUESTION: In bilateral monopoly price and out is determined by _____.

- A. monopolist only
- B. monopsonist only
- C. bargaining power, and other skills of participants
- D. market forces

CORRECT ANSWER IS: bargaining power, and other skills of participants

180. QUESTION: Price discrimination exist when same product is sold at _____ prices to different buyers.

- A. same
- B. different
- C. lower
- D. higher

CORRECT ANSWER IS: different

181. QUESTION: The necessary condition for price discrimination are _____.

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- A. Market must be divided into sub-markets.
- B. Complete separation of sub-markets.
- C. Markets May overlap.
- D. Both a and b

CORRECT ANSWER IS: Both a & b

182. QUESTION: In price discrimination model, Sub markets have demand curve with _____ elasticity.

- A. different
- B. same
- C. Both a and b
- D. None of the above

CORRECT ANSWER IS: different

183. QUESTION: Why monopolist adopts price discriminate model.?

- A. to maximize cost
- B. to maximize profit
- C. to maximize marginal revenue
- D. All of the above

CORRECT ANSWER IS: to maximize profit

184. QUESTION: Let suppose there are two sub markets, Profit of price discriminator will be maximized when _____.

- A. $MC = MR_1$
- B. $MC = MR_2$
- C. $MC = MR_1 = MR_2$
- D. None of the above

CORRECT ANSWER IS: $MC = MR_1 = MR_2$

185. QUESTION: in monopolistic competition there are _____ seller and _____ buyers.

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- A. Single, large number of
- B. Large number of, single
- C. Single, Single
- D. Large number of, large number of

CORRECT ANSWER IS: Large number of, large number of

186. QUESTION: In monopolistic competition product is _____.

- A. homogenous
- B. close substitute
- C. totally different
- D. None of the above

CORRECT ANSWER IS: close substitute

187. QUESTION: There is _____ entry and exit in monopolistic competition.

- A. free
- B. barriers to
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: free

188. QUESTION: Which market structure is more realistic?

- A. pure competition
- B. monopolistic competition
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: monopolistic competition

189. QUESTION: Why Chamberlin has adopted traditional U shaped cost curve in his theory of monopolistic competition?

- A. U shaped curves imply that there is only single level of out which can be produced optimally.

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- B. U shaped curves imply that there is two level of out which can be produced optimally.
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: U shaped curves imply that there is only single level of out which can be produced optimally.

190. QUESTION: Chamberlin has introduced _____ for the first in his model of monopolistic competition.

- A. Average total cost
- B. Marginal cost
- C. Selling cost
- D. All of the above

CORRECT ANSWER IS: Selling cost

191. QUESTION: There economies and dis-economies of advertising as output changes. That is why selling cost curve is _____.

- A. Horizontal
- B. Vertical
- C. negative sloped
- D. U shaped

CORRECT ANSWER IS: U shaped

192. QUESTION: Chamberlin has introduced two policy variables in theory of firm first is _____ and second is _____.

- A. type/nature of product, selling activities
- B. homogeneity of product, selling activities
- C. selling activities, marginal cost
- D. None of the above

CORRECT ANSWER IS: type/nature of product, selling activities

193. QUESTION: The first heroic assumption of Chamberlin model of monopolistic competition is _____.

- A. identical costs

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- B. identical products
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: identical costs

194. QUESTION: The second heroic assumption of Chamberlin model of monopolistic competition is _____.

- A. Consumer preferences are evenly distributed among the different products.
- B. Consumer preferences are randomly distributed among the different products.
- C. Consumers preferences do not matter.
- D. There is no second heroic assumption

CORRECT ANSWER IS: Consumer preferences are evenly distributed among the different products.

195. QUESTION: Chamberlin has introduced _____ models of equilibrium in monopolistic competition.

- A. one
- B. two
- C. three
- D. four

CORRECT ANSWER IS: three

196. QUESTION: Chamberlin has introduced a second demand curve named as _____.

- A. Individual demand curve
- B. planned sales curve
- C. actual sales curve
- D. All of the above

CORRECT ANSWER IS: actual sales curve

197. QUESTION: The actual sales curve or second demand curve is derived by the locus of points of shifting _____ as competitors change their prices.

- A. individual demand curve

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- B. Marginal cost
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: individual demand curve

198. QUESTION: the individual demand curve of firm is also known as _____ in monopolistic competition.

- A. Planned sales curve
- B. actual sales curve
- C. share of the market curve
- D. Both a and b

CORRECT ANSWER IS: Planned sales curve

199. QUESTION: The first model of Chamberlin monopolistic competition is _____.

- A. Equilibrium with new firms entering the industry.
- B. Equilibrium with price competition
- C. Equilibrium with price competition and free entry
- D. All of the above

CORRECT ANSWER IS: Equilibrium with new firms entering the industry.

200. QUESTION: The second model of Chamberlin monopolistic competition is _____.

- A. Equilibrium with new firms entering the industry.
- B. Equilibrium with price competition
- C. Equilibrium with price competition and free entry
- D. All of the above

CORRECT ANSWER IS: Equilibrium with price competition

201. QUESTION: The third model of Chamberlin monopolistic competition is _____.

- A. Equilibrium with new firms entering the industry.
- B. Equilibrium with price competition
- C. Equilibrium with price competition and free entry

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D. All of the above

CORRECT ANSWER IS: Equilibrium with price competition and free entry

202. QUESTION: The third model of Chamberlin monopolistic competition is developed by joining by _____.

- A. Equilibrium with new firms entering the industry.
- B. Equilibrium with price competition
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Both a & b

203. QUESTION: In first model of monopolistic competition it is assumed that firms are operation in _____ and making _____ profit.

- A. short-run, abnormal profit
- B. long-run abnormal profit
- C. long-run, Normal profit
- D. short-run normal profit

CORRECT ANSWER IS: short-run, abnormal profit

204. QUESTION: Abnormal profit _____ firms.

- A. attracts new
- B. does not attract new
- C. has no impact on entry or exit of
- D. None of the above

CORRECT ANSWER IS: attracts new

205. QUESTION: The demand curve shifts due to _____.

- A. entry or exit of firms.
- B. price adjustments
- C. Both a & b

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D. None of the above

CORRECT ANSWER IS: entry or exit of the firm

206. QUESTION: In first model of monopolistic competition equilibrium is attained by _____.

- A. entry or exit of the firm
- B. price adjustment
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: entry or exit of the firm

207. QUESTION: In first model of monopolistic competition equilibrium is where individual demand curve tangents _____ . it is a point where firms earn normal profit.

- A. LAC
- B. LMC
- C. MR
- D. None of the above

CORRECT ANSWER IS: LAC

208. QUESTION: In second model of monopolistic competition, equilibrium is attained by _____.

- A. entry or exit of firms.
- B. price adjustment
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Price adjustment

209. QUESTION: In third model of monopolistic competition equilibrium is attained by _____.

- A. entry or exit of firms.
- B. price adjustment
- C. Both a & b
- D. None of the above

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CORRECT ANSWER IS: Both a & b

210. QUESTION: Macro-Economics deals with _____.

- A. whole economy
- B. individual units of economy
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: whole economy

211. QUESTION: Classical macro-economists believe that prices are _____.

- A. flexible
- B. rigid
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: flexible

212. QUESTION: According to classical macro-economists rate of interest is _____.

- A. flexible
- B. rigid
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: flexible

213. QUESTION: According to classical macro-economists wages are _____.

- A. flexible
- B. rigid
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: flexible

214. QUESTION: According to classical macro-economists there is always _____ employment level in economy.

- A. full
- B. zero
- C. low
- D. high

CORRECT ANSWER IS: full

215. QUESTION: Classical macro-economist proposition was that there is _____ economy which was collapsed in 1930s.

- A. full employment
- B. perfect competition
- C. Laissez-Fair
- D. All of the above

CORRECT ANSWER IS: All of the Above

216. QUESTION: During Great Depression of 1930s, J.M Keynes presented his new theory of _____.

- A. income and employment
- B. interest rate and income
- C. wages and employment
- D. None of the above

CORRECT ANSWER IS: income and employment

217. QUESTION: According to Keynes the level of income and employment is determined where _____.

- A. AD = AS
- B. IS = LM
- C. AS = IS
- D. AD = LM

CORRECT ANSWER IS: AD = AS

218. QUESTION: If at the level of full employment $AD > AS$ it will create _____ and if $AD < AS$ it will create _____.

- A. inflationary gap, deflationary gap
- B. Deflationary gap, Inflationary gap
- C. Equilibrium level of income, inflation
- D. None of the above

CORRECT ANSWER IS: inflationary gap, deflationary gap

219. QUESTION: Who introduced the concept of interest rate in determination of National income.

- A. J.M Keynes
- B. Jhon Hicks
- C. Classical economists
- D. None of the above

CORRECT ANSWER IS: Jhon Hicks

220. QUESTION: John Hicks presented the concept of _____.

- A. IS and LM
- B. AD and AS
- C. AD and IS
- D. AS and LM

CORRECT ANSWER IS: IS and LM

221. QUESTION: IS shows the general equilibrium of _____.

- A. Money Market
- B. Goods Market
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Goods Market

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222. QUESTION: LM Shows the general equilibrium of _____.

- A. Money Market
- B. Goods Market
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Money Market

223. QUESTION: IS curve shows the relationship between interest rate income through equality of _____ and _____.

- A. Saving, Investment
- B. Money demand, Money supply
- C. saving, money supply
- D. money demand, Investment

CORRECT ANSWER IS: Saving, Investment

224. QUESTION: LM curve shows the relationship between interest rate income through equality of _____ and _____.

- A. Saving, Investment
- B. Money demand, Money supply
- C. saving, money supply
- D. money demand, Investment

CORRECT ANSWER IS: Money demand, Money supply

225. QUESTION: In modern macroeconomic AD and AS shows the equilibrium level of _____ and _____.

- A. Employment, output
- B. output, price
- C. Price, Employment
- D. All of the above

CORRECT ANSWER IS: Output, price

226. QUESTION: Modern Macro economist have also established the relationship between _____ and _____.

- A. AS and Philips Curve
- B. IS and Philips Curve
- C. AS and IS
- D. AD and IS

CORRECT ANSWER IS: AS and Philips Curve

227. QUESTION: Law of Okun describes the relationship between _____ and _____.

- A. output growth and IS
- B. Output growth and fall in unemployment
- C. Output growth and fall in employment
- D. IS and Fall in employment

CORRECT ANSWER IS: Output growth and fall in unemployment

228. QUESTION: The major issue of 1930s was _____.

- A. umemployment
- B. output
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Unemployment

229. QUESTION: In 1960s the major issue of economy was _____.

- A. Output
- B. Inflation
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Inflation

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230. QUESTION: During 1960s the problem of inflation was experienced in _____ countries.

- A. Communist
- B. Democratic
- C. Capitalist
- D. All of the above

CORRECT ANSWER IS: Capitalist

231. QUESTION: Which theory have been presented to address the issue of inflation.

- A. Demand Pull Inflation
- B. Cost Push Inflation
- C. Philips Curve Approach to Inflation
- D. All of the above

CORRECT ANSWER IS: All of the Above

232. QUESTION: In Capitalist countries along with inflation _____ problems have been experienced which triggered the concept of Macroeconomic stabilization.

- A. Unequal distribution of income
- B. Mis-allocation of resources
- C. BOP deficit and trade cycle
- D. All of the above

CORRECT ANSWER IS: All of the Above

233. QUESTION: Macroeconomic tools which stabilize economy are _____ and _____.

- A. Fiscal Policy, Monetary Policy
- B. Monetary Policy, Trade policy
- C. Fiscal Policy and Foreign Policy
- D. None of the above

CORRECT ANSWER IS: Fiscal Policy, Monetary Policy

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234. QUESTION: Keynesian prefer _____ over monetary policy for macroeconomic stabilization.

- A. Fiscal policy
- B. Trade policy
- C. education policy
- D. Health policy

CORRECT ANSWER IS: Fiscal policy

235. QUESTION: Monetarists prefer _____ over fiscal policy for macroeconomic stabilization.

- A. Monetary policy
- B. Trade policy
- C. education policy
- D. Health policy

CORRECT ANSWER IS: Monetary policy

236. QUESTION: Which school of thought is in the support of government intervention in economy.

- A. Keynesian Macro-economists
- B. Monetarist Macro-economists
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Keynesian Macro economists

237. QUESTION: Which school of thought is against government intervention in economy.

- A. Keynesian Macro-economists
- B. Monetarist Macro-economists
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Monetarist Macro-economists

238. QUESTION: Consumption function describe the relationship between _____ and _____.

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- A. Consumption, Income
- B. interest rate and income
- C. Consumption Saving
- D. None of the above

CORRECT ANSWER IS: Consumption, Income

239. QUESTION: There is _____ relationship between consumption and income.

- A. Negative
- B. Positive
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

240. QUESTION: Average Propensity to consume (APC) is equal to _____ divided by _____.

- A. Consumption, Income
- B. Income, Consumption
- C. Interest rate, Consumption
- D. Interest rate, income

CORRECT ANSWER IS: Consumption, Income

241. QUESTION: Marginal Propensity to consume is equal to change in _____ divided by change in _____.

- A. Consumption, Income
- B. Income, Consumption
- C. Interest rate, Consumption
- D. Interest rate, income

CORRECT ANSWER IS: Consumption, Income

242. QUESTION: There is _____ relationship between saving and income.

- A. Negative

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- B. Positive
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

243. QUESTION: Average propensity to save is equal to _____ divided by _____.

- A. Saving, Investment
- B. Saving, Income
- C. Consumption, income
- D. None of the above

CORRECT ANSWER IS: Saving, Income

244. QUESTION: Marginal Propensity to save (MPS) is equal to change in _____ divided by change in _____.

- A. Saving, Investment
- B. Saving, Income
- C. Consumption, income
- D. None of the above

CORRECT ANSWER IS: Saving, Income

245. QUESTION: MPC + MPS = _____.

- A. 1
- B. 2
- C. 3
- D. 4

CORRECT ANSWER IS: 1

246. QUESTION: According to Keynes income function describes the relationship between _____ and _____.

- A. Consumption, Income

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- B. Saving, Income
- C. Investment, Income
- D. None of the above

CORRECT ANSWER IS: Investment, income

247. QUESTION: According to Keynes investment function describe the relationship between _____ and _____.

- A. Consumption, Income
- B. Investment, Interest rate
- C. Investment, Income
- D. None of the above

CORRECT ANSWER IS: Investment, Interest rate

248. QUESTION: According to Prof. Clark investment is the function of _____.

- A. Income
- B. interest rate
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Income

249. QUESTION: Production Function describe the relationship between _____ and _____.

- A. Labor, Output
- B. output, price
- C. Investment, Income
- D. None of the above

CORRECT ANSWER IS: Labor, Output

250. QUESTION: Demand for labor function describe te relationship between _____ and _____.

- A. Real wages, demand for labor
- B. Nominal wages, demand for labor

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- C. Price, Demand for labor
- D. output, demand for labor

CORRECT ANSWER IS: Real wages, demand for labor

251. QUESTION: Supply of labor function describe the relationship between _____ and _____.

- A. Real wages, supply for labor
- B. Nominal wages, supply for labor
- C. Price, supply of labor
- D. None of the above

CORRECT ANSWER IS: Real wages, supply for labor

252. QUESTION: There is _____ relationship between supply of labor and real wages.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

253. QUESTION: There is _____ relationship between demand of labor and real wages.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Negative

254. QUESTION: There is _____ relationship between investment and rate of interest.

- A. Positive
- B. Negative
- C. No
- D. None of the above

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CORRECT ANSWER IS: Negative

255. QUESTION: There is _____ relationship between investment and income.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

256. QUESTION: Demand for money function describe the relation between _____ and _____.

- A. rate of interest, demand for money
- B. rate of interest, saving
- C. rate of interest, investment
- D. None of the above

CORRECT ANSWER IS: rate of interest, demand for money

257. QUESTION: There is _____ relationship between rate of interest and demand for money.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Negative

258. QUESTION: The supply of money function describes the relationship between _____ and _____.

- A. interest rate, money supply
- B. interest rate and income
- C. interest rate money demand
- D. None of the above

CORRECT ANSWER IS: interest rate, money supply

259. QUESTION: There is _____ relationship between interest rate and supply of money.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

260. QUESTION: According to classical and modern economists inflation function describe the relationship between _____ and _____.

- A. Money supply, Inflation
- B. Money Demand, Inflation
- C. Money supply, Money demand
- D. None of the above

CORRECT ANSWER IS: Money supply, Inflation

261. QUESTION: There is _____ relationship between money supply and inflation.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

262. QUESTION: Import function describe the relationship between _____ and _____.

- A. Import, export
- B. import, tariff
- C. import, income
- D. None of the above

CORRECT ANSWER IS: import, income

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263. QUESTION: There is _____ relationship between import and income.

- A. Positive
- B. Negative
- C. No
- D. None of the above

CORRECT ANSWER IS: Positive

264. QUESTION: Average propensity to import is equal to _____ divided by _____.

- A. income, import
- B. import, income
- C. income, export
- D. None of the above

CORRECT ANSWER IS: import, income

265. QUESTION: Marginal propensity to import is equal to the change in _____ divided by the change in _____.

- A. Import, export
- B. import, income
- C. income, export
- D. income, import

CORRECT ANSWER IS: import, income

266. QUESTION: Stock variable is measured _____.

- A. at point in time
- B. over an interval of time
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: at point in time

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267. QUESTION: Flow variables are measured _____.

- A. at point in time
- B. over an interval of time
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: over an interval of time

268. QUESTION: Endogenous variables are _____ variables.

- A. independent variables
- B. depended variables
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: depended variables

269. QUESTION: Exogenous variables are _____ variables.

- A. independent variables
- B. depended variables
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: Independent variables

270. QUESTION: An economic model is consist of _____ variables.

- A. endogenous variable
- B. exogenous variables
- C. stock variables
- D. Both a and b

CORRECT ANSWER IS: Both a & b

271. QUESTION: GDP stands for _____.

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- A. Gross Domestic Product
- B. Gross Durable Product
- C. Gross Development Products
- D. None of the above

CORRECT ANSWER IS: Gross Domestic Product

272. QUESTION: GNP stands for _____.

- A. Gross National Product
- B. Gross Non-Durable Product
- C. Gross Non-development product
- D. None of the above

CORRECT ANSWER IS: Gross National Product

273. QUESTION: NNP stands for _____.

- A. Net National Product
- B. Net Non-durable Product
- C. Net Non-development Product
- D. None of the above

CORRECT ANSWER IS: Net National Product

274. QUESTION: NI stands for _____.

- A. National Income
- B. National Investment
- C. National Interest rate
- D. All of the above

CORRECT ANSWER IS: National Income

275. QUESTION: PI stands for _____.

- A. Permanent Income
- B. Partial Income

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- C. Personal Income
- D. Personal Investment

CORRECT ANSWER IS: Personal Income

276. QUESTION: DPI stands for _____.

- A. Disposable Permanent Income
- B. Disposable Personal Income
- C. Disposable Permanent Investment
- D. Disposable Personal Investment

CORRECT ANSWER IS: Disposable Personal Income

277. QUESTION: GDP is defined as the _____.

- A. Gross national product (GNP) is an estimate of total value of all the final products and services produced in a given period by the means of production owned by residents of a country.
- B. Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a borders of a country in a specific time period.
- C. the total amount of money earned within a country.
- D. All of the above

CORRECT ANSWER IS: Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a borders of a country in a specific time period.

278. QUESTION: GNP is defined as the _____.

- A. Gross national product (GNP) is an estimate of total value of all the final products and services produced in a given period by the means of production owned by residents of a country.
- B. Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a borders of a country in a specific time period.
- C. the total amount of money earned within a country.
- D. All of the above

CORRECT ANSWER IS: Gross national product (GNP) is an estimate of total value of all the final products and services produced in a given period by the means of production owned by residents of a country.

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279. QUESTION: National Income is defined as the _____.

- A. Gross national product (GNP) is an estimate of total value of all the final products and services produced in a given period by the means of production owned by residents of a country.
- B. Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a borders of a country in a specific time period.
- C. the total amount of money earned within a country.
- D. All of the above

CORRECT ANSWER IS: the total amount of money earned within a country.

280. QUESTION: Closed economy implies that there is no _____ in country.

- A. Investment
- B. Saving
- C. Trade
- D. All of the above

CORRECT ANSWER IS: Trade

281. QUESTION: $GDP (Y) = Consumption (C) + Investment (I) + Govt. Expenditures (G) + Net Exports (NX(X-M))$

- A. It is an open economy Equation
- B. It is a closed economy equation
- C. Both a & b
- D. None of the above

CORRECT ANSWER IS: It is an open economy Equation

282. QUESTION: GNP = _____.

- A. GDP + Foreign Remittances
- B. GDP - Foreign Remittances
- C. NI + Foreign Remittances
- D. NI - Foreign Remittances

CORRECT ANSWER IS: GDP + Foreign Remittances

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283. QUESTION: NNP = _____.

- A. GNP + Depreciation Allowance
- B. GNP - Depreciation Allowance
- C. GDP + Depreciation Allowance
- D. GDP - Depreciation Allowance

CORRECT ANSWER IS: GNP - Depreciation Allowance

284. QUESTION: NI = _____.

- A. NNP- Indirect Taxes + Subsidies
- B. NNP + Indirect Taxes - Subsidies
- C. NNP- Indirect Taxes
- D. NNP + Subsidies

CORRECT ANSWER IS: NNP- Indirect Taxes + Subsidies

285. QUESTION: PI = _____.

- A. NI + Transfer Payments
- B. NI + Transfer Payments - Tax on Profit
- C. NI + Transfer Payments - Tax on Profit - Undistributed Profit
- D. NI

CORRECT ANSWER IS: NI + Transfer Payments - Tax on Profit - Undistributed Profit

286. QUESTION: DPI = _____.

- A. PI - Personal Taxes
- B. PI - Personal indirect taxes
- C. PI - Personal Direct Taxex
- D. PI

CORRECT ANSWER IS: PI - Personal Taxes

287. QUESTION: Father of political economy

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- A. Adam Smith
- B. Malthus
- C. Marshall
- D. Samuelson

CORRECT ANSWER IS: Adam Smith

288. QUESTION: In economics, assumptions:

- A. make economic theory useless
- B. mean other things equal
- C. enable economists to simplify reality
- D. used in micro and not in macroeconomist

CORRECT ANSWER IS: enable economists to simplify reality

289. QUESTION: Economics

- A. is more important than mathematics
- B. is a social science
- C. should be made compulsory for every student
- D. none of them

CORRECT ANSWER IS: is a social science

290. QUESTION: Market system means

- A. socialism
- B. capitalism
- C. a place where goods are traded
- D. all of them

CORRECT ANSWER IS: capitalism

291. QUESTION: "Everyone should study economics"

- A. is a positive statement
- B. is a normative statement

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- C. is a true statement
- D. is nonsense

CORRECT ANSWER IS: is a normative statement

292. QUESTION: Who described economics as a science of material welfare?

- A. Robbins
- B. Marshall
- C. Ricardo
- D. Keynes

CORRECT ANSWER IS: Marshall

293. QUESTION: A positive statement

- A. concerns 'what is'
- B. is always accurate
- C. deals with values and opinions
- D. cannot be tested in the real world

CORRECT ANSWER IS: concerns 'what is'

294. QUESTION: Economic law

- A. must be followed
- B. is hated by people
- C. show economic behavior of people
- D. is unscientific

CORRECT ANSWER IS: show economic behavior of people

295. QUESTION: One or more persons living together and having a common budget is called

- A. a family
- B. organisation
- C. household
- D. all commodities in house

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CORRECT ANSWER IS: household

296. QUESTION: Utility and usefulness are

- A. equal
- B. different
- C. similar
- D. unrelated

CORRECT ANSWER IS: different

297. QUESTION: Economics laws are

- A. exact
- B. approximate
- C. brief
- D. definite

CORRECT ANSWER IS: approximate

298. QUESTION: Normative economics

- A. deals solely with the facts
- B. is never studied in colleges
- C. involves opinions and interpretations
- D. is clearly preferable to positive economics

CORRECT ANSWER IS: involves opinions and interpretations

299. QUESTION: Adam Smith was a

- A. Saint
- B. a modern economist
- C. good sports man
- D. classical economist

CORRECT ANSWER IS: classical economist

300. QUESTION: "Wealth of Nations" was written in

- A. 1976
- B. 1876
- C. 1776
- D. 1676

CORRECT ANSWER IS: 1776

301. QUESTION: Rotten eggs are

- A. free good
- B. economic good
- C. service
- D. wealth

CORRECT ANSWER IS: free good

302. QUESTION: Scarcity means that

- A. non-availability of goods
- B. high price of goods
- C. less supply than demand
- D. high profit of the firms

CORRECT ANSWER IS: less supply than demand

303. QUESTION: Economics laws are

- A. scientific
- B. natural
- C. moral
- D. unreal

CORRECT ANSWER IS: scientific

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304. QUESTION: Basic economic problem is

- A. inflation
- B. unemployment
- C. poverty
- D. scarcity

CORRECT ANSWER IS: scarcity

305. QUESTION: Marshall in his definition of economics

- A. uses the concept of material welfare
- B. dislikes wealth
- C. accuses Adam Smith
- D. praises Robbins

CORRECT ANSWER IS: uses the concept of material welfare

306. QUESTION: Economic principles are also called

- A. economic law
- B. economic theory
- C. economic model
- D. all of them

CORRECT ANSWER IS: all of them

307. QUESTION: Scarcity means that

- A. non-availability of goods
- B. high price of goods
- C. nobody wants to consume it
- D. the good is available but it is not free

CORRECT ANSWER IS: the good is available but it is not free

308. QUESTION: Validity of economic theories can never be proved with 100 percent certainty because

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- A. Ceteris paribus clause
- B. limited number of observation is possible
- C. some observation will be made in future which refute the theory
- D. b and c

CORRECT ANSWER IS: Ceteris paribus clause

309. QUESTION: Economics is a science

- A. spiritual
- B. social
- C. dismal
- D. moral

CORRECT ANSWER IS: social

310. QUESTION: Microeconomics concentrates

- A. in only poor countries
- B. in a country that uses resources inefficiently
- C. when society produces unimportant or silly goods
- D. in all countries of the world

CORRECT ANSWER IS: in all countries of the world

311. QUESTION: "Wealth of Nations"

- A. is another name for United Nations
- B. is a book
- C. indicates total wealth of rich countries
- D. contains formulas to earn wealth

CORRECT ANSWER IS: is a book

312. QUESTION: "Wealth of Nations" was written by

- A. Adam Smith
- B. Malthus

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- C. Marshall
- D. Newton

CORRECT ANSWER IS: Adam Smith

313. QUESTION: The basic economic problem common to all societies is

- A. the elimination of scarcity
- B. scarcity cannot be eliminated
- C. equal distribution of wealth
- D. the achievement of full employment

CORRECT ANSWER IS: scarcity cannot be eliminated

314. QUESTION: Economics problems arise because of

- A. greed
- B. scarcity
- C. dishonesty
- D. laziness

CORRECT ANSWER IS: scarcity

315. QUESTION: Microeconomics concentrates

- A. on inflation
- B. international economic relations
- C. individual economic units
- D. economic development of Pakistan

CORRECT ANSWER IS: individual economic units

316. QUESTION: Marshall wrote the book

- A. introduction to economics
- B. principles of economics
- C. classical economics
- D. microeconomic theory

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CORRECT ANSWER IS: principles of economics

317. QUESTION: Select the correct statement

- A. economics affect politics
- B. economics affects history
- C. geography effects economics
- D. all of them

CORRECT ANSWER IS: all of them

318. QUESTION: Human wants are

- A. one thousand
- B. few
- C. innumerable
- D. countable

CORRECT ANSWER IS: innumerable

319. QUESTION: Which statement relates to macroeconomics?

- A. oil prices are rising in Pakistan
- B. profit rate is high in textile industry
- C. the firms try to make huge profits
- D. the government has failed to control inflation

CORRECT ANSWER IS: the government has failed to control inflation

320. QUESTION: Macroeconomics deals with

- A. how to buy groceries
- B. aggregate economic activity
- C. establishment of a new firm
- D. industrial activity

CORRECT ANSWER IS: aggregate economic activity

321. QUESTION: Economic theory means

- A. economic policy
- B. principles of economics
- C. descriptive economics
- D. economics facts

CORRECT ANSWER IS: principles of economics

322. QUESTION: Professor Marshall thinks

- A. economics studies national welfare
- B. economics studies personal welfare
- C. economics studies total welfare
- D. economics studies material welfare

CORRECT ANSWER IS: economics studies material welfare

323. QUESTION: Which statements is true?

- A. economics is a physical and normative science
- B. economics is social and natural science
- C. economics is physical and positive science
- D. economics is a social and normative science

CORRECT ANSWER IS: economics is a social and normative science

324. QUESTION: Three basic economic problems

- A. what, how and for whom
- B. why, where and when
- C. what, which and how much
- D. what, which, why

CORRECT ANSWER IS: what, how and for whom

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325. QUESTION: Robbins in his definition

- A. talks of scarcity of resources
- B. preaches moral values
- C. advises neutrality in economics
- D. none of them

CORRECT ANSWER IS: talks of scarcity of resources

326. QUESTION: Ceteris paribus means:

- A. other things equal
- B. all variables are independent
- C. enable economists to simplify reality
- D. that no other assumptions are made

CORRECT ANSWER IS: other things equal

327. QUESTION: Elinor Ostrom and Oliver Williamson are the Nobel Prize Laureates in Economics in 2009. Do you know in which year Francois Quesnay's Tableau Economique published?

- A. 1767
- B. 1764
- C. 1761
- D. 1758

CORRECT ANSWER IS: 1758

328. QUESTION: What was the nationality of Frederic List?

- A. American
- B. German
- C. British
- D. Finnish

CORRECT ANSWER IS: German

329. QUESTION: Which of the following is not the work of J.B. Clark?

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- A. Philosophy of Wealth
- B. The Control of Trusts
- C. Economics of Overhead Costs
- D. The problem of Monopoly

CORRECT ANSWER IS: Economics of Overhead Costs

330. QUESTION: Identify the Indian Economist who was given an honorary knighthood by the British Government in 1990 for his wide-ranging contribution to education, development economics and finance:

- A. I.G. Patel
- B. A.K. Sen
- C. K.N. Raj
- D. V.K.R.V. Rao

CORRECT ANSWER IS: I.G. Patel

331. QUESTION: Identify the author of "The Social Framework".

- A. R.G.D. Alien
- B. J.R. Hicks
- C. R.F. Harrod
- D. A.C. Pigou

CORRECT ANSWER IS: J.R. Hicks

332. QUESTION: Identify the author of "The Affluent Society":

- A. J.K. Galbraith
- B. Gunnar Myrdal
- C. John Strachey
- D. N. Kaldor

CORRECT ANSWER IS: J.K. Galbraith

333. QUESTION: Identify the author of "The Principles of Political Economy and Taxation".

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- A. Alfred Marshall
- B. David Ricardo
- C. J.S. Mill
- D. A. Turgot

CORRECT ANSWER IS: David Ricardo

334. QUESTION: "The Purchasing Power Parity Theory" came into prominence in 1916 through the writings of

- A. J.M. Keynes
- B. L.E. von Miser
- C. Gustav Cassel
- D. F.A. von Hayek

CORRECT ANSWER IS: Gustav Cassel

335. QUESTION: Identify the economist who propounded the "Time Preference Theory of Interest":

- A. Nassau Senior
- B. Bohm Bawerk
- C. J.M. Keynes
- D. K. Wicksell

CORRECT ANSWER IS: Bohm Bawerk

336. QUESTION: Identify the author of "Poverty Under British Rule in India":

- A. R.C. Dutt
- B. Dadabhai Naoroji
- C. Raja Rammohun Roy
- D. Surendranath Banerjea

CORRECT ANSWER IS: Dadabhai Naoroji

337. QUESTION: Who in particular advocated the long-term capital gains tax?

- A. J.M. Keynes
- B. J.K. Galbraith

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- C. N. Kaldor
- D. F. H. Knight

CORRECT ANSWER IS: N. Kaldor

338. QUESTION: Who is generally regarded as the founder of the "Classical School"?

- A. David Ricardo
- B. Adam Smith
- C. T.R. Malthus
- D. J.S. Mill

CORRECT ANSWER IS: Adam Smith

339. QUESTION: The input-output analysis owes its origin and development to

- A. W.W. Leontief
- B. R.F. Harrod
- C. E.D. Domar
- D. Alfred Marshall

CORRECT ANSWER IS: W.W. Leontief

340. QUESTION: Who developed the concept of "Representative Firm"?

- A. A.C. Pigou
- B. Alfred Marshall
- C. J.M. Keynes
- D. A.W.H. Phillips

CORRECT ANSWER IS: Alfred Marshall

341. QUESTION: Capital and Development Planning is the work of

- A. S. Chakravarty
- B. W.A. Lewis
- C. A.K. Dasgupta
- D. N. Kaldor

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CORRECT ANSWER IS: S. Chakravarty

342. QUESTION: Which of the following is the work of Paul Baran?

- A. The Political Economy of Growth
- B. Essays on Economic Planning
- C. Economic Development
- D. Soviet Economic Development since 1917

CORRECT ANSWER IS: The Political Economy of Growth

343. QUESTION: Identify the economist who had little formal education and started working in the money market at an early age of fourteen.

- A. David Ricardo
- B. Adam Smith
- C. V.F.D. Pareto
- D. A.A. Cournot

CORRECT ANSWER IS: David Ricardo

344. QUESTION: Who wrote "An Introduction to Positive Economics"?

- A. R. G. Lipsey
- B. Paul A. Samuelson
- C. G.B. Richardson
- D. W.J. Baumol

CORRECT ANSWER IS: R. G. Lipsey

345. QUESTION: Identify the work of T. Schultz:

- A. transforming traditional agriculture
- B. productivity and technical change
- C. jobs, poverty and the Green Revolution
- D. The Green Revolution: Generations of Problems

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CORRECT ANSWER IS: transforming traditional agriculture

346. QUESTION: Who is the author of "Choice of Technique"?

- A. K.N. Raj
- B. Amartya Sen
- C. W.B. Redaway
- D. J.R. Harris

CORRECT ANSWER IS: Amartya Sen

347. QUESTION: With which of the following is the name of Jacob Viner associated?

- A. Single factorial terms of trade
- B. Utility terms of trade
- C. Net barter terms of trade
- D. Income terms of trade

CORRECT ANSWER IS: Single factorial terms of trade

348. QUESTION: "The labor of Nature is paid, not because she does much, but because she does little. In proportion as she becomes niggardly in her gifts, she exacts a great price for her work." Who made this observation?

- A. Adam Smith
- B. T.R. Malthus
- C. David Ricardo
- D. Lauderdale

CORRECT ANSWER IS: Lauderdale

349. QUESTION: Identify the author of "Mathematical Analysis for Economists".

- A. J.P. Lewis
- B. R.G.D Alien
- C. Russell Mathews
- D. B.J. Cohen

CORRECT ANSWER IS: R.G.D Alien

350. QUESTION: Which of the following does not match?

- A. J.R. Hicks: Capital and Growth
- B. C.P. Kindleberger: Economic Development
- C. H. Myint: Economic Theory and Underdeveloped Regions
- D. E.H. Phelps-Brown: The Economics of Labor

CORRECT ANSWER IS: H. Myint: Economic Theory and Underdeveloped Regions

351. QUESTION: Identify the author of "Employment Aspects of Planning in Underdeveloped Countries":

- A. R. Nurkse
- B. G. Myrdal
- C. K.N. Raj
- D. W.A. Lewis

CORRECT ANSWER IS: K.N. Raj

352. QUESTION: Who first formulated the "Marginal Productivity Theory of Distribution"?

- A. J.B. Clark
- B. F.H. Knight
- C. J.A. Schumpeter
- D. I. Euler

CORRECT ANSWER IS: J.B. Clark

353. QUESTION: Who wrote "A contribution to the Theory of Trade Cycle"?

- A. N. Kaldor
- B. J.R. Hicks
- C. J.S. Duesenberry
- D. A.H. Hansen

CORRECT ANSWER IS: J.R. Hicks

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354. QUESTION: Who first raised fears of a world food shortage?

- A. David Ricardo
- B. T.R. Malthus
- C. J.S. Mill
- D. J. B. Say

CORRECT ANSWER IS: T.R. Malthus

355. QUESTION: Which of the following is not correctly method?

- A. Lionel Robbins: The Great Depression
- B. D.H. Robertson: Essays in Monetary Theory
- C. A.C. Pigou: Principles and Methods of Industrial Peace
- D. R.F. Harrod: Income and Money

CORRECT ANSWER IS: R.F. Harrod: Income and Money

356. QUESTION: Which of the following Alfred Marshall's works was first published?

- A. The Pure Theory of Foreign Trade
- B. The Principles of Economics
- C. Industry and Trade
- D. Money, Credit and Commerce

CORRECT ANSWER IS: The Pure Theory of Foreign Trade

357. QUESTION: Identify the author of "The Trade Cycle":

- A. J.M. Clark
- B. R.C. Mathews
- C. A.H. Hansen
- D. Maurice Dobb

CORRECT ANSWER IS: R.C. Mathews

358. QUESTION: Which one of the following is the work of A.C. Pigou?

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- A. Economics of Welfare
- B. Industry and Trade
- C. Input-output Economics
- D. Full employment in a Free Society

CORRECT ANSWER IS: Economics of Welfare

359. QUESTION: Which is the work of R.F. Harrod?

- A. Towards a Dynamic Economics
- B. The Trade Cycle: An essay
- C. Reforming the World's Money
- D. The Gold Standard in Theory and Practice

CORRECT ANSWER IS: The Gold Standard in Theory and Practice

360. QUESTION: When was Adam Smith's major work "An Enquiry into the Nature and Causes of Wealth of Nations" published?

- A. 1756
- B. 1766
- C. 1776
- D. 1786

CORRECT ANSWER IS: 1776

361. QUESTION: Who among the following well-known economists graduated from the London School of Economics?

- A. J. M. Keynes
- B. N. Kaldor
- C. Alfred Marshall
- D. F.A. von Hayek

CORRECT ANSWER IS: N. Kaldor

362. QUESTION: Who first used the term 'quasi-rent'?

- A. David Ricardo

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- B. Alfred Marshall
- C. J.S. Mill
- D. Karl Marx

CORRECT ANSWER IS: Alfred Marshall

363. QUESTION: The theory of Monopolistic Competition was developed in the 1930s, almost simultaneously and independently by two well-known economists. One was E.H. Chamberlin. Who was the other?

- A. Joan Robinson
- B. Alfred Marshall
- C. J.K. Galbraith
- D. A\ C. Pigou

CORRECT ANSWER IS: Joan Robinson

364. QUESTION: Who is the author of the famous work "Asian Drama": An Enquiry into the Causes of Poverty of Nations?

- A. Paul Streeten
- B. Irving Fisher
- C. Gunnar Myrdal
- D. Kingsley Davis

CORRECT ANSWER IS: Gunnar Myrdal

365. QUESTION: Who among the following Noble Prize winners is an American economist?

- A. Richard Stone
- B. Ranger Frisch
- C. Lawrence Klein
- D. James E. Meade

CORRECT ANSWER IS: Lawrence Klein

366. QUESTION: "The real price of every thing, what every thing really costs to the man who wants to require it, is the toil and trouble of acquiring it." Who made this statement?

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- A. Karl Marx
- B. Adam Smith
- C. David Ricardo
- D. J.S. Mill

CORRECT ANSWER IS: Adam Smith

367. QUESTION: "The Strategy of Economic Development" is the work of

- A. S. Kuznets
- B. H. Liebenstein
- C. H. Myint
- D. A. O. Hirshman

CORRECT ANSWER IS: A. O. Hirshman

368. QUESTION: How old was Alfred Marshall when he died?

- A. 80 years
- B. 82 years
- C. 85 years
- D. 90 years

CORRECT ANSWER IS: 82 years

369. QUESTION: Which of the following is not the work of J.A. Schumpeter?

- A. Theory of Economic Development
- B. Readings in Economics
- C. History of Economic Analysis
- D. Business Cycles

CORRECT ANSWER IS: Readings in Economics

370. QUESTION: Who among the following served as Professor of Economics at Harvard?

- A. E.H. Chamberlin
- B. N. Kaldor

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C. J.M. Keynes

D. A.C. Pigou

CORRECT ANSWER IS: E.H. Chamberlin

371. QUESTION: "The General Theory of Employment, Interest and Money" is the major work of:

- A. N. Kaldor
- B. Alfred Marshall
- C. F.A. Hayek
- D. J.M. Keynes

CORRECT ANSWER IS: J.M. Keynes

372. QUESTION: "Rent is a creation of value, not of wealth." Who made this observation?

- A. Adam Smith
- B. David Ricardo
- C. Alfred Marshall
- D. A. C. Pigou

CORRECT ANSWER IS: David Ricardo

373. QUESTION: Who is the author of "Problems of Capital Formation in Underdeveloped Countries"?

- A. R. Nurkse
- B. N. Kaldor
- C. S. Kuznets
- D. J.N. Bhagwati

CORRECT ANSWER IS: R. Nurkse

374. QUESTION: Among the following Nobel Prize winners for Economics one is an Austrian economist. Identify him.

- A. George Stigler
- B. F.A. von Hayek
- C. Simon Kuznets
- D. Herbert A. Simon

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CORRECT ANSWER IS: F.A. von Hayek

375. QUESTION: Who is the author of Capitalism, Yesterday and Today?

- A. Karl Marx
- B. M. Dobb
- C. J.A. Schumpeter
- D. J.K. Galbraith

CORRECT ANSWER IS: M. Dobb

376. QUESTION: The Cambridge School refers to the group of English economists who came under the influence of

- A. Alfred Marshall
- B. J.M. Keynes
- C. E.H. Chamberlin
- D. D.H. Robertson

CORRECT ANSWER IS: Alfred Marshall

377. QUESTION: At which university was W.W. Leontief appointed Professor of Economics in 1946?

- A. London School of Economics
- B. University of Chicago
- C. Harvard University
- D. University of Kiel

CORRECT ANSWER IS: University of Kiel

378. QUESTION: In which year was the first volume of Das Capital by Karl Marx published?

- A. 1848
- B. 1859
- C. 1867
- D. 1873

CORRECT ANSWER IS: 1867

379. QUESTION: Identify the work of Irving Fisher:

- A. A Treatise on Money
- B. Policy Against Inflation
- C. The making of Index Numbers
- D. Monetary Theory

CORRECT ANSWER IS: The making of Index Numbers

380. QUESTION: Who used the term consumption capital for consumers goods?

- A. Karl Marx
- B. W.S. Jevons
- C. Alfred Marshall
- D. M.E.L. Walras

CORRECT ANSWER IS: Alfred Marshall

381. QUESTION: Identify the work by Amartya Sen:

- A. Employment Technology and Development
- B. The Economics of Developing Countries
- C. India's Green Revolution Economic Gains and Political Costs
- D. Land Reforms and Economic Development

CORRECT ANSWER IS: Employment Technology and Development

382. QUESTION: "The Modern or Neo-Keynesian Theory of Interest" owes its development largely to the efforts of:

- A. J.R. Hicks
- B. Gunnar Myrdal
- C. B. Ohlin
- D. D.H. Robertson

CORRECT ANSWER IS: J.R. Hicks

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383. QUESTION: Who among the following economists is not a Noble Prize winner?

- A. Paul A. Samuelson
- B. Simon Kuznets
- C. Robert M. Solow
- D. Joan Robinson

CORRECT ANSWER IS: Joan Robinson

384. QUESTION: The Critique of Political Economy, the first fruits of Karl Marx's long painstaking research at the British Museum, appeared in

- A. 1859
- B. 1857
- C. 1855
- D. 1853

CORRECT ANSWER IS: 1859

385. QUESTION: Who wrote "There are no longer any believers in Laissez-faire except on the lunatic fringe the truth is that we are all planners now"?

- A. E.F. Durbin
- B. H.R. Dickenson
- C. W.A. Lewis
- D. J. Tinbergen

CORRECT ANSWER IS: W.A. Lewis

386. QUESTION: Whose words are these? "We might as reasonable dispute whether it is the upper or the under blade of a pair of scissors that cuts a piece of paper as whether value is governed by utility or cost of production."

- A. Alfred Marshall
- B. W.S. Jevons
- C. J.S. Mill
- D. David Ricardo

CORRECT ANSWER IS: Alfred Marshall

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387. QUESTION: Identify the nationality of the 1997 Economics Noble Prize winner Bertil Ohlion:

- A. Swedish
- B. Norwegian
- C. German
- D. American

CORRECT ANSWER IS: Swedish

388. QUESTION: Who wrote "Economics of Imperfect Competition"?

- A. E.H. Chamberlin
- B. Joan Robinson
- C. E.A.G. Robinson
- D. J.R. Hicks

CORRECT ANSWER IS: Joan Robinson

389. QUESTION: Which of the following is not the work of Paul A. Samuelson?

- A. Foundation of Economic Analysis
- B. History of Economic Analysis
- C. Readings in Economics
- D. Linear Programming and Economic Analysis

CORRECT ANSWER IS: History of Economic Analysis

390. QUESTION: The Communist Manifesto, written jointly by Marx and Engel's, was published in

- A. 1843
- B. 1848
- C. 1853
- D. 1859

CORRECT ANSWER IS: 1848

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391. QUESTION: Who coined the phrase 'a temporary abode of purchasing power' while explaining the concept of money?

- A. Francis Walker
- B. Milton Friedman
- C. D.H. Robertson
- D. J.M. Keynes

CORRECT ANSWER IS: Milton Friedman

392. QUESTION: Who introduced the concept of "Elasticity of Demand into Economic Theory"?

- A. K. Wicksell
- B. Alfred Marshall
- C. J.S. Mill
- D. A.C. Pigou

CORRECT ANSWER IS: Alfred Marshall

393. QUESTION: Which one of the following has been the most influential work of F.H. Knight?

- A. Freedom and Reform
- B. The Economic Organisation
- C. The Economic Order and Religion
- D. Risk, Uncertainty and Profit

CORRECT ANSWER IS: Risk, Uncertainty and Profit

394. QUESTION: Gunnar Myrdal was awarded Noble Prize for Economics in 1974. What is his nationality?

- A. Norwegian
- B. Dutch
- C. Swedish
- D. American

CORRECT ANSWER IS: Swedish

395. QUESTION: In which year was Paul A. Samuelson awarded the Nobel Prize for Economics?

- A. 1970
- B. 1968
- C. 1966
- D. 1964

CORRECT ANSWER IS: 1970

396. QUESTION: Who stated explicitly for the first time the law of comparative costs?

- A. David Ricardo
- B. Adam Smith
- C. James Mill
- D. Thomas Mun

CORRECT ANSWER IS: David Ricardo

397. QUESTION: Who developed the "Keynesian Theory of Distribution"?

- A. J.M. Keynes
- B. N. Kaldor
- C. C.P. Kindleberger
- D. Joan Robinson

CORRECT ANSWER IS: N. Kaldor

398. QUESTION: Though the concept of consumers surplus can be traced back to the French Engineer economist Dupuit, it was another economist who gave a precise formulation stating the necessary assumption of this concept. Identify the economist.

- A. Alfred Marshall
- B. W.S. Jevons
- C. F.W. Taussig
- D. J.S. Mill

CORRECT ANSWER IS: Alfred Marshall

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399. QUESTION: Who first formulated the Revealed Preference Approach to free the theory of consumer behavior from the constraint of traditional concept of utility?

- A. Paul A. Samuelson
- B. John Robinson
- C. J.R. Hicks
- D. R.G.D. Alien

CORRECT ANSWER IS: Paul A. Samuelson

400. QUESTION: Who started explicitly for the first time the Law of Comparative Costs in the context of the theory of international trade?

- A. David Ricardo
- B. Alfred Marshall
- C. F.W. Taussig
- D. A.C. Pigou

CORRECT ANSWER IS: David Ricardo

401. QUESTION: Identify the economist who first developed the Theory of Income Determination in its modern form:

- A. Paul A. Samuelson
- B. J.M. Keynes
- C. Joan Robinson
- D. J.K. Galbraith

CORRECT ANSWER IS: J.M. Keynes

402. QUESTION: Identify the school founded by William Roscher:

- A. Austrian School
- B. Historical School
- C. Cambridge School
- D. Mathematical School

CORRECT ANSWER IS: Historical School

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403. QUESTION: Identify the economist who propounded the "Liquidity Preference Theory of Interest":

- A. K. Wicksell
- B. Nassau Senior
- C. D.H. Robertson
- D. J.M. Keynes

CORRECT ANSWER IS: J.M. Keynes

404. QUESTION: Who succeeded Alfred Marshall as Professor of Political Economy at Cambridge?

- A. A.C. Pigou
- B. D.H. Robertson
- C. J.M. Keynes
- D. F.H. Knight

CORRECT ANSWER IS: A.C. Pigou

405. QUESTION: Which of the following is the work of E.H. Chamberlin?

- A. Theory of Monopolistic Competition
- B. Towards a more General Theory of Value
- C. The Economic Analysis of Labor Union Power
- D. all of them

CORRECT ANSWER IS: all of them

406. QUESTION: With which of the following concepts is the name of J.M. Keynes particularly associated?

- A. Marginal prosperity to save
- B. Marginal prosperity to consume
- C. Liquidity preference
- D. all of them

CORRECT ANSWER IS: all of them

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407. QUESTION: How many economists were awarded the Nobel Prize for Economics in 1990?

- A. one
- B. two
- C. three
- D. four

CORRECT ANSWER IS: three

408. QUESTION: One of the following economists do not belong to the Austrian School. Identify them.

- A. J.S. Mill
- B. Karl Menger
- C. F. Von Wieser
- D. E. von Bohm-Bawerk

CORRECT ANSWER IS: J.S. Mill

409. QUESTION: Which one of the following does not match?

- A. Amartya Sen - Harvard
- B. Jagdish Bhagwati - Princeton
- C. T.N. Srinivasan - Yale
- D. P.S. Dasgupta - Cambridge

CORRECT ANSWER IS: Jagdish Bhagwati - Princeton

410. QUESTION: Which one among the following does not match?

- A. Adam Smith - Classical School
- B. Karl Menger - Austrian School
- C. A. C. Pigou - Cambridge School
- D. W.S. Jevons - Historical School

CORRECT ANSWER IS: W.S. Jevons - Historical School

411. QUESTION: Which one of the following theories of trade cycle was propounded by W.S. Jevons?

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- A. Sunspot Theory
- B. Monetary Theory
- C. Saving-Investment Theory
- D. Innovation Theory

CORRECT ANSWER IS: Sunspot Theory

412. QUESTION: Which of the following is generally regarded as the true index of economic growth?

- A. an increase in national income at constant prices during a year
- B. a sustained increase in real per capita income
- C. an increase in national income at current prices over time
- D. an increase in national income along with a corresponding increase in population

CORRECT ANSWER IS: a sustained increase in real per capita income

413. QUESTION: Identify the main factor which according to Malthus makes an economy move downwards in the long run subsistence level:

- A. population pressure
- B. overproduction
- C. excess savings
- D. exploitation of workers

CORRECT ANSWER IS: population pressure

414. QUESTION: The classical theory of economic development is of relevance for the less developed countries today because it lays emphasis on

- A. need for favorable institutional and social initiatives
- B. extension of markets
- C. capital accumulation
- D. all of them

CORRECT ANSWER IS: all of them

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415. QUESTION: The capital-output ratio in developed countries is

- A. generally fluctuating
- B. fairly stable
- C. rigidly stationary
- D. gradually increasing

CORRECT ANSWER IS: fairly stable

416. QUESTION: In which sphere are shadow prices particularly useful?

- A. project evaluation and cost-benefit analysis
- B. calculation of surplus value
- C. sales policy of firms
- D. consumers equilibrium

CORRECT ANSWER IS: project evaluation and cost-benefit analysis

417. QUESTION: Which model formed the basis of India's second five year plan?

- A. Harrod-Domar
- B. Raj-Sen
- C. Cambridge
- D. Mahalanobis

CORRECT ANSWER IS: Mahalanobis

418. QUESTION: The concept of economic growth is

- A. identical with the concept of economic development
- B. narrower than the concept of economic development
- C. wider as compared to that of economic development
- D. unrelated to the concept of economic development

CORRECT ANSWER IS: narrower than the concept of economic development

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419. QUESTION: Which of the following measures, according to Malthus would be helpful in raising and maintaining demand at a higher level?

- A. maintaining unproductive consumption of luxury goods
- B. expansion of internal and external trade
- C. ensuring employment to the poor in public works
- D. all of them

CORRECT ANSWER IS: all of them

420. QUESTION: According to the neo-classical theory, economic development is

- A. gradual
- B. harmonious
- C. cumulative
- D. all of them

CORRECT ANSWER IS: all of them

421. QUESTION: The incremental capital-output ratio (ICOR) refers to the

- A. ratio of investment to change in output
- B. ratio of capital stock to the total output
- C. marginal productivity of capital
- D. relationship between investment that is financed by the citizens of a country and the income enjoyed by them

CORRECT ANSWER IS: ratio of investment to change in output

422. QUESTION: Identify the economist who first advocated a rolling plan for developing countries?

- A. J. Robinson
- B. N. Kaldor
- C. G. Myrdal
- D. Paul A. Samuelson

CORRECT ANSWER IS: G. Myrdal

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423. QUESTION: Which model makes the assumption of constant saving income ratio?

- A. Kaldor
- B. Leontief
- C. Harrod-Domar
- D. Joan Robinson

CORRECT ANSWER IS: Harrod-Domar

424. QUESTION: Which of the following is not an indicator of economically underdeveloped countries?

- A. low per capita income
- B. high death-rate
- C. low proportion of labor force in the primary sector
- D. high level of illiteracy

CORRECT ANSWER IS: low proportion of labor force in the primary sector

425. QUESTION: Which of the following statements is not correct in the light of Malthusian theory of growth?

- A. growth of income cannot take place on its own
- B. population leads to increase in response to rise in income
- C. there can be no general glut or overproduction in the market
- D. excess savings on the part of capitalists is the cause of overproduction

CORRECT ANSWER IS: there can be no general glut or overproduction in the market

426. QUESTION: Unemployment created by some long-term change in demand or technological conditions in an economy is known as

- A. frictional unemployment
- B. cyclical unemployment
- C. structural unemployment
- D. disguised unemployment

CORRECT ANSWER IS: structural unemployment

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427. QUESTION: The capital-output ratio is determined by

- A. sectoral allocation of capital
- B. level of economic activity
- C. human and natural resources
- D. all of them

CORRECT ANSWER IS: all of them

428. QUESTION: Which of the following is inconsistent with the Schumpeter's theory of development?

- A. the course of growth is continuous
- B. the output expansion, initiated by the entrepreneur, increases in size with time, making it cumulative
- C. growth takes place on account of entrepreneurs who, with the help of bank credit, invest in innovative activity
- D. capitalism destroys itself by being successful through the erosion of its institutions, by the hostility of the intellectuals and other elite classes and also by the weakening of entrepreneurial innovation

CORRECT ANSWER IS: the course of growth is continuous

429. QUESTION: Which model is concerned with the 'golden age' equilibrium?

- A. Kaldor
- B. Joan Robinson
- C. Keynesian
- D. Domar

CORRECT ANSWER IS: Joan Robinson

430. QUESTION: The rate of growth of an economy mainly depends upon:

- A. the rate of growth of the labor force
- B. the proportion of national income saved and invested
- C. the rate of technological improvements
- D. all of them

CORRECT ANSWER IS: all of them

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431. QUESTION: Which of the following statements is not in agreement with Malthusian view on economic growth?

- A. the process of economic growth is automatic
- B. deficiency in effective demand halts the growth process
- C. lasting equilibrium can only be at the subsistence level
- D. savings are desirable only upto the limit set by the existence of profitable opportunities for investment

CORRECT ANSWER IS: the process of economic growth is automatic

432. QUESTION: Arrange the following Rostow's stages of economic growth in their proper sequence: I. Traditional society; II. Take-off stage; III. Age of mass consumption; IV. Drive to maturity

- A. I, II, IV, III
- B. I, II, III, IV
- C. II, I, IV, III
- D. II, I, III, IV

CORRECT ANSWER IS: I, II, IV, III

433. QUESTION: Which growth model inspired the use of capital-output ratio for development planning?

- A. The Harrod-Domar model
- B. Solow's model
- C. Koldor's model
- D. Feldman's model

CORRECT ANSWER IS: The Harrod-Domar model

434. QUESTION: According to the Schumpeter's model the innovating entrepreneurs get the necessary finance from

- A. voluntary savings
- B. own resources
- C. bank credit
- D. government

CORRECT ANSWER IS: bank credit

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435. QUESTION: Which model focuses its attention on the maximum rate of growth?

- A. Hicks
- B. Domar
- C. Keynesian
- D. Von-Neumann

CORRECT ANSWER IS: Von-Neumann

436. QUESTION: Among the following determinants of growth, which is a non-economic factor?

- A. natural resources
- B. population growth
- C. favorable legislation
- D. capital accumulation

CORRECT ANSWER IS: favorable legislation

437. QUESTION: Which sector was emphasized most by Ricardo in the context of economic growth?

- A. trade
- B. industry
- C. agriculture
- D. services

CORRECT ANSWER IS: agriculture

438. QUESTION: How many stages of economic growth were defined and analyzed by Rostow which all economies are supposed to pass through in the course of their development?

- A. 7
- B. 5
- C. 4
- D. 3

CORRECT ANSWER IS: 5

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439. QUESTION: The capital-output ratio in a country during the different phases of growth

- A. remains unchanged
- B. fluctuates widely
- C. changes within narrow limits
- D. shows a secular declining trend

CORRECT ANSWER IS: changes within narrow limits

440. QUESTION: Which one of the following was given a central place by Schumpeter in his theory of development?

- A. capital accumulation
- B. role of the government
- C. need for balanced growth
- D. role of innovations

CORRECT ANSWER IS: role of innovations

441. QUESTION: Which model analyses the contribution of technological progress to overall growth rate?

- A. Solow
- B. Kaldor
- C. Harrod
- D. Tobin

CORRECT ANSWER IS: Solow

442. QUESTION: Which is a two-sector model?

- A. Solow
- B. Harrod-Domar
- C. Joan Robinson
- D. Keynesian

CORRECT ANSWER IS: Solow

443. QUESTION: Besides increase in output, economic development is concerned with

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- A. inputs and their efficiency
- B. equitable distribution of income
- C. life sustenance, self-esteem and freedom from want, ignorance and squalor
- D. all of them

CORRECT ANSWER IS: all of them

444. QUESTION: In the Ricardian scheme of things, savings are provided by

- A. landlords
- B. laborers
- C. capitalists
- D. a and b

CORRECT ANSWER IS: capitalists

445. QUESTION: What causes development in terms of Rostow's theory?

- A. favorable propensities of people
- B. changing profile of leading sectors of the country
- C. a sharp rise in investment
- D. all of them

CORRECT ANSWER IS: all of them

446. QUESTION: As an aid to development planning, much use is being made today of the input-output analysis. Who first used it?

- A. H. Liebenstein
- B. W.W. Leontief
- C. W.A. Lewis
- D. A.O. Hirshman

CORRECT ANSWER IS: W.W. Leontief

447. QUESTION: With which of the following kinds of dualism is H. Myint particularly associated with?

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- A. technological dualism
- B. geographical dualism
- C. financial dualism
- D. social dualism

CORRECT ANSWER IS: financial dualism

448. QUESTION: The model of inter-industrial relations where technological relations between industries are assumed to remain constant is

- A. Mahalanobis
- B. Feldman
- C. Leontief
- D. Lewis

CORRECT ANSWER IS: Leontief

449. QUESTION: The stationary state as envisaged by Adam Smith, is marked by

- A. low rate of profit
- B. subsistence level wages
- C. high rents
- D. all of them

CORRECT ANSWER IS: all of them

450. QUESTION: Which one of the following according to Ricardo, would form a bottleneck to economic growth?

- A. shortage of land
- B. rising rent
- C. shortage of gold and silver
- D. rising wage bills

CORRECT ANSWER IS: shortage of land

451. QUESTION: Identify the country which was the first to move to the stage of high mass consumption

- A. UK
- B. USA
- C. Germany
- D. France

CORRECT ANSWER IS: USA

452. QUESTION: Which of the following statements is incorrect?

- A. the essence of balanced growth is that the economy should advance at a steady rate with savings equal to investment
- B. the thesis of development with unlimited supplies of labor was originally formulated by R. Nurkse
- C. the capital-output ratio is the inverse of the annual rate of return on productivity of capital
- D. E.D. Domar assumed that full employment of labor and capital occurred simultaneously

CORRECT ANSWER IS: the thesis of development with unlimited supplies of labor was originally formulated by R. Nurkse

453. QUESTION: The second stage of the theory of demographic transition is characterized by

- A. high birth rate and high death rate
- B. high birth rate and falling death rate
- C. low birth rate and low death rate
- D. falling birth rate and falling death rate

CORRECT ANSWER IS: high birth rate and falling death rate

454. QUESTION: India's First Five Year Plan was based on

- A. Mahalanobis
- B. Feldman
- C. Harrod-Domar
- D. Leontief

CORRECT ANSWER IS: Harrod-Domar

455. QUESTION: Which of the following is inconsistent with Adam Smith's theory of development?

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- A. Development process is cumulative in nature
- B. there is no millet to the growth process
- C. capital accumulation and market extension are two prerequisites for output expansion
- d.

CORRECT ANSWER IS: there is no millet to the growth process

456. QUESTION: Which one of the following statements is not in tune with the Ricardian theory of growth?

- A. rent tends to rise
- B. money wages tend to rise
- C. profits tend to fall
- D. profits tend to rise

CORRECT ANSWER IS: profits tend to rise

457. QUESTION: The Take-off Stage is characterized by

- A. rise in the rate of productive investment from 5% to over 10% of national income
- B. development of one or more substantial manufacturing sectors with a high growth rate
- C. quick emergence of a political, social and institutional framework to enable expansion in various fields
- D. all of them

CORRECT ANSWER IS: all of them

458. QUESTION: Balanced growth implies:

- A. simultaneous development of a variety of activities which support one another
- B. equal allocation of resources to different sectors
- C. different sectors growing at their natural rates of growth
- D. uniform rate of growth of output over time

CORRECT ANSWER IS: simultaneous development of a variety of activities which support one another

459. QUESTION: Which of the following concepts, which are now extensively used in growth economics, was first formulated by Keynes?

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- A. Marginal prosperity to save
- B. Marginal prosperity to consume
- C. marginal productivity of capital
- D. all of them

CORRECT ANSWER IS: all of them

460. QUESTION: Which model uses three distinct concepts of stages of growth?

- A. Ramsey
- B. Harrod
- C. Domar
- D. Lewis

CORRECT ANSWER IS: Harrod

461. QUESTION: The division of labor, according to Adam Smith is limited by

- A. the extent of the market
- B. the quantity of capital available
- C. a and b
- D. the size of labor force

CORRECT ANSWER IS: a and b

462. QUESTION: Which one of the following is not an assumption of the Ricardian theory?

- A. rising real wages
- B. fixity of land
- C. operation of the law of diminishing returns
- D. perfect competition

CORRECT ANSWER IS: rising real wages

463. QUESTION: Under the 'big-push' strategy of development, large investments are to be directed towards

- A. agriculture

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- B. industry
- C. power
- D. transport

CORRECT ANSWER IS: industry

464. QUESTION: Development with unlimited supplies of labor hypothesis was originally formulated by

- A. Gustav Ranis
- B. W.A. Lewis
- C. R. Nurkse
- D. J. Schumpeter

CORRECT ANSWER IS: W.A. Lewis

465. QUESTION: According to Keynesian economics, saving and investment are brought into equilibrium by variations in

- A. income
- B. price
- C. consumption
- D. output

CORRECT ANSWER IS: income

466. QUESTION: Marx refers to the concept of organic composition of capital. Which of the following ratios stand for this capital? Constant capital = C; Variable capital = V; Surplus value = S

- A. $C/(V+S)$
- B. C/V
- C. $C/(C+V)$
- D. $(C+V)/V$

CORRECT ANSWER IS: C/V

467. QUESTION: Among the various determinants of the growth of national wealth Adam Smith accorded central place to

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- A. division of labor
- B. capital
- C. natural resources
- D. technology

CORRECT ANSWER IS: division of labor

468. QUESTION: Which of the following policy-prescriptions for economic growth was suggested by Ricardo?

- A. Government's active participation in the economic field
- B. free trade in commodities
- C. control over population growth
- D. regulation of competition

CORRECT ANSWER IS: free trade in commodities

469. QUESTION: The basic logic behind the 'big push' strategy of development is related to

- A. internal economies
- B. external economies
- C. an optimum combination
- D. both a and b

CORRECT ANSWER IS: external economies

470. QUESTION: Which of the following is not correctly matched?

- A. Big-push strategy: Paul N. Rosenstein-Rodan
- B. Balanced growth theory: R. Nurkse
- C. Development with unlimited supplies of labors: A-O, Hirschman
- D. Critical minimum strategy: H. Rubenstein

CORRECT ANSWER IS: Balanced growth theory: R. Nurkse

471. QUESTION: Two economists have been particularly associated with the formulation of development with surplus labor hypothesis. One is R. Nurkse. Who is other?

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- A. W.W. Rostow
- B. James Duesenberry
- C. W.W. Rostow
- D. Simon Kuznets

CORRECT ANSWER IS: James Duesenberry

472. QUESTION: Marx gave the concept of capitalist system which keeps wages down as demand for labor increases. What is it called?

- A. Surplus labor
- B. Reverse army of labor
- C. under employment
- D. disguised unemployment

CORRECT ANSWER IS: Reverse army of labor

473. QUESTION: Who put forward the theory of social dualism?

- A. A. Lewis
- B. G. Myrdal
- C. J.H. Bocke
- D. A.O. Hirshman

CORRECT ANSWER IS: J.H. Bocke

474. QUESTION: In the Ricardian system, a crucial role in development was assigned to

- A. specialization
- B. technological changes
- C. profits
- D. government

CORRECT ANSWER IS: profits

475. QUESTION: In the context of which region was the 'big push' strategy of development formulated?

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- A. South Asia
- B. South-East Asia
- C. Eastern Europe
- D. East Africa

CORRECT ANSWER IS: Eastern Europe

476. QUESTION: If the capital-output ratio is 4:1 and the annual growth rate of population is 2.5%, what will be required rate of investment in the economy in order to achieve 3% growth per annum in per capita income?

- A. 30%
- B. 20%
- C. 15%
- D. 12%

CORRECT ANSWER IS: 30%

477. QUESTION: Perspective planning refers to

- A. indicative planning
- B. annual planning
- C. structural planning
- D. long-term planning

CORRECT ANSWER IS: long-term planning

478. QUESTION: Marx attributed the capitalist crisis to

- A. high rate of wages
- B. falling rate of profit
- C. inflationary pressure
- D. exploitation of workers

CORRECT ANSWER IS: falling rate of profit

479. QUESTION: Who coined the phrase 'demonstration effect'?

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- A. W.W. Rostow
- B. James Duesenberry
- C. R. Nurkse
- D. J.K. Galbraith

CORRECT ANSWER IS: James Duesenberry

480. QUESTION: The stationary state according to Malthus and Ricardo, is characterized by

- A. the disappearance of profits
- B. net investment falling to zero
- C. wages coinciding with the subsistence level
- D. all of them

CORRECT ANSWER IS: all of them

481. QUESTION: The 'big push' strategy of development was first advocated by

- A. Paul N-Rosenstein-Rodan
- B. Simon Kuznets
- C. W.A. Lewis
- D. A.O. Hirshman

CORRECT ANSWER IS: Paul N-Rosenstein-Rodan

482. QUESTION: With economic growth, the proportion of labor-force engaged in agriculture:

- A. increases
- B. decreases
- C. remains unaffected
- D. changes in an uncertain manner

CORRECT ANSWER IS: decreases

483. QUESTION: J.F. Meade pointed out three principles means of growth. Which of the following is not on the list?

- A. growth of working population

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- B. capital accumulation
- C. devaluation
- D. technical progress

CORRECT ANSWER IS: devaluation

484. QUESTION: According to R. Nurkse, the inducement to invest in the context of an underdeveloped economy is limited mainly by the

- A. lack of savings
- B. size of the market
- C. lack of investment opportunities
- D. low productivity of labor

CORRECT ANSWER IS: size of the market

485. QUESTION: To achieve full economic growth, Malthus laid special emphasis on the proper combination of

- A. production and distribution
- B. natural resources and capital
- C. labor and technology
- D. production and trade

CORRECT ANSWER IS: production and distribution

486. QUESTION: Which of the following is not a part of the classical theory of economic development?

- A. labor supply would increase with rise in wages
- B. stationary state
- C. government interference
- D. capital accumulation is the basic cause of growth

CORRECT ANSWER IS: government interference

487. QUESTION: The justification of the 'big push' strategy, which involved concentrated efforts in the form of investments on a large scale, is based on

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- A. indivisibilities of demand
- B. complimentary of demand
- C. skill formulation
- D. all of them

CORRECT ANSWER IS: all of them

488. QUESTION: A strategy of heavy industry is sometimes preferred for a developing economy because it can

- A. generate employment opportunities on a large scale
- B. provide a strong base for rapid industrialization
- C. contain inflationary pressure
- D. meet deficits in balance of payments in the short-run

CORRECT ANSWER IS: provide a strong base for rapid industrialization

489. QUESTION: In which year, two authors of Harrod-Domar model wrote earlier?

- A. 1940
- B. 1939
- C. 1946
- D. 1948

CORRECT ANSWER IS: 1939

490. QUESTION: Which of the following had the approval of the classical economists (particularly J.S. Mill) as an aid to development?

- A. subsidizing the poor
- B. imposition of temporary duties on imports to develop particular industries
- C. regulation of activities of the rising business class
- D. appropriating a part of the national product by the government for unproductive uses

CORRECT ANSWER IS: imposition of temporary duties on imports to develop particular industries

491. QUESTION: What according to Malthus puts a stop to the growth process?

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- A. inadequacy of capital accumulation
- B. deficiency in effective demand
- C. rapid population growth
- D. operation of diminishing returns in agriculture

CORRECT ANSWER IS: deficiency in effective demand

492. QUESTION: Pakistan started its first five year plan in

- A. 1947
- B. 1950
- C. 1955
- D. 1960

CORRECT ANSWER IS: 1955

493. QUESTION: Which is not a characteristic of underdeveloped countries?

- A. low per capita income
- B. low growth rate of GDP
- C. low educational levels
- D. low population growth rate

CORRECT ANSWER IS: low population growth rate

494. QUESTION: Rate of economic development will fall if

- A. export increases
- B. government enterprises are privatized
- C. smaller % of national income is invested
- D. banks increase loans

CORRECT ANSWER IS: smaller % of national income is invested

495. QUESTION: We can increase rate of economic growth in Pakistan if we increase

- A. taxes

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- B. imports
- C. investment
- D. population

CORRECT ANSWER IS: investment

496. QUESTION: There are obstacles to rapid economic development of Pakistan

- A. social
- B. political
- C. cultural
- D. all of them

CORRECT ANSWER IS: all of them

497. QUESTION: Contribution of agriculture in Pakistan's national income is

- A. 21%
- B. 31%
- C. 41%
- D. 51%

CORRECT ANSWER IS: 21%

498. QUESTION: Pakistan's income is low because

- A. fast growing population
- B. lack of natural resources
- C. low saving rate
- D. both a and c

CORRECT ANSWER IS: fast growing population

499. QUESTION: It is a measure of economic development

- A. increase in national and per capita income
- B. increase in working population

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- C. increase in personal incomes
- D. both a and c

CORRECT ANSWER IS: increase in national and per capita income

500. QUESTION: When economic development takes place

- A. market imperfections increase
- B. population increases
- C. capital stock increases
- D. both b and c

CORRECT ANSWER IS: both b and c

501. QUESTION: It is a good measure of economic development

- A. rate of population growth
- B. rate of increase in exports
- C. rate of increase in money incomes
- D. rate of change in real incomes

CORRECT ANSWER IS: rate of change in real incomes

502. QUESTION: Pakistan faces shortage of energy because

- A. our population is large
- B. Pakistan lacks resources
- C. lack of proper planning
- D. none of them

CORRECT ANSWER IS: lack of proper planning

503. QUESTION: Most of our exports consist of

- A. cotton products
- B. machinery
- C. sports goods

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D. both a and b

CORRECT ANSWER IS: cotton products

504. QUESTION: The most important factor in economic development is

- A. quality of human resources
- B. quality of natural resources
- C. quality of governance
- D. quality of banking system

CORRECT ANSWER IS: quality of human resources

505. QUESTION: It is not a factor of economic development

- A. money
- B. land
- C. capital
- D. technology

CORRECT ANSWER IS: money

506. QUESTION: When economic development takes place

- A. export increases
- B. imports increases
- C. capital stock increases
- D. all of them

CORRECT ANSWER IS: all of them

507. QUESTION: We cannot find per capital income of the country unless we know

- A. total money supply
- B. total GNP
- C. total budget of the country
- D. total exports

CORRECT ANSWER IS: total GNP

508. QUESTION: When an economy produces more output per capita, the economy is said to be having

- A. inflation
- B. economic growth
- C. economic planning
- D. living standard

CORRECT ANSWER IS: economic growth

509. QUESTION: Pakistan is an economy

- A. developing
- B. developed
- C. fast growing economy
- D. both a and c

CORRECT ANSWER IS: developing

510. QUESTION: Which is likely to be higher in a developing country like Pakistan?

- A. birth rate
- B. GDP per head
- C. life expectancy
- D. net investment per head

CORRECT ANSWER IS: birth rate

511. QUESTION: Measurement of economic development is based on

- A. monetary income
- B. real income
- C. future income
- D. permanent income

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CORRECT ANSWER IS: real income

512. QUESTION: When economic development takes place

- A. share of services in GDP increases
- B. share of agriculture in GDP increases
- C. share of industry in GDP increases
- D. both a and c

CORRECT ANSWER IS: both a and c

513. QUESTION: It is a characteristic of developing economy

- A. high productivity of capital
- B. high productivity of labor
- C. high surplus in balance of payments
- D. none of them

CORRECT ANSWER IS: none of them

514. QUESTION: There are obstacles to rapid economic development of Pakistan

- A. social, political
- B. political, urban
- C. cultural, rural
- D. none of them

CORRECT ANSWER IS: social, political

515. QUESTION: Contribution of industrial sector in Pakistan economy is

- A. 29%
- B. 19%
- C. 9%
- D. undetermined

CORRECT ANSWER IS: 19%

516. QUESTION: Economic development

- A. same as economic growth
- B. means improvement in lifestyle
- C. equal distribution of wealth
- D. all of them

CORRECT ANSWER IS: means improvement in lifestyle

517. QUESTION: Pakistan needs

- A. Economic planning
- B. population planning
- C. educational planning
- D. all of them

CORRECT ANSWER IS: all of them

518. QUESTION: When economic development takes place

- A. specialization increases
- B. commercialization decreases
- C. market imperfections increases
- D. none of them

CORRECT ANSWER IS: specialization increases

519. QUESTION: Pakistan started its planning experience with

- A. London plan
- B. Karachi plan
- C. Colombo plan
- D. Tokyo plan

CORRECT ANSWER IS: Colombo plan

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520. QUESTION: In a developing country

- A. birth rate is high
- B. death rate is high
- C. infant mortality rate is high
- D. all of them

CORRECT ANSWER IS: all of them

521. QUESTION: The largest sector of Pakistan economy is

- A. transport
- B. agriculture
- C. industry
- D. trade

CORRECT ANSWER IS: agriculture

522. QUESTION: Economic development is measured on the basis of

- A. increase in nominal GNP
- B. increase in real GNP
- C. increase in personal incomes
- D. increase in government revenue

CORRECT ANSWER IS: increase in real GNP

523. QUESTION: The highest govt. body for economic planning in Pakistan is

- A. planning council
- B. planning board
- C. planning commission
- D. planning department

CORRECT ANSWER IS: planning commission

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524. QUESTION: It is acting as obstacle to economic development of Pakistan

- A. lack of capital
- B. urbanization
- C. specialization
- D. shortage of labor

CORRECT ANSWER IS: lack of capital

525. QUESTION: Pakistan is underdeveloped because of

- A. lack of minerals
- B. limited area
- C. lack of education
- D. poor governance and corruption

CORRECT ANSWER IS: poor governance and corruption

526. QUESTION: Economic planning in Pakistan is conducted by

- A. planning council
- B. planning board
- C. planning commission
- D. planning authority

CORRECT ANSWER IS: planning commission

527. QUESTION: Size of Pakistan's 8th plan was in rupees

- A. 700 billion
- B. 1700 billion
- C. 2700 billion
- D. 3700 billion

CORRECT ANSWER IS: 1700 billion

528. QUESTION: Select the combination which is most likely to be found in developing countries:

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- A. low birth rate and high GDP
- B. low death rate and high GDP
- C. high birth rate and low GDP
- D. low infant mortality rate and high GDP

CORRECT ANSWER IS: high birth rate and low GDP

529. QUESTION: When a country develops

- A. per capita income rises
- B. specialization increase
- C. urbanization rises
- D. all of them

CORRECT ANSWER IS: all of them

530. QUESTION: Medium-term plan covers

- A. less than 2 years
- B. 3 to 5 years
- C. 5 to 10 years
- D. 10 to 15 years

CORRECT ANSWER IS: 3 to 5 years

531. QUESTION: In Pakistan poverty is measured by

- A. per capita income, calorie intake
- B. percentage of rural population
- C. difference of income in rural and urban areas
- D. difference between GNP and GDP

CORRECT ANSWER IS: per capita income, calorie intake

532. QUESTION: Pakistan produces of its oil requirements:

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- A. 20%
- B. 30%
- C. 40%
- D. 50%

CORRECT ANSWER IS: 20%

533. QUESTION: Rate of economic development in Pakistan will increase if

- A. saving rate increases
- B. money supply increases
- C. import increases
- D. all of them

CORRECT ANSWER IS: saving rate increases

534. QUESTION: Economic planning in Pakistan started during

- A. 1950's
- B. 1960's
- C. 1970's
- D. 1980's

CORRECT ANSWER IS: 1950's

535. QUESTION: Economic planning does not need

- A. change of government
- B. determination of objection
- C. estimation of resources
- D. fixation of plan period

CORRECT ANSWER IS: change of government

536. QUESTION: Investment rate in Pakistan is around

- A. 8%

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- B. 18%
- C. 28%
- D. 38%

CORRECT ANSWER IS: 18%

537. QUESTION: Which is not part of institutional arguments that characterize an economic system?

- A. poverty is owned by individual
- B. at what level economic decisions are made
- C. how governments officials are selected
- D. what incentives are used to motivate economic behavior

CORRECT ANSWER IS: how governments officials are selected

538. QUESTION: As nearly as we can estimate it, Soviet productivity growth

- A. was subject to sever cycles
- B. accelerated in 1980s
- C. had nothing to do with the decline of socialism
- D. was stagnant after 1965

CORRECT ANSWER IS: was stagnant after 1965

539. QUESTION: An apparently irreversible trend in China in the 1990s is

- A. reliance on moral incentives
- B. state-run banks to print own money
- C. shift from public to private production
- D. to allow Japan to operate major industries

CORRECT ANSWER IS: shift from public to private production

540. QUESTION: If business managers are rewarded on the basis of how much output they create

- A. consumers will get what they want
- B. profit will be large

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- C. productivity will increase
- D. potential for quality to suffer

CORRECT ANSWER IS: potential for quality to suffer

541. QUESTION: Microeconomics is also known as

- A. price theory
- B. positive economics
- C. normative economics
- D. none of them

CORRECT ANSWER IS: price theory

542. QUESTION: General equilibrium is concerned with simultaneous equilibrium of all the

- A. economic agents
- B. economic decision
- C. economic theory
- D. none of them

CORRECT ANSWER IS: economic agents

543. QUESTION: When resources are allocated by government planning

- A. capitalism is usually the result
- B. economy is more efficient
- C. decision making is decentralized
- D. both a and c

CORRECT ANSWER IS: decision making is decentralized

544. QUESTION: Under the Soviet system supply-demand balance was

- A. maintained effectively
- B. unsatisfactorily attempted by planners
- C. not a major consideration of planners

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D. left to market price movements

CORRECT ANSWER IS: unsatisfactorily attempted by planners

545. QUESTION: Market allocation fundamentally relies upon

- A. a system of relative prices
- B. a belief that employees work for good of society
- C. government interference
- D. moral incentives

CORRECT ANSWER IS: a system of relative prices

546. QUESTION: There is an early belief that Socialist economy would fail because they underutilized

- A. scarce information
- B. labor resources
- C. plants and factories
- D. natural resources

CORRECT ANSWER IS: scarce information

547. QUESTION: A consumer wishes to utility his

- A. maximize
- B. minimize
- C. neutralize
- D. none of them

CORRECT ANSWER IS: maximize

548. QUESTION: In Ricardo theory of value the stress has been made on additional or

- A. total cost
- B. average cost
- C. marginal cost
- D. variable cost

CORRECT ANSWER IS: marginal cost

549. QUESTION: In a socialist economy the invisible hand

- A. guides most decisions
- B. operates effectively in labor market
- C. gives misleading signals
- D. is prevented from operating effectively

CORRECT ANSWER IS: is prevented from operating effectively

550. QUESTION: Soviet managers

- A. were left little to do under central planning
- B. pursued economically efficient choices
- C. had incentives to reduce product quality
- D. both a and c

CORRECT ANSWER IS: had incentives to reduce product quality

551. QUESTION: According to Karl Marx, people should be rewarded so

- A. all incomes would be equal
- B. to each according to contribution
- C. to each according to their need
- D. to the poor people

CORRECT ANSWER IS: to each according to contribution

552. QUESTION: Former socialist economies that are moving to free market capitalism have experienced

- A. lower inflation
- B. higher output
- C. lower unemployment
- D. problems with state-owned enterprises

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CORRECT ANSWER IS: problems with state-owned enterprises

553. QUESTION: Law of variable proportions concerned with

- A. long run
- B. short run
- C. medium term
- D. none of them

CORRECT ANSWER IS: short run

554. QUESTION: The price of any commodity under market mechanism is determined by forces of

- A. demand
- B. supply
- C. demand and supply
- D. none of them

CORRECT ANSWER IS: demand and supply

555. QUESTION: Consumers in the former Soviet Union

- A. were able to choose goods freely
- B. were forced to pay very high prices
- C. had difficulty finding enough disable goods to buy
- D. both a and b

CORRECT ANSWER IS: had difficulty finding enough disable goods to buy

556. QUESTION: The 'soft budget constraint' of Soviet enterprises was

- A. absence of bankruptcy
- B. similar to private enterprises
- C. designed to promote efficiency
- D. major cause of inflation

CORRECT ANSWER IS: absence of bankruptcy

557. QUESTION: Karl Marx had faith in

- A. superiority of economic incentives
- B. revolution by exploited workers
- C. over consumption by working class
- D. inability of factory owners to increase exploitation of workers

CORRECT ANSWER IS: revolution by exploited workers

558. QUESTION: Economic theory deals with

- A. micro economics
- B. macro economics
- C. micro & macro economics
- D. none of them

CORRECT ANSWER IS: micro & macro economics

559. QUESTION: Traditionally, there was no difference between price and

- A. demand
- B. supply
- C. cost
- D. value

CORRECT ANSWER IS: value

560. QUESTION: Diamond has higher marginal valuation for consumer and higher marginal costs for producers, so its price is

- A. same
- B. lower
- C. higher
- D. none of them

CORRECT ANSWER IS: higher

561. QUESTION: Government planners play a central role in allocating resources

- A. only under socialism
- B. under capitalism
- C. both a and b
- D. none of them

CORRECT ANSWER IS: only under socialism

562. QUESTION: Which is not a major aspect of transition of socialist to market economies?

- A. freeing of prices
- B. redefinition of property rights
- C. development of market institutions
- D. establishment of stronger moral incentives

CORRECT ANSWER IS: establishment of stronger moral incentives

563. QUESTION: According to World bank, first priority should be given to

- A. macro economy stabilization
- B. privatization
- C. dismantling of nuclear weapons
- D. adoption of democracy

CORRECT ANSWER IS: macro economy stabilization

564. QUESTION: The book 'wealth of nations' was written by

- A. Adam Smith
- B. Marshall
- C. Ricardo
- D. Hicks

CORRECT ANSWER IS: Adam Smith

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565. QUESTION: According to Saint Thomas Aquin's value is determined by God, but prices by

- A. producers
- B. labor
- C. people
- D. none of them

CORRECT ANSWER IS: people

566. QUESTION: The production possibility curve is concerned with

- A. opportunity cost
- B. resources of the economy
- C. general equilibrium
- D. none of them

CORRECT ANSWER IS: resources of the economy

567. QUESTION: Consumers play a central role in allocating resources

- A. only under socialism
- B. under capitalism
- C. both a and b
- D. none of them

CORRECT ANSWER IS: under capitalism

568. QUESTION: The concept of property rights in an economic system has to do with the

- A. ownership of society's productive resources
- B. choices firms make on what and how to produce
- C. use of economic incentives
- D. use of moral incentives

CORRECT ANSWER IS: ownership of society's productive resources

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569. QUESTION: The economic system used in former U.S.S.R is best described as

- A. capitalism
- B. socialism
- C. market socialism
- D. administrative-command economy

CORRECT ANSWER IS: administrative-command economy

570. QUESTION: The study of economics just in theoretical way is called _____ economics

- A. positive
- B. normative
- C. micro
- D. macro

CORRECT ANSWER IS: positive

571. QUESTION: The water diamond paradox was firstly resolved with the help of

- A. labor theory of value
- B. production theory of value
- C. demand and supply
- D. cost of labor

CORRECT ANSWER IS: labor theory of value

572. QUESTION: Economic incentives are important

- A. only under socialism
- B. under capitalism
- C. more under capitalism than socialism
- D. none of them

CORRECT ANSWER IS: more under capitalism than socialism

573. QUESTION: In China during the early 1990s

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- A. two-fifths of state enterprises lost money
- B. private sector produced less
- C. there was a shift in population
- D. there were inefficient industries

CORRECT ANSWER IS: two-fifths of state enterprises lost money

574. QUESTION: In an administrative-command economy

- A. citizens vote to set direction to economy
- B. individuals were not allowed to own capital
- C. private markets balanced supply and demand
- D. managers were rewarded according to productivity

CORRECT ANSWER IS: individuals were not allowed to own capital

575. QUESTION: The study of economics for the sake of certain objective is called _____ economics

- A. positive
- B. normative
- C. micro
- D. macro

CORRECT ANSWER IS: normative

576. QUESTION: Karl Marx

- A. led the Russian revolution
- B. provided the theoretical basis for socialism
- C. developed his theory in response to Great Depression
- D. none of them

CORRECT ANSWER IS: provided the theoretical basis for socialism

577. QUESTION: Macroeconomics is study of

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- A. large firms and consumers
- B. industries as a whole rather than individual firms
- C. economy as whole
- D. individual firms

CORRECT ANSWER IS: economy as whole

578. QUESTION: When inflation is positive

- A. prices rise
- B. prices fall
- C. more prices rise than fall
- D. average price rise

CORRECT ANSWER IS: average price rise

579. QUESTION: Which of the following decades was characterized by stagflation?

- A. 1930s
- B. 1940s
- C. 1970s
- D. 1960s

CORRECT ANSWER IS: 1970s

580. QUESTION: During a recession the government

- A. collects more taxes
- B. spends more on unemployment insurance
- C. spends less overall
- D. adjust spending

CORRECT ANSWER IS: spends more on unemployment insurance

581. QUESTION: The four phases of the business cycle include the

- A. expansion period

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- B. leverage period
- C. acceleration phase
- D. plateau

CORRECT ANSWER IS: expansion period

582. QUESTION: Which is least important in study of macroeconomics?

- A. general price level
- B. relative prices of goods
- C. interest rate
- D. total output

CORRECT ANSWER IS: relative prices of goods

583. QUESTION: If a given market basket of goods and services that cost \$40 in the base period now costs \$120 then the current value of the price index is

- A. 120
- B. 300
- C. 33.3
- D. 3

CORRECT ANSWER IS: 300

584. QUESTION: In the course of a business cycle, a recession is followed by

- A. trough
- B. recovery
- C. depression
- D. expansion

CORRECT ANSWER IS: trough

585. QUESTION: The potential affects of inflation include all of the following except

- A. income redistribution from borrowers to lenders

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- B. scarce resources devoted to anticipating
- C. investment in inflation
- D. possible changes in real output

CORRECT ANSWER IS: income redistribution from borrowers to lenders

586. QUESTION: The redistribution of income that inflation entails depends fundamentally on

- A. current rate of unemployment
- B. correct anticipation of inflation
- C. government programs to increase productivity to lower inflation
- D. current stage of business cycle

CORRECT ANSWER IS: correct anticipation of inflation

587. QUESTION: Which is not a Bureau of Labor Statistic category used to calculate the unemployment rate?

- A. employed
- B. part-time unemployed
- C. unemployed
- D. not in the labor force

CORRECT ANSWER IS: not in the labor force

588. QUESTION: If the total adult population is 220 million and 99 million workers are employed and 11 million unemployed then the total labor force is

- A. 220 million
- B. 110 million
- C. 99 million
- D. 11 million

CORRECT ANSWER IS: 110 million

589. QUESTION: Using the information from previous question the unemployment rate is

- A. 11.10%

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- B. 10%
- C. 9.10%
- D. 5%

CORRECT ANSWER IS: 10%

590. QUESTION: If a given market basket of goods and services that now costs \$120 only cost \$110 last year then the rate of inflation this year is

- A. 9.10%
- B. 10%
- C. 8.30%
- D. 25%

CORRECT ANSWER IS: 9.10%

591. QUESTION: The average duration of business cycles from peak to peak is about _____ years

- A. 25
- B. 10
- C. 5
- D. 2

CORRECT ANSWER IS: 5

592. QUESTION: In macroeconomics economists study

- A. federal budget deficits
- B. how price controls resource allocation
- C. determination of supply
- D. why demand and quantity demand differ

CORRECT ANSWER IS: federal budget deficits

593. QUESTION: By definition, issues having to do with economic growth

- A. cannot be affected by government

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- B. are long run in nature
- C. involve how much gold a nation has
- D. ignore productivity growth

CORRECT ANSWER IS: are long run in nature

594. QUESTION: The degree to which inflation redistributed income depends fundamentally upon

- A. how high the unemployment rate is
- B. the level of interest rates
- C. size of govt. Sector
- D. ability to anticipate inflation

CORRECT ANSWER IS: how high the unemployment rate is

595. QUESTION: The interest rate tends to

- A. rise during recessions
- B. lower in recessions
- C. grow steadily over time
- D. both a and b

CORRECT ANSWER IS: grow steadily over time

596. QUESTION: Which would not be included in the market basket of goods used to calculate the consumer price index?

- A. bread
- B. steel
- C. housing
- D. gasoline

CORRECT ANSWER IS: steel

597. QUESTION: Inflation leads to inefficiency in the economy

- A. only when it is recession

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- B. if resources are used to predict it
- C. if people avoid signing long-term contracts
- D. both b and c

CORRECT ANSWER IS: both b and c

598. QUESTION: When interest rates go up, the stock market

- A. is unaffected
- B. also rises
- C. experiences a drop in share prices
- D. also rises only if demand for bonds rises

CORRECT ANSWER IS: experiences a drop in share prices

599. QUESTION: Rapid and unpredictable inflation causes business firms to waste resources guessing inflation and

- A. interest rates to fall
- B. no redistribution of income
- C. the federal budget to shrink
- D. wasteful speculation

CORRECT ANSWER IS: wasteful speculation

600. QUESTION: In the early 1990s the republics of the former Soviet Union will have to survive

- A. surplus products consumers cannot buy because of lack of money
- B. lower prices
- C. lower unemployment
- D. hyperinflation

CORRECT ANSWER IS: surplus products consumers cannot buy because of lack of money

601. QUESTION: If you conclude higher prices automatically lowers your standard of living you may be committing the

- A. fallacy of composition
- B. ceteris paribus fallacy

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- C. false-cause fallacy
- D. fallacy of inflation

CORRECT ANSWER IS: ceteris paribus fallacy

602. QUESTION: Which would be most likely to gain from a higher than incepted inflation rate?

- A. a retired worker
- B. a government employee
- C. a debtor
- D. a creditor

CORRECT ANSWER IS: a debtor

603. QUESTION: When industrial countries fall into a recession developing countries

- A. are barely affected
- B. see rising demand
- C. are severely affected
- D. help them recover

CORRECT ANSWER IS: are severely affected

604. QUESTION: The German hyperinflation of the early 1920s was caused by

- A. powerful German industries
- B. German labor movement seeking higher wages
- C. reduction in amount of gold
- D. excessive expansion of the German money supply

CORRECT ANSWER IS: excessive expansion of the German money supply

605. QUESTION: At the natural rate of unemployment

- A. the employment rate will be zero
- B. inflation rate will be zero
- C. unemployment rate will tend to decrease

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D. inflation rate will remain steady

CORRECT ANSWER IS: inflation rate will remain steady

606. QUESTION: Full employment in a situation where

- A. no one is employed
- B. no one is involuntarily unemployed
- C. entire population is working
- D. number of unemployment equals the number of job vacancies

CORRECT ANSWER IS: number of unemployment equals the number of job vacancies

607. QUESTION: According to Say's law:

- A. demand creates supply
- B. supply creates demand
- C. interest rate keeps investment and savings equal
- D. both b and c

CORRECT ANSWER IS: both b and c

608. QUESTION: In a recession, classical economists advocated a expansion of the money supply

- A. contraction of the money supply
- B. expansion of government spending
- C. contraction of government spending
- D. doing nothing

CORRECT ANSWER IS: doing nothing

609. QUESTION: If the aggregate supply curve is horizontal it means that

- A. firms cannot increase output
- B. firms will increase output only if prices rise
- C. firms will increase output at the current price
- D. firms will increase output if prices fall

CORRECT ANSWER IS: firms will increase output at the current price

610. QUESTION: In the classical world, you could always get a job if you

- A. had a good education
- B. worked in an industry that was recession proof
- C. had employment in the manufacturing sector
- D. would accept a lower wage

CORRECT ANSWER IS: would accept a lower wage

611. QUESTION: In the simple quantity theory of money real GDP is fixed in the short run:

- A. because of government control on the economy
- B. due to the stability of spending habits of the public
- C. by the amount and productivity of resources
- D. because of stability of banking system

CORRECT ANSWER IS: by the amount and productivity of resources

612. QUESTION: Actual total savings equals actual investment

- A. only at the equilibrium price level
- B. only at equilibrium interest rate
- C. whenever say's law holds
- D. always

CORRECT ANSWER IS: always

613. QUESTION: The equation of exchange is written

- A. $MQ = PV$
- B. $MP = QV$
- C. $MV = PQ$
- D. $MQ = GDP$

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CORRECT ANSWER IS: MV = PQ

614. QUESTION: The existence of bottlenecks in some industries while there is still some unemployment in the economy causes the Keynesian aggregate supply curve to

- A. have upward sloping segment
- B. be shaped like a backward
- C. be vertical
- D. be horizontal

CORRECT ANSWER IS: have upward sloping segment

615. QUESTION: The Great Depression reached its low point in

- A. 1929
- B. 1930
- C. 1933
- D. 1935

CORRECT ANSWER IS: 1933

616. QUESTION: According to the simple quantity theorists changes in the money supply will only affect:

- A. the real sector
- B. the general price level
- C. relative prices in the economy
- D. resources utilization by businesses

CORRECT ANSWER IS: the general price level

617. QUESTION: Classical economists did not assume that

- A. Say's law held
- B. prices were flexible
- C. all unemployment was voluntary
- D. money supply determined output

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CORRECT ANSWER IS: money supply determined output

618. QUESTION: According to classical quantity theory, the aggregate demand and aggregate supply curves slope

- A. downward and upward
- B. downward and vertically
- C. vertically and upward
- D. downward and horizontally

CORRECT ANSWER IS: downward and vertically

619. QUESTION: Classical economics is based upon each of the following principles except

- A. demand creates supply
- B. Say's law
- C. price flexibility
- D. simple quantity theory of money

CORRECT ANSWER IS: demand creates supply

620. QUESTION: During periods of rapid inflation it is likely that

- A. the money supply will be falling
- B. use of fixed wage labor contracts will be rising
- C. interest rates will be falling
- D. velocity will be rising

CORRECT ANSWER IS: velocity will be rising

621. QUESTION: According to the classical school unemployment was responsive to changes in

- A. M/P
- B. P
- C. M
- D. money wages

CORRECT ANSWER IS: money wages

622. QUESTION: People who would rely on a gold standard rather than allowing government to control the printing of money are concerned about the problem of

- A. inflation
- B. recession
- C. running out of gold
- D. too little money in the economy

CORRECT ANSWER IS: inflation

623. QUESTION: If real GDP is \$2,000 billion, the GDP deflator is 120 and the money supply is \$50 billion then velocity equals:

- A. 0.21
- B. 0.25
- C. 3.33
- D. 4.8

CORRECT ANSWER IS: 4.8

624. QUESTION: An increase in the money supply in the classical quantity theory causes the

- A. aggregate supply curve to shift to the left proportionately
- B. aggregate supply curve to shift to the right proportionately
- C. aggregate demand curve to shift to the left proportionately
- D. aggregate demand curve to shift to the right proportionately

CORRECT ANSWER IS: aggregate demand curve to shift to the right proportionately

625. QUESTION: According to the Classical School which of the following is affected by the quantity of money?

- A. price level
- B. total employment
- C. foreign trade
- D. real interest rates

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CORRECT ANSWER IS: price level

626. QUESTION: The Keynesian revolution in macroeconomics was that

- A. capitalist economies were self-correcting
- B. a gold standard was not necessary to control inflation
- C. unemployment can be viewed as being voluntary
- D. government has a role in maintaining full employment

CORRECT ANSWER IS: government has a role in maintaining full employment

627. QUESTION: In the AD-AS quantity theory a decrease in aggregate demand results in

- A. higher price level
- B. lower price level
- C. higher real GDP
- D. lower real GDP

CORRECT ANSWER IS: lower price level

628. QUESTION: The classical school economic philosophy of laissez-faire was challenged by

- A. Adam Smith in the Wealth of Nations
- B. evidence that velocity was not constant
- C. The Great Depression
- D. actual operation of the gold standard

CORRECT ANSWER IS: The Great Depression

629. QUESTION: According to classical quantity theory, if the money supply in the economy in the previous problem decreases to \$400 billion

- A. velocity would increase to 6
- B. velocity would increase to 3.6
- C. price level would decrease to 96
- D. velocity would not change

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CORRECT ANSWER IS: price level would decrease to 96

630. QUESTION: The classical quantity theory was abandoned by most macroeconomists because of

- A. World War I
- B. World War II
- C. high inflation in the 1970s
- D. high unemployment in the Great Depression

CORRECT ANSWER IS: high unemployment in the Great Depression

631. QUESTION: For the classical economists unemployment existed because

- A. consumers saved too much
- B. money wages were too high
- C. business inventories were too low
- D. industrialized economies import too much

CORRECT ANSWER IS: money wages were too high

632. QUESTION: The simple view of the quantity theory assumed

- A. V was constant
- B. PQ was fixed
- C. M was fixed
- D. P was fixed

CORRECT ANSWER IS: V was constant

633. QUESTION: In the AD-AS quantity theory model changes in the money supply affect

- A. price level
- B. velocity of circulation
- C. real GDP
- D. employment

CORRECT ANSWER IS: price level

634. QUESTION: The simple Keynesian aggregate supply curve is

- A. upward-sloping as real GDP increases
- B. horizontal at GDP levels below full employment
- C. based on the concept that all unemployment is voluntary
- D. downward-sloping as real GDP increases

CORRECT ANSWER IS: horizontal at GDP levels below full employment

635. QUESTION: In a hyperinflation velocity would be very low

- A. because money is scarce
- B. money is not valuable
- C. because money is losing its value rapidly
- D. none of them

CORRECT ANSWER IS: because money is losing its value rapidly

636. QUESTION: According to classical economists velocity would

- A. never change
- B. change systematically
- C. vary inversely
- D. change only slowly in response to institution changes

CORRECT ANSWER IS: change only slowly in response to institution changes

637. QUESTION: In the classical model if desired saving exceeded desired investment

- A. there would be recession
- B. there would be boom
- C. prices would rise
- D. interest rates would fall

CORRECT ANSWER IS: interest rates would fall

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638. QUESTION: If the money supply declines by 30% the simple quantity theory of money predicts

- A. price fall by 30%
- B. real GDP falls by 30%
- C. velocity rises by 30%
- D. velocity falls by 30%

CORRECT ANSWER IS: price fall by 30%

639. QUESTION: When the price level goes up the value of money

- A. is not affected because V is constant
- B. is not affected because Q is constant
- C. increases
- D. decreases

CORRECT ANSWER IS: decreases

640. QUESTION: Keynes believed that wages were inflexible downwards for all of the following except the existence of

- A. labor unions
- B. voluntary unemployment
- C. minimum wage laws
- D. multilayer labor contracts

CORRECT ANSWER IS: voluntary unemployment

641. QUESTION: In the public discovers that it can get along with less money

- A. money supply and real output would be constant
- B. velocity would increase
- C. price level would increase
- D. both b and c

CORRECT ANSWER IS: money supply and real output would be constant

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642. QUESTION: A Keynesian equilibrium with less than full employment can occur on the portion of the aggregate-supply curve that is

- A. upward-sloping
- B. downward-sloping
- C. vertical
- D. horizontal or upward sloping

CORRECT ANSWER IS: horizontal or upward sloping

643. QUESTION: In classical theory, excess supply of a product would be associated with

- A. rising interest rates
- B. failing interest rates
- C. rising price for the product
- D. falling price for the product

CORRECT ANSWER IS: falling price for the product

644. QUESTION: According to the classical model if desired saving should unexpectedly decreases, then

- A. consumption falls to restore equilibrium
- B. consumption rises but investment falls
- C. net exports would rise
- D. government expenditure increases

CORRECT ANSWER IS: consumption rises but investment falls

645. QUESTION: In the simple quantity theory model the value of money is determined by

- A. velocity
- B. employment
- C. quantity of imports
- D. what money will buy

CORRECT ANSWER IS: what money will buy

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646. QUESTION: Keynes famous quote that in the long run we are all dead was made in reference to the

- A. inability of politicians to make important decisions
- B. importance of stabilizing GDP in the short run
- C. need to concentrate on supply factor
- D. reason why economics does not matter in the long run

CORRECT ANSWER IS: importance of stabilizing GDP in the short run

647. QUESTION: In the classical quantity theory the main connection from the money supply to real output is

- A. through interest rates
- B. through price level
- C. through velocity
- D. non existent

CORRECT ANSWER IS: non existent

648. QUESTION: The basic Keynesian aggregate supply curve modified by the existence of bottlenecks allows for the existence of

- A. rising prices and falling output
- B. rising C and falling Y
- C. rising prices and rising output
- D. falling C and rising Y

CORRECT ANSWER IS: rising prices and rising output

649. QUESTION: In a depression economy along a horizontal aggregate supply curve

- A. wages and prices are continuously falling
- B. real GDP cannot be increases or decreases
- C. wages and prices are sticky downwards
- D. unemployment is relatively low

CORRECT ANSWER IS: wages and prices are sticky downwards

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650. QUESTION: Say's law asserts that because investment and savings are equalized by the interest rate any change in supply will automatically result in

- A. no change in demand
- B. equal change in demand
- C. slightly increased demand
- D. slightly decreased demand

CORRECT ANSWER IS: equal change in demand

651. QUESTION: Aggregate expenditures would rise due to an increase in all of the following except

- A. consumption
- B. investment
- C. government spending
- D. imports

CORRECT ANSWER IS: imports

652. QUESTION: When taxes are introduced into the income/expenditure model the

- A. AE and C survey shift upward by the amount of T
- B. AE and C curves shift downward by the amount of T
- C. AE and C curves shift downward by the amount of the MPC times T
- D. AE curve shifts upward by the amount of T

CORRECT ANSWER IS: AE and C curves shift downward by the amount of the MPC times T

653. QUESTION: If twenty cents out of each additional dollar of income is saved then the simple expenditure multiplier is

- A. one
- B. two
- C. five
- D. one-fifth

CORRECT ANSWER IS: five

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654. QUESTION: In general crowding out causes the effect of an increase in government expenditures on output to

- A. be larger
- B. be smaller
- C. be one
- D. be zero

CORRECT ANSWER IS: be smaller

655. QUESTION: In the economic slowdown in the early 1990s business activity was reduced while

- A. interest rates rose to record levels
- B. inflation rose to record levels
- C. real output actually rose
- D. inventories have not increased

CORRECT ANSWER IS: inventories have not increased

656. QUESTION: If I and G increases by \$10 billion, desired aggregate expenditure will increase by

- A. \$10 billion
- B. 10 billion*expenditure multiplier
- C. \$10 billion*MPC
- D. 10 billion*(accelerator)

CORRECT ANSWER IS: \$10 billion

657. QUESTION: The aggregate expenditure curve

- A. is the same as the aggregate demand curve
- B. related total desired expenditures to income
- C. relates total actual expenditures to income
- D. cannot take account of foreign transaction

CORRECT ANSWER IS: related total desired expenditures to income

658. QUESTION: The aggregate demand curve to the Keynesian model is

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- A. vertical because of unemployment
- B. horizontal because of unemployment
- C. downward sloping cause as prices rise real wealth falls reducing consumption
- D. none of them

CORRECT ANSWER IS: downward sloping cause as prices rise real wealth falls reducing consumption

659. QUESTION: IF the marginal propensity to consume is 0.75 then holding interest rates constant, a \$1 billion increase in taxes will cause the Keynesian-equilibrium level of output to

- A. increase by \$4 billion
- B. increase by \$3 billion
- C. decrease by \$1 billion
- D. decrease by \$3 billion

CORRECT ANSWER IS: decrease by \$3 billion

660. QUESTION: The correct definition of desired aggregate expenditure with a government sector is given by

- A. $AE = S + (T - G)$
- B. $AE = C + S + T$
- C. $AE = C + I + G$
- D. $AE = C + I + G + T$

CORRECT ANSWER IS: $AE = C + I + G$

661. QUESTION: The assumption made about desired government expenditure in the basic Keynesian model is the

- A. G increases with income
- B. G is autonomous or independent of Y
- C. G and T must always balance
- D. Government expenditure has a multiplier of one

CORRECT ANSWER IS: G is autonomous or independent of Y

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662. QUESTION: If government taxes rise by \$200 and the MPS is 0.25 what is the predicted impact on desired aggregate expenditure?

- A. C will increase by \$200
- B. C will fall by \$50
- C. C will fall by \$150
- D. C will fall by \$200

CORRECT ANSWER IS: C will fall by \$150

663. QUESTION: One effect of crowding out caused by higher government spending would be to

- A. lower the interest rate charged to business borrowers
- B. decrease real GDP
- C. reduce the increase in Y caused by higher G
- D. cause consumers to increase autonomous consumption

CORRECT ANSWER IS: reduce the increase in Y caused by higher G

664. QUESTION: The 45-degreee line in the income/expenditure model shows points at which

- A. income and expenditure are equal
- B. the economy is at full employment
- C. the MPC is equal to 1
- D. the MPC is equal to 0.5

CORRECT ANSWER IS: income and expenditure are equal

665. QUESTION: An increase in the foreign price level with the nominal exchange rate unchanged causes imports and exports to

- A. increase
- B. decrease
- C. remain constant
- D. decrease and increase respectively

CORRECT ANSWER IS: decrease and increase respectively

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666. QUESTION: According to the autonomous expenditure multiplier in the income/expenditure model, an increase in government spending increases output by

- A. more than an equal increase in investment
- B. the same amount as an equal increase in investment
- C. less than an equal increase in investment
- D. less than an equal reduction in taxes

CORRECT ANSWER IS: the same amount as an equal increase in investment

667. QUESTION: If the money supply is constant, then as the price level falls

- A. the aggregate supply curve shifts up
- B. the aggregate supply curve shifts down
- C. private consumption spending decreases
- D. real money balances increase

CORRECT ANSWER IS: real money balances increase

668. QUESTION: If the MPS equals 0.25 then the value of the expenditure multiplier is

- A. 1
- B. 3
- C. 4
- D. 5

CORRECT ANSWER IS: 4

669. QUESTION: The tax multiplier is described by all of the following except

- A. it is equal to C/T
- B. its absolute value is always one less than the expenditure multiplier
- C. it is considered to be a negative number
- D. it is calculated by $-MPC/(1-MPC)$

CORRECT ANSWER IS: it is equal to C/T

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670. QUESTION: An increase in current income would cause the

- A. C and AE curves to shift upward
- B. C but not the AE curve to shift upward
- C. AE but not the C curve to shift upward
- D. C and AE curve to remain unchanged

CORRECT ANSWER IS: C and AE curve to remain unchanged

671. QUESTION: Which of the following is an increase in autonomous expenditures?

- A. an increase in government spending
- B. an increase in taxes
- C. an increase in marginal propensity to consume
- D. an increase in the marginal propensity to save

CORRECT ANSWER IS: an increase in government spending

672. QUESTION: If investment increases then the equilibrium amount of saving

- A. decrease
- B. stays the same
- C. increase by less than investment increases
- D. increases by the same amount as investment

CORRECT ANSWER IS: increases by the same amount as investment

673. QUESTION: In a depression economy along a horizontal aggregate supply curve

- A. wages and prices are continuously falling
- B. real GDP cannot be increases or decreases
- C. wages and prices are sticky downwards
- D. unemployment is relatively low

CORRECT ANSWER IS: wages and prices are sticky downwards

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674. QUESTION: If real GDP is \$80 billion below full employment, how much should government spending be increased to restore full employment if the MPC is 0.75?

- A. \$10 billion
- B. \$20 billion
- C. \$80 billion
- D. \$320 billion

CORRECT ANSWER IS: \$20 billion

675. QUESTION: If G increases by \$100 billion how much should T be increased if the government wants Y to increase by \$100 billion and the MPC is 0.9?

- A. \$10 billion
- B. \$90 billion
- C. \$100 billion
- D. \$1,000 billion

CORRECT ANSWER IS: \$100 billion

676. QUESTION: An increase in the general price level would cause the

- A. AE but not the C curve to shift upward
- B. C but not the AE curve to shift upward
- C. AE and C curves to shift upward
- D. AE and C curves to shift downward

CORRECT ANSWER IS: AE and C curves to shift downward

677. QUESTION: In the income/expenditure model an increase in investment expenditures causes output to

- A. increase by less than the change in investment
- B. increase by the same amount as the change in investment
- C. increase by more than the change in investment
- D. decrease by less than the change in investment

CORRECT ANSWER IS: increase by more than the change in investment

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678. QUESTION: According to the simple multiplier, if the marginal propensity to consume is 0.9 an increase of \$1 billion in government spending which is financed by a \$1 billion increase in taxes will cause output to

- A. increase by \$10 billion
- B. increase by \$9 billion
- C. increase by \$1 billion
- D. stay the same

CORRECT ANSWER IS: increase by \$1 billion

679. QUESTION: The Keynesian equilibrium condition for an open economy is given by

- A. $Y = C$
- B. $Y = C + I$
- C. $Y = C + I + G$
- D. $Y = C + I + G + (X - M)$

CORRECT ANSWER IS: $Y = C + I + G + (X - M)$

680. QUESTION: If equilibrium income is equal to $Y = \$25,000$, what will be the new equilibrium value of Y if increases by \$100 and the MPS is 0.1?

- A. \$1,000
- B. \$24,000
- C. \$25,000
- D. \$26,000

CORRECT ANSWER IS: \$26,000

681. QUESTION: Which of the following sequences correctly describes how changes in government taxes affect consumption spending?

- A. T affects government spending which alters C
- B. T affects disposable income which alters C
- C. T affects investment spending which alters C
- D. T directly alters C dollar for dollar

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CORRECT ANSWER IS: T affects disposable income which alters C

682. QUESTION: Which of the following is not an equivalent statement of Keynesian equilibrium in the model without government?

- A. aggregate expenditures equal output
- B. unintended investment equals saving
- C. unintended investment is zero
- D. desired investment equals saving

CORRECT ANSWER IS: unintended investment equals saving

683. QUESTION: An increase in the marginal propensity to consume causes the expenditure multiplier to

- A. decrease
- B. stay the same
- C. increase
- D. increase by same amount

CORRECT ANSWER IS: increase

684. QUESTION: Crowding out occurs when

- A. government spending falls as a result of a tax cut
- B. investment falls as a result of an increase in interest rates
- C. consumers reduce spending on substitutes for goods now provided by the government
- D. either b or c

CORRECT ANSWER IS: either b or c

685. QUESTION: In the major econometric models used by private and government policy makers the value of government expenditure multipliers vary from

- A. 0 to 2.7
- B. 4 to 10.4
- C. 10 to 15.4
- D. 15 to 25

CORRECT ANSWER IS: 0 to 2.7

686. QUESTION: Introducing government pending into the income/expenditure model:

- A. shifts the C and AE curves upward by the amount of G
- B. shifts the C and AE curves downward by the amount of G
- C. shifts the AE curve upward by the amount of G
- D. shifts the AE curve downward by the amount of G

CORRECT ANSWER IS: shifts the AE curve upward by the amount of G

687. QUESTION: The aggregate demand curve is drawn assuming all of the following are constant except

- A. price level
- B. nominal money, supply
- C. tax rates
- D. real government expenditures

CORRECT ANSWER IS: price level

688. QUESTION: The Keynesian income/expenditure model assumes

- A. flexible wages and prices
- B. crowding out due to interest rate changes
- C. spending by $C + I + G + (X - M)$
- D. a full-employment economy was the problem to be solved

CORRECT ANSWER IS: spending by $C + I + G + (X - M)$

689. QUESTION: In the classical model desired saving would always be equated to desired investment by

- A. flexible wages and prices
- B. interest rate
- C. changes in real output
- D. government efforts to stabilize the economy

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CORRECT ANSWER IS: interest rate

690. QUESTION: Workers are willing to accept a cut in their nominal wages if

- A. everyone else accepts a wage cut
- B. interest rates are expected to rise
- C. the expected price level rise
- D. unemployment benefits are reduced

CORRECT ANSWER IS: everyone else accepts a wage cut

691. QUESTION: If the aggregate supply curve is vertical the value of the spending multiplier is

- A. 0
- B. less than one
- C. equal to one
- D. greater than one

CORRECT ANSWER IS: 0

692. QUESTION: Which of the following is an economic activity?

- A. medical facilities rendered by a charitable dispensary
- B. teaching one's own child at home
- C. a housewife doing household duties
- D. listening to music on the radio

CORRECT ANSWER IS: medical facilities rendered by a charitable dispensary

693. QUESTION: Collective wants include

- A. sum total of all goods and services wanted by individuals
- B. goods like refrigerators shared by members of a family
- C. newspapers
- D. defense of a country

CORRECT ANSWER IS: defense of a country

694. QUESTION: Gross domestic fixed-capital formation does not include

- A. net purchase of second-hand assets by private corporate sector from government
- B. net imports of second-hand machinery from abroad
- C. own account production of new assets
- D. construction of new roads and bridges

CORRECT ANSWER IS: net purchase of second-hand assets by private corporate sector from government

695. QUESTION: Transfer payments refer to payments which are made

- A. without any exchange of goods and services
- B. to workers on transfer from one job to another
- C. as compensation of employees
- D. none of them

CORRECT ANSWER IS: without any exchange of goods and services

696. QUESTION: Which of the following is deducted while estimating national income by the value-added method?

- A. value of goods and services produced for self-consumption
- B. imputed rental value of owner-occupied building
- C. net factor income from abroad
- D. consumption of capital

CORRECT ANSWER IS: consumption of capital

697. QUESTION: Which of the following is closest to the concept of economic production?

- A. sale of goods and services for profit
- B. manufacture of goods
- C. addition to the value of commodities
- D. addition to the stock of goods and services for future use

CORRECT ANSWER IS: addition to the value of commodities

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698. QUESTION: Which of the following are durable use producer-goods?

- A. fertilizers
- B. tractors
- C. diesel oil
- D. offer for cattle

CORRECT ANSWER IS: tractors

699. QUESTION: Value of output differs from the value added by the amount of

- A. wages and salaries
- B. intermediate consumption
- C. indirect taxes
- D. gifts received from abroad

CORRECT ANSWER IS: intermediate consumption

700. QUESTION: Personal disposable income is

- A. always equal to personal income
- B. always more than personal income
- C. equal to personal income minus direct taxes paid by household
- D. equal to personal income minus indirect taxes

CORRECT ANSWER IS: equal to personal income minus direct taxes paid by household

701. QUESTION: While estimating national income by the income method one of the following is not included. Identify it.

- A. mixed income of the self employed
- B. inheritance tax or death duty
- C. interest on bonds of a foreign company
- D. income of employees of voluntary organisation

CORRECT ANSWER IS: inheritance tax or death duty

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702. QUESTION: Net retained earnings abroad means

- A. income retained by a resident working abroad
- B. profits of resident companies abroad
- C. net undistributed profits of resident and non-resident companies
- D. foreign exchange reserves

CORRECT ANSWER IS: net undistributed profits of resident and non-resident companies

703. QUESTION: Which of the following is a characteristic feature of a modern economy?

- A. predominance of agriculture
- B. self-sufficient village economy
- C. diversity in production of commodities
- D. static technology

CORRECT ANSWER IS: diversity in production of commodities

704. QUESTION: Demand for intermediate consumption arises in

- A. consumer households
- B. government enterprises only
- C. corporate enterprises only
- D. all producing sectors of the economy

CORRECT ANSWER IS: all producing sectors of the economy

705. QUESTION: The gross fixed investment in an economy during a year is Rs. 200 Crore. The economy possessed Rs. 1200 Crore worth of fixed capital at the beginning of the year and the rate of depreciation is 10% per annum. What is the net value of fixed capital stock held at the end of the year?

- A. Rs 1600 Crore
- B. Rs 920 Crore
- C. Rs 1280 Crore
- D. Rs 1200 Crore

CORRECT ANSWER IS: Rs 1280 Crore

706. QUESTION: If during a year the national income at a constant prices goes up by 5%, while prices also rise by 5% and population registers a growth of 2%; then the real per capital income will

- A. remain constant
- B. rise by 2%
- C. decrease by 3%
- D. increase by 3%

CORRECT ANSWER IS: increase by 3%

707. QUESTION: Which of the following is not included while estimating national income by the expenditure methods?

- A. investment in shares of a new company
- B. defense expenditure
- C. net indirect tax
- D. net exports

CORRECT ANSWER IS: net indirect tax

708. QUESTION: Which of the following is not an example of capital transfers between countries?

- A. war damages
- B. gifts for cyclone victims
- C. economic aid
- D. grants from other governments

CORRECT ANSWER IS: gifts for cyclone victims

709. QUESTION: Identify economic stock from among the following

- A. depreciation of machinery
- B. production of food grains during the Kharif season
- C. purchase of food grains by a household
- D. bank deposit of a household

CORRECT ANSWER IS: bank deposit of a household

710. QUESTION: Expenditure on the purchase of new replacement parts of machinery installed by a firm is part of

- A. fixed capital formation
- B. consumption of capital
- C. intermediate consumption
- D. final consumption

CORRECT ANSWER IS: intermediate consumption

711. QUESTION: If consumption of capital is equal to gross fixed investment, then

- A. net investment is zero
- B. net investment is negative
- C. net investment is positive
- D. national income is constant

CORRECT ANSWER IS: net investment is zero

712. QUESTION: National income estimates of India are published both at current and constant prices. What is the base year for constant price estimates published at present?

- A. 1960-61
- B. 1970-71
- C. 1980-81
- D. 1985-86

CORRECT ANSWER IS: 1980-81

713. QUESTION: The difference between net national product at market prices and net domestic product at market prices is equal to

- A. value of exports
- B. net current transfers from the rest of the world
- C. value of exports minus value of imports
- D. net factor income from abroad

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CORRECT ANSWER IS: net factor income from abroad

714. QUESTION: Interest on public debt is a part of

- A. transfer payments by the government
- B. transfer payments by enterprises
- C. domestic income
- D. interest payments by households

CORRECT ANSWER IS: transfer payments by the government

715. QUESTION: Which of the following is an economic flow?

- A. national capital
- B. demand for machinery
- C. current account of a household
- D. population

CORRECT ANSWER IS: demand for machinery

716. QUESTION: Which of the following is an expenditure on intermediate consumption?

- A. purchase of coal by a steel factory
- B. purchase of coal by a dealer in coal
- C. purchase of coal by a household
- D. all of them

CORRECT ANSWER IS: purchase of coal by a steel factory

717. QUESTION: Which of the following constitutes an investment by a household?

- A. purchasing a washing machine
- B. painting a house
- C. purchasing a new house
- D. purchasing a new car

CORRECT ANSWER IS: purchasing a new house

718. QUESTION: In national income accounts, direct personal taxes are recorded as

- A. receipts of the government sector and payments of the corporate sector
- B. receipts of the government sector and payments of the household sector
- C. transfer from the household sector to the government sector
- D. disbursements of the government sector

CORRECT ANSWER IS: receipts of the government sector and payments of the household sector

719. QUESTION: Which of the following accounts for the difference between net domestic product at market prices and national income?

- A. net factor income from abroad
- B. national debt interest
- C. net factor income from abroad minus current transfers
- D. net factor income from abroad minus indirect taxes

CORRECT ANSWER IS: net factor income from abroad minus indirect taxes

720. QUESTION: Which of the following is not a government transfer payment to household?

- A. scholarship
- B. subsidy
- C. family pension
- D. unemployment allowance

CORRECT ANSWER IS: subsidy

721. QUESTION: A closed economy is one which

- A. does not trade with other countries
- B. does not possess any means of international transport
- C. does not have a coastal line
- D. is not a member of United Nations Organisation

CORRECT ANSWER IS: does not trade with other countries

722. QUESTION: Demand for final consumption arises in

- A. household sector only
- B. government sector only
- C. both a and b
- D. all sectors

CORRECT ANSWER IS: both a and b

723. QUESTION: Net value added is equal to

- A. payments accruing to factors of production
- B. compensation of employees
- C. wages plus rent plus interest
- D. value of output minus depreciation

CORRECT ANSWER IS: payments accruing to factors of production

724. QUESTION: For which of the following sectors is the income method used for estimation of national income of Pakistan?

- A. agriculture and allied activities
- B. pushing
- C. forestry
- D. banking and insurance

CORRECT ANSWER IS: banking and insurance

725. QUESTION: Which of the following has to be deducted from the value of output to arrive at the net value added by a producing enterprise?

- A. value of intermediate consumption
- B. consumption of fixed capital
- C. net indirect taxes
- D. all of them

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CORRECT ANSWER IS: all of them

726. QUESTION: Income from property is a part of

- A. mixed income of the self employed
- B. operating surplus
- C. compensation of employees
- D. none of them

CORRECT ANSWER IS: operating surplus

727. QUESTION: The traditional economy is characterized by

- A. division of labor and specialization
- B. organization of production for self-consumption
- C. capital-intensive process of production
- D. increasing state intervention

CORRECT ANSWER IS: organization of production for self-consumption

728. QUESTION: Which of the following activities of a farmer is an example of intermediate consumption?

- A. purchase of tractor
- B. payment of interest to a cooperative bank
- C. electricity charges for operating a pump
- D. wages paid to workers at harvesting time

CORRECT ANSWER IS: electricity charges for operating a pump

729. QUESTION: Addition to the stocks of food grains by the Food Corporation of India is a part of

- A. net fixed investment
- B. net revenue of the Government sector
- C. gross capital formation
- D. final consumption

CORRECT ANSWER IS: gross capital formation

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730. QUESTION: Identify the sector in respect of which the expenditure method is used for estimating national income in India

- A. registered manufacturing
- B. construction
- C. public administration and defense
- D. real estate, ownership of dwelling and business services

CORRECT ANSWER IS: construction

731. QUESTION: The value added method of measuring national income is also known as

- A. net output method
- B. production method
- C. industry of origin method
- D. all of them

CORRECT ANSWER IS: all of them

732. QUESTION: Unilateral payments are known as

- A. factor income
- B. factor payments
- C. transfer payments
- D. payments for productive services rendered by others

CORRECT ANSWER IS: transfer payments

733. QUESTION: Who among the following is a non-resident of India?

- A. a person with Indian origin working at the World Bank, Washington, DC
- B. A person of Indian origin employed in the UNO office at New Delhi
- C. The Indian manager of the Punjab National Bank branch office in London
- D. An Indian tourist in Europe

CORRECT ANSWER IS: a person with Indian origin working at the World Bank, Washington, DC

734. QUESTION: Imputed rental value of owner occupied dwelling is part of

- A. intermediate consumption
- B. capital formation
- C. final consumption
- D. expenditure on consumer durably

CORRECT ANSWER IS: final consumption

735. QUESTION: Mixed income of the self-employed means

- A. gross profits received by a proprietorship
- B. rent interest and profit of an enterprise
- C. combined factor payments which are not distinguishable
- D. wages due to family workers

CORRECT ANSWER IS: combined factor payments which are not distinguishable

736. QUESTION: In GNP at market prices is Rs 1200 crore, and fixed capital stock is worth Rs 2000 crore which depreciates at the rate of 10% per annum and the net indirect taxes amount is Rs 150 crore. What is the national income?

- A. Rs 3050 crore
- B. Rs 2850 crore
- C. Rs 1000 crore
- D. Rs 850 crore

CORRECT ANSWER IS: Rs 850 crore

737. QUESTION: Net borrowings from abroad are a part of

- A. gross domestic product
- B. net national product
- C. gross investment
- D. capital transfers

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CORRECT ANSWER IS: gross investment

738. QUESTION: Identify the correct statement

- A. personal disposable income excludes direct taxes paid by households
- B. capital transfers are paid from current income
- C. lottery income received by a household is factor income
- D. royalties are a part of compensation to employees

CORRECT ANSWER IS: personal disposable income excludes direct taxes paid by households

739. QUESTION: Which of the following includes interest on national debt?

- A. national income
- B. personal income
- C. gross national product
- D. net national product

CORRECT ANSWER IS: personal income

740. QUESTION: Purchase of a ceiling fan by a household is treated in national income accounting as a part of

- A. capital formation
- B. consumption over a long period of time
- C. consumption at the time of its purchase
- D. intermediate consumption

CORRECT ANSWER IS: consumption at the time of its purchase

741. QUESTION: Sale of old newspapers by a household is a part of

- A. net final consumption expenditure of the household
- B. value added by the household sector
- C. capital formation
- D. transfer payments

CORRECT ANSWER IS: net final consumption expenditure of the household

742. QUESTION: Operating surplus implies

- A. gross value added minus profits
- B. net income from property and entrepreneurship
- C. net profits of public enterprises
- D. part of profits which are reinvested

CORRECT ANSWER IS: net income from property and entrepreneurship

743. QUESTION: National income differs from the net national product at market prices by amount of

- A. current transfers from rest of the world
- B. net indirect taxes
- C. national debt interest
- D. it does not differ

CORRECT ANSWER IS: it does not differ

744. QUESTION: Aggregate gross receipts means

- A. turnover value of output
- B. receipts of the government
- C. receipts of the corporate sector
- D. receipts from the rest of the world

CORRECT ANSWER IS: turnover value of output

745. QUESTION: Which of the following is incorrect?

- A. GDP at market prices = GDP at factor cost plus net indirect taxes
- B. NNP at factor cost = NNP at market prices minus net indirect H taxes
- C. GNP at market prices = GDP at market prices plus net factor income from abroad
- D. none of them

CORRECT ANSWER IS: none of them

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746. QUESTION: Corporate enterprises refer to

- A. business houses maintaining a separate profit and loss account
- B. business houses that obtain loans from a bank
- C. business houses that obtain loans from the public
- D. business houses that are independent of their owners

CORRECT ANSWER IS: business houses that are independent of their owners

747. QUESTION: Which of the following constitutes a part of domestic fixed capital formation?

- A. net purchase of second-hand assets by corporate enterprises
- B. net purchase of second-hand physical assets from abroad
- C. expenditure on new parts of physical assets
- D. accumulation of stocks of fertilizers

CORRECT ANSWER IS: net purchase of second-hand physical assets from abroad

748. QUESTION: Operating surplus arises in

- A. government sector only
- B. household sector only
- C. public enterprises only
- D. all producing enterprises in the corporate sector

CORRECT ANSWER IS: all producing enterprises in the corporate sector

749. QUESTION: If net factor income from abroad is zero, then

- A. domestic product is zero
- B. national product is zero
- C. national product is equal to domestic product
- D. national product is constant

CORRECT ANSWER IS: national product is constant

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750. QUESTION: The term national income commonly refers to

- A. GNP at factor cost
- B. GNP at market prices
- C. NNP at factor cost
- D. NNP at market prices

CORRECT ANSWER IS: NNP at factor cost

751. QUESTION: The first estimate of national income in India was made by Dadabhai Naoroji for the year

- A. 1857-58
- B. 1867-68
- C. 1881-82
- D. 1890-91

CORRECT ANSWER IS: 1867-68

752. QUESTION: Domestic incomes refer to incomes which are generated

- A. by resident producers only
- B. by all producers within the geographical territory of the country
- C. in the household sector
- D. in cottage industries

CORRECT ANSWER IS: by all producers within the geographical territory of the country

753. QUESTION: Which of the following is not a corporate enterprise?

- A. Food Corporation of India
- B. Municipal Corporation of Delhi
- C. Tata Iron and Steel Company
- D. Life Insurance Corporation of India

CORRECT ANSWER IS: Municipal Corporation of Delhi

754. QUESTION: Purchases made by the US Embassy in India are part of

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- A. net factor earnings from abroad
- B. transfer payments
- C. domestic consumption expenditure
- D. exports from India to the USA

CORRECT ANSWER IS: exports from India to the USA

755. QUESTION: Operating surplus differs from net value added by the amount of

- A. compensation of employees
- B. net indirect taxes
- C. consumption of fixed capital
- D. dividends

CORRECT ANSWER IS: compensation of employees

756. QUESTION: For the estimation of private income which of the following items has to be added to national income?

- A. income from property accruing to government
- B. savings of the non-departmental enterprises
- C. subsidies
- D. interest on national debt

CORRECT ANSWER IS: interest on national debt

757. QUESTION: Which of the following is an example of transfer payment by the government?

- A. free housing accommodation to the government employees
- B. free housing accommodation to the president of India
- C. national debt interest
- D. bonus paid to railway employees

CORRECT ANSWER IS: national debt interest

758. QUESTION: If the general price level goes up by 12% and national income by 3% then the national income at current prices

- A. increase by 9%
- B. increase by 15%
- C. increase by 12%
- D. increase by 9%

CORRECT ANSWER IS: increase by 15%

759. QUESTION: Departmental enterprises are a part of the

- A. General government
- B. corporate sector
- C. non-profit public institutions
- D. non-profit institutions serving households

CORRECT ANSWER IS: General government

760. QUESTION: Direct purchases abroad made by the government on current account are a part of

- A. final consumption
- B. investments
- C. net factor payments abroad
- D. current transfers from the rest of the world

CORRECT ANSWER IS: final consumption

761. QUESTION: Which of the following is not a part of the compensation of employees?

- A. employer's contribution to provident fund
- B. leave travel allowance
- C. payments made to visiting foreign consultant
- D. pensions to retired employees

CORRECT ANSWER IS: payments made to visiting foreign consultant

762. QUESTION: While estimating personal income from national income, which of the following items need to be deducted?

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- A. net indirect taxes
- B. direct taxes paid by households
- C. dividends
- D. corporate profits tax

CORRECT ANSWER IS: direct taxes paid by households

763. QUESTION: Transfer receipts of the government include

- A. sale of second hand cars by government departments
- B. direct and indirect taxes
- C. imputed rent of government buildings
- D. dividends received from public enterprises

CORRECT ANSWER IS: direct and indirect taxes

764. QUESTION: Gross domestic product differs from net domestic product by the amount of

- A. government income from property
- B. net indirect taxes
- C. consumption of fixed capital
- D. net capital formation

CORRECT ANSWER IS: consumption of fixed capital

765. QUESTION: Which of the following is a departmental enterprise of the Government of India?

- A. Reserve Bank of India
- B. Indian Oil Corporation
- C. Indian Railways
- D. Food Corporation of India

CORRECT ANSWER IS: Indian Railways

766. QUESTION: Which of the following is not a part of net investment in an economy?

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- A. purchase of old shares
- B. purchase of a wall-clock by a factory
- C. purchase of wall-clock by a household
- D. increasing the storage of raw materials

CORRECT ANSWER IS: purchase of old shares

767. QUESTION: Identify the item, which is not a factor payment

- A. free uniforms to defense personnel
- B. salaries and allowance to the members of Parliament
- C. imputed rent of an owner-occupied building
- D. scholarships given to scheduled caste students

CORRECT ANSWER IS: scholarships given to scheduled caste students

768. QUESTION: Which of the following has to be added to national income obtain the net national disposable income?

- A. income from property and entrepreneurship accruing to government
- B. net current transfers from the rest of the world
- C. profits of public enterprises
- D. loans from public

CORRECT ANSWER IS: loans from public

769. QUESTION: Which one is an example of capital transfer within a country?

- A. compensation of residents whose houses have been damaged by floods
- B. old age pensions
- C. interest paid by consumer households on consumer loans
- D. gifts to sick and poor on festivals

CORRECT ANSWER IS: compensation of residents whose houses have been damaged by floods

770. QUESTION: In which of the following sectors does production for self-consumption generally take place?

- A. government administrative enterprises

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- B. private corporate sector
- C. non-departmental public enterprises
- D. households

CORRECT ANSWER IS: households

771. QUESTION: Which of the following is included in the consumption of fixed capital?

- A. fall in the price of machinery and other stocks
- B. expenditure on repairs and maintenance
- C. destruction of buildings in an earthquake
- D. normal wear and tear machinery while in use

CORRECT ANSWER IS: normal wear and tear machinery while in use

772. QUESTION: Which of the following is an example of factor-income from abroad?

- A. interest earned by a non-resident Indian on his bank account in India
- B. exports of handicrafts from India to the UK
- C. money sent by an engineer employed in London to his family in Delhi
- D. profits earned by a branch of the State Bank of India in London

CORRECT ANSWER IS: profits earned by a branch of the State Bank of India in London

773. QUESTION: Net national product at factor cost is

- A. equal to national income
- B. more than national income
- C. less than national income
- D. always more than the gross national product

CORRECT ANSWER IS: equal to national income

774. QUESTION: Subsistence production refers to

- A. production for self-consumption only
- B. production of necessities of life

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- C. exports equaling imports
- D. low levels of production

CORRECT ANSWER IS: production for self-consumption only

775. QUESTION: NI = NE is an

- A. equation
- B. identity
- C. function
- D. none of them

CORRECT ANSWER IS: identity

776. QUESTION: It is considered as transfer payments

- A. salaries of employees
- B. bonus of bank employees
- C. free medical care to officers
- D. unemployment allowance paid by government

CORRECT ANSWER IS: unemployment allowance paid by government

777. QUESTION: If $C = 200$ and $I = 40$ then Y will equal to

- A. 160
- B. 240
- C. 200
- D. none of them

CORRECT ANSWER IS: 240

778. QUESTION: Transfer payments means

- A. bank loans
- B. the payment without work
- C. tax payments

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D. payment made to all factors of production

CORRECT ANSWER IS: the payment without work

779. QUESTION: If we compare GDP and GNP then

- A. GNP = GDP - net income from abroad
- B. GNP = GDP + net income from abroad
- C. GNP = NNP - net income from abroad
- D. GNP = NNP + net income from abroad

CORRECT ANSWER IS: GNP = GDP + net income from abroad

780. QUESTION: To avoid double counting when GDP is estimated, economist

- A. use GDP deflator
- B. calculate value added at each stage of production
- C. use retail prices
- D. use price only immediate goods

CORRECT ANSWER IS: calculate value added at each stage of production

781. QUESTION: Per capita income is

- A. income per worker
- B. income per head
- C. income per household
- D. income per industrial unit

CORRECT ANSWER IS: income per head

782. QUESTION: GNP is always

- A. less than NNP
- B. greater than NNP
- C. equal to NNP
- D. none of them

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CORRECT ANSWER IS: greater than NNP

783. QUESTION: Corporate tax is lived on

- A. landlords
- B. municipal corporations
- C. big companies
- D. importers

CORRECT ANSWER IS: big companies

784. QUESTION: Direct taxes are not included in

- A. NNP
- B. PI
- C. DPI
- D. both a and c

CORRECT ANSWER IS: DPI

785. QUESTION: It is deducted from GNP to get NNP

- A. indirect taxes
- B. depreciation
- C. direct taxes
- D. transfer payments

CORRECT ANSWER IS: depreciation

786. QUESTION: A TV set purchased from a retail store is an example of

- A. intermediate good
- B. capital goods
- C. surplus goods
- D. final goods

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CORRECT ANSWER IS: final goods

787. QUESTION: If indirect taxes are deducted from NNP and subsidies are added, we achieve

- A. personal savings
- B. DPI
- C. NI
- D. per capita income

CORRECT ANSWER IS: NI

788. QUESTION: The four factor payments are

- A. money, capital, salaries and income
- B. wages, rent, interest and profits
- C. money, power, prices and wealth
- D. wages, interest, salaries and income

CORRECT ANSWER IS: wages, rent, interest and profits

789. QUESTION: If we deduct direct tax from personal income, we get

- A. net national income
- B. personal saving
- C. disposable income
- D. per capita income

CORRECT ANSWER IS: disposable income

790. QUESTION: When national income is estimated by expenditure method, we include

- A. all govt. expenditure
- B. all household expenditure
- C. all expenditure of the business sector
- D. all of them

CORRECT ANSWER IS: all of them

791. QUESTION: Select the correct statement:

- A. transfer payments are included in national income
- B. depreciation allowance is a part of GNP
- C. taxes are not included in NNP
- D. both a and b

CORRECT ANSWER IS: depreciation allowance is a part of GNP

792. QUESTION: It is deducted from GNP to find NNP

- A. savings
- B. direct taxes paid by households
- C. depreciating allowance
- D. subsidies

CORRECT ANSWER IS: depreciating allowance

793. QUESTION: Transfer payments are not included in national income because

- A. such payments are made to persons living abroad
- B. double counting would result
- C. they are illegal
- D. there is no method to account for these

CORRECT ANSWER IS: double counting would result

794. QUESTION: It is transfer payment

- A. payment of college tuition
- B. a social security payment
- C. interest paid for a bank loan
- D. payment for a leased car

CORRECT ANSWER IS: a social security payment

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795. QUESTION: The largest part of national income is

- A. consumption
- B. investment
- C. saving
- D. transfer payments

CORRECT ANSWER IS: consumption

796. QUESTION: Which statement is true?

- A. national expenditure = national income
- B. national expenditure = national income + national production
- C. national expenditure = national income + national taxes
- D. national expenditure = national income - taxes

CORRECT ANSWER IS: national expenditure = national income

797. QUESTION: Which is the largest figure?

- A. NNP
- B. GNP
- C. DPI
- D. PI

CORRECT ANSWER IS: GNP

798. QUESTION: Undistributed profits are considered

- A. income earned but not received
- B. income received but not earned
- C. income earned and received
- D. none of them

CORRECT ANSWER IS: income earned but not received

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799. QUESTION: To determine the correct level of GNP, it is necessary to

- A. add up the values of goods and services during one year
- B. add up all savings
- C. count all imports
- D. add up the value of semi finished goods

CORRECT ANSWER IS: add up the values of goods and services during one year

800. QUESTION: It is counted in GDP

- A. sale price for an old car
- B. purchase of 100 shares of PSO
- C. a TV set produced this year but not sold
- D. the leisure people consume

CORRECT ANSWER IS: a TV set produced this year but not sold

801. QUESTION: We measure national income by this method

- A. expenditure method
- B. income method
- C. product method
- D. all of them

CORRECT ANSWER IS: all of them

802. QUESTION: Which statement is true?

- A. national income = national expenditure - indirect taxes
- B. NI = GNP - NNP
- C. NI = NNP - indirect taxes
- D. NI = PI

CORRECT ANSWER IS: NI = NNP - indirect taxes

803. QUESTION: Which is a flow concept?

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- A. number of any shirts
- B. my monthly income
- C. my loyal wealth
- D. money supply

CORRECT ANSWER IS: my monthly income

804. QUESTION: Real national income increases when

- A. prices of goods are rising
- B. national savings increase
- C. quantity of goods and services increase
- D. none of them

CORRECT ANSWER IS: quantity of goods and services increase

805. QUESTION: If government increases taxes, private savings

- A. increase
- B. decrease
- C. do not change
- D. will become zero

CORRECT ANSWER IS: decrease

806. QUESTION: Which statement is true?

- A. NNP = GNP - depreciation
- B. NNP = NI
- C. NNP = DPI
- D. none of them

CORRECT ANSWER IS: NNP = GNP - depreciation

807. QUESTION: There are methods of measuring national income

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- A. 5
- B. 2
- C. 3
- D. 1

CORRECT ANSWER IS: 3

808. QUESTION: It is considered as investment

- A. construction of a house
- B. purchase of an old house
- C. salaries of college professors
- D. both a and b

CORRECT ANSWER IS: construction of a house

809. QUESTION: GNP is

- A. total sales in the economy
- B. total monetary transactions in an economy
- C. the market value of all goods and services produced in an economy
- D. total spending in an economy

CORRECT ANSWER IS: the market value of all goods and services produced in an economy

810. QUESTION: Market value of all final goods and services produced in a country during a year is definition of

- A. NI
- B. NNP
- C. GNP
- D. consumption

CORRECT ANSWER IS: GNP

811. QUESTION: Net exports are

- A. total exports plus total imports

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- B. total exports minus total imports
- C. total imports minus total exports
- D. total exports divided by total imports

CORRECT ANSWER IS: total exports minus total imports

812. QUESTION: Govt. transfer payment include

- A. social security benefits
- B. welfare benefits
- C. student scholarships
- D. all of them

CORRECT ANSWER IS: all of them

813. QUESTION: GNP includes

- A. a loan from a bank
- B. a loan from one's parents
- C. gifts and donations
- D. a broker's commission

CORRECT ANSWER IS: a broker's commission

814. QUESTION: Investment spending includes the purchase of

- A. stocks
- B. govt. bonds
- C. residential construction
- D. all of them

CORRECT ANSWER IS: residential construction

815. QUESTION: National income is

- A. total income spent in the economy
- B. sum of disposable personal income and saving

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- C. NNP minus the capital consumption allowance
- D. total income earned in producing the national product

CORRECT ANSWER IS: total income earned in producing the national product

816. QUESTION: Which of the following would increase level of national income?

- A. an increase in taxation
- B. a reduction in govt. spending
- C. a reduction in consumer spending
- D. an increase in exports

CORRECT ANSWER IS: an increase in exports

817. QUESTION: In calculating national income which one will not be included?

- A. exports
- B. undistributed by firms
- C. wages of a lecturer
- D. old age pensions

CORRECT ANSWER IS: old age pensions

818. QUESTION: In terms of national income accounts, multiple counting refers to

- A. the addition of GNP of multiple units of a good
- B. counting currently produced goods more than once
- C. the inclusion in GNP of gross spending and taxes
- D. counting both goods and services

CORRECT ANSWER IS: counting currently produced goods more than once

819. QUESTION: Which of the following would not be included in GNP

- A. govt. transfer payments
- B. payments for construction of state highway
- C. govt. purchase of an airplane

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D. salary paid for the presidents secretary

CORRECT ANSWER IS: govt. transfer payments

820. QUESTION: Which of the following is not included in personal income?

- A. social security benefits
- B. dividend payments
- C. undistributed corporate profits
- D. interest received from saving certificates

CORRECT ANSWER IS: undistributed corporate profits

821. QUESTION: National income is a measure of

- A. he size of government revenue
- B. payments made to factors of production
- C. total increase in wages in a year
- D. total production of goods in a period

CORRECT ANSWER IS: payments made to factors of production

822. QUESTION: In circular flow model

- A. households own the resources
- B. there are never international transactions
- C. household income is limited to wages and salaries
- D. financial markets ensure that the federal govt.'s budget is balanced annually

CORRECT ANSWER IS: households own the resources

823. QUESTION: Net investment is

- A. gross investment minus household investment
- B. gross investment minus govt. Investment
- C. gross investment minus capital consumption allowance
- D. none of them

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CORRECT ANSWER IS: gross investment minus capital consumption allowance

824. QUESTION: Consumption spending does not include

- A. household's purchases of food
- B. household's purchase of a car
- C. household's payment of rent for an apartment
- D. household's purchase of stock in any XYZ corporation

CORRECT ANSWER IS: household's purchase of stock in any XYZ corporation

825. QUESTION: Traffic fines are

- A. part of personal consumption spending
- B. excluded from national income accounts
- C. included in NI but not in PI
- D. included in PI but not in disposable PI

CORRECT ANSWER IS: included in PI but not in disposable PI

826. QUESTION: PI is equivalent to

- A. DPI minus personal taxes
- B. DPI plus unearned receipts
- C. DPI minus income earned but not received
- D. NI plus unearned receipts minus earning not received (taxes)

CORRECT ANSWER IS: NI plus unearned receipts minus earning not received (taxes)

827. QUESTION: A country is poor if it has

- A. less production of goods per capita
- B. less amount of gold
- C. less amount of foreign currency
- D. less exports

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CORRECT ANSWER IS: less production of goods per capita

828. QUESTION: A closed economy is best describe as one in which

- A. there are no monopolies
- B. no corporations
- C. no externalities
- D. no international trade

CORRECT ANSWER IS: no international trade

829. QUESTION: We measure national income by this method

- A. expenditure method
- B. income method
- C. product method
- D. any of the above

CORRECT ANSWER IS: any of the above

830. QUESTION: Select the correct statement:

- A. transfer payments are included in national income
- B. depreciation allowance is a part of GNP
- C. taxes are not included in NNP
- D. none of them

CORRECT ANSWER IS: depreciation allowance is a part of GNP

831. QUESTION: If savings exceed investment then

- A. national income rises
- B. national income falls
- C. national income is not affected
- D. none of them

CORRECT ANSWER IS: national income falls

832. QUESTION: This statement is true

- A. inflation does not play any role in distribution of national income
- B. inflation plays unfavorable role in distribution of national income
- C. inflation plays favorable role in distribution of national income
- D. inflation brings equality in aggregate demand and aggregate supply

CORRECT ANSWER IS: inflation plays unfavorable role in distribution of national income

833. QUESTION: A country is poor if it has

- A. less amount of gold
- B. less amount of local currency
- C. less GNP per capita
- D. less amount of foreign currency

CORRECT ANSWER IS: less GNP per capita

834. QUESTION: In economics, one or more persons living in a joint family are called a

- A. business firm
- B. social gathering
- C. super family
- D. household

CORRECT ANSWER IS: household

835. QUESTION: Which statement is true?

- A. NNP = GNP - depreciation
- B. NNP = NI
- C. NNP = DPI
- D. none of them

CORRECT ANSWER IS: NNP = GNP - depreciation

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836. QUESTION: Which is largest figure?

- A. NNP
- B. GNP
- C. DPI
- D. PI

CORRECT ANSWER IS: GNP

837. QUESTION: If we include it, national income will be over-estimated

- A. transfer payment
- B. income from abroad
- C. illegal income
- D. exports

CORRECT ANSWER IS: transfer payment

838. QUESTION: GDP stands for

- A. great domestic progress
- B. grand development plan
- C. gross domestic product
- D. gross domestic plan

CORRECT ANSWER IS: gross domestic product

839. QUESTION: It is transfer payment

- A. bus fare
- B. college fee
- C. pension
- D. salary

CORRECT ANSWER IS: pension

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840. QUESTION: The largest type of income in the Pakistan is

- A. compensation of employees
- B. proprietors income
- C. rental income
- D. corporate profits

CORRECT ANSWER IS: compensation of employees

841. QUESTION: Transfer payment means

- A. bank loans
- B. payment without work
- C. tax payments
- D. payments made to all factors of production

CORRECT ANSWER IS: payment without work

842. QUESTION: Which is a flow concept?

- A. number of any shirts
- B. my monthly income
- C. my total wealth
- D. money supply

CORRECT ANSWER IS: my monthly income

843. QUESTION: It is avoided to make correct estimate of national income

- A. free services
- B. double counting
- C. export earnings
- D. all of them

CORRECT ANSWER IS: double counting

844. QUESTION: Gross national product is

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- A. total annual monetary receipts by the people
- B. total annual spending in the economy
- C. total market value of final goods and services produced by the economy
- D. all of them

CORRECT ANSWER IS: total market value of final goods and services produced by the economy

845. QUESTION: They have a functional relation

- A. consumption and national income
- B. consumption and saving
- C. consumption and investment
- D. all of them

CORRECT ANSWER IS: consumption and national income

846. QUESTION: An open economy

- A. must be a democracy
- B. is one without taxes
- C. is that interacts with other economies
- D. means world economy

CORRECT ANSWER IS: is that interacts with other economies

847. QUESTION: Direct taxes are not included in

- A. NNP
- B. PI
- C. DPI
- D. both a and b

CORRECT ANSWER IS: DPI

848. QUESTION: To avoid double counting when GDP is estimated, economist

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- A. use GDP deflator
- B. calculate value added at each stage of production
- C. use retail prices
- D. use price only immediate goods

CORRECT ANSWER IS: calculate value added at each stage of production

849. QUESTION: It is not included in estimation of national income

- A. illegal income
- B. services of housewife
- C. imports
- D. all of them

CORRECT ANSWER IS: all of them

850. QUESTION: It is not a method to measure national income

- A. adding all expenditures
- B. adding all incomes
- C. adding value of goods and services
- D. adding all taxes

CORRECT ANSWER IS: adding all taxes

851. QUESTION: This is not a method to measure national income

- A. by adding all incomes
- B. by adding all expenditures
- C. by adding money value of all production
- D. by adding all money supply in the country

CORRECT ANSWER IS: by adding all money supply in the country

852. QUESTION: Which of the following is transfer payment?

- A. payment of college tuition

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- B. payment for social security
- C. payment for interest
- D. payment for a leased car

CORRECT ANSWER IS: payment for social security

853. QUESTION: When national income is estimated by expenditure method, we include

- A. all govt. expenditure
- B. all household expenditure
- C. all expenditure of the business sector
- D. all of them

CORRECT ANSWER IS: all of them

854. QUESTION: A TV set purchased from a retail store is an example of

- A. intermediate good
- B. capital good
- C. surplus good
- D. final good

CORRECT ANSWER IS: final good

855. QUESTION: The goods which are used directly by the people are called

- A. consumer goods
- B. capital goods
- C. direct goods
- D. none of them

CORRECT ANSWER IS: consumer goods

856. QUESTION: Macroeconomics is concerned with

- A. aggregate economic activity
- B. individual decision units

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- C. how to produce goods
- D. how to buy stocks and bonds

CORRECT ANSWER IS: aggregate economic activity

857. QUESTION: Gross national product includes

- A. a loan from one's parents
- B. a loan from a domestic bank
- C. a loan from other countries
- D. none of them

CORRECT ANSWER IS: none of them

858. QUESTION: Which of the following is counted in GDP?

- A. sale of used car
- B. purchase of shares of PSO
- C. a TV set produced this year but not sold
- D. the leisure people consume

CORRECT ANSWER IS: a TV set produced this year but not sold

859. QUESTION: Which statement is true?

- A. national expenditure = national income
- B. national expenditure = national income + national production
- C. national expenditure = national income + national taxes
- D. national expenditure = national income - taxes

CORRECT ANSWER IS: national expenditure = national income

860. QUESTION: Undistributed profits are considered

- A. income earned but not received
- B. income received but not earned
- C. income earned and received

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D. none of them

CORRECT ANSWER IS: income earned but not received

861. QUESTION: Circular flow of income links

- A. income, expenditure
- B. exports, imports
- C. govt. taxes, govt. expenditures
- D. saving and investment

CORRECT ANSWER IS: income, expenditure

862. QUESTION: In economics persons having a joint family budget are called

- A. community
- B. organization
- C. gathering
- D. household

CORRECT ANSWER IS: household

863. QUESTION: It is considered as investment in national accounting

- A. construction of a house
- B. purchase of a running hotel
- C. purchase of a new shirt
- D. increase in salaries of professors

CORRECT ANSWER IS: construction of a house

864. QUESTION: If government increases taxes, private savings

- A. increase
- B. decrease
- C. becomes negative
- D. do not change

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CORRECT ANSWER IS: decrease

865. QUESTION: Which statement is true?

- A. national income = national expenditure - indirect taxes
- B. NI = GNP - NNP
- C. NI = NNP - indirect taxes
- D. NI = PI

CORRECT ANSWER IS: NI = NNP - indirect taxes

866. QUESTION: Total value of all final goods and services in a country during one year is

- A. NNP
- B. GNP
- C. GDP
- D. NI

CORRECT ANSWER IS: GDP

867. QUESTION: Transfer payments include

- A. daily wages, pensions
- B. pensions, zakat
- C. zakat, taxes
- D. taxes, pocket money

CORRECT ANSWER IS: pensions, zakat

868. QUESTION: Which of the following is not macroeconomics

- A. inflation
- B. unemployment
- C. the level of output in the economy
- D. level of wages in export industry

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CORRECT ANSWER IS: level of wages in export industry

869. QUESTION: It is considered as transfer payment

- A. salary of an employee
- B. bonus paid to bank employee
- C. payment of house rent
- D. unemployment allowance paid by government

CORRECT ANSWER IS: unemployment allowance paid by government

870. QUESTION: If $C = 200$ and $I = 40$ then Y will equal to

- A. 160
- B. 240
- C. 200
- D. none of them

CORRECT ANSWER IS: 240

871. QUESTION: There are methods of measuring national income

- A. 5
- B. 2
- C. 3
- D. 1

CORRECT ANSWER IS: 3

872. QUESTION: Which measure has the larger value (for Pakistan)

- A. NNP
- B. GNP
- C. GDP
- D. NI

CORRECT ANSWER IS: GNP

873. QUESTION: This statement is true

- A. NI = rent + interest + wages + profit
- B. NI = rent + interest + wages + taxes
- C. NI = govt. expenditure + interest + wages + profit
- D. NI = rent + interest + wages + pensions

CORRECT ANSWER IS: NI = rent + interest + wages + profit

874. QUESTION: Investment spending includes the purchase of

- A. stocks
- B. govt. bonds
- C. residential construction
- D. all of them

CORRECT ANSWER IS: all of them

875. QUESTION: GNP is always

- A. less than NNP
- B. greater than NNP
- C. equal to NNP
- D. greater in many years but less in others

CORRECT ANSWER IS: greater than NNP

876. QUESTION: Corporate tax is lived on

- A. landlords
- B. municipal corporations
- C. joint stock companies
- D. importers

CORRECT ANSWER IS: joint stock companies

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877. QUESTION: If we compare GDP and GNP then

- A. $GNP = GDP - \text{net income from abroad}$
- B. $GNP = GDP + \text{net income from abroad}$
- C. $GNP = NNP - \text{net income from abroad}$
- D. $GNP = NNP + \text{net income from abroad}$

CORRECT ANSWER IS: $GNP = GDP + \text{net income from abroad}$

878. QUESTION: In equilibrium position of national income

- A. $S > I$
- B. $S < I$
- C. $S = I$
- D. all are true

CORRECT ANSWER IS: $S = I$

879. QUESTION: Determinants of national income are

- A. natural resources, human resources, monetary resources
- B. natural resources, capital resources, monetary resources
- C. natural resources, capital resources, human resources
- D. natural resources, capital resources, foreign resources

CORRECT ANSWER IS: natural resources, capital resources, human resources

880. QUESTION: Which of the following would not be included in GNP

- A. government support to the very poor
- B. government purchase of an airplane
- C. payment for construction of highway
- D. the salary paid for the president's secretary

CORRECT ANSWER IS: government support to the very poor

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881. QUESTION: The four factor payments are

- A. money, capital, salaries and income
- B. wages, rent, interest and profits
- C. money, power, prices and wealth
- D. wages, interest, salaries and income

CORRECT ANSWER IS: wages, rent, interest and profits

882. QUESTION: If we deduct direct tax from personal income, we get

- A. net national income
- B. personal saving
- C. disposable income
- D. per capita income

CORRECT ANSWER IS: disposable income

883. QUESTION: It is deducted from GNP to get NNP

- A. indirect taxes
- B. depreciation
- C. direct taxes
- D. transfer payments

CORRECT ANSWER IS: depreciation

884. QUESTION: Personal income includes

- A. direct taxes
- B. indirect taxes
- C. depreciation
- D. none of them

CORRECT ANSWER IS: direct taxes

885. QUESTION: National income is estimated by

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- A. product, import and export methods
- B. product, income and consumption methods
- C. product, income and market methods
- D. product, income and expenditure methods

CORRECT ANSWER IS: product, income and expenditure methods

886. QUESTION: It is transfer payment

- A. payment of pocket money to children
- B. financial support to old parents
- C. broker's commission in some auction
- D. both a and b

CORRECT ANSWER IS: both a and b

887. QUESTION: Macroeconomics is concerned with

- A. aggregate economic activity
- B. spending decisions of households
- C. how to produce goods
- D. how to buy stocks and bonds

CORRECT ANSWER IS: aggregate economic activity

888. QUESTION: The largest part of national income goes to

- A. consumption
- B. investment
- C. saving
- D. transfer payments

CORRECT ANSWER IS: consumption

889. QUESTION: It is added to GDP to get GNP

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- A. depreciation allowance
- B. direct taxes
- C. subsidies
- D. net income from abroad

CORRECT ANSWER IS: net income from abroad

890. QUESTION: Personal income includes

- A. transfer payments
- B. indirect taxes
- C. depreciation
- D. all of them

CORRECT ANSWER IS: transfer payments

891. QUESTION: National income of a country does not include

- A. self services, low wages
- B. donations and high salaries
- C. corporate taxes and gifts
- D. illegal incomes and unreported incomes

CORRECT ANSWER IS: illegal incomes and unreported incomes

892. QUESTION: It is not transfer payment

- A. payment of pocket money to children
- B. financial support to old parents
- C. a broker's commission
- D. donation to a hospital

CORRECT ANSWER IS: a broker's commission

893. QUESTION: Which of the following is not macroeconomics

- A. inflation

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- B. unemployment
- C. the level of output in the economy
- D. level of wages in garment industry

CORRECT ANSWER IS: level of wages in garment industry

894. QUESTION: Which shows equilibrium of national income

- A. consumption = investment
- B. saving = investment
- C. saving < investment
- D. saving > investment

CORRECT ANSWER IS: saving = investment

895. QUESTION: Marginal propensity to consume (MPC) is

- A. total income spent on consumption
- B. ratio of total income consumed
- C. ratio of additional income consumed
- D. consumption divided by saving

CORRECT ANSWER IS: ratio of additional income consumed

896. QUESTION: To find net national product, depreciation is

- A. added to GNP
- B. subtracted from GNP
- C. multiplied with national income
- D. has no role in national accounting

CORRECT ANSWER IS: subtracted from GNP

897. QUESTION: GDP at constant prices, calculated according to some base year is called

- A. actual GDP
- B. nominal GDP

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- C. real GDP
- D. net GDP

CORRECT ANSWER IS: nominal GDP

898. QUESTION: This may cause an increase in national income

- A. rise in exports
- B. rise in imports
- C. fall in consumer spending
- D. increase in saving

CORRECT ANSWER IS: rise in exports

899. QUESTION: Which of the following would increase national income

- A. increase in taxation
- B. increase in saving
- C. increase in govt. spending
- D. decrease in consumption spending

CORRECT ANSWER IS: increase in govt. spending

900. QUESTION: National income equals

- A. $c + s + g$
- B. $c + l + g$
- C. $c - l - g$
- D. $c - s - g$

CORRECT ANSWER IS: $c + l + g$

901. QUESTION: MPC cannot be

- A. positive
- B. negative
- C. zero

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D. more than APC

CORRECT ANSWER IS: more than APC

902. QUESTION: If $C = 200$ and $I = 40$ then Y will equal

- A. 160
- B. 240
- C. 800
- D. none of them

CORRECT ANSWER IS: 240

903. QUESTION: Which of the following is a withdrawal from the circular flow of income stream

- A. investment
- B. subsidies
- C. taxation
- D. consumption

CORRECT ANSWER IS: taxation

904. QUESTION: National income equals

- A. $c + I + t$
- B. $c + s + t$
- C. $c + t - g$
- D. $c - t + g$

CORRECT ANSWER IS: $c - t + g$

905. QUESTION: Consumption is a function of

- A. saving
- B. investment
- C. income
- D. none of them

CORRECT ANSWER IS: income

906. QUESTION: Aggregate demand is

- A. aggregate saving
- B. aggregate investment
- C. aggregate income
- D. aggregate expenditure

CORRECT ANSWER IS: aggregate expenditure

907. QUESTION: Which one is investment in economics?

- A. building a factory
- B. buying shares in stock exchange
- C. depositing money in bank
- D. depositing money in housing society

CORRECT ANSWER IS: building a factory

908. QUESTION: The contribution of industry in our GDP is

- A. 9%
- B. 19%
- C. 29%
- D. 39%

CORRECT ANSWER IS: 19%

909. QUESTION: Infant mortality rate in Pakistan is

- A. 45
- B. 65
- C. 85
- D. 105

CORRECT ANSWER IS: 65

910. QUESTION: Forest cover in Pakistan is

- A. 2%
- B. 4%
- C. 6%
- D. 8%

CORRECT ANSWER IS: 4%

911. QUESTION: People do not care for environment problems because of

- A. lack of education
- B. fear of taxes
- C. poverty
- D. both a and c

CORRECT ANSWER IS: both a and c

912. QUESTION: The percentage of our labor force working in agriculture is

- A. 14%
- B. 24%
- C. 34%
- D. 44%

CORRECT ANSWER IS: 44%

913. QUESTION: Life expectancy in Pakistan is

- A. less than 60 years
- B. between 60 and 70 years
- C. between 70 and 80 years
- D. more than 80 years

CORRECT ANSWER IS: between 60 and 70 years

914. QUESTION: Expenditure on health as percentage of GDP is

- A. less than 4%
- B. more than 4 but less than 8%
- C. more than 8 but less than 12%
- D. more than 12%

CORRECT ANSWER IS: less than 4%

915. QUESTION: There are stock exchanges in Pakistan

- A. 2
- B. 3
- C. 4
- D. 5

CORRECT ANSWER IS: 3

916. QUESTION: The government spends on education percentage of GDP

- A. 2.5
- B. 5.5
- C. 8.5
- D. 11.5

CORRECT ANSWER IS: 2.5

917. QUESTION: Environment includes

- A. ecosystem
- B. wildlife
- C. forests
- D. all of them

CORRECT ANSWER IS: all of them

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918. QUESTION: Many people do not send their children to schools because of

- A. their own illiteracy
- B. harsh teachers
- C. poverty
- D. all of them

CORRECT ANSWER IS: all of them

919. QUESTION: Literacy rate is lower in

- A. males
- B. females
- C. urban areas
- D. both b and c

CORRECT ANSWER IS: females

920. QUESTION: The lower literacy rate in females is due to

- A. lack of access to educational institutions
- B. parallel ignorance
- C. discriminatory social norms
- D. all of them

CORRECT ANSWER IS: all of them

921. QUESTION: Environment deterioration is occurring because of

- A. lack of education
- B. population pressure
- C. under utilization of natural resources
- D. both a and b

CORRECT ANSWER IS: both a and b

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922. QUESTION: Private sector participation is expanding in

- A. education
- B. health
- C. environment
- D. both a and b

CORRECT ANSWER IS: both a and b

923. QUESTION: Life expectancy in Pakistan is (in years)

- A. 46
- B. 56
- C. 66
- D. 76

CORRECT ANSWER IS: 66

924. QUESTION: Forests in Pakistan are decreasing because

- A. population pressure
- B. poorer conservation planning
- C. climatic changes
- D. all of them

CORRECT ANSWER IS: all of them

925. QUESTION: Public spending on health is

- A. less than 1%
- B. more than 1 but less than 2%
- C. more than 2 but less than 3%
- D. more than 3%

CORRECT ANSWER IS: less than 1%

926. QUESTION: Pakistan's saving rate is

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- A. 5%
- B. 15%
- C. 25%
- D. 35%

CORRECT ANSWER IS: 15%

927. QUESTION: Contribution of industrial sector in Pakistan's GDP is

- A. 18%
- B. 28%
- C. 38%
- D. 48%

CORRECT ANSWER IS: 18%

928. QUESTION: Average growth rate of Pakistan's national income in past five years have been

- A. 36%
- B. 26%
- C. 16%
- D. 6%

CORRECT ANSWER IS: 6%

929. QUESTION: Pakistan's per capita income is less than

- A. Japan
- B. Korea
- C. India
- D. all of them

CORRECT ANSWER IS: all of them

930. QUESTION: Pakistan's per capita income at constant prices in rupees is

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- A. Rs 32,000
- B. Rs 62,000
- C. Rs 92,000
- D. Rs 9,000

CORRECT ANSWER IS: Rs 32,000

931. QUESTION: According to Pakistan Economic Survey per capita income of Pakistan in US dollars is

- A. 400
- B. 800
- C. 1600
- D. 2000

CORRECT ANSWER IS: 800

932. QUESTION: Which of the following is an example of primary production

- A. production of a computer
- B. farmer growing wheat
- C. housewife bakes a cake
- D. opening of a new school

CORRECT ANSWER IS: farmer growing wheat

933. QUESTION: Working population is percent of total population of Pakistan

- A. 20%
- B. 30%
- C. 40%
- D. 50%

CORRECT ANSWER IS: 30%

934. QUESTION: Largest sector of Pakistan economy is

- A. agriculture

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- B. industry
- C. transport
- D. services

CORRECT ANSWER IS: agriculture

935. QUESTION: Which one is per capita income:

- A. per worker income
- B. per person income
- C. per family income
- D. per industrial unit income

CORRECT ANSWER IS: per person income

936. QUESTION: Which is most likely to cause a more even distribution of income

- A. an increase in indirect taxes
- B. an increase in managers' salaries
- C. an increase in progressive taxation
- D. an increase in the rate of inflation

CORRECT ANSWER IS: an increase in progressive taxation

937. QUESTION: Literacy rate in Pakistan is

- A. 37%
- B. 47%
- C. 57%
- D. 67%

CORRECT ANSWER IS: 57%

938. QUESTION: In the world population-wise Pakistan is

- A. 3rd
- B. 4th

- C. 6th
- D. 8th

CORRECT ANSWER IS: 6th

939. QUESTION: Base year of Pakistan for national accounting is

- A. 1979-80
- B. 1989-99
- C. 1999-2000
- D. 2009-10

CORRECT ANSWER IS: 1999-2000

940. QUESTION: If a country's growth rate was 5%, it means there would be 5% increase in

- A. industrial output
- B. retail price index
- C. government revenue
- D. goods and services produced

CORRECT ANSWER IS: goods and services produced

941. QUESTION: Population growth rate in Pakistan is

- A. 1%
- B. 2%
- C. 3%
- D. 4%

CORRECT ANSWER IS: 2%

942. QUESTION: It increases rate of capital formulation

- A. less saving
- B. rapid population growth
- C. new technology

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D. high interest rate

CORRECT ANSWER IS: new technology

943. QUESTION: This step will increase investment in Pakistan

- A. increase in taxes
- B. increase in population
- C. increase in interest rate
- D. decrease in interest rate

CORRECT ANSWER IS: decrease in interest rate

944. QUESTION: It creates difficulties in measurement of national income of Pakistan

- A. imperfect markets, large population
- B. large rural area, poor transport system
- C. illiteracy, underground economy
- D. underground economy, deficiency of natural resources

CORRECT ANSWER IS: illiteracy, underground economy

945. QUESTION: It creates difficulties in measurement of national income of Pakistan

- A. low literacy rate
- B. parliamentary form of govt
- C. huge imports
- D. high taxes

CORRECT ANSWER IS: low literacy rate

946. QUESTION: This step will increase per capita income in Pakistan

- A. increase in taxes
- B. increase in imports
- C. increase in investment
- D. increase in population

CORRECT ANSWER IS: increase in investment

947. QUESTION: The largest share in Pakistan's GNP is that of

- A. services
- B. industry
- C. agriculture
- D. banking

CORRECT ANSWER IS: agriculture

948. QUESTION: Commodity sector contributes to national income of Pakistan

- A. 48%
- B. 58%
- C. 68%
- D. 78%

CORRECT ANSWER IS: 48%

949. QUESTION: This step will increase saving in Pakistan

- A. increase in taxes
- B. decrease in taxes
- C. increase in population
- D. increase in imports

CORRECT ANSWER IS: decrease in taxes

950. QUESTION: Pakistan's

- A. GDP is greater than GNP
- B. GDP is smaller than GNP
- C. GDP is equal to GNP
- D. there is no comparison of GDP and GNP

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CORRECT ANSWER IS: GDP is smaller than GNP

951. QUESTION: This step will increase investment in Pakistan

- A. increase in taxes
- B. increase in saving
- C. increase in population
- D. increase in imports

CORRECT ANSWER IS: increase in saving

952. QUESTION: The macro economy model deals with the

- A. individual economy
- B. whole economy
- C. both a and b
- D. none of them

CORRECT ANSWER IS: whole economy

953. QUESTION: According to Keynes the economy may suffer from

- A. unemployment
- B. full employment
- C. inflation
- D. stability

CORRECT ANSWER IS: unemployment

954. QUESTION: When price rise along with rise in unemployment, it is called

- A. demand pull inflation
- B. cost all inflation
- C. stagflation
- D. hyper inflation

CORRECT ANSWER IS: stagflation

955. QUESTION: According to Friedman there exists between consumption and income in long run

- A. proportional
- B. non-proportional
- C. cleared
- D. cleared automatically

CORRECT ANSWER IS: proportional

956. QUESTION: The classical economist believed is

- A. full employment
- B. unemployment
- C. inflation
- D. deflation

CORRECT ANSWER IS: full employment

957. QUESTION: According to Keynes the equilibrium level of NI is determined where

- A. $S > I$
- B. $S < I$
- C. $S = I$
- D. none of them

CORRECT ANSWER IS: $S = I$

958. QUESTION: Philips curve shows relationship between prices and

- A. wages
- B. costs
- C. inflation
- D. unemployment

CORRECT ANSWER IS: unemployment

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959. QUESTION: If a person is not willing to work such unemployment is called

- A. voluntary
- B. involuntary
- C. proportional
- D. non-proportional

CORRECT ANSWER IS: voluntary

960. QUESTION: According to classical economists there is

- A. possibility of over production
- B. no possibility of over production
- C. possibility of profits
- D. none of them

CORRECT ANSWER IS: no possibility of over production

961. QUESTION: The concept of is curved was presented by

- A. Keynes
- B. Marshal
- C. Hicks
- D. Monetarists

CORRECT ANSWER IS: Hicks

962. QUESTION: According to activists the inflation and unemployment rise because of change in

- A. aggregate demand
- B. money supply
- C. costs
- D. aggregate supply

CORRECT ANSWER IS: money supply

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963. QUESTION: If a person is willing to work but fails to get job such unemployment is called

- A. voluntary
- B. involuntary
- C. proportional
- D. non-proportional

CORRECT ANSWER IS: involuntary

964. QUESTION: According to classical money is demanded for

- A. speculation
- B. transactions
- C. earnings profits
- D. none of them

CORRECT ANSWER IS: transactions

965. QUESTION: The concept of LM curve was presented by

- A. Keynes
- B. Marshal
- C. Hicks
- D. Monetarists

CORRECT ANSWER IS: Hicks

966. QUESTION: Keynes while presenting his theory of income and employment assumed constancy of

- A. labor
- B. capital
- C. labor and capital
- D. labor, capital and technology

CORRECT ANSWER IS: labor, capital and technology

967. QUESTION: The Philips curve in short run states that fall in the level of unemployment is due to

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- A. rise in price level
- B. low in price level
- C. rise in wage level
- D. low in wage level

CORRECT ANSWER IS: rise in price level

968. QUESTION: In money market according to classical

- A. $MV = PT$
- B. $MY > PT$
- C. $MY < PT$
- D. none of them

CORRECT ANSWER IS: $MV = PT$

969. QUESTION: The aggregate demand curve shows relationship between price and

- A. income
- B. quantity
- C. profit
- D. cost

CORRECT ANSWER IS: income

970. QUESTION: According to real business cycle theory, trade cycles occur due to

- A. technology changes
- B. labor changes
- C. capital changes
- D. none of them

CORRECT ANSWER IS: technology changes

971. QUESTION: The economic models are consisted of

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- A. a statement and assumption
- B. hypothesis
- C. predictions
- D. all of them

CORRECT ANSWER IS: all of them

972. QUESTION: Following QTM when money supply is doubled then price will be

- A. doubled
- B. one halved
- C. shrink
- D. stability

CORRECT ANSWER IS: doubled

973. QUESTION: The rise in price level due to increase in aggregate demand is given the name of

- A. demand pull inflation
- B. cost push inflation
- C. hyper inflation
- D. Philips Curve

CORRECT ANSWER IS: demand pull inflation

974. QUESTION: According to Keynes, there exists between consumption and income in short run

- A. proportional
- B. non-proportional
- C. cleared
- D. cleared automatically

CORRECT ANSWER IS: non-proportional

975. QUESTION: According to classical economists

- A. AD > AS

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- B. AD < AS
- C. AD = AS
- D. none of them

CORRECT ANSWER IS: AD = AS

976. QUESTION: Which of the following is an intermediate good?

- A. a car purchased by an individual
- B. a car purchased by a taxicab company
- C. a car purchased by federal govt.
- D. gasoline purchased by a taxi cab company

CORRECT ANSWER IS: gasoline purchased by a taxi cab company

977. QUESTION: All of the following are part of the value added of the steel industry except

- A. payments to steel workers
- B. depreciation of steel mills
- C. profits of steel products
- D. purchases of iron ore

CORRECT ANSWER IS: purchases of iron ore

978. QUESTION: If you hire a gardener to mow your lawn rather than doing it yourself

- A. GDP does not change
- B. GDP decreases
- C. GDP increases
- D. GDP increases unless the gardener does not report the income

CORRECT ANSWER IS: GDP increases unless the gardener does not report the income

979. QUESTION: The flow of expenditure method of measuring domestic product implies that

- A. if anything is purchased, it should be counted in GDP
- B. only expenditures for final goods and services should be counted in GDP

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- C. only money spent on goods and services which are used up within a year should be counted in GDP
- D. consumers are the only group which keeps spending flowing around the circular flow model

CORRECT ANSWER IS: only expenditures for final goods and services should be counted in GDP

980. QUESTION: Which of the following products would not enter GDP?

- A. maid service
- B. services of a homemaker
- C. services of a house painter
- D. a newly built house

CORRECT ANSWER IS: services of a homemaker

981. QUESTION: Which of the following is part of the difference between personal income and personal disposable income?

- A. personal income taxes
- B. transfer payments
- C. depreciation
- D. saving

CORRECT ANSWER IS: personal income taxes

982. QUESTION: Which one of the following income flows would be part of GDP but not part of GNP?

- A. the income of a homemaker
- B. the profits of a Japanese-owned bank on its US operations
- C. price paid for intermediate goods
- D. income earned in Canada by a US consultant

CORRECT ANSWER IS: the profits of a Japanese-owned bank on its US operations

983. QUESTION: Expenditures on US final products are made by different sectors of the economy including all of the following except

- A. import expenditure

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- B. govt. expenditure
- C. investment expenditure
- D. consumer expenditure

CORRECT ANSWER IS: import expenditure

984. QUESTION: In actual practice, and is estimated

- A. by two different groups of people
- B. by computer in order to remove human judgment
- C. weekly in order to produce the most precise estimates
- D. only for manufacturing and agricultural output

CORRECT ANSWER IS: by two different groups of people

985. QUESTION: Gross domestic product includes all of the following except

- A. personal consumption expenditures
- B. investment expenditures
- C. government purchases
- D. government transfer payments

CORRECT ANSWER IS: government transfer payments

986. QUESTION: In an economy with no depreciation, investment is equal to

- A. private saving
- B. private saving plus the government deficit
- C. private saving plus the government deficit plus foreign trade surplus
- D. private saving plus the government surplus plus foreign trade surplus

CORRECT ANSWER IS: private saving plus the government surplus plus foreign trade surplus

987. QUESTION: Private saving is composed of

- A. net foreign saving
- B. government saving

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- C. both business and net foreign saving
- D. both personal and business saving

CORRECT ANSWER IS: both personal and business saving

988. QUESTION: Investment expenditure includes each of the following except

- A. an automobile manufacturer's decision to increase inventories of four cylinder engines
- B. a boom in the construction of new houses
- C. a program undertaken to build a new plant to produce designer jeans
- D. a decision by consumers to invest their saving in IBM stocks

CORRECT ANSWER IS: a decision by consumers to invest their saving in IBM stocks

989. QUESTION: Which of the following would be part of investment in the national income and product accounts?

- A. social security benefits
- B. a new post office
- C. a new apartment building
- D. both a and c

CORRECT ANSWER IS: a new apartment building

990. QUESTION: Personal consumption expenditures are currently about what percentage of US GDP?

- A. 20%
- B. 45%
- C. 65%
- D. 90%

CORRECT ANSWER IS: 90%

991. QUESTION: IF \$ D buys 5 pounds of sugar while 1 German mark buys 10 pounds of sugar the purchasing power rate of exchange of the dollar and the mark is

- A. \$1 = 0.5 marks
- B. \$1 = 1 mark

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- C. \$1 = 2 marks
- D. \$1 = 5 marks

CORRECT ANSWER IS: \$1 = 0.5 marks

992. QUESTION: Which of the following transactions would be counted in the GDP?

- A. purchase of chemicals by a videodisc producer
- B. sale of 100 shares of GM stock
- C. purchase of body building equipment by a health spa
- D. sale of lumber to a housing contractor

CORRECT ANSWER IS: purchase of body building equipment by a health spa

993. QUESTION: Which of the following is a correct statement about economic "bads"?

- A. all economic bads are illegal
- B. economic bads are excluded from the MEW concept
- C. the pollution created by business firms is an economic bad
- D. economic bads can contribute to society's well being

CORRECT ANSWER IS: the pollution created by business firms is an economic bad

994. QUESTION: An accumulation of unsold goods is

- A. counted in GDP as investment
- B. counted in GDP as consumption
- C. counted in GDP but not as consumption or investment
- D. not counted in GDP

CORRECT ANSWER IS: counted in GDP as investment

995. QUESTION: The largest income share of GDP is

- A. compensation of employees
- B. proprietor's income
- C. depreciation

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D. indirect taxes

CORRECT ANSWER IS: compensation of employees

996. QUESTION: In 1989, a business firm has inventories on hand equal to \$5,000. During 1990 the firm builds a new plant and equips it for \$10,000 spends \$2,000 replacing the equipment in its existing plant that wore out and reduced inventories to \$1,000. From a national income accounting perspective, the investment undertaken by this firm is equal to

- A. \$4,000
- B. \$8,000
- C. \$13,000
- D. \$18,000

CORRECT ANSWER IS: \$8,000

997. QUESTION: Gross domestic product is defined to equal the

- A. total output produced by US factors of production no matter their location
- B. GNP less depreciation costs
- C. GNP less net exports
- D. total output produced by factors of production in the US irrespective of their ownership

CORRECT ANSWER IS: total output produced by factors of production in the US irrespective of their ownership

998. QUESTION: The economic value of homemaker services

- A. is included in GDP only for urban house holds
- B. cannot be calculated because involves a non-market transaction
- C. is zero because no transaction is involved
- D. may be as much as 15 percent of GDP

CORRECT ANSWER IS: may be as much as 15 percent of GDP

999. QUESTION: Gross domestic income equals gross domestic product

- A. only when supply equals demand

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- B. only when there is no government
- C. only when there is no government or foreign trade
- D. always

CORRECT ANSWER IS: always

1000. QUESTION: If real GDP is a larger number than nominal GDP then

- A. prices are higher today than in base year
- B. the GDP deflator is greater than one
- C. the GDP deflator is greater than 100
- D. prices are lower today than in the base year

CORRECT ANSWER IS: prices are lower today than in the base year

1001. QUESTION: When a consumer computer firm increases its stock of Apple Macintosh computers to meet an expected sales increase this is associated with

- A. depreciation of the firms' capital
- B. a government requirement that prohibits shortages
- C. inventory investment
- D. no change in GDP since only geographic location has been altered

CORRECT ANSWER IS: inventory investment

1002. QUESTION: The value added of a firm is the total value of its

- A. output
- B. output less its payments to factors of production
- C. output less its payments for intermediate goods
- D. layout input

CORRECT ANSWER IS: output less its payments for intermediate goods

1003. QUESTION: Economic problems arise because

- A. wants are unlimited

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- B. resources are scarce
- C. scarce resources have alternative uses
- D. all of them

CORRECT ANSWER IS: all of them

1004. QUESTION: The Law of Demand, assuming other things to remain constant, establishes the relationship between

- A. income of the consumer and the quantity of a commodity demanded by them
- B. price of a commodity and the quantity demanded
- C. price of a commodity and the demand for its substitute
- D. quantity demanded of a commodity and the relative prices of its complementary goods

CORRECT ANSWER IS: price of a commodity and the quantity demanded

1005. QUESTION: Production is a function of

- A. profits
- B. costs
- C. inputs
- D. price

CORRECT ANSWER IS: profits

1006. QUESTION: Elasticity of supply refers to the degree of responsiveness of supply of a commodity to changes in its

- A. demand
- B. price
- C. costs of production
- D. state of technology

CORRECT ANSWER IS: price

1007. QUESTION: Discriminating monopoly implies that the monopolist charges different prices for his commodity

- A. from different groups of consumers
- B. for different uses

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- C. at different places
- D. any of the above

CORRECT ANSWER IS: any of the above

1008. QUESTION: Which is not essential condition for an economic problem to arise?

- A. unlimited wants
- B. use of money
- C. scarcity of resources
- D. alternative uses of scarce resources

CORRECT ANSWER IS: use of money

1009. QUESTION: Identify the factor, which generally keeps the price-elasticity of demand for a commodity low:

- A. variety of uses for that commodity
- B. its low price
- C. close substitutes for that commodity
- D. high proportion of the consumer's income spent on it

CORRECT ANSWER IS: its low price

1010. QUESTION: An Is-product curve slopes

- A. downward to the left
- B. downward to the right
- C. upward to the left
- D. upward to the right

CORRECT ANSWER IS: downward to the right

1011. QUESTION: The cost of one thing in terms of the alternative given up is known as

- A. production cost
- B. physical cost
- C. real cost

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D. opportunity cost

CORRECT ANSWER IS: opportunity cost

1012. QUESTION: Price discrimination will be profitable only if the elasticity of demand in different markets into which the total market has been divided is

- A. uniform
- B. different
- C. less
- D. zero

CORRECT ANSWER IS: different

1013. QUESTION: Which is not a central problem of an economy?

- A. what to produce
- B. how to produce
- C. how to maximize private profit
- D. for whom to produce

CORRECT ANSWER IS: how to maximize private profit

1014. QUESTION: Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a commodity demanded is smaller than the percentage fall in its price

- A. equal to one
- B. greater than one
- C. smaller than one
- D. zero

CORRECT ANSWER IS: smaller than one

1015. QUESTION: A vertical supply curve parallel to the price axis implies that the elasticity of supply is

- A. zero
- B. infinity

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- C. equal to one
- D. greater than zero but less than infinity

CORRECT ANSWER IS: zero

1016. QUESTION: According to current thinking, the law of diminishing return applies to

- A. all fields of production
- B. agriculture
- C. mining
- D. manufacturing

CORRECT ANSWER IS: all fields of production

1017. QUESTION: Which of the following oligopoly models is concerned with the maximization of joint profits?

- A. price leadership model
- B. Bertrand's model
- C. Collusive model
- D. Edge worth's model

CORRECT ANSWER IS: Collusive model

1018. QUESTION: Who defined Economics as a 'Science which studies human behavior as a relationship between ends and means which have alternative uses'?

- A. L. Robbins
- B. Alfred Marshall
- C. Joan Robinson
- D. Paul A. Samuelson

CORRECT ANSWER IS: L. Robbins

1019. QUESTION: In the case of an inferior good, the income elasticity of demand is

- A. positive
- B. zero

- C. negative
- D. infinite

CORRECT ANSWER IS: negative

1020. QUESTION: The supply of a commodity refers to

- A. actual production of the commodity
- B. total existing stock of the commodity
- C. stock available for sale
- D. amount of the commodity offered for sale at a particular price per unit of time

CORRECT ANSWER IS: amount of the commodity offered for sale at a particular price per unit of time

1021. QUESTION: Identify the correct statement

- A. the average product is at its maximum when the marginal product is equal to the average product
- B. the law of increasing returns relates to the effect of changes in factor proportions
- C. economies of scale arise only because of indivisibilities of factors of production
- D. the production possibility curve and the transformation curve are different curves

CORRECT ANSWER IS: economies of scale arise only because of indivisibilities of factors of production

1022. QUESTION: The Kinky demand curve hypothesis is designed to explain in the context of oligopoly

- A. price and output determination
- B. price rigidity
- C. price leadership
- D. collusion among rivals

CORRECT ANSWER IS: price rigidity

1023. QUESTION: A mixed economy is characterized by the co-existence of

- A. modern and traditional industries
- B. public and private sectors
- C. foreign and domestic investments

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D. commercial and subsistence farming

CORRECT ANSWER IS: public and private sectors

1024. QUESTION: In respect of which of the following category of goods is consumer's surplus highest?

- A. griffin goods
- B. necessities
- C. luxuries
- D. prestige goods

CORRECT ANSWER IS: necessities

1025. QUESTION: Which cost increases continuously with the increase in production?

- A. average cost
- B. marginal cost
- C. fixed cost
- D. variable cost

CORRECT ANSWER IS: variable cost

1026. QUESTION: With which of the following is the concept of marginal cost closely related?

- A. variable cost
- B. fixed cost
- C. implicit cost
- D. explicit cost

CORRECT ANSWER IS: variable cost

1027. QUESTION: Which form of market structure is characterized by interdependence in decision-making as between the different competing firms?

- A. oligopoly
- B. perfect competition
- C. imperfect competition

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D. none of them

CORRECT ANSWER IS: oligopoly

1028. QUESTION: Which is not an essential feature of a socialist economy?

- A. social ownership of the means of production
- B. freedom of enterprise
- C. use of centralized planning
- D. government decisions

CORRECT ANSWER IS: freedom of enterprise

1029. QUESTION: Total utility is maximum when

- A. marginal utility is zero
- B. marginal utility is at its highest point
- C. marginal utility is equal to average
- D. average utility is maximum

CORRECT ANSWER IS: marginal utility is zero

1030. QUESTION: Which of the following cost curves is never unshaped?

- A. average cost curve
- B. marginal cost curve
- C. average variable cost curve
- D. average fixed cost curve

CORRECT ANSWER IS: average fixed cost curve

1031. QUESTION: According to M. Kalecki, the true measure of the degree of monopoly power is the

- A. ratio between price and marginal cost
- B. extent of monopolistic profit enjoyed by the monopolist
- C. cross-elasticity of demand for the product of the monopolist
- D. price charges by the monopolist minus marginal cost of production

CORRECT ANSWER IS: ratio between price and marginal cost

1032. QUESTION: Which one of the following is not the assumption of the Marginal Productivity Theory of Distribution?

- A. homogeneity of a factor
- B. perfect competition in the factor market
- C. all factors, except one, are variable
- D. given stock of each factor and full employment

CORRECT ANSWER IS: all factors, except one, are variable

1033. QUESTION: Which of the following is incorrect?

- A. a function shows the relationship between two or more variables
- B. Normative Economics studies how the economic problems facing society should be solved
- C. a market necessarily refers to a meeting place between buyers and sellers
- D. equilibrium refers to the market conditions which once achieved, tend to persist

CORRECT ANSWER IS: a market necessarily refers to a meeting place between buyers and sellers

1034. QUESTION: If the demand for a commodity is inelastic, an increase in its price will cause the total expenditure of the consumers of the commodity to

- A. remain the same
- B. increase
- C. decrease
- D. any of the above

CORRECT ANSWER IS: increase

1035. QUESTION: Total costs in the short-term are classified into fixed costs and variable costs. Which one of the following is a variable cost?

- A. cost of raw materials
- B. cost of equipment
- C. interest payment on past borrowing

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D. payment of rent on buildings

CORRECT ANSWER IS: cost of raw materials

1036. QUESTION: A monopolist is able to maximize his profit when

- A. his output is maximum
- B. he charges a high price
- C. his average cost is minimum
- D. his marginal revenue is equal to marginal cost

CORRECT ANSWER IS: his marginal revenue is equal to marginal cost

1037. QUESTION: With which of the theories of wages is the name of John Stuart Mill associated?

- A. marginal productivity theory of wages
- B. wages-fund theory
- C. subsistence theory of wages
- D. Iron law of wages

CORRECT ANSWER IS: wages-fund theory

1038. QUESTION: Microeconomics deals with the

- A. allocation of resources of the economy as between production of different goods and services
- B. determination of prices of goods and services
- C. behavior of industrial decisions makers
- D. all of them

CORRECT ANSWER IS: all of them

1039. QUESTION: If regardless of changes in its price, the quantity demanded of a commodity remains unchanged, then the demand curve for the commodity will be

- A. horizontal
- B. vertical
- C. positively sloped

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D. negatively sloped

CORRECT ANSWER IS: vertical

1040. QUESTION: In the short term, when the output of a firm increases, its average fixed cost

- A. increase
- B. decrease
- C. remains constant
- D. first declines and then rises

CORRECT ANSWER IS: decrease

1041. QUESTION: Which of the following is not an essential condition of pure competition?

- A. large number of buyers and sellers
- B. homogeneous product
- C. freedom of entry
- D. absence of transport cost

CORRECT ANSWER IS: absence of transport cost

1042. QUESTION: Under monopsony in the labor market, the supply curve of labor facing the firm will be

- A. upward
- B. downward
- C. backward
- D. horizontal

CORRECT ANSWER IS: upward

1043. QUESTION: The demand for liquidity preference is governed by

- A. transaction motives
- B. precautionary motives
- C. speculative motives
- D. all of them

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CORRECT ANSWER IS: all of them

1044. QUESTION: Which of the following is microeconomics concerned with?

- A. size of national output
- B. level of employment
- C. changes in the general level of prices
- D. none of them

CORRECT ANSWER IS: none of them

1045. QUESTION: In the case of Geffen good, the demand curve will be

- A. horizontal
- B. downward
- C. backward
- D. upward

CORRECT ANSWER IS: backward

1046. QUESTION: A significant property of the Cobb-Douglas production function is that elasticity of substitution between inputs is

- A. equal to unity
- B. more than unity
- C. less than unity
- D. zero

CORRECT ANSWER IS: equal to unity

1047. QUESTION: What is the shape of the demand curve faced by a firm under perfect competition?

- A. horizontal
- B. vertical
- C. positively sloped
- D. negatively sloped

CORRECT ANSWER IS: horizontal

1048. QUESTION: Economic rent can accrue to

- A. land only
- B. capital only
- C. specialized technical personnel only
- D. any of the factors of production

CORRECT ANSWER IS: any of the factors of production

1049. QUESTION: Formulation of an economic theory involves

- A. statement of various assumption or postulates
- B. logical deductions from the assumptions made
- C. testing the hypothesis against empirical evidence
- D. all of them

CORRECT ANSWER IS: all of them

1050. QUESTION: The budget-line is also known as the

- A. iso-utility curve
- B. production possibility line
- C. isoquant
- D. consumption possibility line

CORRECT ANSWER IS: consumption possibility line

1051. QUESTION: The production techniques are technically efficient

- A. below the lower ridge line
- B. above the upper ridge line
- C. between the two ridge lines
- D. on the upper ridge line

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CORRECT ANSWER IS: between the two ridge lines

1052. QUESTION: Which is the first-order condition for the profit of a firm to be maximum?

- A. AC = MR
- B. MC = MR
- C. MR = AR
- D. AC = AR

CORRECT ANSWER IS: MC = MR

1053. QUESTION: Which of the following statements is incorrect?

- A. quasi-rent is a purely short-term phenomenon
- B. rent is exclusively demand determined
- C. rent can accrue to land alone
- D. rent in the excess of actual earnings over transfer earnings

CORRECT ANSWER IS: rent can accrue to land alone

1054. QUESTION: An economic theory is

- A. an axiom
- B. a proposition
- C. a hypothesis
- D. a tested hypothesis

CORRECT ANSWER IS: a tested hypothesis

1055. QUESTION: Which one is not an assumption of the theory of demand based on analysis of indifference curves?

- A. given scale of preferences as between different combinations of two goods
- B. diminishing marginal rate of substitution
- C. constant marginal utility of money
- D. consumers would always prefer more of a particular good to less of it, other things remaining the same

CORRECT ANSWER IS: constant marginal utility of money

1056. QUESTION: Which of the following is not a feature of iso-product curves? Iso-product curves

- A. are downward sloping to the right
- B. show different input combination producing the same output
- C. intersect each other
- D. are convex to the origin

CORRECT ANSWER IS: intersect each other

1057. QUESTION: In which form of the market structure is the degree of control over the price of its product by a firm very large?

- A. monopoly
- B. imperfect competition
- C. oligopoly
- D. perfect competition

CORRECT ANSWER IS: monopoly

1058. QUESTION: In the context of the firm as a whole, quasi-rent is defined as the excess of the total receipts over the total:

- A. fixed cost
- B. average cost
- C. fixed and variable cost
- D. variable cost

CORRECT ANSWER IS: variable cost

1059. QUESTION: Identify the neo-classical theory of the rate of interest

- A. liquidity-preference theory
- B. time preference theory
- C. abstinence theory
- D. loanable funds theory

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CORRECT ANSWER IS: loan able funds theory

1060. QUESTION: Identify the aspect of taxation which is related to normative economics

- A. incidence of tax
- B. effect of tax on the capacity willingness to work
- C. equity of tax
- D. none of them

CORRECT ANSWER IS: equity of tax

1061. QUESTION: The elasticity of substitution between two perfect substitutions is

- A. zero
- B. greater than zero
- C. less than infinity
- D. infinity

CORRECT ANSWER IS: infinity

1062. QUESTION: Some economists refer to iso-product serves as

- A. Engels curve
- B. production indifference curve
- C. budget line
- D. ridge line

CORRECT ANSWER IS: production indifference curve

1063. QUESTION: Which is the other name that is given to the average revenue curve?

- A. profit curve
- B. demand curve
- C. average cost curve
- D. indifference curve

CORRECT ANSWER IS: demand curve

1064. QUESTION: A factor of production, whose supply is fixed in the short run, may get additional earnings. These earnings are generally referred to as

- A. surplus value
- B. quasi-rent
- C. transfer earnings
- D. supernormal profit

CORRECT ANSWER IS: quasi-rent

1065. QUESTION: The classical theory explained interest as a reward for

- A. parting with liquidity
- B. abstinence
- C. saving
- D. inconvenience

CORRECT ANSWER IS: saving

1066. QUESTION: Demand for a commodity refers to a

- A. desire for the commodity
- B. need for the commodity
- C. quantity demanded of that commodity
- D. quantity of the commodity demanded at a certain price during any particular period of time

CORRECT ANSWER IS: quantity of the commodity demanded at a certain price during any particular period of time

1067. QUESTION: The consumer is in equilibrium at a point where the budget line

- A. is above an indifference curve
- B. is below an indifference curve
- C. is tangent to an indifference curve
- D. cuts an indifference curve

CORRECT ANSWER IS: is tangent to an indifference curve

1068. QUESTION: Which one of the following is also known as plant curves?

- A. long-run average cost (LAC) curves
- B. short-run average cost (SAC) curves
- C. average variable cost (AVC) curves
- D. average total cost (ATC) curves

CORRECT ANSWER IS: short-run average cost (SAC) curves

1069. QUESTION: Under which of the following forms of market structure does a firm have no control over the price of its product?

- A. monopoly
- B. monopolistic competition
- C. oligopoly
- D. perfect competition

CORRECT ANSWER IS: perfect competition

1070. QUESTION: Which of the following factors forms the basis of the Loanable Funds Theory of Interest?

- A. monetary factors
- B. psychological factors
- C. technical factors
- D. monetary and non monetary factors

CORRECT ANSWER IS: monetary and non monetary factors

1071. QUESTION: According to Joseph Schumpeter, profit is the reward for

- A. innovation
- B. uncertainty-bearing
- C. risk-taking
- D. management

CORRECT ANSWER IS: innovation

1072. QUESTION: Contraction of demand is the result of

- A. decrease in the number of consumers
- B. increase in the price of the commodity concerned
- C. increase in the prices of other goods
- D. decrease in the income of purchases

CORRECT ANSWER IS: increase in the price of the commodity concerned

1073. QUESTION: An indifference curve slopes down towards right since more of one commodity and less of another result in

- A. same satisfaction
- B. greater satisfaction
- C. maximum satisfaction
- D. decreasing expenditures

CORRECT ANSWER IS: same satisfaction

1074. QUESTION: What is the shape of the average fixed cost (AFC) curve?

- A. U-shape
- B. horizontal upto a point and then rising
- C. sloping down towards the right
- D. rectangular hyperbola

CORRECT ANSWER IS: rectangular hyperbola

1075. QUESTION: Which one of the following is the condition of equilibrium for the monopolist?

- A. $MR = MC$
- B. $MC = AR$
- C. $MR = MC = \text{price}$
- D. $AC = AR$

CORRECT ANSWER IS: $MR = MC$

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1076. QUESTION: Which of the following purposes normally does not give rise to the demand for loanable funds?

- A. consumption
- B. saving
- C. investment
- D. hoarding

CORRECT ANSWER IS: saving

1077. QUESTION: The term 'normal profit' as used in the analysis of equilibrium of the firm under perfect competition, refers to

- A. earnings of management
- B. reward for enterprise
- C. reward for innovation
- D. residual income of a business

CORRECT ANSWER IS: earnings of management

1078. QUESTION: All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?

- A. the preferences of the individual
- B. his monetary income
- C. price of the commodity under consideration
- D. prices of other goods

CORRECT ANSWER IS: price of the commodity under consideration

1079. QUESTION: The Revealed Preference Theory deduces the inverse price-quantity relationship from

- A. assumption of indifference
- B. postulate of utility maximization
- C. observed behavior of the consumer
- D. introspection

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CORRECT ANSWER IS: observed behavior of the consumer

1080. QUESTION: An increase in the supply of a commodity is caused by

- A. improvements in its technology
- B. fall in the prices of other commodities
- C. fall in the prices of factors of production
- D. all of them

CORRECT ANSWER IS: all of them

1081. QUESTION: The situation of monopolistic competition is created by

- A. small number of producers of a commodity
- B. lack of homogeneity of the product produced by different firms
- C. imperfection of the market for that product
- D. all of them

CORRECT ANSWER IS: all of them

1082. QUESTION: On which of the following does the demand for money for speculative motive mainly depend?

- A. income
- B. profits
- C. rate of interest
- D. general price level

CORRECT ANSWER IS: general price level

1083. QUESTION: Who argued that pure profit can arise only in a dynamic economy?

- A. F.H. Knight
- B. J.B. Clark
- C. Bohm Bawerk
- D. Alfred Marshall

CORRECT ANSWER IS: J.B. Clark

1084. QUESTION: Which of the following pairs of commodities is an example of substitutes?

- A. tea and sugar
- B. tea and coffee
- C. pen and ink
- D. shirt and trousers

CORRECT ANSWER IS: tea and coffee

1085. QUESTION: Which of the following statements is incorrect?

- A. an indifference curve must be downward sloping to the right
- B. convexity of a curve implies that the slope of the curve diminishes as one moves from left to right
- C. the elasticity of substitution between two goods to a consumer is zero
- D. the total effect of a change in the price of a good on its quantity demanded is called price effect

CORRECT ANSWER IS: the elasticity of substitution between two goods to a consumer is zero

1086. QUESTION: In the case of a straight-line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be

- A. 0
- B. 1
- C. 2
- D. 3

CORRECT ANSWER IS: 1

1087. QUESTION: Normally a demand curve will have the shape

- A. horizontal
- B. vertical
- C. downward sloping
- D. upward sloping

CORRECT ANSWER IS: downward sloping

1088. QUESTION: If elasticity of demand is very low it shows that the commodity is

- A. a necessity
- B. a luxury
- C. has little importance in total budget
- D. both a and c

CORRECT ANSWER IS: a necessity

1089. QUESTION: When cross elasticity of demand is a large positive number, one can conclude that

- A. the good is normal
- B. the good is inferior
- C. the good is substitute
- D. the good is complement

CORRECT ANSWER IS: the good is substitute

1090. QUESTION: Price and demand are positively correlated in case of

- A. necessities
- B. comforts
- C. Geffen goods
- D. luxuries

CORRECT ANSWER IS: Geffen goods

1091. QUESTION: Income elasticity of demand for normal good is always

- A. 1
- B. more than one
- C. negative
- D. positive

CORRECT ANSWER IS: positive

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1092. QUESTION: Law of demand shows relation between

- A. income and price of commodity
- B. price and quantity of a commodity
- C. income and quantity demand
- D. quantity demanded and quantity supplied

CORRECT ANSWER IS: price and quantity of a commodity

1093. QUESTION: The following are causes of shift in demand except the one

- A. change in income
- B. change in price
- C. change in fashion
- D. change in prices of substitutes

CORRECT ANSWER IS: change in price

1094. QUESTION: If demand is inelastic, a change in the price

- A. will change the quantity in same direction
- B. will change total revenue in same direction
- C. will change total revenue in the opposite direction
- D. will not change quantity

CORRECT ANSWER IS: will change total revenue in same direction

1095. QUESTION: The elasticity of demand of durable goods is

- A. less than unity
- B. greater than unity
- C. equal to unity
- D. zero

CORRECT ANSWER IS: greater than unity

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1096. QUESTION: Demand is a function of

- A. price
- B. quantity
- C. supply
- D. none of them

CORRECT ANSWER IS: price

1097. QUESTION: This is an assumption of law of demand

- A. price of commodity should not change
- B. quantity should not change
- C. supply should not change
- D. income of consumer should not change

CORRECT ANSWER IS: income of consumer should not change

1098. QUESTION: When demand is perfectly inelastic, an increase in price will result in

- A. a decrease in total revenue
- B. an increase in total revenue
- C. no change in total revenue
- D. a decrease in quantity demanded

CORRECT ANSWER IS: an increase in total revenue

1099. QUESTION: Which one is the assumption of law of demand?

- A. price of the commodity should not change
- B. quantity demanded should not change
- C. prices of substitutes should not change
- D. demand curve must be linear

CORRECT ANSWER IS: prices of substitutes should not change

1100. QUESTION: The elasticity of demand of durable goods is

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- A. more elastic
- B. less elastic
- C. zero elastic
- D. infinite elastic

CORRECT ANSWER IS: more elastic

1101. QUESTION: If price and total revenue move in the same direction, then demand is

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

CORRECT ANSWER IS: inelastic

1102. QUESTION: IF quantity demanded is completely unresponsive to changes in price, demand is

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

CORRECT ANSWER IS: perfectly inelastic

1103. QUESTION: IF demand is unitary elastic, a 25% increase in price will result in

- A. 25% change in total revenue
- B. no change in quantity demanded
- C. 1% decrease in quantity demanded
- D. 25% decrease in quantity demanded

CORRECT ANSWER IS: 25% decrease in quantity demanded

1104. QUESTION: Which of the following is a demand function?

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- A. $Q + 4P = 20$
- B. $Q = 35 + 3P$
- C. $Q - 2P - 15 = 0$
- D. $5P - Q = 4$

CORRECT ANSWER IS: $Q + 4P = 20$

1105. QUESTION: Mr. Raees Ahmad bought 50 litres of petrol when his monthly income was Rs. 25,000. Now his monthly income has risen to Rs. 50,000 and he purchases 100 liter of petrol. His income elasticity of demand for petrol is

- A. 1
- B. 100%
- C. less than one
- D. more than one

CORRECT ANSWER IS: 1

1106. QUESTION: What does price elasticity of demand measure?

- A. change in price caused by changes in demand
- B. the rate of changes of sales
- C. the receptiveness of demand to price changes
- D. the value of sales of a given price

CORRECT ANSWER IS: the receptiveness of demand to price changes

1107. QUESTION: Other things equal, if a good has more substitutes, its price elasticity of demand is

- A. larger
- B. smaller
- C. zero
- D. unity

CORRECT ANSWER IS: larger

1108. QUESTION: Irrespective of price, Sofia always spends Rs. 100 a week on ice cream, we conclude that

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- A. elasticity of demand is 0
- B. elasticity of demand is 1
- C. elasticity of demand is infinite
- D. the law of demand has been violated

CORRECT ANSWER IS: elasticity of demand is 1

1109. QUESTION: Zubair has a special taste for college canteen is hotdogs. The owner of the canteen doubles the prices of hotdogs. Zubair did not respond to the increase in prices and kept on demanding the same quantity of hotdogs. His demand for hotdogs is

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

CORRECT ANSWER IS: perfectly inelastic

1110. QUESTION: When price elasticity of demand for normal goods is calculated, the value is always

- A. positive
- B. negative
- C. constant
- D. greater than one

CORRECT ANSWER IS: negative

1111. QUESTION: Which one is the assumption of law of demand?

- A. price of the commodity should not change
- B. quantity demanded should not change
- C. income of the consumer should not change
- D. none of them

CORRECT ANSWER IS: income of the consumer should not change

1112. QUESTION: Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is

- A. 10%
- B. 30%
- C. 3
- D. 03-Jan

CORRECT ANSWER IS: 3

1113. QUESTION: Which one is increasing function of price:

- A. demand
- B. utility
- C. supply
- D. consumption

CORRECT ANSWER IS: supply

1114. QUESTION: If price changes by 1% and supply changes by 2% then supply is

- A. elastic
- B. inelastic
- C. indeterminate
- D. static

CORRECT ANSWER IS: elastic

1115. QUESTION: During a particular year farmers experienced a dry weather, if all other factors remain constant, farmers supply curve wheat will shift to

- A. rightward
- B. leftward
- C. downward
- D. rise in supply

CORRECT ANSWER IS: leftward

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1116. QUESTION: In May 2010, firm was supplying 500kg of sugar of market price of Rs. 30 per kg. During June 2010, firm's supply of sugar had decreased to 450 kg at price Rs.20 per kg. These changes show that supply of sugar is

- A. perfectly elastic
- B. perfectly inelastic
- C. less elastic
- D. more elastic

CORRECT ANSWER IS: less elastic

1117. QUESTION: It describes the law of supply

- A. supply curve
- B. supply schedule
- C. supply equation
- D. all of them

CORRECT ANSWER IS: all of them

1118. QUESTION: If elasticity of supply is greater than one. Supply curve will be

- A. horizontal
- B. vertical
- C. passing through origin
- D. touching y-axis

CORRECT ANSWER IS: touching y-axis

1119. QUESTION: When supply of a commodity increases without change in price it is called

- A. fall in supply
- B. expansion in supply
- C. contraction in supply
- D. rise in supply

CORRECT ANSWER IS: rise in supply

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1120. QUESTION: What best explains a shift in market supply curve to the right?

- A. an advertising campaign is successful in promoting the good
- B. a new technique makes it cheaper to produce the good
- C. the government introduces a tax on the good
- D. the price of raw materials increases

CORRECT ANSWER IS: a new technique makes it cheaper to produce the good

1121. QUESTION: Supply curve will shift when

- A. price falls
- B. price rises
- C. demand shifts
- D. technology changes

CORRECT ANSWER IS: technology changes

1122. QUESTION: Supply curve

- A. is vertical in long run
- B. is flatter in long run
- C. is same in long and short run
- D. is horizontal in both short and long run

CORRECT ANSWER IS: is flatter in long run

1123. QUESTION: An increase in demand would cause supply curve to

- A. shift to the left
- B. shift to the right
- C. change in slope of supply curve
- D. no effect on supply

CORRECT ANSWER IS: no effect on supply

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1124. QUESTION: Which of the following goods is most likely to be exchanged in a market of local rather than national scope?

- A. university professors
- B. computer components
- C. building materials
- D. magazines

CORRECT ANSWER IS: building materials

1125. QUESTION: If the price of a good rises and households income go up by exactly the same proportion then the quantity of the good demanded will

- A. increase
- B. stay the same
- C. decrease
- D. none of them

CORRECT ANSWER IS: decrease

1126. QUESTION: Holding everything else constant an increase in supply leads to

- A. an increase in demand
- B. an increase in price
- C. an increase in quantity exchanged
- D. a decrease in demand

CORRECT ANSWER IS: an increase in quantity exchanged

1127. QUESTION: If both demand and supply were to increase then

- A. quantity exchanged would fall and price would rise
- B. quantity exchanged and price would both fall
- C. quantity exchanged would rise and price might rise or fall
- D. quantity exchanged and price would both rise

CORRECT ANSWER IS: quantity exchanged would rise and price might rise or fall

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1128. QUESTION: Which of the following is assumed to be constant when a demand curve is drawn?

- A. consumer tastes
- B. prices of inputs
- C. technology
- D. number of sellers

CORRECT ANSWER IS: consumer tastes

1129. QUESTION: Which of the following is not necessarily a characteristic of a perfectly competitive market?

- A. there is perfect information about prices
- B. all participants in the market are small relative to the size of the overall market
- C. there are many buyers and sellers
- D. buyers and sellers do not know each other

CORRECT ANSWER IS: buyers and sellers do not know each other

1130. QUESTION: If a good is an inferior good then an increase in incomes with everything else held constant will

- A. increase demand for the good
- B. increase supply for the good
- C. leave demand and supply unchanged
- D. reduce the equilibrium price of the good

CORRECT ANSWER IS: reduce the equilibrium price of the good

1131. QUESTION: Some farm land can be used to produce either corn or soybeans. If the demand for corn increases then

- A. the demand for soybeans should increase
- B. the supply of soybeans should increase
- C. the supply for soybeans should decrease
- D. the market for soybeans should be largely unaffected

CORRECT ANSWER IS: the supply for soybeans should decrease

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1132. QUESTION: If demand increased and supply decreased then

- A. quantity exchanged might rise or fall and price would rise
- B. quantity exchanged would rise and price would fall
- C. quantity exchanged would rise and price might rise or fall
- D. quantity exchanged might rise or fall and price would fall

CORRECT ANSWER IS: quantity exchanged might rise or fall and price would rise

1133. QUESTION: If the popular media a "a sugar shortage" due to bad weather generally refers to a situation where

- A. quantity supplied exceeds quantity demanded
- B. the price of sugar is expected to increase
- C. the price of sugar is expected to be frozen by law
- D. the price of sugar is expected to fall as demand decreases

CORRECT ANSWER IS: the price of sugar is expected to increase

1134. QUESTION: Gold is bought and sold in a(n)

- A. perfectly competitive international market
- B. imperfect national market
- C. imperfect international market
- D. none of them

CORRECT ANSWER IS: perfectly competitive international market

1135. QUESTION: If there is an increase in the supply of a complement to radishes then there will be

- A. increased demand for radishes
- B. increased supply of radishes
- C. no change in demand or supply of radishes
- D. a decrease in the equilibrium price of radishes

CORRECT ANSWER IS: increased demand for radishes

1136. QUESTION: Which of the following is not true at the equilibrium price?

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- A. quantity demanded equals quantity supplied
- B. the supply and demand curves intersect so Consumers are satisfied with the quantity they purchase given its price
- C. the good is not scarce
- D. producers are content with the price they receive for the product given the quantity they produce

CORRECT ANSWER IS: the good is not scarce

1137. QUESTION: Which of the following is not part of the law of demand?

- A. there is inverse relationship between product price and demand
- B. everything else is the same
- C. the number of buyers is assumed fixed
- D. the demand curve is constructed for a specified period of time

CORRECT ANSWER IS: there is inverse relationship between product price and demand

1138. QUESTION: The effect of consumer boycotts usually is

- A. a rise in the price of the product
- B. a decrease in the demand for the product
- C. a decrease in the supply of the product
- D. an increase in the quantity supplied of the product

CORRECT ANSWER IS: a decrease in the demand for the product

1139. QUESTION: If men in the US decide the "greasy look" is the right hair style for them, the

- A. supply of combs will increase
- B. demand for shampoo will fall
- C. demand for haircuts will increase
- D. demand for wigs will increase

CORRECT ANSWER IS: demand for shampoo will fall

1140. QUESTION: Used cars are sold in

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- A. perfectly competitive local market
- B. perfectly competitive national market
- C. imperfect national market
- D. imperfect local market

CORRECT ANSWER IS: imperfect local market

1141. QUESTION: If the price for which consumers expect radios to sell next year decreases then

- A. current demand for radios will fall
- B. current supply for radios will fall
- C. current demand for radios will rise
- D. current demand will change unpredictably

CORRECT ANSWER IS: current demand for radios will fall

1142. QUESTION: In a perfectly competitive market, suppliers must know

- A. the incomes of consumers
- B. the price of the good
- C. what other commodities households could substitute for the good
- D. consumers expectations of the future

CORRECT ANSWER IS: the price of the good

1143. QUESTION: Which of the following is assumed to be constant when a supply curve is drawn?

- A. technology
- B. number of buyers in the market
- C. consumer income
- D. household tastes

CORRECT ANSWER IS: technology

1144. QUESTION: A market-clearing price

- A. is a disequilibrium price

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- B. means a shortage exists as the market is cleared
- C. must be set by the government
- D. is an equilibrium price

CORRECT ANSWER IS: is an equilibrium price

1145. QUESTION: A shift in the demand for a product is likely to result from a change in

- A. the product's price
- B. expectations
- C. the prices of resources used to produce it
- D. production technology

CORRECT ANSWER IS: expectations

1146. QUESTION: The supply curve would probably shift to the right if

- A. resource used in production became more costly
- B. the technology of production improved
- C. the price of the good decreased
- D. consumers' incomes increased

CORRECT ANSWER IS: the technology of production improved

1147. QUESTION: Which of the following is accomplished by a perfectly competitive market?

- A. all buyers who want the good at the market price can buy it
- B. all sellers who want to sell the good at the market price can find a buyer
- C. those buyers who value the good most will get to consume it
- D. all of them

CORRECT ANSWER IS: all of them

1148. QUESTION: If the price of Pepsi Cola goes down you would predict

- A. an increase in supply of Coca Cola
- B. a decrease in supply of Coca Cola

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- C. an increase in demand for Coca Cola
- D. a decrease in demand for Coca Cola

CORRECT ANSWER IS: a decrease in demand for Coca Cola

1149. QUESTION: If a new production technology for producing compact discs is developed and new firms are attracted to this field

- A. the supply curve will shift down and right
- B. the supply curve will shift up and left
- C. the two effects will cancel each other
- D. both demand and supply curve shifts would occur

CORRECT ANSWER IS: the supply curve will shift down and right

1150. QUESTION: The reason why nurses are offered bonuses of \$1,000 to \$2,000 to accept employment is

- A. their contribution to society is relatively high
- B. due to the shortage of physicians
- C. caused by a shortage of nurses
- D. a result of hospitals wasting money

CORRECT ANSWER IS: caused by a shortage of nurses

1151. QUESTION: The law of demand is most directly result o

- A. the law of comparative advantage
- B. the law of diminishing returns
- C. the principle of substitution
- D. law of increasing costs

CORRECT ANSWER IS: the principle of substitution

1152. QUESTION: Plumbing and pipefitting require many of the same skills. If the wage paid to pipe fitters increased then the effect on the market for plumbers would probably be

- A. an increase in demand

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- B. a decrease in demand
- C. an increase in supply
- D. a decrease in supply

CORRECT ANSWER IS: a decrease in supply

1153. QUESTION: An effective price ceiling usually results in

- A. excess demand
- B. excess supply
- C. a new equilibrium at a lower price
- D. a decrease in demand

CORRECT ANSWER IS: excess demand

1154. QUESTION: If the price of coffee increases you would predict that the

- A. demand curve for sugar will shift left or down
- B. supply curve for sugar will shift left or up
- C. demand curve for coffee cups will shift right or down
- D. supply curve for coffee cups will shift right or up

CORRECT ANSWER IS: demand curve for sugar will shift left or down

1155. QUESTION: Supply and demand changes have their most rapid impact in

- A. auction markets
- B. contract markets
- C. market for commercial office space
- D. natural gas markets

CORRECT ANSWER IS: auction markets

1156. QUESTION: A major factor that determines new activity in oil exploration and production is

- A. the "greenhouse effect"
- B. the expected price of oil

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- C. government tax treatment of consumers
- D. how effective government price controls are in keeping oil prices low

CORRECT ANSWER IS: the expected price of oil

1157. QUESTION: The short-run supply curves for most goods slope upward most directly as a result of

- A. the law of comparative advantage
- B. the law of diminishing returns
- C. the principle of substitution
- D. the law of increasing costs

CORRECT ANSWER IS: the law of diminishing returns

1158. QUESTION: An increase in supply shifts the supply curve

- A. upward
- B. to the right
- C. to the left
- D. up and to the left

CORRECT ANSWER IS: to the right

1159. QUESTION: An increase in the supply of a substitute for a good leads to

- A. a reduction in the good's price and a smaller quantity exchanged
- B. an increase in the good's price and a smaller quantity exchanged
- C. a reduction in the good's price and an unpredictable change in quantity
- D. a reduction in the good's price and a larger quantity exchanged

CORRECT ANSWER IS: a reduction in the good's price and a smaller quantity exchanged

1160. QUESTION: When there has been a decrease in demand:

- A. supply will also decrease
- B. consumers have reduced quantity demanded at every alternative price
- C. producers will respond with an increase in quantity supplied

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D. the demand curve will shift up to the right

CORRECT ANSWER IS: consumers have reduced quantity demanded at every alternative price

1161. QUESTION: When the makers of M&M candy increased the weight of their candy the market result could best be described as an increase in

- A. demand
- B. supply
- C. quantity demanded
- D. quantity supplied

CORRECT ANSWER IS: quantity demanded

1162. QUESTION: The reason pineapples are more expensive in Hawaii than in Los Angeles is

- A. there are no substitutes for pineapples in Los Angeles
- B. Hawaiian consumers do not like pineapples
- C. government price regulations that keep prices high in Hawaii
- D. the high price of pineapple substitutes in Hawaii

CORRECT ANSWER IS: the high price of pineapple substitutes in Hawaii

1163. QUESTION: If the price of cheese increases then

- A. the demand for cheese will increase
- B. the demand for cheese will decrease
- C. the quantity of cheese demanded will increase
- D. the quantity of cheese demanded will decrease

CORRECT ANSWER IS: the quantity of cheese demanded will decrease

1164. QUESTION: The reason there were empty seats at a charity luncheon given by Princess Di was

- A. political opposition to her visit to US
- B. the price charged was too high
- C. there was no advertising of the luncheon

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D. an increase in the supply of seats resulted in a shortage of waiters

CORRECT ANSWER IS: the price charged was too high

1165. QUESTION: The amount of change in quantity demanded that will result from given change in price (due to a shift in supply) is determined by

- A. how far to the left the demand curve lies
- B. how price-elastic demand is
- C. how price-elastic supply is
- D. how income-elastic demand is

CORRECT ANSWER IS: how price-elastic demand is

1166. QUESTION: If the demand for a good is inelastic and its price rises from \$4 to \$6 due to a shift in supply, then sellers' total revenue

- A. increases
- B. decreases by less than 33%
- C. decreases by less than 40%
- D. decreases by more than 50%

CORRECT ANSWER IS: increases

1167. QUESTION: The cross price elasticity of the demand for orange juice with respect to the price of apple juice is probably

- A. negative
- B. near infinity
- C. zero
- D. positive

CORRECT ANSWER IS: positive

1168. QUESTION: If demand is elastic and supply is inelastic then the burden of a tax on the good will be

- A. borne mostly by producers

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- B. borne mostly by the governments
- C. borne mostly by the consumers
- D. borne mostly by the poor

CORRECT ANSWER IS: borne mostly by producers

1169. QUESTION: Most of the supply curve with which the average consumer deals are

- A. vertical
- B. horizontal
- C. controlled by the largest producers
- D. unaffected by inflation

CORRECT ANSWER IS: horizontal

1170. QUESTION: The coefficient of the price elasticity of demand is compared as the absolute value of the percentage change in quantity demanded divided by

- A. the change in price
- B. the change in supply
- C. the percentage change in supply
- D. the percentage change in price

CORRECT ANSWER IS: the percentage change in price

1171. QUESTION: If the price of a good falls from 90 cents to 70 cents and quantity demanded increases from 35 units to 45 units, then the coefficient of the price elasticity of demand is

- A. 0.5
- B. 0.25
- C. 1
- D. -1

CORRECT ANSWER IS: 1

1172. QUESTION: Economists define luxuries as goods with

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- A. positive income elasticities
- B. income elasticities greater than one
- C. zero income elasticity
- D. highly elastic demand

CORRECT ANSWER IS: income elasticities greater than one

1173. QUESTION: If the price elasticity of demand is 1.2 then if price increases by 10% quantity demanded

- A. increase by 1.2%
- B. increases by 12%
- C. decreases by 1.2%
- D. decreases by 12%

CORRECT ANSWER IS: decreases by 12%

1174. QUESTION: Luxury taxes on fur coats, expensive automobiles and yachts:

- A. have raised government tax collections
- B. actually increased sales of such items
- C. have not generated increased tax revenues
- D. increased employment in those industries

CORRECT ANSWER IS: have not generated increased tax revenues

1175. QUESTION: The fewer the number of substitutes that exist for a product the

- A. higher is its income elasticity
- B. lower is its income elasticity
- C. higher is its short-run price elasticity
- D. lower is its short-run price elasticity

CORRECT ANSWER IS: lower is its short-run price elasticity

1176. QUESTION: The coefficient of the price elasticity of demand is

- A. negative as long as the law of demand holds

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- B. always negative or zero
- C. always positive or zero
- D. sometimes positive and sometimes negative

CORRECT ANSWER IS: always positive or zero

1177. QUESTION: If the coefficient of the price elasticity of the demand for grapefruit is 1.5 and the price of grapefruit rises from \$8 per case to \$12, then the quantity demanded will

- A. decrease by 75\$
- B. decrease by 6 units
- C. decrease by 50%
- D. decrease by 60%

CORRECT ANSWER IS: decrease by 60%

1178. QUESTION: Economists define substitutes as pairs of goods with

- A. positive income elasticities
- B. income elasticities greater than one
- C. positive cross-price elasticities
- D. negative cross-price elasticities

CORRECT ANSWER IS: positive cross-price elasticities

1179. QUESTION: For a few products such as insulin for diabetics, within a range of prices

- A. the demand curve can be upward sloping
- B. the price elasticity of demand could be zero
- C. the supply curve could not be upward sloping
- D. it is not possible to calculate either demand or supply elasticities

CORRECT ANSWER IS: the price elasticity of demand could be zero

1180. QUESTION: A firm considering what type of new plant to build is involved in a

- A. immediate-run decision

- B. market period decision
- C. short-run decision
- D. long-run decision

CORRECT ANSWER IS: long-run decision

1181. QUESTION: The good with the highest income elasticity is

- A. motion-picture tickers
- B. beef
- C. pork
- D. lard

CORRECT ANSWER IS: motion-picture tickers

1182. QUESTION: Demand is elastic when

- A. the coefficient of elasticity is greater than zero
- B. the coefficient of elasticity is less than one
- C. the coefficient of elasticity is negative
- D. the coefficient of elasticity is greater than one

CORRECT ANSWER IS: the coefficient of elasticity is greater than one

1183. QUESTION: Moving down along a linear demand curve

- A. demand becomes less elastic
- B. elasticity does not change
- C. demand has unitary elasticity
- D. demand becomes more elastic

CORRECT ANSWER IS: demand becomes less elastic

1184. QUESTION: If demand is perfectly elastic then

- A. the demand curve is vertical
- B. the supply curve is unimportant

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- C. price is determined wholly by demand
- D. price is determined wholly by supply

CORRECT ANSWER IS: price is determined wholly by demand

1185. QUESTION: If a 10% increase in price causes a 10% reduction in quantity demanded, demand is

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

CORRECT ANSWER IS: unitary elastic

1186. QUESTION: A decrease in demand lowers the price the most

- A. in the immediate-run
- B. in the short run
- C. when supply is perfectly elastic
- D. when producers have sufficient time to fully adjust to the demand change

CORRECT ANSWER IS: in the immediate-run

1187. QUESTION: Airlines that try to lower fares in order to increase revenues believe the demand for airlines services is

- A. price elastic
- B. price inelastic
- C. income elastic
- D. income inelastic

CORRECT ANSWER IS: price elastic

1188. QUESTION: If consumers spend more on a product after a fall in supply then

- A. demand is elastic
- B. demand is unitary-elastic
- C. demand is inelastic

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D. the law of demands is violated

CORRECT ANSWER IS: demand is inelastic

1189. QUESTION: Perfectly elastic demand curves

- A. are positively sloped
- B. are vertical
- C. slope slightly downward
- D. are horizontal

CORRECT ANSWER IS: are horizontal

1190. QUESTION: In the immediate run:

- A. supply curves are inelastic
- B. supply curves are perfectly inelastic
- C. demand curves are elastic
- D. supply curves are elastic

CORRECT ANSWER IS: supply curves are perfectly inelastic

1191. QUESTION: Because the price elasticity of demand for OPEC oil is approximately .08, in order to increase revenues OPEC should

- A. lower price in order to increase revenues
- B. lower price in order to decrease the amount of oil sold
- C. raise price in order to increase the amount of oil sold
- D. raise price in order to increase revenues

CORRECT ANSWER IS: raise price in order to increase revenues

1192. QUESTION: The demand for cigarettes is price inelastic implying a unit tax on this commodity will

- A. be mainly paid by sellers of the product
- B. be mainly paid by cigarette smokers
- C. be mainly paid by tobacco growers

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D. result in an increase in cigarette smoking because of a higher price

CORRECT ANSWER IS: be mainly paid by cigarette smokers

1193. QUESTION: Businesses that would like to get estimates of the price elasticity of demand

- A. can pay \$50,000 to obtain them
- B. need only to look in microeconomic textbooks
- C. generally can get the information from competitors
- D. often request such data from the Federal Trade Commission

CORRECT ANSWER IS: can pay \$50,000 to obtain them

1194. QUESTION: If the demand curve is inelastic then

- A. it may be nearly vertical
- B. sellers will receive less for the good if they reduce supply
- C. quantity demands is very sensitive to income
- D. demand is hardly affected by income

CORRECT ANSWER IS: it may be nearly vertical

1195. QUESTION: A good tends to have relatively inelastic demand if

- A. it is a large part of consumers budgets
- B. close substitutes are available
- C. it is a luxury
- D. it has no very close substitutes

CORRECT ANSWER IS: it has no very close substitutes

1196. QUESTION: In the long run

- A. capacity can be expanded but no entry of firms is possible
- B. new firms can enter the market
- C. supply is perfectly elastic
- D. supply is perfectly inelastic

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CORRECT ANSWER IS: new firms can enter the market

1197. QUESTION: If the cross price elasticity of demand for two products is negative

- A. it is correct to take the absolute value and ignore the sign
- B. the demand curve for one of the products must be vertical
- C. one of the products will have price elastic demand
- D. two goods are complements

CORRECT ANSWER IS: two goods are complements

1198. QUESTION: Cyclical stocks typically rise during prosperous times and fall when the economy slows due to relatively

- A. high elastic price elasticity
- B. low inelastic price elasticity
- C. high income elasticity
- D. low income elasticity

CORRECT ANSWER IS: high income elasticity

1199. QUESTION: Any business must face the reality that ever increasing prices are associated with

- A. ever-increasing sales
- B. falling slope along straight-line demand curves
- C. falling long-run supply elasticities
- D. rising price elasticity of demand

CORRECT ANSWER IS: rising price elasticity of demand

1200. QUESTION: If price rises from \$3 to \$5 then according to the midpoints formula the percentage change is

- A. 66.70%
- B. -40%
- C. 25%
- D. 50%

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CORRECT ANSWER IS: 50%

1201. QUESTION: Which of the following should have the most elastic demand?

- A. Dole bananas
- B. bananas
- C. fresh fruits
- D. food

CORRECT ANSWER IS: Dole bananas

1202. QUESTION: Supply serves are most elastic

- A. in the long run
- B. in the short run
- C. in the immediate run
- D. for luxuries

CORRECT ANSWER IS: in the long run

1203. QUESTION: If the demand for a good is inelastic and its price rises from \$4 to \$6 due to a shift in supply, then quantity demanded

- A. increases
- B. decreases by less than 33%
- C. decreases by less than 40%
- D. decreases by more than 50%

CORRECT ANSWER IS: decreases by less than 40%

1204. QUESTION: Rotten eggs are

- A. free good
- B. economic good
- C. service
- D. wealth

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CORRECT ANSWER IS: free good

1205. QUESTION: The term 'marginal' in economics means

- A. unimportant
- B. additional
- C. the minimum unit
- D. just barely passing

CORRECT ANSWER IS: additional

1206. QUESTION: Law of substitution is another name for law of

- A. law of diminishing MU
- B. law of Equi-MU
- C. law of demand
- D. satisfaction

CORRECT ANSWER IS: law of Equi-MU

1207. QUESTION: Diminishing marginal utility is the basis of

- A. law of supply
- B. law of demand
- C. law of returns
- D. none of them

CORRECT ANSWER IS: law of demand

1208. QUESTION: Indifference curves are convex to the origin because

- A. two goods are perfect substitutes
- B. two goods are imperfect substitutes
- C. two goods are perfect complementary goods
- D. none of them

CORRECT ANSWER IS: two goods are imperfect substitutes

1209. QUESTION: Human wants are

- A. one thousand
- B. few
- C. innumerable
- D. countable

CORRECT ANSWER IS: innumerable

1210. QUESTION: Utility is most closely related to the term

- A. useful
- B. useless
- C. necessary
- D. satisfaction

CORRECT ANSWER IS: satisfaction

1211. QUESTION: Law of Equi-marginal Utility is a law of

- A. production of wealth
- B. consumption of wealth
- C. distribution of wealth
- D. exchange of wealth

CORRECT ANSWER IS: consumption of wealth

1212. QUESTION: When MU = 0, TU is

- A. minimum
- B. maximum
- C. laws of return
- D. none of them

CORRECT ANSWER IS: maximum

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1213. QUESTION: A consumer is in equilibrium when marginal utilities are

- A. minimum
- B. highest
- C. equal
- D. increasing

CORRECT ANSWER IS: equal

1214. QUESTION: Demand curve slopes downward because of the law of

- A. consumer equilibrium
- B. utility maximization
- C. utility minimization
- D. diminishing marginal utility

CORRECT ANSWER IS: diminishing marginal utility

1215. QUESTION: Utility and usefulness are

- A. equal
- B. different
- C. similar
- D. unrelated

CORRECT ANSWER IS: different

1216. QUESTION: Quality of a commodity that satisfies some human want or need is called

- A. service
- B. demand
- C. utility
- D. efficiency

CORRECT ANSWER IS: utility

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1217. QUESTION: In economics, one or more persons sharing common consumer budget is called

- A. business firm
- B. gathering
- C. organisation
- D. household

CORRECT ANSWER IS: household

1218. QUESTION: A consumer's spending is restricted because of

- A. marginal utility
- B. budget constraint
- C. demand curve
- D. utility maximization

CORRECT ANSWER IS: budget constraint

1219. QUESTION: When MU is positive, TU

- A. increases
- B. decreases
- C. remains constant
- D. is highest

CORRECT ANSWER IS: increases

1220. QUESTION: When marginal is negative, it must be true that

- A. the average is negative
- B. the average is decreasing
- C. the total is negative
- D. the total is decreasing

CORRECT ANSWER IS: the total is decreasing

1221. QUESTION: For which of the following would households' preferences be most stable over time?

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- A. hamburgers
- B. beef
- C. meat
- D. food

CORRECT ANSWER IS: food

1222. QUESTION: When the price of a good rises the income effect is most likely to

- A. increase consumption of the good and other similar goods
- B. decrease consumption of the good and other similar goods
- C. decrease consumption of the good and increase consumption of other similar goods
- D. not change consumption of any good

CORRECT ANSWER IS: decrease consumption of the good and other similar goods

1223. QUESTION: When individual phone customers are charged for the directory assistance calls they make rather than providing that service "free" and charging all customers

- A. consumer surplus is greater
- B. more directory assistance calls are made
- C. the phone company will lose money
- D. fewer telephone books will be sold

CORRECT ANSWER IS: consumer surplus is greater

1224. QUESTION: The gap between what consumers would be willing to pay for a product as given by the market demand curve and what they must pay is associated with

- A. shortages and surpluses of commodities
- B. elasticity of supply
- C. consumer surplus
- D. commodities that have no use or value

CORRECT ANSWER IS: consumer surplus

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1225. QUESTION: Consumer is in equilibrium while his money income is given when

- A. MU > P
- B. MU < P
- C. MU = P
- D. none of them

CORRECT ANSWER IS: MU = P

1226. QUESTION: In case of complementary goods as IC can be

- A. convex
- B. concave
- C. straight line
- D. L-shaped

CORRECT ANSWER IS: L-shaped

1227. QUESTION: The law of diminishing marginal utility implies that the marginal utility of a good decreases as

- A. a household consumes more of it
- B. it gets more expensive
- C. preferences change
- D. time passes

CORRECT ANSWER IS: a household consumes more of it

1228. QUESTION: When the price of a good rises the substitution effect is most likely to

- A. increase consumption of the good and other similar goods
- B. decrease consumption of the good and other similar goods
- C. decrease consumption of the good and increase consumption of other similar goods
- D. not change consumption of any good

CORRECT ANSWER IS: decrease consumption of the good and increase consumption of other similar goods

1229. QUESTION: Restaurants typically do not serve free seconds for entrees because

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- A. entrees are not subject to diminishing returns
- B. no one would want an extra entrée
- C. the marginal cost of an extra entrée is relatively high
- D. customers would then expect free drink refills

CORRECT ANSWER IS: the marginal cost of an extra entrée is relatively high

1230. QUESTION: If a homeowner has his or her variable mortgage payment reduced because of a fall in interest rates the resulting extra money that could still be spent on housing services is associated with

- A. the income effect
- B. the substitution effect
- C. an upward-sloping demand curve
- D. a vertical supply of housing curve

CORRECT ANSWER IS: the income effect

1231. QUESTION: According to classical approach the utilities can be

- A. added
- B. multiplied
- C. divided
- D. none of them

CORRECT ANSWER IS: added

1232. QUESTION: In case of economic bad an IC can be

- A. vertical straight
- B. negatively sloping
- C. sloping upward
- D. horizontal straight

CORRECT ANSWER IS: sloping upward

1233. QUESTION: Which of the following would be least likely to cause a consumer to eat less beef?

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- A. an increase in the price of beef
- B. an increase in the price of lamb
- C. a reduction in the consumer's income
- D. a reduction in the price of lamb

CORRECT ANSWER IS: an increase in the price of lamb

1234. QUESTION: For which of the following goods would an increase in price lead to the largest income effect on quantity demanded?

- A. housing
- B. soft drinks
- C. gasoline
- D. fruit

CORRECT ANSWER IS: housing

1235. QUESTION: The modern view of consumption emphasizes that consumer's desire

- A. imports rather than domestic products
- B. the services different commodities provide
- C. only those products that are heavily advertised
- D. to purchase products with a high marginal utility

CORRECT ANSWER IS: the services different commodities provide

1236. QUESTION: When laws are passed to prevent price gouging or higher prices that result from an increase in demand

- A. prices no longer reflect marginal utility
- B. supply must decrease to restore equilibrium
- C. surpluses will be created
- D. total utility increases

CORRECT ANSWER IS: prices no longer reflect marginal utility

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1237. QUESTION: According to Neo-classical approach the utilities can be

- A. added
- B. multiplied
- C. divided
- D. none of them

CORRECT ANSWER IS: multiplied

1238. QUESTION: In case of perfect substitutes an IC can be

- A. concave to the origin
- B. convex to the origin
- C. negatively sloped
- D. positively sloped

CORRECT ANSWER IS: negatively sloped

1239. QUESTION: Diamonds are more expensive than water because

- A. they yield higher total utility
- B. they yield higher marginal utility
- C. they are more useful
- D. markets do not always reflect value

CORRECT ANSWER IS: they yield higher marginal utility

1240. QUESTION: If a household in consumer equilibrium spends \$40 per month on beef and \$20 per month on pork, then

- A. beef is more expensive than pork
- B. beef gives more total utility than pork
- C. the last pound of beef yields the same marginal utility as the last pound of pork
- D. the last dollar spent on beef yields the same marginal utility as the last dollar spent on pork

CORRECT ANSWER IS: the last dollar spent on beef yields the same marginal utility as the last dollar spent on pork

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1241. QUESTION: Which of the following assumptions is not made in the chapter's analysis of utility?

- A. utility is measurable
- B. consumers are utility or satisfaction maximizes
- C. utils can be added and divided
- D. consumers maximize marginal utility per dollar

CORRECT ANSWER IS: consumers maximize marginal utility per dollar

1242. QUESTION: A consumer is in equilibrium when _____ with is spending pattern

- A. satisfied
- B. not satisfied
- C. neutral
- D. indifference

CORRECT ANSWER IS: satisfied

1243. QUESTION: According to classical economic the marginal utility of money

- A. remains constant
- B. falls
- C. increases
- D. none of them

CORRECT ANSWER IS: falls

1244. QUESTION: A utility maximizing consumer is assumed to spend all of her income. _____ may be considered to be one of the goods on which she spends it

- A. investment
- B. saving
- C. housing
- D. food

CORRECT ANSWER IS: saving

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1245. QUESTION: If two goods have the same marginal utility, for a consumer who is maximizing utility, then

- A. she will consume only one of them
- B. she will consume equal quantities of them
- C. she will be willing to pay the same price for each of them
- D. the total utility gained from each of them is equal

CORRECT ANSWER IS: she will be willing to pay the same price for each of them

1246. QUESTION: If the marginal utility of a commodity were negative then

- A. less of it would be preferred to more
- B. the household would only consume it if it were free
- C. the household should buy more of it to make its marginal utility positive
- D. the household's consumer surplus must be large

CORRECT ANSWER IS: less of it would be preferred to more

1247. QUESTION: Under normal circumstances diamonds have a much higher relative price than water because

- A. the consumption of water takes place at a relatively low marginal utility
- B. the supply of diamonds permits consumption at relatively low levels of marginal utility
- C. the total utility of water is small compared to the total utility of diamonds
- D. diamonds are sold by only a relatively few sellers while water is available to all

CORRECT ANSWER IS: the consumption of water takes place at a relatively low marginal utility

1248. QUESTION: According to classical theory utility

- A. cannot be expressed in number
- B. can be expressed in number
- C. can be ranked
- D. none of them

CORRECT ANSWER IS: can be expressed in number

1249. QUESTION: The total utility increase at a decreasing rate

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- A. MU increase
- B. MU falls
- C. MU remains same
- D. MU zero

CORRECT ANSWER IS: MU remains same

1250. QUESTION: More people drove small cars in the 1970s than in the 1960s primarily because of

- A. changes in preferences
- B. changes in income
- C. changes in the price of transportation in small versus large cars
- D. advertising

CORRECT ANSWER IS: changes in the price of transportation in small versus large cars

1251. QUESTION: If two households have identical preferences but different incomes then

- A. they must consume the same amounts of all goods
- B. the wealthier one will have lower marginal utility for most goods
- C. the wealthier one will have higher marginal utility for most goods
- D. they will enjoy the same level of utility

CORRECT ANSWER IS: the wealthier one will have lower marginal utility for most goods

1252. QUESTION: If a consumer buys a product that costs \$3 and provides an additional 21 utils of satisfaction then for this purchase

- A. total utility will increase by utils
- B. the marginal utility per dollars is 7
- C. the consumer will buy more because marginal utility is positive
- D. the consumer obtained an extra 63 utils

CORRECT ANSWER IS: the marginal utility per dollars is 7

1253. QUESTION: The utility function $U = f(x)$ is based upon

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- A. one good
- B. two goods
- C. three goods
- D. none of them

CORRECT ANSWER IS: one good

1254. QUESTION: The law of diminishing marginal utility will be applicable if the good in use is

- A. inferior
- B. superior
- C. same
- D. Geffen

CORRECT ANSWER IS: same

1255. QUESTION: If the marginal utility of nutmeg to a consumer exceeds that of ginger then the consumer:

- A. is not in consumer equilibrium
- B. will not buy any ginger
- C. will buy some ginger but less than he buys of nutmeg
- D. is willing to pay more for nutmeg than for ginger

CORRECT ANSWER IS: is willing to pay more for nutmeg than for ginger

1256. QUESTION: Which of the following does not affect the position of the market demand curve for a good?

- A. the preferences of individual households
- B. price of other goods
- C. the price of the good
- D. incomes of households

CORRECT ANSWER IS: the price of the good

1257. QUESTION: If the price of a product falls quantity demanded tends to increase ceteris paribus because

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- A. the MU/P ratio has decreased
- B. of the income and substitution effects
- C. consumers tend to feel poorer when prices fall
- D. when price falls the demand curve shifts right

CORRECT ANSWER IS: of the income and substitution effects

1258. QUESTION: Simply by utility we mean, the power of good to satisfy

- A. additional utility
- B. human want
- C. total utility
- D. within spending pattern

CORRECT ANSWER IS: human want

1259. QUESTION: If the utility function is $U = F(Q)$ the marginal utility will be

- A. U/Q
- B. Q/U
- C. dU/dQ
- D. $U.Q$

CORRECT ANSWER IS: U/Q

1260. QUESTION: The amount of income left over for a consumer in equilibrium is

- A. her consumer surplus
- B. zero
- C. allocated to all goods evenly
- D. excess demand

CORRECT ANSWER IS: zero

1261. QUESTION: Total utility:

- A. diminishes with increased consumption

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- B. reflects the overall level of satisfaction of the household
- C. is directly related to the price the household is willing to pay for a good or service
- D. is independent of price changes

CORRECT ANSWER IS: reflects the overall level of satisfaction of the household

1262. QUESTION: The market demand schedule is determined by

- A. adding up the prices consumers are willing to pay at each quantity demanded
- B. multiplying each consumer demand curve by the total number of consumers in the market
- C. adding the quantitates demanded by all consumers at each alternative price
- D. horizontally adding quantities supplied by producers

CORRECT ANSWER IS: adding the quantitates demanded by all consumers at each alternative price

1263. QUESTION: The situation where total utility is maximum

- A. MU falls
- B. MU is positive
- C. MU is zero
- D. MU is negative

CORRECT ANSWER IS: MU is zero

1264. QUESTION: Which of the following is not a direct result of the law of diminishing marginal utility?

- A. season tickets often cost less per event than signal tickets
- B. many companies offer, "volume discounts"
- C. few people eat five or more hamburgers in the same day
- D. unleaded gas costs more than leaded gas

CORRECT ANSWER IS: unleaded gas costs more than leaded gas

1265. QUESTION: Moving along an indifference curve leaves the consumer

- A. better off
- B. worse off

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- C. neither better nor worse off
- D. in equilibrium

CORRECT ANSWER IS: neither better nor worse off

1266. QUESTION: Indifference curves reflect

- A. preferences
- B. income
- C. prices
- D. both income and prices

CORRECT ANSWER IS: preferences

1267. QUESTION: The slope of the indifference curve at any point reflects

- A. income level
- B. prices
- C. utility level
- D. marginal rate of substitution

CORRECT ANSWER IS: marginal rate of substitution

1268. QUESTION: Indifference curves are downward-sloping and are drawn bowed toward the origin implying

- A. consumers prefer to have less shelter than more of both commodities
- B. as more and ore of one commodity is obtained, less and less of the other must be given up to keep satisfaction constant
- C. the total satisfaction obtained along an indifference curve decreases at an increasing rate
- D. it is not possible to increase consumption of one product without moving onto another indifference curve

CORRECT ANSWER IS: as more and ore of one commodity is obtained, less and less of the other must be given up to keep satisfaction constant

1269. QUESTION: Moving along the budget line leaves the consumer

- A. better off

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- B. worse off
- C. neither better nor worse off
- D. either better or worse off but one cannot tell which without more information

CORRECT ANSWER IS: either better or worse off but one cannot tell which without more information

1270. QUESTION: If a household income is \$900, the price of compact discs (on the vertical axis) is \$15, and the price of cassette tapes (on the horizontal axis) is \$10, then the budget line intersects the vertical axis at value of

- A. 900
- B. 15
- C. 60
- D. 90

CORRECT ANSWER IS: 60

1271. QUESTION: The budget line is described by each of the following except

- A. prices of products are assumed to be fixed
- B. the consumer need not spend all her income
- C. consumer income is assumed to be fixed
- D. the slope represents relative prices

CORRECT ANSWER IS: the consumer need not spend all her income

1272. QUESTION: An indifference curve shows

- A. the commodities the consumer does not value highly
- B. how many utils are obtained from consuming indifferent bundles of commodities
- C. different collections of two commodities the consumer considers to be of equal value
- D. each point is combination of goods of equal value to the consumer

CORRECT ANSWER IS: each point is combination of goods of equal value to the consumer

1273. QUESTION: At every level of consumption, the marginal rate of substitution tells

- A. which indifference curve the consumer is on

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- B. what the prices of the goods are
- C. how much the consumer wants to buy each good
- D. how much of one good the consumer is willing to sacrifice to obtain one unit of the other

CORRECT ANSWER IS: how much of one good the consumer is willing to sacrifice to obtain one unit of the other

1274. QUESTION: The absolute value of the slope of the budget line in the previous problem is

- A. 15
- B. 10
- C. 1.5
- D. 0.67

CORRECT ANSWER IS: 0.67

1275. QUESTION: If the price of a product falls which of the following would occur?

- A. indifference curves shift down
- B. budget line shifts down
- C. indifference curves shifts up
- D. budget line swings out

CORRECT ANSWER IS: budget line swings out

1276. QUESTION: In an indifference curve diagram when consumer income increases

- A. the indifference curves shift down
- B. the indifference curves shifts up
- C. the budget line shifts down
- D. the budget line shifts up

CORRECT ANSWER IS: the budget line shifts up

1277. QUESTION: An increase in the consumer's income causes

- A. the budget line to get steeper
- B. the budget line to shift parallel to the right

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- C. the indifference curves to shift up
- D. the budget line to get flatter

CORRECT ANSWER IS: the budget line to shift parallel to the right

1278. QUESTION: The advantage of using indifference curves rather than marginal utilities is

- A. we don't need to attach "util" values to consumption
- B. consumers can attain higher utility
- C. we can determine how much of one good the consumer is willing to sacrifice in order consumer one more unit of another
- D. it takes into account how much income the household has

CORRECT ANSWER IS: we don't need to attach "util" values to consumption

1279. QUESTION: If a consumer has an income of \$100 and buys only units of food at \$5 per unit and units of shelter at \$50 per unit, he can buy

- A. 20 units of food or 2 units of shelter
- B. 25 units of food or 4 units of shelter
- C. 5 units of food and 2 units of shelter
- D. 25 units of food and 1 unit of shelter

CORRECT ANSWER IS: 20 units of food or 2 units of shelter

1280. QUESTION: In an indifference curve diagram when the price of a product increases, the decline in quantity demanded that results if consumer utility or welfare is kept constant is referred to as the

- A. utility effect
- B. budget line effect
- C. substitution effect
- D. income effect

CORRECT ANSWER IS: substitution effect

1281. QUESTION: An increase in the price of the good measured on the horizontal axis causes

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- A. the budget line to get steeper
- B. the budget line to shift parallel to the right
- C. the indifference curves to shift up
- D. the budget line to get flatter

CORRECT ANSWER IS: the budget line to get steeper

1282. QUESTION: If Victoria is willing to spend \$0.80 for an additional cup of coffee and \$0.40 for an additional chocolate bar then her MRS of coffee for chocolate is

- A. 0.8
- B. 0.4
- C. 2
- D. impossible to determine from the data given

CORRECT ANSWER IS: impossible to determine from the data given

1283. QUESTION: In equilibrium, the consumer is not

- A. achieving his existing level of utility at the cheapest possible cost
- B. spending all of his income
- C. maximizing all of his income
- D. on his highest indifference curve

CORRECT ANSWER IS: on his highest indifference curve

1284. QUESTION: Labor is hirable but you cannot hire

- A. capital
- B. land
- C. manager
- D. entrepreneur

CORRECT ANSWER IS: entrepreneur

1285. QUESTION: Land:

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- A. is a free gift of nature
- B. lacks geographical mobility
- C. is not hirable
- D. both a and b

CORRECT ANSWER IS: both a and b

1286. QUESTION: Economic goods produced by firms are called

- A. productivity
- B. innovation
- C. technological progress
- D. output

CORRECT ANSWER IS: output

1287. QUESTION: Which of the following factors takes risk, innovates and coordinates

- A. capital
- B. labor
- C. bank
- D. entrepreneur

CORRECT ANSWER IS: entrepreneur

1288. QUESTION: The three broad types of productive resources are

- A. money profit and interest
- B. capital, labor and natural resources
- C. bond, stock shares and deposits
- D. technology, human capital and markets

CORRECT ANSWER IS: capital, labor and natural resources

1289. QUESTION: Which of the following is not an input?

- A. labor

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- B. entrepreneurship
- C. natural resources
- D. production

CORRECT ANSWER IS: production

1290. QUESTION: Land is

- A. hirable
- B. not hirable
- C. homogeneous
- D. a form of capital

CORRECT ANSWER IS: hirable

1291. QUESTION: The transformation of resources into economic goods and services is

- A. input
- B. production
- C. increasing returns
- D. output

CORRECT ANSWER IS: output

1292. QUESTION: Productivity of land can be raised by

- A. extensive cultivation
- B. intensive cultivation
- C. better marketing
- D. increasing money supply

CORRECT ANSWER IS: intensive cultivation

1293. QUESTION: Land mans

- A. sea
- B. surface of earth

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- C. natural forests
- D. all natural resources

CORRECT ANSWER IS: all natural resources

1294. QUESTION: Which of the following input factor takes risk innovates and coordinates

- A. capital
- B. labor
- C. productivity
- D. entrepreneur

CORRECT ANSWER IS: entrepreneur

1295. QUESTION: Geographical mobility is not possible for

- A. land
- B. labor
- C. capital
- D. wealth

CORRECT ANSWER IS: land

1296. QUESTION: For production of goods we need factors

- A. few
- B. 2
- C. 4
- D. unlimited

CORRECT ANSWER IS: 4

1297. QUESTION: Natural environment that can be used for the production of goods and services is

- A. labor
- B. money
- C. capital

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D. natural resources

CORRECT ANSWER IS: natural resources

1298. QUESTION: Economic development of a country requires

- A. skilled labor
- B. diplomacy
- C. abundant natural resources
- D. both a and c

CORRECT ANSWER IS: both a and c

1299. QUESTION: Which of the following is correct with respect to resources

- A. money is a capital good
- B. human skills are a labor input
- C. entrepreneurship is part of the labor input
- D. natural resources include human input

CORRECT ANSWER IS: human skills are a labor input

1300. QUESTION: The following is not a factor of production

- A. labor
- B. entrepreneurship
- C. land
- D. money

CORRECT ANSWER IS: money

1301. QUESTION: Standard of living in a country can be raised if it increases

- A. labor force
- B. production
- C. money supply
- D. exports

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CORRECT ANSWER IS: production

1302. QUESTION: An example of natural resources is

- A. factory
- B. skilled doctor
- C. oil reserves in the ground
- D. oil reserves in storage tank

CORRECT ANSWER IS: oil reserves in the ground

1303. QUESTION: The transformation of resources into economic goods and services is called

- A. technical efficiency
- B. input
- C. production
- D. increasing returns

CORRECT ANSWER IS: production

1304. QUESTION: Productivity of land can be raised by

- A. extensive cultivation
- B. intensive cultivation
- C. better marketing
- D. both a and b

CORRECT ANSWER IS: intensive cultivation

1305. QUESTION: According to Malthus, population increases by progression of kind

- A. systematic
- B. arithmetic
- C. geometric
- D. automatic

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CORRECT ANSWER IS: geometric

1306. QUESTION: Labor input includes

- A. the inventor
- B. the innovator
- C. the unskilled worker
- D. all of them

CORRECT ANSWER IS: all of them

1307. QUESTION: Jahangir graduated one month ago. He is still unemployed. His unemployment is

- A. structural
- B. frictional
- C. seasonal
- D. personal

CORRECT ANSWER IS: frictional

1308. QUESTION: An example of labor is

- A. gambler
- B. jogger
- C. computer software engineer
- D. student

CORRECT ANSWER IS: computer software engineer

1309. QUESTION: The human effort applied to the production of goods is called in economics

- A. labor
- B. skill
- C. experience
- D. service

CORRECT ANSWER IS: labor

1310. QUESTION: All labor is

- A. raising minimum wages
- B. raising average wages
- C. increasing skills of workers
- D. punishing absentee workers

CORRECT ANSWER IS: increasing skills of workers

1311. QUESTION: A skilled worker is an example of

- A. entrepreneur
- B. capital input
- C. labor input
- D. both a and c

CORRECT ANSWER IS: both a and c

1312. QUESTION: The factor that is least likely to be result of specialization is

- A. increased production
- B. greater refinement of skills
- C. increase in self-sufficiency
- D. introduction of new technology

CORRECT ANSWER IS: increase in self-sufficiency

1313. QUESTION: Which of the following is not an advantage of division of labor

- A. workers spend less time moving from job to job
- B. workers become dependent on other workers
- C. workers become more efficient at performing repeated tasks
- D. machinery is more easily introduced to perform simple tasks

CORRECT ANSWER IS: workers become dependent on other workers

1314. QUESTION: To reduce the level of unemployment the government may

- A. reduce money supply
- B. reduce mobility of labor
- C. reduce minimum wages
- D. increase government spending

CORRECT ANSWER IS: reduce mobility of labor

1315. QUESTION: All labor is

- A. homogeneous
- B. heterogeneous
- C. lazy
- D. intelligent

CORRECT ANSWER IS: heterogeneous

1316. QUESTION: The labor force participation rate is the

- A. proportion of population that is working
- B. proportion of population working or looking for work
- C. proportion of skilled workers population
- D. proportion of female workers to male workers

CORRECT ANSWER IS: proportion of population working or looking for work

1317. QUESTION: Every country should have population

- A. minimum
- B. constant
- C. optimum
- D. fast growing

CORRECT ANSWER IS: optimum

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1318. QUESTION: Rickshaw has replaced Tonga as local transport

- A. structural
- B. frictional
- C. seasonal
- D. personal

CORRECT ANSWER IS: structural

1319. QUESTION: They are included in labor except

- A. college principal
- B. professors
- C. office clerk
- D. students

CORRECT ANSWER IS: students

1320. QUESTION: Mobility of labor

- A. increases efficiency of labor
- B. spoils labor
- C. increases division of labor
- D. both a and c

CORRECT ANSWER IS: both a and c

1321. QUESTION: The set of skills and abilities that workers possess for production of goods and services is

- A. motivation
- B. wealth
- C. human capital
- D. natural talent

CORRECT ANSWER IS: human capital

1322. QUESTION: Underemployment of labor means that

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- A. a worker does not get full time job
- B. a worker is not happy with his present job
- C. a person does not get job according to his qualification
- D. both a and c

CORRECT ANSWER IS: a person does not get job according to his qualification

1323. QUESTION: Optimum population is defined by the economists as level of population of which

- A. death rates equals birth rate
- B. labor productivity is maximized
- C. country achieves food self sufficiency
- D. national income per head is maximized

CORRECT ANSWER IS: national income per head is maximized

1324. QUESTION: The set of skills and abilities that workers possess for production of goods and services is

- A. motivation
- B. wealth
- C. human capital
- D. natural talent

CORRECT ANSWER IS: human capital

1325. QUESTION: Unemployment due to mechanization of agriculture is

- A. seasonal
- B. structural
- C. industrial
- D. personal

CORRECT ANSWER IS: structural

1326. QUESTION: Which of the following is capital?

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- A. toy of a child
- B. plough of the farmer
- C. calculator of the student
- D. novel book in the library

CORRECT ANSWER IS: plough of the farmer

1327. QUESTION: In an economy government constructed a new water reservoir (e.g. Mangla Dam) for the purpose of irrigation. This might taken as

- A. increase in supply of capital
- B. increase in supply of land
- C. increase in supply of land and supply of capital
- D. none of them

CORRECT ANSWER IS: increase in supply of capital

1328. QUESTION: An example of money capital is

- A. cash
- B. money in a savings account
- C. prize bond
- D. golden ring

CORRECT ANSWER IS: money in a savings account

1329. QUESTION: Which is true?

- A. capital depreciates
- B. capital is primary factor of production
- C. capital is not hirable
- D. human capital is real capital

CORRECT ANSWER IS: capital depreciates

1330. QUESTION: Which of the following is not capital as economists use them

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- A. an office building
- B. machinery in a factory
- C. an industrial robot
- D. money

CORRECT ANSWER IS: money

1331. QUESTION: It is true:

- A. capital depreciates
- B. capital is primary factor of production
- C. capital is not hirable
- D. human capital is real capital

CORRECT ANSWER IS: capital depreciates

1332. QUESTION: To the economist, investment refers to

- A. sale of real estate
- B. creation of new capital
- C. purchase of a prize bond
- D. decrease in inventories

CORRECT ANSWER IS: creation of new capital

1333. QUESTION: Which of the following is a producer good

- A. pen
- B. cycle
- C. mobile phone
- D. hammer

CORRECT ANSWER IS: hammer

1334. QUESTION: A factory is an example of

- A. capital

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- B. scarcity
- C. natural resources
- D. entrepreneurship

CORRECT ANSWER IS: capital

1335. QUESTION: Those who invest in joint stock companies are called

- A. painters
- B. shareholders
- C. members
- D. associates

CORRECT ANSWER IS: shareholders

1336. QUESTION: A public limited company is run by

- A. board of governors
- B. board of managers
- C. board of advisors
- D. board of directors

CORRECT ANSWER IS: board of directors

1337. QUESTION: It is an example of public limited economy:

- A. WAPDA
- B. President House
- C. Mobil Link (telephone)
- D. none of them

CORRECT ANSWER IS: WAPDA

1338. QUESTION: Limited liability is one of the advantages of

- A. partnership
- B. sole proprietor

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- C. joint stock company
- D. cooperative society

CORRECT ANSWER IS: joint stock company

1339. QUESTION: They can expand their business by selling shares in the stock market

- A. proprietor of business
- B. partners of the business
- C. joint stock company
- D. industrial cooperative societies

CORRECT ANSWER IS: joint stock company

1340. QUESTION: A public corporation comes into existence by means

- A. registration under the Companies Act
- B. Act of Parliament
- C. decision by the shareholders
- D. registration with the Stock Exchange

CORRECT ANSWER IS: Act of Parliament

1341. QUESTION: He prepares the initial plan of the business

- A. capitalist
- B. manager
- C. entrepreneur
- D. officer

CORRECT ANSWER IS: entrepreneur

1342. QUESTION: Reward of which factor of production is not pre-determined?

- A. labor
- B. land
- C. capital

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D. organisation

CORRECT ANSWER IS: organisation

1343. QUESTION: If a public limited company issues bonds to increase resources, then it pays

- A. fixed premium to bondholders
- B. fixed interest to bond holders
- C. fixed tax to bond holders
- D. fixed profit to bond holders

CORRECT ANSWER IS: fixed interest to bond holders

1344. QUESTION: It is most suitable for large scale business

- A. proprietorship
- B. partnership
- C. corporation
- D. cooperative society

CORRECT ANSWER IS: corporation

1345. QUESTION: In Monopoly at various output levels

- A. $AR = MR$
- B. $AR < MR$
- C. $AR > MR$
- D. none of them

CORRECT ANSWER IS: $AR = MR$

1346. QUESTION: All input can be varied

- A. short run
- B. long run
- C. both periods
- D. none of them

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CORRECT ANSWER IS: long run

1347. QUESTION: TC

- A. starts from origin
- B. does not start from origin
- C. is parallel to y-axis
- D. none of them

CORRECT ANSWER IS: does not start from origin

1348. QUESTION: The cost which a firm incurs for purchasing or hiring factors is called

- A. implicit
- B. explicit
- C. real
- D. nominal

CORRECT ANSWER IS: explicit

1349. QUESTION: Excise tax is part of

- A. fixed cost
- B. variable cost
- C. implicit cost
- D. is not part of cost

CORRECT ANSWER IS: variable cost

1350. QUESTION: Which statement is true?

- A. $ATC+AVC=AFC$
- B. $ATC+MC=AFC$
- C. $ATC+AFC=AVC$
- D. $AFC+AVC=ATC$

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CORRECT ANSWER IS: AFC+AVC=ATC

1351. QUESTION: TVC

- A. starts from origin
- B. does not start from origin
- C. is parallel to y-axis
- D. none of them

CORRECT ANSWER IS: starts from origin

1352. QUESTION: The short run

- A. is less than one year
- B. requires that at least one input is fixed
- C. requires that all inputs are fixed
- D. is just long enough to permit entry ad exit

CORRECT ANSWER IS: requires that at least one input is fixed

1353. QUESTION: As output increases, AC curve:

- A. falls
- B. rises
- C. remains constant
- D. all of them

CORRECT ANSWER IS: all of them

1354. QUESTION: The shape of rectangular hyperbola is made by

- A. MC
- B. AFC
- C. AVC
- D. none of them

CORRECT ANSWER IS: AFC

1355. QUESTION: Which is not a cause of shift in cost curves of a firm

- A. excise tax
- B. prices of inputs
- C. increase in productivity
- D. price of a product

CORRECT ANSWER IS: price of a product

1356. QUESTION: TC

- A. raises continuously
- B. falls after reaching a maximum
- C. is horizontal
- D. none of them

CORRECT ANSWER IS: raises continuously

1357. QUESTION: The long run is a

- A. period of three years or longer
- B. period long enough to allow firms to change plant size and capacity
- C. period long enough to allow firm to make economic decisions
- D. a period which affects larger than smaller firms

CORRECT ANSWER IS: period long enough to allow firms to change plant size and capacity

1358. QUESTION: As output increases

- A. MC curve firstly falls then rises
- B. MC firstly rises then falls
- C. MC continuously rises
- D. none of them

CORRECT ANSWER IS: MC curve firstly falls then rises

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1359. QUESTION: MC is given by

- A. slope of TFC
- B. slope of TC
- C. slope of AC
- D. none of them

CORRECT ANSWER IS: slope of TC

1360. QUESTION: All the following are U-shaped except

- A. AVC
- B. AFC
- C. AC
- D. MC

CORRECT ANSWER IS: AFC

1361. QUESTION: Unit cost is another name for

- A. MC
- B. AVC
- C. ATC
- D. AFC

CORRECT ANSWER IS: ATC

1362. QUESTION: The necessary condition for equilibrium position of a firm is

- A. MC > MR
- B. MC > price
- C. MC = MR
- D. MC = AC

CORRECT ANSWER IS: MC = AC

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1363. QUESTION: At the point of equilibrium of firm (under perfect competition)

- A. MC curve must be rising
- B. MC curve must be falling
- C. MC curve must be rising
- D. none of them

CORRECT ANSWER IS: MC curve must be rising

1364. QUESTION: The basic goal of a firm is to

- A. maximizing revenue
- B. maximizing welfare of its employees
- C. maximize profit
- D. maximize output

CORRECT ANSWER IS: maximize profit

1365. QUESTION: Profit is maximum when

- A. distance between TR and TC is maximum
- B. distance between AR and AC is maximum
- C. distance between MR and MC is maximum
- D. none of them

CORRECT ANSWER IS: distance between TR and TC is maximum

1366. QUESTION: Normal profit is

- A. part of total cost
- B. part of economic profit
- C. total revenue minus total cost
- D. total revenue minus implicit cost

CORRECT ANSWER IS: part of total cost

1367. QUESTION: A firm's MR exceeds its MC maximum profit rule requires that firm to

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- A. increase in output in both perfect and imperfect competition
- B. increase in perfect competition but not necessarily in imperfect competition
- C. increase in output in imperfect but not necessarily in perfect competition
- D. decrease in output in both perfect and imperfect competition

CORRECT ANSWER IS: increase in output in both perfect and imperfect competition

1368. QUESTION: Profit is maximum when

- A. slope of MC and MR is the same
- B. slope of TC and TR is the same
- C. slope of AC and AR is the same
- D. none of them

CORRECT ANSWER IS: slope of TC and TR is the same

1369. QUESTION: Economic profit is

- A. part of total cost
- B. total revenue minus total cost
- C. total revenue minus explicit cost
- D. total variable cost minus total fixed cost

CORRECT ANSWER IS: total revenue minus total cost

1370. QUESTION: The basic goal of firm is to

- A. maximizing revenue
- B. maximizing welfare of its employees
- C. maximize profit
- D. maximize output

CORRECT ANSWER IS: maximize profit

1371. QUESTION: Profit is maximum when

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- A. TC and TR curves are parallel
- B. MC and MR curves are parallel
- C. AC and AR curves are parallel
- D. none of them

CORRECT ANSWER IS: TC and TR curves are parallel

1372. QUESTION: A firm earns economic profit when total profit exceeds

- A. normal profit
- B. implicit costs
- C. explicit costs
- D. variable costs

CORRECT ANSWER IS: normal profit

1373. QUESTION: The payments received by the owners of capital are called

- A. pure rents
- B. rent
- C. quasi rents
- D. interest

CORRECT ANSWER IS: interest

1374. QUESTION: Which of the following statements about junk bonds is correct?

- A. their default rate is approximately 30%
- B. they pay more than investor could earn in stock market
- C. they paid for the "merger-mania" of the 1980's
- D. the higher return is due to higher risk

CORRECT ANSWER IS: the higher return is due to higher risk

1375. QUESTION: An increase in the anticipated rate of inflation will cause the real interest rate to

- A. increase by more than change in inflation rate

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- B. increase by the same amount as change in inflation rate
- C. increase by less than the change in the inflation rate
- D. stay the same

CORRECT ANSWER IS: stay the same

1376. QUESTION: Profits are earned by

- A. owners of capital
- B. entrepreneurs who bear the risk of production
- C. owners of land
- D. owners of highly productive resources

CORRECT ANSWER IS: entrepreneurs who bear the risk of production

1377. QUESTION: If the rate of return on a projected capital project is 10% while the interest rate is 8%, a firm should

- A. undertake the project
- B. not undertake the project
- C. determine the cost of the project before making a decision
- D. determine the present value of the project's future marginal revenue products

CORRECT ANSWER IS: undertake the project

1378. QUESTION: Which of the following is an example of intangible capital?

- A. machines used in production
- B. a factory
- C. improvements on land
- D. experience on the part of workers

CORRECT ANSWER IS: experience on the part of workers

1379. QUESTION: Which of the following would be most likely to result from an increase in the interest rate?

- A. households buy more cars
- B. firms increase new plant construction

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- C. more workers quit and go back to college
- D. households substitute future for current consumption

CORRECT ANSWER IS: households substitute future for current consumption

1380. QUESTION: If the nominal interest rate is 11% and the real rate is 6%, then the expected rate of inflation is

- A. 11%
- B. 6%
- C. 5%
- D. 2%

CORRECT ANSWER IS: 5%

1381. QUESTION: Which of the following does not result in economic profits?

- A. monopoly
- B. risk taking
- C. exceptional innovation
- D. perfect competition

CORRECT ANSWER IS: perfect competition

1382. QUESTION: If the nominal interest rate is 14% and the anticipated rate of inflation is 10%, the real interest rate is

- A. 4%
- B. 6%
- C. 10%
- D. 26%

CORRECT ANSWER IS: 4%

1383. QUESTION: A company's computer system would depreciate more quickly in an economic sense as a result of

- A. hiring less labor to work with the computer
- B. a revolutionary innovation in computer hardware
- C. a change in tax laws allowing greater depreciation expenses

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D. an increase in the price of computers

CORRECT ANSWER IS: a revolutionary innovation in computer hardware

1384. QUESTION: A capital good that produces for only one year, has a marginal revenue product of \$1,000 for that year, and costs \$800, has a rate of return of

- A. 8%
- B. 10%
- C. 25%
- D. 20%

CORRECT ANSWER IS: 25%

1385. QUESTION: A bond's interest rate would be higher if

- A. it has a low default risk
- B. it has low liquidity
- C. there is low inflation
- D. it has a long time to maturity

CORRECT ANSWER IS: it has low liquidity

1386. QUESTION: Which of the following is not an example of a capital good?

- A. Texas oil and natural gas reserves
- B. land that has been improved by irrigation
- C. machines and factories
- D. cleared forests and drained swamps

CORRECT ANSWER IS: Texas oil and natural gas reserves

1387. QUESTION: For the economy as a whole, the opportunity cost of an input that is completely fixed in supply is

- A. a cost of production
- B. shared by all consumers of the production the input produces
- C. zero

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D. equal to the price of the input

CORRECT ANSWER IS: zero

1388. QUESTION: Holding everything else constant, the stock of capital would grow more slowly if there were

- A. increased borrowing by the government
- B. a lower equilibrium real interest rate
- C. an increased supply of loanable funds
- D. an increase in the marginal physical product of capital

CORRECT ANSWER IS: increased borrowing by the government

1389. QUESTION: A piece of improved land that has a marginal revenue product of \$10,000 per year in perpetuity and that costs \$50,000 has a rate of return of

- A. 50%
- B. 20%
- C. 25%
- D. 5%

CORRECT ANSWER IS: 20%

1390. QUESTION: If interest rates are expected to rise in the future then

- A. the long-term interest rate will be higher than the short-term rate
- B. long-term and short-term rates will be about equal
- C. the short-term interest rate will be higher than the long-term rate
- D. no one will buy long-term bonds

CORRECT ANSWER IS: the long-term interest rate will be higher than the short-term rate

1391. QUESTION: Human capital theory is concerned with all of the following except

- A. investment in training and education
- B. intangible capital formation
- C. the distribution of income

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D. investments in technology

CORRECT ANSWER IS: investments in technology

1392. QUESTION: The high short-run earnings of building owners in fast-growing sunbelt cities are an example of

- A. quasi rents
- B. pure economic rents
- C. earnings made with a perfectly elastic supply curve
- D. how only monopoly markets can earn economic profits

CORRECT ANSWER IS: quasi rents

1393. QUESTION: If the interest rate is 8%, then a loan of \$400 will earn interest each year in the amount of

- A. \$8
- B. \$40
- C. \$32
- D. \$50

CORRECT ANSWER IS: \$32

1394. QUESTION: An increase in the market rate of interest causes the rate of return on any specific capital project to

- A. increase
- B. decrease
- C. change unpredictability
- D. not change

CORRECT ANSWER IS: not change

1395. QUESTION: Pure economic rents are

- A. payments to factors owned by entrepreneurs
- B. only payments to land
- C. payments to factors whose supply is perfectly inelastic
- D. economic profits

CORRECT ANSWER IS: payments to factors whose supply is perfectly inelastic

1396. QUESTION: The best way to view the interest rate is that it is

- A. the price of money
- B. the price of credit
- C. equal to the expected rate of inflation
- D. the medium of exchange for present transactions

CORRECT ANSWER IS: the price of credit

1397. QUESTION: For the superstars of the sports and entertainment industries

- A. economic rent is zero
- B. a large fraction of their income is economic rent
- C. opportunity cost is equal to their current salaries
- D. opportunity cost is greater than their current salaries

CORRECT ANSWER IS: a large fraction of their income is economic rent

1398. QUESTION: IF the interest rate is 8%, then the percent value of a perpetual stream of payments of \$1,000 each is

- A. \$8,000
- B. \$12,500
- C. \$10,000
- D. \$1,000

CORRECT ANSWER IS: \$12,500

1399. QUESTION: In equilibrium, firms will undertake those investment projects that have

- A. rates of return greater than the interest
- B. positive rates of return
- C. rates of return less than the interest rate
- D. marginal revenue product greater than the interest rate

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CORRECT ANSWER IS: rates of return greater than the interest

1400. QUESTION: In the 1970s, the price received by owners of oil-drilling equipment increased substantially because demand went up by short-term supply was quite inelastic. The increase income that they earned was

- A. economic rents
- B. quasi rents
- C. profits
- D. interest

CORRECT ANSWER IS: quasi rents

1401. QUESTION: From ancient Rome to modern times

- A. profits have been more stable than wages
- B. only rich people owned stocks
- C. the real interest rate has been stable
- D. luck has been the sole determinant of entrepreneurial success

CORRECT ANSWER IS: the real interest rate has been stable

1402. QUESTION: The marginal benefit of an investment project is given by the

- A. expected rate of inflation
- B. project's expected rate of return
- C. real minus nominal interest rates
- D. nominal GDP

CORRECT ANSWER IS: project's expected rate of return

1403. QUESTION: The reason why professional football players should not strike is

- A. their opportunity costs are relatively low
- B. no one can replace them
- C. they do not earn economic rent as football players
- D. the federal antitrust laws prohibit unions in sports

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CORRECT ANSWER IS: their opportunity costs are relatively low

1404. QUESTION: An increase in the anticipated rate of inflation will cause the nominal interest rate to

- A. increase by more than change in inflation rate
- B. increase by the same amount as change in inflation rate
- C. increase by less than the change in the inflation rate
- D. stay the same

CORRECT ANSWER IS: increase by the same amount as change in inflation rate

1405. QUESTION: A tax on pure economic rent leads to

- A. an increase in price paid for the factor and a decline in quantity
- B. an increase in price paid for the factor and no change in quantity
- C. a reduction in price paid for the factor and a decline in quantity
- D. no change in price paid for the factor or in quantity

CORRECT ANSWER IS: no change in price paid for the factor or in quantity

1406. QUESTION: The rate of return of a capital good is

- A. the rate of interest that quotes the present value of future MRPs to the cost of the capital good
- B. the amount of money the firm needs to earn in order to earn a normal profit
- C. the number of years a capital good must last in order to pay for itself
- D. the amount of extra profit an investment project will earn for a firm

CORRECT ANSWER IS: the rate of interest that quotes the present value of future MRPs to the cost of the capital good

1407. QUESTION: If the market interest rate rises from 10% to 12%, then the market price of a bond that pays 10% of its face value of \$1,000 each year forever will

- A. fall from \$1,000 to \$8333
- B. increase from \$1,000 to \$12,000
- C. remains at \$1,000
- D. none of them

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CORRECT ANSWER IS: fall from \$1,000 to \$8333

1408. QUESTION: Armen Alchian believes the key to entrepreneurial success is to

- A. maximize profits
- B. obtain a monopoly through a government franchise
- C. obtain a monopoly by driving competitors out of business
- D. continually earn positive profits

CORRECT ANSWER IS: continually earn positive profits

1409. QUESTION: When calculating real interest rates

- A. the nominal interest rate is divided by the expected inflation rate
- B. the expected inflation rate is divided by the nominal interest rate
- C. the expected inflation rate is unknown and must be estimated
- D. the nominal interest rate is unknown and must be estimated

CORRECT ANSWER IS: the expected inflation rate is unknown and must be estimated

1410. QUESTION: Every factor of production gets reward equal to

- A. value of average product
- B. value of marginal product
- C. value of total product
- D. total revenue

CORRECT ANSWER IS: value of average product

1411. QUESTION: IF marginal product of labor rises because of new technology

- A. wages will rise
- B. wages will fall
- C. wages will be unaffected
- D. may rise or fall

CORRECT ANSWER IS: wages will rise

1412. QUESTION: Under perfect competition, demand for a factor is its

- A. MRP curve
- B. ARP curve
- C. TRP curve
- D. TR - TC

CORRECT ANSWER IS: MRP curve

1413. QUESTION: One of the following is not a assumption of the marginal productivity theory

- A. units of factor are homogeneous
- B. mobility of factor
- C. low price of factor
- D. perfect competition

CORRECT ANSWER IS: low price of factor

1414. QUESTION: We should employ units of a factor to a point where

- A. MP is negative
- B. MP is equal to price of the factor
- C. MP is positive
- D. MP is rising

CORRECT ANSWER IS: MP is equal to price of the factor

1415. QUESTION: Increasing the minimum wages for workers will

- A. sole the unemployment problem
- B. result in scarcity of workers
- C. cause a situation of capital for labor
- D. decrease the MP of those workers

CORRECT ANSWER IS: cause a situation of capital for labor

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1416. QUESTION: Union leaders are in a better position to bargain for higher wages if demand for labor is

- A. elastic
- B. inelastic
- C. very large
- D. permanent

CORRECT ANSWER IS: inelastic

1417. QUESTION: A firm maximizes profit if

- A. MRP = wage rate
- B. MRP = ARP
- C. MRP is rising
- D. none of them

CORRECT ANSWER IS: MRP = wage rate

1418. QUESTION: Doctors get higher wages than clerks because

- A. doctors are in short supply
- B. doctors have more respect in society
- C. doctors are organized in trade unions
- D. people fear doctor's displeasure

CORRECT ANSWER IS: doctors are in short supply

1419. QUESTION: Sometimes the supply curve of labor ends

- A. downward
- B. upward
- C. backward
- D. firstly upward and then downward

CORRECT ANSWER IS: backward

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1420. QUESTION: Who is unemployed

- A. housewife
- B. college student
- C. a peer who lives on gifts from mureeds
- D. a freshly graduated engineer who is searching for a job

CORRECT ANSWER IS: a freshly graduated engineer who is searching for a job

1421. QUESTION: Under Marginal productivity theory, reward for labor is determined by

- A. owner
- B. government
- C. labor
- D. marginal product

CORRECT ANSWER IS: marginal product

1422. QUESTION: In which form the largest percentage of national income is earned

- A. interest income
- B. proprietor's income
- C. employees' wages
- D. rental income

CORRECT ANSWER IS: employees' wages

1423. QUESTION: Standard of living of workers depends upon their

- A. normal wages
- B. real wages
- C. average wages
- D. govt. policy

CORRECT ANSWER IS: real wages

1424. QUESTION: The minimum wage is an example of

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- A. price floor
- B. price ceiling
- C. equilibrium wage
- D. efficiency of labor

CORRECT ANSWER IS: price floor

1425. QUESTION: The economist Ricardo argued that prices were _____ because land rents were _____

- A. high, high
- B. low, high
- C. high, low
- D. none of them

CORRECT ANSWER IS: none of them

1426. QUESTION: The following affect rent except

- A. better location
- B. fertility of land
- C. cleverness of landlords
- D. scarcity of land

CORRECT ANSWER IS: cleverness of landlords

1427. QUESTION: As for the cost of production of an individual farmer, the rent paid by him

- A. enters into the price of his product
- B. does not enter into price of his product
- C. is unjustified
- D. none of them

CORRECT ANSWER IS: enters into the price of his product

1428. QUESTION: These are kinds of rent except

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- A. differential rent
- B. scarcity rent
- C. mobility rent
- D. location rent

CORRECT ANSWER IS: mobility rent

1429. QUESTION: He presented a theory of rent:

- A. Malthus
- B. Allama Iqbal
- C. Ricardo
- D. Marshall

CORRECT ANSWER IS: Ricardo

1430. QUESTION: This is capital

- A. money
- B. forests
- C. machinery
- D. trademarks

CORRECT ANSWER IS: machinery

1431. QUESTION: With decrease in price of bonds, rate of interest

- A. decreases
- B. increases
- C. does not change
- D. none of them

CORRECT ANSWER IS: increases

1432. QUESTION: In economics capital refers to

- A. money

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- B. high quality goods
- C. trade mark
- D. machinery and factories

CORRECT ANSWER IS: machinery and factories

1433. QUESTION: According to Keynes interest is payment for

- A. consumer's preference
- B. producer's preference
- C. liquidity preference
- D. State Bank's preference

CORRECT ANSWER IS: liquidity preference

1434. QUESTION: Every factor of production gets reward equal to its

- A. cost
- B. marginal product
- C. price
- D. increasing return

CORRECT ANSWER IS: marginal product

1435. QUESTION: If rate of interest is 10% the PV (present value) of Rs.100 received in 1 year time is

- A. 90
- B. 90.9
- C. 95
- D. 110

CORRECT ANSWER IS: 90.9

1436. QUESTION: Interest is paid because

- A. capital is scarce
- B. capital is productive

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- C. capital is attractive
- D. capital is surplus

CORRECT ANSWER IS: capital is scarce

1437. QUESTION: According to Keynes, interest is a payment for

- A. use of durable goods
- B. use of capital
- C. use of money
- D. use of land

CORRECT ANSWER IS: use of money

1438. QUESTION: Professor Knight is famous for his theory of

- A. rent
- B. profit
- C. population
- D. wages

CORRECT ANSWER IS: profit

1439. QUESTION: Profits:

- A. are necessary
- B. are unnecessary
- C. can never be negative
- D. are illegal

CORRECT ANSWER IS: are necessary

1440. QUESTION: Gross profit does not include

- A. rent of land owned by the firm
- B. interest on capital owned by firm
- C. pure profit

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D. taxes

CORRECT ANSWER IS: taxes

1441. QUESTION: Profits:

- A. are residual payment
- B. are pre-determined
- C. are fixed contract
- D. are always higher than wages

CORRECT ANSWER IS: are residual payment

1442. QUESTION: Profits arise because an entrepreneur

- A. prepares plan
- B. innovates
- C. lends money
- D. both a and b

CORRECT ANSWER IS: both a and b

1443. QUESTION: Some economists say that profit earner is a kind of

- A. rent receiver
- B. interest receiver
- C. wage earner
- D. govt. officer

CORRECT ANSWER IS: wage earner

1444. QUESTION: Profits:

- A. are lower in long run than in short run
- B. can be negative
- C. are less in perfect competition than in monopoly
- D. all of them

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CORRECT ANSWER IS: all of them

1445. QUESTION: Risks in the business arise because of

- A. introduction of the new products
- B. uncertain policy of rival firms
- C. changes in tastes
- D. all of them

CORRECT ANSWER IS: all of them

1446. QUESTION: According to Professor Knight risks are of _____ kinds:

- A. 2
- B. 3
- C. 4
- D. 5

CORRECT ANSWER IS: 2

1447. QUESTION: Profits:

- A. are less in the long run than in short run
- B. interest on capital owned by firm
- C. are less in perfect competition than in monopoly
- D. all of them

CORRECT ANSWER IS: all of them

1448. QUESTION: This is not a function of the entrepreneur

- A. supervise
- B. innovates
- C. lend money
- D. prepare plan

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CORRECT ANSWER IS: lend money

1449. QUESTION: Nationalization of banks was done in

- A. 1974
- B. 1976
- C. 1978
- D. 1980

CORRECT ANSWER IS: 1974

1450. QUESTION: First Women Bank is

- A. private bank
- B. government bank
- C. non-scheduled bank
- D. investment bank

CORRECT ANSWER IS: government bank

1451. QUESTION: When the State Bank wants to decrease money supply in the country, it

- A. buys govt. securities in stock market
- B. sells govt. securities
- C. lowers discount rate
- D. both b and c

CORRECT ANSWER IS: both b and c

1452. QUESTION: It is not an instrument of monetary policy

- A. bank rate
- B. open market operations
- C. change in reserve ratio
- D. issue notes

CORRECT ANSWER IS: issue notes

1453. QUESTION: National Bank of Pakistan is

- A. industrial bank
- B. commercial bank
- C. central bank
- D. investment bank

CORRECT ANSWER IS: commercial bank

1454. QUESTION: Bank rate in Pakistan is

- A. 3%
- B. 13%
- C. 23%
- D. 33%

CORRECT ANSWER IS: 13%

1455. QUESTION: Monetary policy consists of

- A. decreasing taxes
- B. changing total money supply
- C. checking commercial banks
- D. printing of money

CORRECT ANSWER IS: changing total money supply

1456. QUESTION: It creates credit

- A. central bank
- B. commercial bank
- C. government
- D. stock exchange

CORRECT ANSWER IS: commercial bank

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1457. QUESTION: Total number of branches of Pakistan banks is approximately

- A. 3000
- B. 9000
- C. 15000
- D. 21500

CORRECT ANSWER IS: 9000

1458. QUESTION: State Bank was established in

- A. 1948
- B. 1950
- C. 1952
- D. 1954

CORRECT ANSWER IS: 1948

1459. QUESTION: State Bank of Pakistan has departments

- A. issue and banking department
- B. issue and research department
- C. banking and research department
- D. issue, research and banking department

CORRECT ANSWER IS: issue, research and banking department

1460. QUESTION: Which is a monetary measure to increase employment

- A. increase in govt. expenditure
- B. reduce govt. expenditure
- C. increase in interest rate
- D. reducing interest rate

CORRECT ANSWER IS: reducing interest rate

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1461. QUESTION: National Bank of Pakistan was established in

- A. 1949
- B. 1959
- C. 1969
- D. 1970

CORRECT ANSWER IS: 1949

1462. QUESTION: 10-rupee note is issued by

- A. National Bank
- B. State Bank
- C. Govt. of Pakistan
- D. Governor State Bank

CORRECT ANSWER IS: State Bank

1463. QUESTION: Central bank's rate of lending to commercial banks is called

- A. interest rate
- B. discount rate
- C. money rate
- D. control rate

CORRECT ANSWER IS: discount rate

1464. QUESTION: In order to reduce consumer borrowing this is raised

- A. commercial bank deposits
- B. government spending
- C. interest rate
- D. the exchange rate

CORRECT ANSWER IS: interest rate

1465. QUESTION: The bank established for loans to very small enterprises is called

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- A. Micro Finance Bank
- B. Modarba Bank
- C. SME Bank
- D. First Mini Bank

CORRECT ANSWER IS: Micro Finance Bank

1466. QUESTION: Acting as lender of last resort, a central bank lends to

- A. money markets
- B. stock exchange
- C. commercial banks
- D. does not lend

CORRECT ANSWER IS: commercial banks

1467. QUESTION: When a central bank wants to increase money supply in circulation

- A. purchases govt. securities
- B. lowers bank rate
- C. directs banks to advance more loans
- D. both a and b

CORRECT ANSWER IS: both a and b

1468. QUESTION: Treasury bill is used for

- A. getting short term loans
- B. getting long term loans
- C. treasury bill is not credit instrument
- D. treasury bill is a govt. tax bill

CORRECT ANSWER IS: getting short term loans

1469. QUESTION: Pakistan has a banking system

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- A. developed
- B. underdeveloped
- C. very organized
- D. both a and c

CORRECT ANSWER IS: developed

1470. QUESTION: Which statement is true of the relationship between bond prices and bond yields?

- A. they are inversely
- B. they tool vary directly
- C. they are not related
- D. they are related in long run and not in the short run

CORRECT ANSWER IS: they are inversely

1471. QUESTION: State Bank of Pakistan is run by

- A. board of governors
- B. board of managers
- C. board of advisors
- D. board of directors

CORRECT ANSWER IS: board of directors

1472. QUESTION: Out of the following the only recognized legal tender is

- A. cheque
- B. bank notes
- C. draft
- D. credit card

CORRECT ANSWER IS: bank notes

1473. QUESTION: Commercial banks in Pakistan are supervised by

- A. State Bank

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- B. National Bank
- C. Finance Minister
- D. World Bank

CORRECT ANSWER IS: State Bank

1474. QUESTION: Which is the most widely use of monetary policy:

- A. clearing house
- B. open-market operations
- C. discount rate
- D. issuing of notes

CORRECT ANSWER IS: open-market operations

1475. QUESTION: Credit money is controlled by

- A. government
- B. commercial banks
- C. central bank
- D. markets

CORRECT ANSWER IS: central bank

1476. QUESTION: Open Market Operation is

- A. buying and selling bills of exchange
- B. buying and selling govt. securities
- C. buying and selling shares of companies
- D. buying and selling foreign exchange

CORRECT ANSWER IS: buying and selling govt. securities

1477. QUESTION: Every country established central bank to

- A. issue notes
- B. supervise commercial banks

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- C. give loans to businessmen
- D. both a and b

CORRECT ANSWER IS: both a and b

1478. QUESTION: National Bank is a

- A. public sector bank
- B. private bank
- C. micro finance bank
- D. specialized bank

CORRECT ANSWER IS: public sector bank

1479. QUESTION: Tax is a payment

- A. compulsory
- B. voluntary
- C. unnecessary
- D. temporary

CORRECT ANSWER IS: compulsory

1480. QUESTION: The non-Muslims pay Zakat

- A. at a higher rate than Muslims
- B. at a lower rate than Muslims
- C. at the same rate
- D. do not pay zakat

CORRECT ANSWER IS: do not pay zakat

1481. QUESTION: Pakistan's public debt is

- A. larger than GNP
- B. approximately equal to GNP
- C. smaller than GNP

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D. smaller than our exports

CORRECT ANSWER IS: smaller than GNP

1482. QUESTION: Which is true?

- A. federal government has the right to collect taxes
- B. provincial government has the right to collect taxes
- C. local government has the right to collect taxes
- D. all of them

CORRECT ANSWER IS: all of them

1483. QUESTION: The main source of revenue of federal government is

- A. property taxes
- B. token tax
- C. custom duties
- D. sales tax

CORRECT ANSWER IS: sales tax

1484. QUESTION: To control inflation the government should increase

- A. budget deficit
- B. consumer spending
- C. income tax
- D. pensions

CORRECT ANSWER IS: income tax

1485. QUESTION: Pakistan's fiscal year starts from:

- A. 1st September
- B. 1st April
- C. 1st January
- D. 1st July

CORRECT ANSWER IS: 1st July

1486. QUESTION: The most important body to collect taxes in Pakistan is

- A. district govt.
- B. State Bank
- C. Ministry of Finance
- D. FBR

CORRECT ANSWER IS: FBR

1487. QUESTION: Rate of General Sales Tax (GST) is:

- A. less than 10%
- B. more than 10% but less than 20%
- C. more than 20% but less than 30%
- D. more than 30%

CORRECT ANSWER IS: more than 10% but less than 20%

1488. QUESTION: In Pakistan government budget is prepared by

- A. National assembly
- B. President of Pakistan
- C. Ministry of Finance
- D. State Bank of Pakistan

CORRECT ANSWER IS: Ministry of Finance

1489. QUESTION: In past decades Pakistan increased its GDP, yet living standard of majority has not risen. The most important cause of this situation is

- A. increased govt. expenditure
- B. increased imports
- C. increased education
- D. increased population

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CORRECT ANSWER IS: increased population

1490. QUESTION: The Federal budget is presented in the parliament by

- A. prime minister
- B. president
- C. Finance Minister
- D. commerce minister

CORRECT ANSWER IS: Finance Minister

1491. QUESTION: According to total amount collected the taxes fall in this order

- A. custom, excise, sales
- B. sales, custom, excise
- C. custom, sales, excise
- D. excise, sales, custom

CORRECT ANSWER IS: sales, custom, excise

1492. QUESTION: In Pakistan, Income tax is

- A. progressive tax
- B. proportional
- C. direct
- D. both a and c

CORRECT ANSWER IS: both a and c

1493. QUESTION: Which of the following should not be the aim of a government

- A. economic growth
- B. full employment
- C. inequality of incomes
- D. price stability

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CORRECT ANSWER IS: inequality of incomes

1494. QUESTION: Pakistan's budget has parts

- A. current and development
- B. revenue and expenditure
- C. development and non-development
- D. both a and b

CORRECT ANSWER IS: both a and b

1495. QUESTION: According to total amount collected the taxes fall in this order

- A. custom, sales tax, income tax
- B. custom, income tax, sales tax
- C. income tax, custom, sales tax
- D. sales tax, custom, excise

CORRECT ANSWER IS: sales tax, custom, excise

1496. QUESTION: 40% of income of federal government is obtained from

- A. income tax
- B. excise tax
- C. import tax
- D. property tax

CORRECT ANSWER IS: income tax

1497. QUESTION: The budget estimate prepared by ministry of finance is finally approved by

- A. State Bank
- B. president
- C. senate
- D. National Assembly

CORRECT ANSWER IS: National Assembly

1498. QUESTION: Which of the following would cause incomes to become more unequal:

- A. increased employment
- B. increased unemployment allowance
- C. more progressive taxes
- D. more regressive taxes

CORRECT ANSWER IS: more regressive taxes

1499. QUESTION: Federal government tax revenue collection includes:

- A. divisible taxes with provinces
- B. divisible taxes with district government
- C. non-tax revenue
- D. all of them

CORRECT ANSWER IS: divisible taxes with provinces

1500. QUESTION: Which is true about amount of taxes collected in Pakistan:

- A. direct taxes are more than indirect taxes
- B. indirect taxes are more than direct taxes
- C. provincial taxes are more than federal
- D. provincial govt. Share taxes with federal govt.

CORRECT ANSWER IS: indirect taxes are more than direct taxes

1501. QUESTION: Pakistan's expenditure on defense is

- A. 10% of federal budget
- B. more than 10% but less than 25%
- C. more than 25% but less than 30%
- D. more than 30%

CORRECT ANSWER IS: more than 10% but less than 25%

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1502. QUESTION: Federal govt. budget estimate for 2010-11 is

- A. 2800 million
- B. 2800 billion
- C. 2800 trillion
- D. bigger than 2800 trillion

CORRECT ANSWER IS: 2800 billion

1503. QUESTION: What is the benefit of tariffs:

- A. increased choice
- B. increased government revenue
- C. more competition
- D. more trade

CORRECT ANSWER IS: increased government revenue

1504. QUESTION: Which is true?

- A. Federal government collects taxes and shares with provinces
- B. provincial government collects taxes and shares with federal government
- C. federal government collects taxes and shares with local government
- D. local government collects taxes and shares with federal government

CORRECT ANSWER IS: Federal government collects taxes and shares with provinces

1505. QUESTION: Exemption limit for income tax in Pakistan is

- A. 10 lacs
- B. 5 lacs
- C. 3 lacs
- D. 1 lac

CORRECT ANSWER IS: 3 lacs

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1506. QUESTION: Government of Pakistan can increase its resources by

- A. taxing people
- B. printing new notes
- C. borrowing
- D. all of them

CORRECT ANSWER IS: all of them

1507. QUESTION: A decrease in demand causes the equilibrium price to

- A. rise
- B. fall
- C. remain constant
- D. indeterminate

CORRECT ANSWER IS: fall

1508. QUESTION: An increase in the price of mutton provides information which

- A. tells consumers to buy more mutton
- B. tells consumers to buy more chicken
- C. tells producers to produce more mutton
- D. none of them

CORRECT ANSWER IS: none of them

1509. QUESTION: Ten rupees is the equilibrium price for good X. If government fixes price at Rs.5, there is

- A. a shortage
- B. a surplus
- C. excess supply
- D. loss

CORRECT ANSWER IS: a shortage

1510. QUESTION: When price is below equilibrium level, there will be

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- A. surplus commodity in the market
- B. shortage of commodity in the market
- C. supply curve will shift
- D. demand curve will shift

CORRECT ANSWER IS: shortage of commodity in the market

1511. QUESTION: In market equilibrium, supply is vertical line. The downward sloping demand curve shifts to the rights. Then:

- A. price will fall
- B. price remains same
- C. price will rise
- D. quantity rises

CORRECT ANSWER IS: price will rise

1512. QUESTION: A rise in supply and demand in equal proportion will result in

- A. increase in equilibrium price and decrease in equilibrium quantity
- B. decrease in equilibrium price and increase in equilibrium quantity
- C. no change in equilibrium price and increase in equilibrium quantity
- D. increase in equilibrium price and no change in equilibrium quantity

CORRECT ANSWER IS: no change in equilibrium price and increase in equilibrium quantity

1513. QUESTION: If equilibrium price rises but equilibrium quantity remains unchanged, the cause is

- A. supply and demand both increase equally
- B. supply and demand both decrease equally
- C. supply decreases and demand increases
- D. supply increases and demand decreases

CORRECT ANSWER IS: supply decreases and demand increases

1514. QUESTION: Equilibrium:

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- A. is a state that can never be achieved in economics
- B. is an important idea for predicting economic changes
- C. is a stable condition
- D. is an unstable condition

CORRECT ANSWER IS: is an important idea for predicting economic changes

1515. QUESTION: The price and sales of sugar both increase. What could be the cause of this?

- A. a decrease in the incomes of the consumers
- B. a decrease in the tax on sugar
- C. an increase in the wages of workers in the sugar industry
- D. an increase in the price of sugar substitutes

CORRECT ANSWER IS: an increase in the price of sugar substitutes

1516. QUESTION: Price of a product is determined in a free market:

- A. by demand for the product
- B. by supply of the product
- C. by both demand and supply
- D. by the government

CORRECT ANSWER IS: by both demand and supply

1517. QUESTION: A firm decides to exit the industry when

- A. AC starts rising
- B. MC starts rising
- C. price is less than LAC
- D. TC starts rising

CORRECT ANSWER IS: price is less than LAC

1518. QUESTION: IF a firm shuts down temporarily, it will incur loss equal to

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- A. AFC
- B. AVC
- C. TFC
- D. TVC

CORRECT ANSWER IS: TFC

1519. QUESTION: When a competitive firm achieves long run equilibrium then

- A. $P = MC$
- B. $MR = MC$
- C. $P = ATC$
- D. all of them

CORRECT ANSWER IS: all of them

1520. QUESTION: Profit is maximum when

- A. TC and TR curves are parallel
- B. MC and MR curves are parallel
- C. TC and TR curves cross each other
- D. AC and AR curves cross each other

CORRECT ANSWER IS: TC and TR curves are parallel

1521. QUESTION: Under perfect competition:

- A. $AC = AVC$
- B. $AR = AC$
- C. $AR = MC$
- D. $AR = MR$

CORRECT ANSWER IS: $AR = MR$

1522. QUESTION: The most efficient scale of production of a firm is where

- A. LAC is minimum

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- B. SAC is minimum
- C. LMC is minimum
- D. SMC is minimum

CORRECT ANSWER IS: LAC is minimum

1523. QUESTION: In monopoly and perfect competition the cost curves are

- A. same
- B. different
- C. opposite
- D. none of them

CORRECT ANSWER IS: same

1524. QUESTION: The necessary condition for equilibrium position of a firm is

- A. $MR = MC$
- B. $MC > \text{price}$
- C. $MC = MR$
- D. $MC = AC$

CORRECT ANSWER IS: $MC = MR$

1525. QUESTION: A firm should shut down in the short run if it is not covering its

- A. variable cost
- B. fixed cost
- C. total cost
- D. none of them

CORRECT ANSWER IS: variable cost

1526. QUESTION: Normal profit is called normal because

- A. it is neither very high nor very low
- B. it is minimum acceptable to the producer

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- C. it is minimum which buyer wants to pay
- d.

CORRECT ANSWER IS: it is minimum acceptable to the producer

1527. QUESTION: In case of perfect competition the sellers are

- A. a few
- B. very large
- C. two
- D. none of them

CORRECT ANSWER IS: a few

1528. QUESTION: When total revenue is maximum in monopoly

- A. $E = 1$
- B. $E > 1$
- C. $E < 1$
- D. $E = 0$

CORRECT ANSWER IS: $E = 1$

1529. QUESTION: The act of charging two or more different prices for the same good by the monopolist is called

- A. price discrimination
- B. non-price discrimination
- C. duopoly
- D. oligopoly

CORRECT ANSWER IS: price discrimination

1530. QUESTION: In monopolistic competition the demand curve of a firm is

- A. horizontal
- B. vertical
- C. perfectly elastic

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D. negatively sloped

CORRECT ANSWER IS: negatively sloped

1531. QUESTION: In case of perfect competition the firm sell good

- A. homogenous
- B. non-homogenous
- C. differentiated
- D. none of them

CORRECT ANSWER IS: homogenous

1532. QUESTION: When total revenue itself falls in monopoly

- A. $E = 1$
- B. $E > 1$
- C. $E < 1$
- D. $E = 0$

CORRECT ANSWER IS: $E < 1$

1533. QUESTION: In first degree price discrimination monopolist takes away all of

- A. consumer surplus
- B. production surplus
- C. both
- D. none of them

CORRECT ANSWER IS: consumer surplus

1534. QUESTION: In monopolistic competition the cost curve of all firms are

- A. uniform
- B. different
- C. dependent
- D. impendent

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CORRECT ANSWER IS: uniform

1535. QUESTION: Oligopoly is a market where sellers are

- A. a few
- B. two
- C. many
- D. none of them

CORRECT ANSWER IS: a few

1536. QUESTION: Under perfect competition the price is settled by

- A. sellers
- B. buyers
- C. labors
- D. buyers and sellers

CORRECT ANSWER IS: buyers

1537. QUESTION: When $e = 1$, then following formula $M = P (1 - 1/e)$ the M will be

- A. positive
- B. negative
- C. zero
- D. none of them

CORRECT ANSWER IS: zero

1538. QUESTION: The costs of production of discrimination monopolist at same in

- A. few market
- B. one market
- C. both
- D. none of them

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CORRECT ANSWER IS: few market

1539. QUESTION: The number of sellers in monopolistic competition normally range between

- A. 14 to 18
- B. 14 to 80
- C. 14 to 38
- D. 14 to 60

CORRECT ANSWER IS: 14 to 80

1540. QUESTION: In non-collusive oligopoly firms enter into

- A. secret agreements
- B. no secret agreements
- C. competition
- D. no competition

CORRECT ANSWER IS: no secret agreements

1541. QUESTION: In duopoly the firm of sellers are

- A. a few
- B. very large
- C. two
- D. none of them

CORRECT ANSWER IS: two

1542. QUESTION: When $e > 1$, then following formula $M = P (1 - 1/e)$ the M will be

- A. positive
- B. negative
- C. zero
- D. none of them

CORRECT ANSWER IS: positive

1543. QUESTION: The act of producing the same output from two plants is concerned with

- A. monopoly
- B. multi-plant monopolist
- C. bilateral monopoly
- D. price discrimination

CORRECT ANSWER IS: multi-plant monopolist

1544. QUESTION: The proportional demand curve is like industry demand curve in

- A. perfect competition
- B. imperfect competition
- C. monopoly
- D. monopolistic competition

CORRECT ANSWER IS: perfect competition

1545. QUESTION: In Cournot model firms face _____ sloped demand curve

- A. positively
- B. negatively
- C. horizontal
- D. vertical

CORRECT ANSWER IS: negatively

1546. QUESTION: In oligopoly the number of sellers are

- A. a few
- B. very large
- C. two
- D. none of them

CORRECT ANSWER IS: a few

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1547. QUESTION: When $e < 1$, then following formula $M = P (1 - 1/e)$ the M will be

- A. positive
- B. negative
- C. zero
- D. none of them

CORRECT ANSWER IS: negative

1548. QUESTION: The situation of single buyer and single seller is called

- A. monopoly
- B. multi-plant monopolist
- C. bilateral monopoly
- D. price discrimination

CORRECT ANSWER IS: bilateral monopoly

1549. QUESTION: In monopolistic competition

- A. normal profits
- B. abnormal profits
- C. losses
- D. shut down

CORRECT ANSWER IS: abnormal profits

1550. QUESTION: In Cournot model each firm makes decisions regarding

- A. price
- B. output
- C. cost
- D. advertisement

CORRECT ANSWER IS: output

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1551. QUESTION: In monopoly the sellers are

- A. a few
- B. two sellers
- C. solo sellers
- D. many sellers

CORRECT ANSWER IS: solo sellers

1552. QUESTION: In monopoly when average revenue curve falls

- A. MR is constant
- B. MR rises
- C. MR falls
- D. MR is zero

CORRECT ANSWER IS: MR falls

1553. QUESTION: Who finalized the model of monopolistic competition?

- A. Ricardo
- B. Marshall
- C. Chamber line
- D. Mrs. Robinson

CORRECT ANSWER IS: Chamber line

1554. QUESTION: Duopoly is market where sellers are

- A. a few
- B. two
- C. many
- D. none of them

CORRECT ANSWER IS: two

1555. QUESTION: In monopoly total revenue increase at

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- A. constant rate
- B. increasing rate
- C. decreasing rate
- D. none of them

CORRECT ANSWER IS: decreasing rate

1556. QUESTION: In case of monopoly marginal revenue

- A. $< AR$
- B. $> AR$
- C. $AR = 0$
- D. none of them

CORRECT ANSWER IS: $AR = 0$

1557. QUESTION: Who finalized the model of imperfect competition?

- A. Ricardo
- B. Marshall
- C. Chamber line
- D. Mrs. Robinson

CORRECT ANSWER IS: Mrs. Robinson

1558. QUESTION: In case of monopoly when total revenue is maximum

- A. MR is positive
- B. MR rises
- C. MR falls
- D. MR is zero

CORRECT ANSWER IS: MR is zero

1559. QUESTION: A normal profit is

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- A. a zero economic profit
- B. about 10 percent for most industries
- C. revenues less explicit costs
- D. a zero accounting profit

CORRECT ANSWER IS: a zero economic profit

1560. QUESTION: The supply curve of a competitive firm is

- A. the upward-sloping part of the average variable cost curve
- B. the marginal cost curve
- C. the upward-sloping part of the average total cost curve
- D. the marginal cost curve above the average variable cost curve

CORRECT ANSWER IS: the marginal cost curve above the average variable cost curve

1561. QUESTION: In perfectly competitive markets the profit maximizing rule can be represented by

- A. $MR = ATC$
- B. $MR = AVC$
- C. $P = MC$
- D. $P = ATC$

CORRECT ANSWER IS: $P = MC$

1562. QUESTION: In a perfectly competitive industry, if P is greater than ATC in the long run

- A. firms would leave the industry to seek higher returns elsewhere
- B. new firms will enter the industry resulting in price being lowered to eliminate excess profits
- C. price will increase as the industry achieves long-run equilibrium
- D. the LRAC curve will shift down

CORRECT ANSWER IS: new firms will enter the industry resulting in price being lowered to eliminate excess profits

1563. QUESTION: Imperfect competition exists if

- A. all buyers know the price of the good

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- B. new firms are free to enter the market
- C. each buyer faces an upward sloping supply curve
- D. each seller faces a horizontal demand curve

CORRECT ANSWER IS: each seller faces a horizontal demand curve

1564. QUESTION: The largest possible loss that will be suffered by a perfectly competitive firm in the long run is

- A. zero
- B. total fixed costs
- C. total variable costs
- D. unlimited

CORRECT ANSWER IS: zero

1565. QUESTION: The difference between accounting profits and economic profits is

- A. implicit costs
- B. fixed costs
- C. explicit costs
- D. variable costs

CORRECT ANSWER IS: implicit costs

1566. QUESTION: As new firms enter a competitive industry which of the following does not occur?

- A. economic profits increase
- B. market price falls
- C. there is an increase in supply
- D. there is an increase in quantity demanded

CORRECT ANSWER IS: economic profits increase

1567. QUESTION: The markets for local supermarkets and gasoline service stations are best described as being examples of

- A. perfect competition

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- B. monopolistic competition
- C. oligopoly
- D. monopoly

CORRECT ANSWER IS: monopolistic competition

1568. QUESTION: By increasing the price of its product above those of its competitors, a perfectly competitive seller

- A. can sell more
- B. can still sell as much
- C. reduces its costs
- D. can sell nothing

CORRECT ANSWER IS: can sell nothing

1569. QUESTION: Entry of new firms into a competitive market will shift

- A. the industry supply curve to the left
- B. the supply curves of firms to the left
- C. the demand curves faced by firms to the left
- d.

CORRECT ANSWER IS: the industry supply curve to the right

1570. QUESTION: Which is not true for a business firm that earns \$200,000 in revenues, pays inputs \$150,000 and is managed by an entrepreneur who could earn \$60,000 in her next-best employment alternative?

- A. accounting profits are \$50,000
- B. explicit costs are \$150,000
- C. implicit costs are \$60,000
- D. economic profits are \$10,000

CORRECT ANSWER IS: economic profits are \$10,000

1571. QUESTION: In the real world some competitive firms own specialized resources that earn a return called

- A. economic profit

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- B. rent
- C. accounting profit
- D. normal profit

CORRECT ANSWER IS: rent

1572. QUESTION: When the Canada Development Corporation acquired the Kidd Creek ore body in 1981 its profits

- A. were unaffected
- B. rose because of the zinc, copper and silver found in the mine
- C. actually fell
- D. were affected but Canada Development could not tell how

CORRECT ANSWER IS: actually fell

1573. QUESTION: If it reduces its price below the price set by its competitors a perfectly competitive seller

- A. can sell more
- B. can still sell only as much as at the competitors price
- C. reduces its cost
- D. increases its costs

CORRECT ANSWER IS: can still sell only as much as at the competitors price

1574. QUESTION: In a constant-cost industry an increase in demand

- A. increases price in the short-run but not in the long run
- B. increases price in both the short run and long run
- C. does not change price
- D. increases output in the short run but not in the long run

CORRECT ANSWER IS: increases price in the short-run but not in the long run

1575. QUESTION: When total revenues equal total opportunity cost

- A. accounting profits must equal zero
- B. accounting profits must be negative

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- C. the firm will earn a normal profit
- D. the entrepreneur's time and capital are not being rewarded

CORRECT ANSWER IS: the firm will earn a normal profit

1576. QUESTION: Retail trade is a constant cost industry for all of the following reasons except

- A. the employment share in labor markets is relatively small
- B. the personnel are relatively unskilled
- C. the buildings housing retain trade can be used only for that purpose
- D. the capital used in retail trade is relatively unspecialized

CORRECT ANSWER IS: the buildings housing retain trade can be used only for that purpose

1577. QUESTION: The largest possible loss that fir will make in the short run is

- A. zero, because it will leave the industry
- B. its total fixed costs
- C. its total variable costs
- D. the minimum point on the average variable cost curve

CORRECT ANSWER IS: its total fixed costs

1578. QUESTION: The long-run supply curve of an increasing cost industry

- A. is horizontal
- B. slopes upward but is flatter than the short-run supply curve
- C. is steeper than the short-run supply curve
- D. none of them

CORRECT ANSWER IS: slopes upward but is flatter than the short-run supply curve

1579. QUESTION: If a firm sells 100 units of a product for \$15 when total costs are \$1,000 it:

- A. earns only a normal profit
- B. pays \$100,000 in total costs
- C. earns a profit per unit of \$5

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D. earns an economic profit of \$50

CORRECT ANSWER IS: earns a profit per unit of \$5

1580. QUESTION: The world's largest egg farm with an annual output of 730 million eggs

- A. is a competitive price taker
- B. charges higher prices than smaller producers
- C. influences market price by varying output
- D. is subject to decreasing returns to scale

CORRECT ANSWER IS: is a competitive price taker

1581. QUESTION: According to the shutdown rule, a firm should produce no output if

- A. price is below minimum average total cost
- B. price is above minimum average total cost
- C. revenues are lower than fixed costs
- D. price is below minimum average variable costs

CORRECT ANSWER IS: price is below minimum average variable costs

1582. QUESTION: Differential rents earned by firms are

- A. explicit costs
- B. implicit costs
- C. economic profits
- D. zero in the long run

CORRECT ANSWER IS: implicit costs

1583. QUESTION: Marginal revenue is defined as

- A. the change in total revenue caused by a small change in output
- B. total revenue divided by the rate of output
- C. price times quantity
- D. the difference between costs and revenues

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CORRECT ANSWER IS: the change in total revenue caused by a small change in output

1584. QUESTION: Which of the following is not a factor in increasing world competition?

- A. decreased communication costs
- B. improved use of computer technology
- C. increasing use of nuclear power
- D. decreased protectionism

CORRECT ANSWER IS: increasing use of nuclear power

1585. QUESTION: The marginal revenue of a perfectly competitive firm is

- A. equal to the price of its product
- B. positively related to output
- C. negatively related to output
- D. always higher than marginal cost

CORRECT ANSWER IS: equal to the price of its product

1586. QUESTION: Given the equilibrium price of a product the producer surplus earned by sellers will be larger if

- A. the demand curve is very elastic
- B. the demand curve is very inelastic
- C. the supply curve is very elastic
- D. the supply curve is very inelastic

CORRECT ANSWER IS: the supply curve is very inelastic

1587. QUESTION: When the market sets the price in a competitive market it also establishes all of the following for a firm except the

- A. price the firm must take
- B. demand curve the firm sees
- C. the marginal revenue curve for the firm
- D. supply curve for the firm

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CORRECT ANSWER IS: supply curve for the firm

1588. QUESTION: Excess profits were eliminated in the one hour photo processing business through

- A. competitive entry of new firms
- B. government excess profits taxes
- C. competition from mail-order developers
- D. widespread use of cameras that use film that develops itself

CORRECT ANSWER IS: competitive entry of new firms

1589. QUESTION: If, at the current level of output, the firm's marginal revenue is less than marginal cost then the firm should

- A. increase output
- B. shut down
- C. expand its capital stock
- D. decrease output

CORRECT ANSWER IS: decrease output

1590. QUESTION: Which of the following is not a characteristic of perfect competition?

- A. heterogeneous product
- B. freedom of entry and exit
- C. perfect information about prices
- D. each seller is a price taker

CORRECT ANSWER IS: heterogeneous product

1591. QUESTION: If the market price is above AVC but less than ATC the firm

- A. should shut down in the short run
- B. will earn economic profits
- C. will experience losses but continue production
- D. will not produce along its supply curve

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CORRECT ANSWER IS: will experience losses but continue production

1592. QUESTION: In 1986 the average price per ton of galvanized sheet steel was \$538 while the average total costs were \$520 implying that for this product the steel industry

- A. should stop producing galvanized sheets
- B. was covering average variable costs
- C. was not covering total fixed costs
- D. was not covering average fixed costs

CORRECT ANSWER IS: was covering average variable costs

1593. QUESTION: If a profit maximizing firm in a perfectly competitive industry produces 50 units of output at a price of \$4 per unit then

- A. fixed costs are no more than \$200
- B. variable costs are no more than \$200
- C. average total cost is less than \$4
- D. marginal cost is no more than \$4

CORRECT ANSWER IS: variable costs are no more than \$200

1594. QUESTION: Which of the following is inconsistent with pure monopoly?

- A. economies of scale
- B. price-taking buyers
- C. producers suffering losses
- D. close substitutes for the good

CORRECT ANSWER IS: close substitutes for the good

1595. QUESTION: A monopoly will shut down its plant in the short run if

- A. it is making a loss
- B. marginal revenue is less than marginal cost
- C. marginal revenue is less than average variable cost at all levels of output

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D. average revenue is less than average variable cost at all levels of output

CORRECT ANSWER IS: average revenue is less than average variable cost at all levels of output

1596. QUESTION: Which of the following is not an example of non-price competition?

- A. lobbying for stricter licensing laws
- B. advertising
- C. offering a reduced sale price
- D. offering longer warranties on a product

CORRECT ANSWER IS: offering longer warranties on a product

1597. QUESTION: If quantity sold is 150 and total revenue is \$2.250 when price is \$15 and quantity sold is 160 and total revenue is \$2.240 when price is \$14 then when price is lowered from \$15 to \$14. Which of the following is false?

- A. MR is negative
- B. the demand curve is downward-sloping
- C. demand is elastic
- D. the percentage change in quantity demanded is less than the percentage change in price

CORRECT ANSWER IS: demand is elastic

1598. QUESTION: The higher is marginal revenue the

- A. higher is total revenue
- B. lower is marginal cost
- C. higher is the elasticity of demand for a given price
- D. higher is total cost

CORRECT ANSWER IS: higher is the elasticity of demand for a given price

1599. QUESTION: A price-searching firm

- A. faces a fixed market price and chooses its level of output
- B. can choose any combination of output and price
- C. can chose any combination of output and price lying on its supply curve

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D. can choose any combination of output and price lying on the demand curve for its product

CORRECT ANSWER IS: can choose any combination of output and price lying on the demand curve for its product

1600. QUESTION: The supply curve of a pure monopoly is

- A. its marginal cost curve above average variable cost
- B. its marginal cost curve above marginal revenue
- C. its marginal cost curve above average total cost
- D. nonexistent

CORRECT ANSWER IS: nonexistent

1601. QUESTION: A monopolistically competitive market is more efficient if

- A. it is a very large market
- B. products are highly differentiated
- C. entry into the industry is difficult
- D. no good substitutes for the product exist

CORRECT ANSWER IS: it is a very large market

1602. QUESTION: If for the 83rd unit of output a monopoly finds from its rising MC curve that the marginal cost is \$8.50 while MR is \$7.00. It should

- A. produce the 83rd unit and maximize profit
- B. expand production to increase MR
- C. reduce production to lower MC
- D. shut down in the short run

CORRECT ANSWER IS: reduce production to lower MC

1603. QUESTION: Economies of scope exist when

- A. a business expansion lowers average costs
- B. government grants a regional monopoly
- C. it is less expensive to produce two products in one plant than in two separate plants

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D. a firm has the exclusive right to ownership of an important resource

CORRECT ANSWER IS: it is less expensive to produce two products in one plant than in two separate plants

1604. QUESTION: The halfway rule states that for any straight line demand curve

- A. half the firms in the industry will earn economic profits
- B. MR intersects the horizontal axis midway between the origin and the demand curve
- C. at the point where MR equals MC output is half the amount to maximize profit
- D. price is always twice MR

CORRECT ANSWER IS: MR intersects the horizontal axis midway between the origin and the demand curve

1605. QUESTION: If price equals marginal revenue at a positive level of output then

- A. demand is perfectly elastic
- B. demands is unitary elastic
- C. demand is perfectly inelastic
- D. none of them

CORRECT ANSWER IS: demand is perfectly elastic

1606. QUESTION: Monopolistic competition is

- A. like perfect competition except the product is differentiated
- B. like pure monopoly except the product is differentiated
- C. like perfect competition except there are few sellers
- D. like pure monopoly except there are two sellers

CORRECT ANSWER IS: like perfect competition except the product is differentiated

1607. QUESTION: Which of the following is not necessary for price discrimination to be profitable to a firm?

- A. price-taking sellers
- B. price-searching sellers
- C. impossibility of resale
- D. ability to distinguish different market segments

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CORRECT ANSWER IS: price-taking sellers

1608. QUESTION: Which of the following is a correct statement about monopolies?

- A. monopolists charge the highest possible price
- B. monopolists always earn profits
- C. monopolists produce where average costs are minimized
- D. monopolists charge a price higher than marginal cost

CORRECT ANSWER IS: monopolists charge a price higher than marginal cost

1609. QUESTION: The French-Soviet monopoly on the sale of beluga caviar was ended by

- A. competition from Asian caviar
- B. the breakup of the Soviet Union
- C. the French decision to increase the supply of caviar
- D. mercury contamination of the sturgeon producing the caviar

CORRECT ANSWER IS: the breakup of the Soviet Union

1610. QUESTION: If marginal revenue is zero at a positive level of output then

- A. demand is perfectly elastic
- B. demand is elastic but not perfectly elastic
- C. demand is unitary elastic
- D. demand is perfectly inelastic

CORRECT ANSWER IS: demand is unitary elastic

1611. QUESTION: A monopolistically competitive firm is a

- A. price taker who can make profits only in the short-run
- B. price taker who can make profits only in the long-run
- C. price searcher who can make profits only in the short run
- D. price searcher who can make profits only in the long run

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CORRECT ANSWER IS: price searcher who can make profits only in the short run

1612. QUESTION: If a retail firm is maximizing its profits, it will set a high percentage markup on

- A. a good that cannot easily be obtained elsewhere
- B. a good that has a high price
- C. a good whose demand elasticity is high
- D. a good of which it sells little

CORRECT ANSWER IS: a good that cannot easily be obtained elsewhere

1613. QUESTION: Which of the following does not tend to occur to an established monopolistic competition as new firms enter the industry when economic profits are being earned?

- A. the firm will increase its rate of output
- B. the firm's demand curve will become more elastic
- C. economic profits will tend to decrease
- D. the firm's demand curve will shift to the left

CORRECT ANSWER IS: the firm will increase its rate of output

1614. QUESTION: Businesses do not maximize product durability because

- A. it costs firms money to make products durable
- B. there is little demand for durability in most products
- C. planned obsolescence is part of US business
- D. profit maximization does not involve consideration of durability

CORRECT ANSWER IS: it costs firms money to make products durable

1615. QUESTION: A firm average revenue is

- A. the same as marginal revenue
- B. unrelated to marginal revenue
- C. the same as its product's price
- D. unrelated to price

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CORRECT ANSWER IS: the same as its product's price

1616. QUESTION: The short-run profit-maximization problem of a monopolistic competitor is

- A. similar to that of a perfectly competitive firm
- B. similar to its long-run profit-maximization problem
- C. similar to that of a pure monopolist
- D. uninteresting because it cannot earn a profit

CORRECT ANSWER IS: similar to that of a pure monopolist

1617. QUESTION: A pure monopoly may make a less durable product than would be possible because

- A. if the good wears out faster, it can sell its replacement good sooner
- B. it costs more to make the more durable product than consumers would pay for it
- C. monopolies need not worry about demand
- D. it has no competitors

CORRECT ANSWER IS: it costs more to make the more durable product than consumers would pay for it

1618. QUESTION: In order for a firm to undertake price discrimination, all of the following must be true except

- A. the firm must have control over price
- B. the demand curves in the two markets must be the same
- C. the seller must be able to distinguish between buyers
- D. buyers are not allowed to resell the product

CORRECT ANSWER IS: the demand curves in the two markets must be the same

1619. QUESTION: The original Bell Telephone created by

- A. patent protection
- B. economies of scale
- C. economies of scope
- D. government franchise

CORRECT ANSWER IS: patent protection

1620. QUESTION: If a profit-maximizing monopoly's marginal revenue exceeds its marginal cost, then it should

- A. raise its price
- B. lower its output
- C. lower its price
- D. leave the industry

CORRECT ANSWER IS: lower its price

1621. QUESTION: If firms in a monopolistically competitive industry are making large short-run profits then in the long run

- A. no entry into the industry is possible so profits will persist
- B. new firms will enter the industry, driving up the costs of existing firms to eliminate profits
- C. profits will be lower but still positive due to product differentiation
- D. entry of new firms will drive down the demand curves of existing firms to eliminate profits

CORRECT ANSWER IS: entry of new firms will drive down the demand curves of existing firms to eliminate profits

1622. QUESTION: Which of the following is true for a price searching pure monopoly?

- A. production is carried out at minimum average cost
- B. the firm only operates on the elastic portion of the market demand curve
- C. production is carried out where price equals marginal costs
- D. there is no shut down rule for monopolists because they always make monopoly profits

CORRECT ANSWER IS: the firm only operates on the elastic portion of the market demand curve

1623. QUESTION: A monopolist always

- A. produces where demand is price elastic
- B. earns an economic profit in the long run
- C. produces where price equals marginal cost
- D. charges a lower price than would prevail under perfect competition

CORRECT ANSWER IS: produces where demand is price elastic

1624. QUESTION: Long-run equilibrium in monopolistically competitive industries is characterized by

- A. excess profits
- B. excess capacity
- C. perfectly-elastic demand
- D. minimum average cost production

CORRECT ANSWER IS: excess capacity

1625. QUESTION: Monopolistic competition is associated with

- A. high entry barriers
- B. homogeneous products
- C. sellers acting independently of each other
- D. sellers being price takers

CORRECT ANSWER IS: sellers acting independently of each other

1626. QUESTION: If price is less than average total cost for a monopoly then

- A. it is suffering losses
- B. it can improve profits by increasing output
- C. it can improve profits by reducing output
- D. it can improve profits by increasing price

CORRECT ANSWER IS: it is suffering losses

1627. QUESTION: Long-run equilibrium under monopolistic competition

- A. is identical to pure monopoly
- B. implies that firms produce less output than the minimum average cost level
- C. is identical to pure competition
- D. implies that firms are producing at minimum average cost

CORRECT ANSWER IS: implies that firms produce less output than the minimum average cost level

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1628. QUESTION: If a firm facing a downward-sloping demand curve is currently selling 9 units of output for \$5 each lowers the price to \$4.90 and sells 19 units the marginal revenue of the 10th unit is

- A. \$0.40
- B. \$4.00
- C. \$4.90
- D. \$49.00

CORRECT ANSWER IS: \$4.00

1629. QUESTION: In a pure monopoly the firm may make a long run profit because

- A. monopoly firms are more efficient than competitive ones
- B. barriers prevent new firms from entering the market
- C. a monopoly can buy inputs more cheaply
- D. it will operate at minimum average cost

CORRECT ANSWER IS: barriers prevent new firms from entering the market

1630. QUESTION: Which of the following is consistent with economic efficiency?

- A. everyone can be made better off by real locating resources
- B. the marginal cost of a good is larger than its price
- C. some goods are produced by profit-maximizing monopolies
- D. the marginal utility of the last dollar spent is equal for any good on which it could be spent

CORRECT ANSWER IS: the marginal utility of the last dollar spent is equal for any good on which it could be spent

1631. QUESTION: Lobbying costs incurred by large corporations are an example of

- A. external costs
- B. implicit costs
- C. rent seeking
- D. x-inefficiency

CORRECT ANSWER IS: rent seeking

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1632. QUESTION: When rent seeking reaches its greatest possible extent then it results in

- A. greater profits for monopolists
- B. greater consumer surplus
- C. maximum x-inefficiency
- D. zero profits and a large dead-weight loss

CORRECT ANSWER IS: zero profits and a large dead-weight loss

1633. QUESTION: In the absence of externalities which of the following is an incorrect statement?

- A. marginal private benefits equal marginal social benefits
- B. competitive markets promote economic efficiency
- C. price measures only marginal private cost
- D. marginal private costs equal marginal social costs

CORRECT ANSWER IS: price measures only marginal private cost

1634. QUESTION: Which industries spend a relatively large share of their revenue on research and development in order to keep up with their competitors?

- A. grocery stores
- B. high-tech industries
- C. automobiles
- D. construction

CORRECT ANSWER IS: high-tech industries

1635. QUESTION: Perfect competition may be inefficient if

- A. firms are price searchers
- B. monopoly profits are earned
- C. there are externalities
- D. price equals marginal cost

CORRECT ANSWER IS: there are externalities

1636. QUESTION: If a perfectly competitive firm has X-inefficiency then

- A. it will earn zero profits
- B. it will produce more than it should
- C. its marginal costs will be lower than optimal
- D. it will be forced out of business

CORRECT ANSWER IS: it will be forced out of business

1637. QUESTION: Important technological innovations are developed

- A. mostly by firms in highly competitive industries
- B. almost entirely in universities
- C. mostly by private inventors
- D. in large measure in each of the above situations

CORRECT ANSWER IS: in large measure in each of the above situations

1638. QUESTION: By saying that monopolists create a contrived scarcity economists mean they

- A. restrict output to increase price
- B. produce where MC exceeds price
- C. create a gap between quantity demanded and quantity supplied
- D. do not sell consumers all they want at the monopoly price

CORRECT ANSWER IS: restrict output to increase price

1639. QUESTION: If all monopoly profits are absorbed by monopoly rent seeking then as a competitive industry is converted into a monopoly

- A. consumers surplus does not decline
- B. there is no deadweight loss from monopoly
- C. the monopolist earns monopoly profit and the blue of the deadweight loss
- D. rent seeking has multiplied the dead-weight loss

CORRECT ANSWER IS: rent seeking has multiplied the dead-weight loss

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1640. QUESTION: Which of the following is not a weakness of perfect competition?

- A. the income distribution may be highly unequal
- B. incentives to innovation may be lower without entry-impeding patent laws
- C. externalities may lead to inefficient allocation of resources
- D. each of the above is a weakness of perfect competition

CORRECT ANSWER IS: each of the above is a weakness of perfect competition

1641. QUESTION: Unlike competition, in a monopoly, a price ceiling often does not

- A. reduce profits
- B. reduce price
- C. cause shortages
- D. reduce costs

CORRECT ANSWER IS: cause shortages

1642. QUESTION: Which of the following is not a characteristic of competitive markets?

- A. the price of a good measures its marginal benefit to society
- B. marginal private costs always equal marginal social costs
- C. goods are produced at minimum cost
- D. goods are produced where marginal benefit just balances marginal cost

CORRECT ANSWER IS: marginal private costs always equal marginal social costs

1643. QUESTION: What size firm is best suited for promoting new inventions and market innovations?

- A. relatively small including single individuals
- B. medium-sized firms with small research facilities
- C. grant corporations with extensive R&D labs
- D. no one size is best

CORRECT ANSWER IS: no one size is best

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1644. QUESTION: In monopoly markets if a ceiling price is set between monopoly price and marginal cost

- A. quantity demanded will exceed quantity supplied and a shortage results
- B. the monopolist will increase output
- C. the monopolist will decrease output
- D. consumer surplus will decrease

CORRECT ANSWER IS: the monopolist will increase output

1645. QUESTION: Which of the following is an example of an external cost?

- A. labor hired by a firm
- B. the obstruction of a house's ocean view by the construction of condominiums
- C. consultants hired from outside the firm
- D. the opportunity cost of time spent working at home

CORRECT ANSWER IS: the obstruction of a house's ocean view by the construction of condominiums

1646. QUESTION: Which of the following is inconsistent with profit-maximization?

- A. x-inefficiency
- B. externalities
- C. lump-sum taxes
- D. contrived scarcity

CORRECT ANSWER IS: x-inefficiency

1647. QUESTION: As a matter of definition externalities affect

- A. only producers whose products create external costs or benefits
- B. only producers whose products create external costs
- C. only consumers of products that produce external costs or benefits
- D. those uninvolved in an activity

CORRECT ANSWER IS: those uninvolved in an activity

1648. QUESTION: The deregulation of European airlines is expected to

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- A. reduce consumer surplus of European air travelers
- B. lower airline fares in the US
- C. lower airline fares in Europe
- D. reduce the number of flights between European cities

CORRECT ANSWER IS: lower airline fares in Europe

1649. QUESTION: The general market result from the imposition of price ceiling has been

- A. higher prices
- B. increased output
- C. surpluses of products
- D. shortages of production

CORRECT ANSWER IS: shortages of production

1650. QUESTION: Social costs equal private costs when

- A. marginal cost is zero
- B. external costs are zero
- C. average costs are zero
- D. firms maximize profits

CORRECT ANSWER IS: external costs are zero

1651. QUESTION: The one industry where patents do apparently protect inventors from competition is

- A. prescription drugs
- B. McDonald's hamburgers
- C. bioengineering
- D. electronics

CORRECT ANSWER IS: prescription drugs

1652. QUESTION: If a chemical plant produces a ton of plastic by paying its inputs \$12,000 while doing \$3,000 damage to a river when wastes are dumped the marginal social costs per ton are

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- A. \$3,000
- B. \$9,000
- C. \$12,000
- D. \$15,000

CORRECT ANSWER IS: \$15,000

1653. QUESTION: When applying for additional takeoff and landing slots an airline would typically ignore the

- A. marginal external benefit of the added flight
- B. extra costs the additional noise would create
- C. marginal venue of the extra flight
- D. marginal cost of the extra flight

CORRECT ANSWER IS: extra costs the additional noise would create

1654. QUESTION: Evidence that local monopolies in provision of cable T.V. are not in the best interest of consumers include all of the following except

- A. relatively low prices for customers
- B. installation of little used capacities
- C. lobbying by the cable TV companies
- D. the presence of x-inefficiency

CORRECT ANSWER IS: relatively low prices for customers

1655. QUESTION: When the patents on prescription drugs expire, it is normal for

- A. quantity produced to fall
- B. price to drop
- C. firms to leave the industry
- D. consumers to use less of the product

CORRECT ANSWER IS: price to drop

1656. QUESTION: Compared to perfect competition, a monopoly will

- A. charge a higher price
- B. produce more output
- C. have lower average costs
- D. have higher marginal revenue

CORRECT ANSWER IS: charge a higher price

1657. QUESTION: The most common way of controlling the money supply is

- A. changes in the required-reserve ratio
- B. changes in the discount rate
- C. moral suasion
- D. open-market operations

CORRECT ANSWER IS: open-market operations

1658. QUESTION: The ratio of the money supply to the monetary base increases if

- A. banks decide to hold a large fraction of deposits as reserves
- B. households decide to hold a larger fraction of money as currency
- C. the Fed expands the monetary base
- D. banks decide to hold a smaller fraction of deposits as reserves

CORRECT ANSWER IS: banks decide to hold a smaller fraction of deposits as reserves

1659. QUESTION: If the aggregate supply curve is vertical, then a 10% increase in the money supply leads to

- A. a 10% increase in prices
- B. an increase in prices of more than 10%
- C. an increase in prices of less than 10%
- D. an increase in both prices and output

CORRECT ANSWER IS: a 10% increase in prices

1660. QUESTION: A major drawback to using the reserve requirement to conduct monetary policy is that

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- A. it is an unfair subsidy to the banking system
- B. it has only weak announcement effects
- C. it is too powerful to use on a daily basis
- D. it would require interest rate targeting

CORRECT ANSWER IS: it is too powerful to use on a daily basis

1661. QUESTION: The primary tool to Fed uses to conduct monetary policy is

- A. moral suasion
- B. open-market operations
- C. changing the discount rate
- D. altering reserve requirements

CORRECT ANSWER IS: open-market operations

1662. QUESTION: If the reserve ratio desired by banks is 0.1, then an open-market purchase of \$10,000 will

- A. increase the money supply by \$100,000
- B. decrease the money supply by \$100,000
- C. increase the money supply by \$10,000
- D. increase the money supply by an amount that cannot be determined from the data given

CORRECT ANSWER IS: increase the money supply by an amount that cannot be determined from the data given

1663. QUESTION: The Fed's record between 1960 and 1970 shows that monetary policy has largely been

- A. concerned with maintaining a deflationary gap
- B. offset by fiscal-policy actions
- C. procyclical
- D. countercyclical

CORRECT ANSWER IS: procyclical

1664. QUESTION: If the aggregate supply curve is horizontal, then a 10% increase in the money supply leads to

- A. a 10% increase in prices

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- B. a 10% increase in output
- C. an increase in prices of less than 10%
- D. an increase in output of indeterminate size

CORRECT ANSWER IS: an increase in output of indeterminate size

1665. QUESTION: The monetary base includes all of the following except

- A. bank loans and investments
- B. currency in circulation
- C. vault cash
- D. bank deposits at the Fed

CORRECT ANSWER IS: bank loans and investments

1666. QUESTION: The Keynesian demand for money is also called the

- A. cash-asset schedule
- B. liquidity preference schedule
- C. marginal efficiency of investment
- D. aggregate expenditures for money

CORRECT ANSWER IS: liquidity preference schedule

1667. QUESTION: Which of the following is not part of monetary policy?

- A. affecting interest rates by changing the monetary base
- B. changing the discount rate
- C. selling bonds to increase government spending
- D. affecting the money supply by changing the monetary base

CORRECT ANSWER IS: affecting the money supply by changing the monetary base

1668. QUESTION: The size of the money supply is determined by the actions of

- A. the Fed
- B. the Fed and banks

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- C. banks
- D. the Fed banks and the public

CORRECT ANSWER IS: the Fed banks and the public

1669. QUESTION: According to Keynesian model a deflationary gap calls for

- A. expansionary monetary policy
- B. contractionary monetary policy
- C. no change in monetary policy
- D. an increase in the discount rate

CORRECT ANSWER IS: expansionary monetary policy

1670. QUESTION: Keynesian monetary policy has a potential inflationary bias because

- A. the self-correcting mechanism always lowers prices
- B. the self-correcting mechanism always raises prices
- C. monetary policy is relied upon more to eliminate inflationary gaps
- D. monetary policy is relied upon more to eliminate deflationary gaps

CORRECT ANSWER IS: monetary policy is relied upon more to eliminate deflationary gaps

1671. QUESTION: In the Keynesian model the investment demand schedule shows that

- A. desired investment spending is determined by the amount of actual saving
- B. the higher is the interest rate the more businesses will invest
- C. in project producing a positive rate of return is worth undertaking
- D. the higher is the interest rate the lower is the level of desired investment

CORRECT ANSWER IS: the higher is the interest rate the lower is the level of desired investment

1672. QUESTION: When the Federal Reserve purchases a \$10,000 government bond, the money supply

- A. increases by \$10,000
- B. increases by more than \$10,000
- C. increase by less than \$10,000

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D. decreases by \$10,000

CORRECT ANSWER IS: increases by more than \$10,000

1673. QUESTION: The variable that Keynes believed is most directly affected by a change in the money supply is

- A. the price level
- B. the interest rate
- C. the inflation rate
- D. output

CORRECT ANSWER IS: the interest rate

1674. QUESTION: If the investment demand curve shifts to the left and the Fed maintains a constant interest rate then the resulting recession will be

- A. completely eliminated
- B. less severe than if the Fed held the money supply constant
- C. the same as if the Fed held the money supply constant
- D. more severe as if the Fed held the money supply constant

CORRECT ANSWER IS: more severe as if the Fed held the money supply constant

1675. QUESTION: If the reserve/deposit ratio is 0.2 and the ratio of currency in circulation to deposits is 0.2 then the ratio of the money supply to the money base is

- A. 1
- B. 3
- C. 5
- D. 10

CORRECT ANSWER IS: 3

1676. QUESTION: Milton Friedman believes the effectiveness lag to be

- A. short and variable
- B. long and variable

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- C. short and constant
- D. long and constant

CORRECT ANSWER IS: short and variable

1677. QUESTION: The two important lags in the conduct of monetary policy are the recognition lag and the

- A. effectiveness lag
- B. operation lag
- C. base lag
- D. political lag

CORRECT ANSWER IS: effectiveness lag

1678. QUESTION: An increase in the money supply causes the aggregate demand curve to

- A. not change
- B. shift upward in proportion to the increase in the money supply
- C. shift to the right in proportion to the increase in the money supply
- D. shift downward in proportion to the increase in the money supply

CORRECT ANSWER IS: shift upward in proportion to the increase in the money supply

1679. QUESTION: The monetary policy favored by monetarists is

- A. a steadily increasing rate of monetary growth
- B. a constant and slow rate of monetary growth
- C. a constant (non growing) money supply
- D. a moderate counter-cyclical policy of monetary growth

CORRECT ANSWER IS: a constant and slow rate of monetary growth

1680. QUESTION: In the simple quantity theory money-supply changes have their impact in the economy on

- A. the interest rate
- B. the price level
- C. velocity

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D. real GDP

CORRECT ANSWER IS: the price level

1681. QUESTION: Capital is

- A. money
- B. forests
- C. machinery
- D. trademarks

CORRECT ANSWER IS: machinery

1682. QUESTION: Every factor of production gets reward equal to its

- A. cost
- B. marginal product
- C. price
- D. increasing return

CORRECT ANSWER IS: marginal product

1683. QUESTION: Interest is a payment for _____ according to Keynes.

- A. consumer's preference
- B. producer's preference
- C. liquidity preference
- D. State Bank's preference

CORRECT ANSWER IS: liquidity preference

1684. QUESTION: According to Keynes, interest is a payment for

- A. use of durable goods
- B. use of capital
- C. use of money
- D. use of land

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CORRECT ANSWER IS: use of money

1685. QUESTION: Interest is paid because

- A. capital is scarce
- B. capital is productive
- C. capital is attractive
- D. capital is surplus

CORRECT ANSWER IS: capital is scarce

1686. QUESTION: In economics capital refers to

- A. money
- B. high quality goods
- C. trade mark
- D. machinery and factories

CORRECT ANSWER IS: machinery and factories

1687. QUESTION: With decrease in price of bonds, rate of interest

- A. decreases
- B. increases
- C. does not change
- D. none of them

CORRECT ANSWER IS: increases

1688. QUESTION: If rate of interest is 10% the PV (present value) of Rs.100 received in 1 year time is

- A. 90
- B. 90.9
- C. 95
- D. 110

CORRECT ANSWER IS: 90.9

1689. QUESTION: Each of the following is one of the main functions of money except

- A. standard of deferred payment
- B. instrument of credit
- C. store of value
- D. unit of value

CORRECT ANSWER IS: instrument of credit

1690. QUESTION: The key concept of the quantity theory of money is that

- A. only a commodity-money standard can prevent inflation
- B. the value of money is determined by the quantity of money in circulation
- C. V and Q are fixed in the long run
- D. inflation can only happen if an economy produces too few goods

CORRECT ANSWER IS: the value of money is determined by the quantity of money in circulation

1691. QUESTION: According to modern quantity theory, inflation will result whenever

- A. the money supply grows faster than nominal income
- B. money demand grows faster than money supply
- C. money supply grows faster than money demand
- D. the money supply grows

CORRECT ANSWER IS: money supply grows faster than money demand

1692. QUESTION: If the supply of money rises more rapidly than its demand creating an excess supply of money then

- A. consumers simply spend the extra money and the economy is unaffected
- B. money will be forced out of the domestic economy which cannot use the extra money
- C. the price level will be big up as consumers spend their excess money supply
- D. the quantity of money demanded must fall to reduce the surplus

CORRECT ANSWER IS: the quantity of money demanded must fall to reduce the surplus

1693. QUESTION: The modern quantity theory of money states that

- A. V is not affected by anticipated inflation
- B. M can affect the real sector
- C. Q is constant at full employment
- D. anticipated inflation will cause Q to fluctuate

CORRECT ANSWER IS: M can affect the real sector

1694. QUESTION: A high anticipated rate of inflation reduces the desirability of money as

- A. a standard of dared payment
- B. a store of value
- C. a medium of exchange
- D. a unit of value

CORRECT ANSWER IS: a store of value

1695. QUESTION: An increase in the money supply leads to an increase in the price level which causes

- A. an increase in the money demand
- B. a further increase in the money supply
- C. a decrease in real GDP
- D. a decline in nominal interest rates

CORRECT ANSWER IS: an increase in the money demand

1696. QUESTION: An increase in market interest rates will

- A. reduce prices of all bonds
- B. reduce prices of government bonds
- C. reduce prices of municipal bonds
- D. increase prices of all bonds

CORRECT ANSWER IS: reduce prices of all bonds

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1697. QUESTION: When the anticipated rate of inflation increases

- A. nominal interest rate fall
- B. the supply of bonds increase
- C. the supply of bonds decreases
- D. bond prices fall

CORRECT ANSWER IS: bond prices fall

1698. QUESTION: The velocity of circulation

- A. has remained relatively constant over many years
- B. decreased 50% between 1966 and 1992
- C. does not affect the relationship between the money supply and nominal GDP
- D. is, in part, determined by anticipated in nation

CORRECT ANSWER IS: is, in part, determined by anticipated in nation

1699. QUESTION: When the terms of a loan specify a specific number of dollars to be repaid the dollar is serving as

- A. a standard of deferred payment
- B. a store of value
- C. a medium of exchange
- D. a unit of value

CORRECT ANSWER IS: a standard of deferred payment

1700. QUESTION: The opportunity cost of holding money is

- A. liquidity
- B. security from risk
- C. interest
- D. all of them

CORRECT ANSWER IS: interest

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1701. QUESTION: The real interest rate measures the

- A. anticipated rate of inflation
- B. opportunity cost of spending versus saving
- C. sum of the nominal interest rate and anticipated inflation
- D. amount of cash you must actually pay when money is borrowed

CORRECT ANSWER IS: opportunity cost of spending versus saving

1702. QUESTION: Which of the following would tend to decrease the demand for money?

- A. a decrease in interest rates
- B. an increase in real GDP
- C. a decrease in the anticipated rate of inflation
- D. a lower price level

CORRECT ANSWER IS: a lower price level

1703. QUESTION: Keynes separated money demand into each of the following categories except

- A. speculative demand
- B. interest demand
- C. precautionary demand
- D. transactions demand

CORRECT ANSWER IS: interest demand

1704. QUESTION: The principal disadvantage of commodity money is that

- A. it may not be accepted for transactions
- B. the government controls the supply of money
- C. commodity money has a high opportunity cost to society
- D. all commodity monies are heavy and awkward to transport

CORRECT ANSWER IS: commodity money has a high opportunity cost to society

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1705. QUESTION: When you hold money because you expect to spend it later in the day you are holding money because of the

- A. speculative motive
- B. unit of value motive
- C. transactions motive
- D. precautionary motive

CORRECT ANSWER IS: transactions motive

1706. QUESTION: The demand for money shifts in response to changes in the

- A. opportunity cost of holding money
- B. nominal interest rate
- C. price of money
- D. real GDP

CORRECT ANSWER IS: real GDP

1707. QUESTION: The nominal interest rate can be thought of as the

- A. price of holding assets in the form of money
- B. difference between the real interest rate and the anticipated inflation rate
- C. gap between bond and stock prices
- D. inflation adjusted rate of return on bonds

CORRECT ANSWER IS: price of holding assets in the form of money

1708. QUESTION: Significant changes in the organization and operation of institution of money and banking can directly affect

- A. the commodity money used in the US
- B. the velocity of circulation
- C. the link between bond prices and interest rates
- D. how anticipated inflation affects real interest rates

CORRECT ANSWER IS: the velocity of circulation

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1709. QUESTION: When pure silver quarters are driven out of circulation by hoarding so that only less valuable, bimetallic quarters are used. It is an example of

- A. Friedman's law
- B. Freshman's law
- C. Hyperinflation
- D. The law of diminishing returns

CORRECT ANSWER IS: Freshman's law

1710. QUESTION: If you always keep \$100 in your checking account in case you encounter an exceptionally good bargain you hold this money because of the

- A. speculative motive
- B. unit of value motive
- C. transactions motive
- D. precautionary motive

CORRECT ANSWER IS: precautionary motive

1711. QUESTION: A monetary system relying upon paper certificates redeemable in gold held by the government could be a system of

- A. commodity money
- B. flat money
- C. paper money
- D. bank money

CORRECT ANSWER IS: commodity money

1712. QUESTION: In the modern view of the quantity theory the strict proportionality between M and P is disrupted by all of the following except

- A. changes in anticipated inflation which change V
- B. changes in unanticipated inflation with change Q
- C. major changes in money and banking institution which alter V
- D. prolonged periods of steady inflation

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CORRECT ANSWER IS: prolonged periods of steady inflation

1713. QUESTION: Excess monetary growth occurs when the money supply grows more rapidly than

- A. the price level
- B. velocity
- C. money demand
- D. interest rates

CORRECT ANSWER IS: money demand

1714. QUESTION: As Russia moves toward a market economy

- A. prices must be lowered to eliminate short ages
- B. the ruble must serve as the medium of exchange
- C. increases reliance on central planning will be needed
- D. it is attempting to create commodity money standard

CORRECT ANSWER IS: the ruble must serve as the medium of exchange

1715. QUESTION: Which of the following is most likely to cause an increase in the quantity of money demanded

- A. a reduction in the interest rate
- B. an increase in inflation
- C. a reduction in the price level
- D. a reduction in real output

CORRECT ANSWER IS: a reduction in the interest rate

1716. QUESTION: When drawing the demand for money or liquidity preference curve

- A. income is allowed to vary
- B. inflation is allowed to vary
- C. LP shows an inverse relation between price and quantity demanded
- D. the curve is a vertical straight line because the Fed controls the money supply

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CORRECT ANSWER IS: LP shows an inverse relation between price and quantity demanded

1717. QUESTION: The ease with which an asset can be converted into a medium of exchange without risk of loss is referred to as

- A. liquidity
- B. velocity
- C. credit debt
- D. bank transfer

CORRECT ANSWER IS: liquidity

1718. QUESTION: The stone money of Yap will probably become extinct because of

- A. government edict
- B. information requirement
- C. inflation
- D. depletion of stone supplies

CORRECT ANSWER IS: information requirement

1719. QUESTION: Hyperinflation have one cause

- A. excess demand for wage increases by workers
- B. defense spending
- C. excess monetary growth
- D. wage and price controls

CORRECT ANSWER IS: excess monetary growth

1720. QUESTION: A bank account that can be accessed by writing a check is called a

- A. demand deposit
- B. cash deposit
- C. savings deposit
- D. time deposit

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CORRECT ANSWER IS: demand deposit

1721. QUESTION: When there is a general excess demand for money in the economy

- A. the supply of money rises automatically
- B. prices may fall to reduce the demand for money
- C. real output generally rises
- D. the economy cannot return to equilibrium

CORRECT ANSWER IS: prices may fall to reduce the demand for money

1722. QUESTION: If the demand for money is constant and the supply of money is increased then

- A. people have excess demand for cash balances
- B. the community as a whole simply spends the money with no effect on prices or output
- C. prices will fall so people can spend the excess supply of money
- D. price will rise increasing the quantity of money demanded

CORRECT ANSWER IS: price will rise increasing the quantity of money demanded

1723. QUESTION: In the classical money affects

- A. V, P and Q
- B. P and Q
- C. only P
- D. only Q

CORRECT ANSWER IS: only P

1724. QUESTION: The most liquid type of bank account is the

- A. time deposit
- B. savings deposit
- C. demand deposit
- D. automatic deposit

CORRECT ANSWER IS: demand deposit

1725. QUESTION: Taxes are levied to

- A. penalize people
- B. provide direct benefits to tax payers
- C. provide general benefits for the people
- D. to accumulate funds

CORRECT ANSWER IS: provide general benefits for the people

1726. QUESTION: These are heads of expenditure of the government except

- A. provide social services
- B. defense
- C. improvement transport and communication
- D. provide cosmetics

CORRECT ANSWER IS: provide cosmetics

1727. QUESTION: Which of the following tax is best example of ability to pay principle of taxes

- A. excise tax on cigarettes
- B. highway toll tax
- C. proportional sales tax
- D. personal income tax

CORRECT ANSWER IS: personal income tax

1728. QUESTION: A direct tax is that which

- A. is heavy burden on the tax payers
- B. can be directly deposited in the banks
- C. can not be evaded
- D. is paid by the person on whom it is levied

CORRECT ANSWER IS: is paid by the person on whom it is levied

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1729. QUESTION: A country has proportional system of taxation. A person pays Rs. 500 tax when his income is 5000, how much tax he will pay if his earning rises to 8000:

- A. 200
- B. 400
- C. 600
- D. 800

CORRECT ANSWER IS: 800

1730. QUESTION: Whom of the following propounded principles of taxation

- A. Keynes
- B. Marshall
- C. Adam Smith
- D. Al Ghazali

CORRECT ANSWER IS: Adam Smith

1731. QUESTION: The most important source of income of a government is

- A. foreign loans
- B. taxes
- C. printing of new money
- D. sale of government property

CORRECT ANSWER IS: taxes

1732. QUESTION: Govt. taxing and spending policies are called

- A. monetary policy
- B. fiscal policy
- C. commercial policy
- D. finance policy

CORRECT ANSWER IS: fiscal policy

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1733. QUESTION: In Pakistan government budget is prepared by

- A. National assembly
- B. President of Pakistan
- C. Ministry of Finance
- D. State Bank of Pakistan

CORRECT ANSWER IS: Ministry of Finance

1734. QUESTION: Which source a private company cannot use?

- A. a bank loan
- B. a bank overdraft
- C. selling new shares in stock exchange
- D. deficit finance

CORRECT ANSWER IS: deficit finance

1735. QUESTION: Taxes on commodities are

- A. direct taxes
- B. indirect taxes
- C. progressive taxes
- D. proportional taxes

CORRECT ANSWER IS: indirect taxes

1736. QUESTION: Progressive taxes

- A. increase government revenue
- B. bring equality in distribution of incomes
- C. act as penalty for rich people
- D. both a and b

CORRECT ANSWER IS: both a and b

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1737. QUESTION: Govt. budget is balanced when

- A. govt. expenditure outstrips tax receipts
- B. govt. tax receipts outstrips expenditure
- C. government expenditure equals tax revenue
- D. none of them

CORRECT ANSWER IS: government expenditure equals tax revenue

1738. QUESTION: In Pakistan income tax is

- A. progressive tax
- B. proportional
- C. direct
- D. both a and c

CORRECT ANSWER IS: both a and c

1739. QUESTION: Net taxes are

- A. domestic taxes minus foreign taxes
- B. business taxes minus personal taxes
- C. total taxes minus govt. transfer payments
- D. total taxes minus govt. purchase

CORRECT ANSWER IS: total taxes minus govt. transfer payments

1740. QUESTION: Govt. prepares its budget

- A. weekly
- B. monthly
- C. quarterly
- D. annually

CORRECT ANSWER IS: annually

1741. QUESTION: These are principles of taxation

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- A. principle of equality
- B. principle of certainty
- C. principle of secrecy
- D. both a and b

CORRECT ANSWER IS: both a and b

1742. QUESTION: Government finance is called

- A. national finance
- B. public finance
- C. private finance
- D. both a and b

CORRECT ANSWER IS: public finance

1743. QUESTION: Which tax better conforms to the principle of equality in taxation

- A. progressive tax
- B. regressive tax
- C. proportional tax
- D. fixed tax

CORRECT ANSWER IS: progressive tax

1744. QUESTION: Which is not counted as public expenditure?

- A. Subsidy given to local city bus service
- B. defense expenditure
- C. investment spending by public companies
- D. interest payment on national debt

CORRECT ANSWER IS: investment spending by public companies

1745. QUESTION: One of the following is not a feature of private finance

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- A. balancing of income and expenditure
- B. secrecy
- C. saving some part of income
- D. publicity

CORRECT ANSWER IS: publicity

1746. QUESTION: In Pakistan, taxes are levied by

- A. Prime Minister of Pakistan
- B. President of Pakistan
- C. Federal cabinet of minister
- D. National Assembly

CORRECT ANSWER IS: National Assembly

1747. QUESTION: How the government can meet its expenditure:

- A. by taxing people
- B. by borrowing from banks and other governments
- C. by printing new money
- D. by all the three methods

CORRECT ANSWER IS: by all the three methods

1748. QUESTION: Which one is not a principle of taxation

- A. principle of equality
- B. principle of certainty
- C. principle of secrecy
- D. principle of diversity

CORRECT ANSWER IS: principle of secrecy

1749. QUESTION: If income tax is assessed as Rs. 100 on an income of Rs. 1000. Compared to this, which one of the following indicates that the income tax rate is progressive?

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- A. Rs. 150 tax on Rs. 2000 income
- B. Rs. 350 tax on Rs. 3000 income
- C. Rs. 400 tax on Rs. 4000 income
- D. Rs. 450 tax on Rs. 5000 income

CORRECT ANSWER IS: Rs. 350 tax on Rs. 3000 income

1750. QUESTION: One of the following is not a feature of public finance

- A. publicity
- B. secrecy
- C. efforts to balance income and expenditure
- D. taking steps to increase income

CORRECT ANSWER IS: secrecy

1751. QUESTION: The government can collect funds from

- A. taxes
- B. fees
- C. prices of public goods
- D. all of them

CORRECT ANSWER IS: all of them

1752. QUESTION: It is direct tax:

- A. excise tax
- B. sales tax
- C. income tax
- D. custom duty

CORRECT ANSWER IS: income tax

1753. QUESTION: Which of the following would be considered to be fiscal policy?

- A. defense cuts after the demise of the Soviet Union

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- B. new highway construction in Alaska
- C. expanded Medicare payments to the elderly
- D. a tax cut enacted to combat a recession

CORRECT ANSWER IS: a tax cut enacted to combat a recession

1754. QUESTION: If fiscal policy is used to eliminate an inflationary gap before the self-correcting mechanism begins to work then

- A. prices do not change
- B. prices go down
- C. prices go up by less than it self-correction is used
- D. prices go up by more than itself correction is used

CORRECT ANSWER IS: prices go down

1755. QUESTION: If someone who earns \$30,000 pays \$3,000 in taxes then the original tax rate is

- A. 0.3
- B. 0.15
- C. 0.1
- D. impossible to determine from the data given

CORRECT ANSWER IS: impossible to determine from the data given

1756. QUESTION: A major problem in using fiscal policy to help stabilize the economy is the

- A. uncertain impacts of money supply changes
- B. link between interest rates and expected inflation
- C. absence or a line-item veto
- D. lag in creating and implementing fiscal policy

CORRECT ANSWER IS: lag in creating and implementing fiscal policy

1757. QUESTION: According to the permanent income view tax changes that are temporary will primarily effect

- A. consumption spending

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- B. saving
- C. business depreciation expenses
- D. the price of investment goods

CORRECT ANSWER IS: saving

1758. QUESTION: There is a growing consensus among economists that discretionary fiscal policy can best be used to

- A. control the money supply
- B. help promote economic growth
- C. moderate the business cycle
- D. keep interest rates as high as possible

CORRECT ANSWER IS: help promote economic growth

1759. QUESTION: If a fiscal stimulus causes AD to increase crowding out the private sector spending occurs if

- A. SRAS also increases
- B. SRAS also decreases
- C. interest rates rise
- D. the price level falls

CORRECT ANSWER IS: interest rates rise

1760. QUESTION: In the previous problem the average tax rate is

- A. 0.3
- B. 0.15
- C. 0.1
- D. 0.03

CORRECT ANSWER IS: 0.1

1761. QUESTION: One concern raised by the government's building and surpluses in the Social Security fund is

- A. fiscal drag
- B. excessive consumption spending

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- C. the possibility of a trade deficit
- D. bracket creep

CORRECT ANSWER IS: fiscal drag

1762. QUESTION: The levels of most federal expenditures and tax receipts once legislative rules are set are determined by

- A. crowding out
- B. economic conditions
- C. congressional committees
- D. the President

CORRECT ANSWER IS: economic conditions

1763. QUESTION: The supply-side view of a cut in federal income tax rates that it would cause

- A. AD to increase
- B. AD to decrease
- C. SRAS to increase
- D. SRAS to decrease

CORRECT ANSWER IS: SRAS to increase

1764. QUESTION: Which of the following is an automatic stabilizer?

- A. an increase in defense spending
- B. an expansion of the money supply during a recession
- C. a legislated tax increase during a boom
- D. an increase in the number of people receiving unemployment benefits during a recession

CORRECT ANSWER IS: an increase in the number of people receiving unemployment benefits during a recession

1765. QUESTION: A decrease in both average and marginal tax rates leads to

- A. increase in both prices and output an increase in prices and a decrease in output
- B. an increase in output and a decrease in prices

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- C. deer-eases in both prices and output
- D. an increase in output and either an increase or a decrease in prices

CORRECT ANSWER IS: an increase in output and either an increase or a decrease in prices

1766. QUESTION: The budget process of the federal government includes all of the following except

- A. executive formulation and transmittal
- B. line-item executive review
- C. congressional action
- D. budget execution and control

CORRECT ANSWER IS: line-item executive review

1767. QUESTION: Which of the following is not an automatic stabilizer?

- A. unemployment compensation
- B. welfare payments
- C. changes in tax rates
- D. the tax system

CORRECT ANSWER IS: changes in tax rates

1768. QUESTION: The process of formulating and enacting a federal budget now takes about

- A. 3 months
- B. 6 months
- C. 9 months
- D. 18 months

CORRECT ANSWER IS: 18 months

1769. QUESTION: In a recession an automatic stabilizer shifts the aggregate

- A. supply curve to the right
- B. demand curve to the right
- C. supply curve to the left

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D. demand curve to the left

CORRECT ANSWER IS: demand curve to the right

1770. QUESTION: Discretionary fiscal policy is subject to

- A. only recognition lags
- B. only implementation lags
- C. only effectiveness lags
- D. recognition implementation and effectiveness lags

CORRECT ANSWER IS: recognition implementation and effectiveness lags

1771. QUESTION: Fiscal policy is subject to all of the following lags except

- A. reaction
- B. recognition
- C. implementation
- D. effectiveness

CORRECT ANSWER IS: reaction

1772. QUESTION: Supply-side economists believe reduction in tax rates can

- A. decrease output and lower prices
- B. increase output and lower prices
- C. decrease aggregate supply
- D. shift aggregate demand to the left

CORRECT ANSWER IS: increase output and lower prices

1773. QUESTION: Which of the following would be appropriate fiscal policy to combat an inflationary gap?

- A. increasing government spending
- B. increasing taxes
- C. increasing the money supply
- D. decreasing taxes

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CORRECT ANSWER IS: increasing the money supply

1774. QUESTION: In an inflationary gap appropriate discretionary fiscal policy might include

- A. increasing tax rates
- B. increasing government spending
- C. increasing transfer payments
- D. increasing the money supply

CORRECT ANSWER IS: increasing tax rates

1775. QUESTION: Automatic stabilizers are subject to

- A. only recognition lags
- B. only implementation lags
- C. only effectiveness lags
- D. recognition implementation and effectiveness lags

CORRECT ANSWER IS: only effectiveness lags

1776. QUESTION: An increase in government spending leads to the full effect predicted by the simple expenditure multiplier

- A. always
- B. if prices are constant
- C. if the money supply is constant
- D. if the aggregate supply curve is horizontal and there is no crowding out

CORRECT ANSWER IS: if the aggregate supply curve is horizontal and there is no crowding out

1777. QUESTION: The change in wages is sluggish because wages contracts of

- A. longer period
- B. shorter
- C. both a and b
- D. none of them

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CORRECT ANSWER IS: longer period

1778. QUESTION: According to imperfect information model each supplier of the economy uses

- A. many goods
- B. one good
- C. two goods
- D. no goods

CORRECT ANSWER IS: many goods

1779. QUESTION: In the light of sticky price model because of excess demand for firm's product, the expected price charged by the firm will go

- A. up
- B. down
- C. remain same
- D. none of them

CORRECT ANSWER IS: up

1780. QUESTION: According to sticky wage model, aggregate supply curve slopes

- A. upward
- B. downward
- C. horizontal
- D. vertical

CORRECT ANSWER IS: upward

1781. QUESTION: In the light of imperfect information model when prices exceed the expected prices, the producers

- A. decrease output
- B. increase output
- C. both a and b
- D. none of them

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CORRECT ANSWER IS: increase output

1782. QUESTION: The IS curve under monetarists is

- A. flatter
- B. steeper
- C. both a and b
- D. none of them

CORRECT ANSWER IS: flatter

1783. QUESTION: The workers who are unemployed are called

- A. insiders
- B. outsiders
- C. both a and b
- D. none of them

CORRECT ANSWER IS: outsiders

1784. QUESTION: The worker's misperception model is concerned with

- A. labor market
- B. goods market
- C. money market
- D. none of them

CORRECT ANSWER IS: labor market

1785. QUESTION: Imperfect information model is concerned with

- A. goods market
- B. money market
- C. labor market
- D. none of them

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CORRECT ANSWER IS: goods market

1786. QUESTION: The workers who are employed are called

- A. insiders
- B. outsiders
- C. both a and b
- D. none of them

CORRECT ANSWER IS: insiders

1787. QUESTION: According to worker's misperception model, firm's information regarding prices and real wages are

- A. inferior
- B. superior
- C. both a and b
- D. none of them

CORRECT ANSWER IS: superior

1788. QUESTION: According to sticky price level model, it is not easy to change

- A. prices
- B. wages
- C. income
- D. wealth

CORRECT ANSWER IS: prices

1789. QUESTION: According to imperfect information model each supplier of the economy produces

- A. many goods
- B. one good
- C. two goods
- D. no goods

CORRECT ANSWER IS: one good

1790. QUESTION: The structurally unemployed include workers who

- A. are laid off due to recession
- B. were formerly employed in dying industries
- C. are looking for their first jobs
- D. both c and d

CORRECT ANSWER IS: were formerly employed in dying industries

1791. QUESTION: Which of the following would the government be most likely to use to combat cyclical unemployment?

- A. monetary policy
- B. fiscal policy
- C. job-training programs
- D. either monetary or fiscal policy

CORRECT ANSWER IS: either monetary or fiscal policy

1792. QUESTION: Economists identify each of the following categories of unemployment except

- A. frictional
- B. structural
- C. permanent
- D. cyclical

CORRECT ANSWER IS: permanent

1793. QUESTION: Increases in the unemployment rate above the natural rate are identified with

- A. economic expansion
- B. structural unemployment
- C. cyclical unemployment
- D. frictional unemployment

CORRECT ANSWER IS: cyclical unemployment

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1794. QUESTION: The tendency of wages to remain stable during periods of high unemployment may be explained by

- A. unemployment compensation benefits
- B. implicit contracting and layoff unemployment
- C. high marginal tax rates on income
- D. unanticipated inflation

CORRECT ANSWER IS: high marginal tax rates on income

1795. QUESTION: The cyclically unemployed include workers who

- A. are laid off due to recession
- B. were formerly employed in dying industries
- C. are looking for their first jobs
- D. both c and d

CORRECT ANSWER IS: are laid off due to recession

1796. QUESTION: Which of the following would the government be most likely to use to combat structural unemployment?

- A. monetary policy
- B. fiscal policy
- C. job-training programs
- D. either monetary or fiscal policy

CORRECT ANSWER IS: job-training programs

1797. QUESTION: Unemployment associated with the normal changing of jobs in a dynamic economy is called

- A. frictional unemployment
- B. structural unemployment
- C. permanent unemployment
- D. cyclical unemployment

CORRECT ANSWER IS: frictional unemployment

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1798. QUESTION: A worker's reservation wage for a particular job is the

- A. minimum acceptable wage
- B. maximum acceptable wage
- C. gross wage that the job pays before taxes
- D. net wage that the job pays after taxes

CORRECT ANSWER IS: minimum acceptable wage

1799. QUESTION: Unanticipated inflation can cause people to reduce job search by

- A. increasing the costs of additional search
- B. causing workers to accept job offers
- C. increasing the benefits of additional search
- D. increasing the value of unemployment benefits

CORRECT ANSWER IS: causing workers to accept job offers

1800. QUESTION: Unanticipated inflation can

- A. lower worker's reservation wages
- B. increase the amount of search
- C. make nominal wage offers less attractive
- D. shorten job search in the economy

CORRECT ANSWER IS: shorten job search in the economy

1801. QUESTION: Someone who has been unemployed for two years is most likely

- A. cyclically unemployed
- B. structurally unemployed
- C. frictionally unemployed
- D. either frictionally or structurally unemployed

CORRECT ANSWER IS: structurally unemployed

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1802. QUESTION: An unemployed worker will continue to search for a new job

- A. as long as he thinks he can get a higher wage offer
- B. as long as his unemployment benefits last
- C. as long as the marginal benefit of search exceeds the marginal cost
- D. as long as his savings will support him

CORRECT ANSWER IS: as long as the marginal benefit of search exceeds the marginal cost

1803. QUESTION: The human costs of unemployment include all of the following except

- A. lost output
- B. increasing family conflicts
- C. higher divorce rates
- D. increasing health problems

CORRECT ANSWER IS: lost output

1804. QUESTION: Economists believe that both workers and firms search for employment opportunities until

- A. there are no longer any benefits to be obtained by additional search
- B. the cost of additional search is zero
- C. the marginal benefits and marginal costs of search are equal
- D. workers stop searching and become discouraged workers

CORRECT ANSWER IS: the marginal benefits and marginal costs of search are equal

1805. QUESTION: The natural rate of unemployment has been increasing for all of the following reasons except

- A. higher taxes on unemployment benefits
- B. increasing labor-force participation by teenagers
- C. increasing labor-force participation by women
- D. expanded coverage of unemployment benefits

CORRECT ANSWER IS: higher taxes on unemployment benefits

1806. QUESTION: The types of unemployment that is often beneficial to society is

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- A. cyclical unemployment
- B. structurally unemployed
- C. frictionally unemployed
- D. either frictionally or structurally unemployed

CORRECT ANSWER IS: frictionally unemployed

1807. QUESTION: If the government increases the amount of benefits available to unemployed workers, unemployment is likely to

- A. rise because of increased marginal benefits of search
- B. fall because of reduced marginal benefits of search
- C. rise because of reduced marginal benefits of search
- D. fall because of increased marginal benefits of search

CORRECT ANSWER IS: rise because of reduced marginal benefits of search

1808. QUESTION: The cost of being unemployed has been increasing in part because

- A. states are raising taxes that fund unemployment insurance too quickly
- B. there are too many employment offices where unemployed workers can apply for benefits
- C. union membership has been growing
- D. employment has been shifting to the service sector

CORRECT ANSWER IS: employment has been shifting to the service sector

1809. QUESTION: Perhaps the most significant cost of continued job search for the unemployed is the

- A. opportunity cost of not accepting a job sooner
- B. cost of newspapers and other job listings
- C. time spent watching television for job listings
- D. cost of travel to job interviews

CORRECT ANSWER IS: opportunity cost of not accepting a job sooner

1810. QUESTION: Unanticipated inflation causes unemployment to fall if

- A. workers believe real wages are falling
- B. workers believe real wages are rising
- C. firms believe real wages are rising
- D. firms believe their costs are rising

CORRECT ANSWER IS: workers believe real wages are rising

1811. QUESTION: A person who is currently on vacation from his or her factory job is classified as

- A. employed
- B. unemployed
- C. not in the labor force
- D. none of them

CORRECT ANSWER IS: employed

1812. QUESTION: If inflation is lower than workers expected then unemployment is likely to

- A. rise because wage offers are more likely to exceed a worker's reservation wage
- B. fall because wage offers are more likely to exceed a worker's reservation wage
- C. rise because wage offers are more likely to be below a worker's reservation wage
- D. fall because wage offers are more likely to be below a worker's reservation wage

CORRECT ANSWER IS: rise because wage offers are more likely to be below a worker's reservation wage

1813. QUESTION: An underground worker is a worker

- A. counted as being employed
- B. counted as being unemployed
- C. whose income is not fully reported to the government
- D. that has no skills to offer in the job market

CORRECT ANSWER IS: whose income is not fully reported to the government

1814. QUESTION: Which of the following may help explain the gradual rise in the unemployment rate?

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- A. the trend toward multiple earners in a household
- B. reductions in unemployment compensation benefits
- C. the additional work incentives provided by a progressive income tax
- D. the decline in the number of teenagers covered by the minimum wage

CORRECT ANSWER IS: the trend toward multiple earners in a household

1815. QUESTION: Which of the following statements concerning the minimum wage is true?

- A. the percentage of covered employment has increased
- B. the relative minimum wage has increased
- C. only teenagers are covered by the minimum wage
- D. only persons living in poverty are covered by the minimum wage

CORRECT ANSWER IS: the percentage of covered employment has increased

1816. QUESTION: A person who is not working but is available for work is classified as

- A. employed
- B. unemployed
- C. not in the labor force
- D. either unemployed or not in the labor force but more data are needed to determine

CORRECT ANSWER IS: either unemployed or not in the labor force but more data are needed to determine

1817. QUESTION: Persons with working spouses tend to remain unemployed

- A. less long because of higher marginal costs of search
- B. longer because of lower marginal costs of search
- C. less long because of lower marginal benefits of search
- D. longer because of higher marginal benefits of search

CORRECT ANSWER IS: longer because of lower marginal costs of search

1818. QUESTION: Which of the following is not an important problem concerning the measurement of unemployment?

- A. voluntary part-time unemployment

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- B. discourage workers
- C. involuntary part-time employment
- D. differing intensities of job search

CORRECT ANSWER IS: voluntary part-time unemployment

1819. QUESTION: One measure of seriousness of unemployment is associated with

- A. frictional unemployment
- B. bottleneck unemployment
- C. salient unemployment
- D. seasonal unemployment

CORRECT ANSWER IS: salient unemployment

1820. QUESTION: Search theory predicts a negative relationship between unemployment and

- A. interest rates
- B. unemployment benefits
- C. unanticipated inflation
- D. the benefits of search

CORRECT ANSWER IS: unanticipated inflation

1821. QUESTION: A person who has given up looking for work, though he wants a job, is classified as

- A. employed
- B. unemployed
- C. not in the labor force
- D. either unemployed or not in the labor force but more data are needed to determine

CORRECT ANSWER IS: not in the labor force

1822. QUESTION: An increase in the minimum wage tends to increase

- A. structural unemployment
- B. frictional unemployment

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- C. cyclical unemployment
- D. none of them

CORRECT ANSWER IS: structural unemployment

1823. QUESTION: One major cause of rising unemployment rates in Europe is apparently

- A. unconditional payment of unemployment benefits
- B. government-guaranteed jobs
- C. competition from Japanese imports
- D. tight money policies that kept inflation low but unemployment high

CORRECT ANSWER IS: unconditional payment of unemployment benefits

1824. QUESTION: Studies of employer search behavior in labor markets reveal that

- A. employers search more the greater is the level of training that must be given to new workers
- B. larger employers are less efficient at interviewing than smaller employers
- C. larger employers interview fewer applicants per job than smaller employers
- D. smaller employers tend to spend less time per interview than larger employers

CORRECT ANSWER IS: employers search more the greater is the level of training that must be given to new workers

1825. QUESTION: In order to reduce the mismatch between unemployed worker skills and skill requirements for vacant jobs the federal government enacted manpower training programs which

- A. substantially lowered the natural rate of unemployment
- B. did not stop teenage unemployment from rising
- C. were primarily operated to train adult workers
- D. specifically excluded vocational and remedial training

CORRECT ANSWER IS: did not stop teenage unemployment from rising

1826. QUESTION: A person who has accepted a part-time job while continuing to look for a full-time position is classified as

- A. employed

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- B. unemployed
- C. not in the labor force
- D. either unemployed or not in the labor force but more data are needed to determine

CORRECT ANSWER IS: employed

1827. QUESTION: According to Okun's Law, each percentage point of unemployment costs society

- A. 1.5% of GDP
- B. 10% of GDP
- C. 2.5% of GDP
- D. 7% of GDP

CORRECT ANSWER IS: 2.5% of GDP

1828. QUESTION: When the economy experiences a recession which of the following tends to occur?

- A. the number of unemployed falls
- B. real GDP increases
- C. the number of people out of the labor force decreases
- D. the growth in the number of people employed slows

CORRECT ANSWER IS: the growth in the number of people employed slows

1829. QUESTION: Historical data indicates that when the number of unemployed workers is increasing, the number of employed workers

- A. always falls
- B. always rises
- C. changes unpredictability
- D. usually falls if the cause is a recession but may rise otherwise

CORRECT ANSWER IS: usually falls if the cause is a recession but may rise otherwise

1830. QUESTION: Milton Friedman's 100-year evidence for monetarism suggests

- A. the business cycle could be eliminated if monetarism were adopted

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- B. there is no evidence that excess monetary growth is associated with inflation in the long run
- C. inflation is caused by deficit spending by the federal government
- D. the short-run link between money and prices is variable and unpredictable

CORRECT ANSWER IS: the short-run link between money and prices is variable and unpredictable

1831. QUESTION: As a result of an unanticipated, one-time increase in the money supply, the aggregate supply curve shifts

- A. downward only in the short run
- B. downward in the short and long run
- C. downward only in the long run
- D. upward in the short and long run

CORRECT ANSWER IS: downward only in the long run

1832. QUESTION: The wage/price spiral tends to

- A. perpetuate inflation only as long inflation is ratified by monetary policy
- B. reduce inflation when money growth is very fast
- C. cause the rate of inflation to accelerate independent of monetary policy
- D. cause accelerating inflation even with constant money growth

CORRECT ANSWER IS: perpetuate inflation only as long inflation is ratified by monetary policy

1833. QUESTION: Supply-side inflation causes the

- A. AD curve to shift right and up
- B. AD curve to shift left and down
- C. SRAS curve to shift up to the left
- D. SRAS curve to shift down to the right

CORRECT ANSWER IS: SRAS curve to shift up to the left

1834. QUESTION: Which of the following is not an adverse supply shock?

- A. an unexpected decrease in labor productivity

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- B. the emergence of the OPEC cartel in the wake of the 1973 Mideast War
- C. an unexpected worldwide food shortage
- D. fed policy of accommodating federal deficit spending

CORRECT ANSWER IS: fed policy of accommodating federal deficit spending

1835. QUESTION: In the long run, the rate of inflation is usually

- A. greater than the rate of monetary growth
- B. equal to the rate of monetary growth
- C. less than the rate of monetary growth
- D. equal to the interest rate

CORRECT ANSWER IS: less than the rate of monetary growth

1836. QUESTION: Rational expectations of inflation are formed on the basis of

- A. all available information about the economy
- B. only past values of all variables
- C. only past values of the price level
- D. present and past values of inflation

CORRECT ANSWER IS: all available information about the economy

1837. QUESTION: Monetarists believe in controlling inflation through

- A. income policies
- B. restraint in fiscal policy
- C. slow money growth
- D. wage/price controls

CORRECT ANSWER IS: slow money growth

1838. QUESTION: In the long run after a once-and-for-all change in the money supply

- A. only the price level will increase
- B. real GDP will be higher than the natural level

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- C. only the real interest rate will increase
- D. the value of the real money supply will fall

CORRECT ANSWER IS: only the price level will increase

1839. QUESTION: The wage/price spiral is a process of workers demanding and getting higher wages to offset anticipated inflation and

- A. deficit spending by congress
- B. restrictive monetary policy
- C. fiscal-policy actions aimed at decreasing aggregate demand
- D. fed ratification of the cost-push process

CORRECT ANSWER IS: fed ratification of the cost-push process

1840. QUESTION: Supply-side inflation can be caused by

- A. an increase in the money supply
- B. a poor harvest
- C. a tax reduction
- D. an increase in labor productivity

CORRECT ANSWER IS: a poor harvest

1841. QUESTION: An increase in the expected rate of inflation tends to

- A. increase interest rates and reduce velocity
- B. decrease interest rates and reduce velocity
- C. increase interest rates and increase velocity
- D. decrease interest rates and not change velocity

CORRECT ANSWER IS: increase interest rates and increase velocity

1842. QUESTION: Compared to monetarists, Keynesians are more concerned about

- A. the effects of rapid inflation
- B. high interest rates

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- C. recessions resulting from monetary contraction
- D. long-run growth in the economy

CORRECT ANSWER IS: recessions resulting from monetary contraction

1843. QUESTION: The main implication of the adaptive expectations hypothesis is that

- A. interest rates can only be lowered in the short; run by an unanticipated increase in the money supply
- B. inflationary expectations are changed only when the economy is at the natural level of real GDP
- C. once people become adapted to inflation they ignore it
- D. adjustments of inflationary expectations take time

CORRECT ANSWER IS: adjustments of inflationary expectations take time

1844. QUESTION: As the price level rises

- A. the interest rate continues to fall
- B. the interest rate increases
- C. inflationary expectations are lowered
- D. real GDP drops below its natural level

CORRECT ANSWER IS: the interest rate increases

1845. QUESTION: Most economists believe that supply-side tax-rate reductions

- A. will not have much of an effect on inflation
- B. should increase productivity enough to substantially reduce inflation
- C. should be combined with a return to the gold standard
- D. will support the view that tax changes do not affect aggregate demand

CORRECT ANSWER IS: will not have much of an effect on inflation

1846. QUESTION: In the short an unanticipated, one-time increase in the money supply leads to

- A. increase in output and prices but no change in interest rates
- B. increases in output and prices and a decline in interest rates
- C. an increase in output but no change in prices or interest rates

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D. an increase in output, a decline in interest rates but no change in prices

CORRECT ANSWER IS: increases in output and prices and a decline in interest rates

1847. QUESTION: A permanent but unexpected increase in the growth rate of money causes nominal interest rates to

- A. increase in both the short and long run
- B. decrease in both the short and long run
- C. increase in the short run and decrease in the long run
- D. decrease in the short run and increase in the long run

CORRECT ANSWER IS: decrease in the short run and increase in the long run

1848. QUESTION: Many supply-side economists believe that the money supply should be governed by

- A. the Congress
- B. the President
- C. both a and b
- D. the stock of gold

CORRECT ANSWER IS: the stock of gold

1849. QUESTION: The view that there should be a long-run positive relationship between deficit spending and inflation is based in all of the following except

- A. fed financing of deficit spending
- B. government securities increasing the net wealth of consumers
- C. inflation can increase the deficit
- D. recessions usually reduce or eliminate deficits

CORRECT ANSWER IS: recessions usually reduce or eliminate deficits

1850. QUESTION: Which of the following is not a valid statement about a rigid program of wage and price controls as the solution to inflation?

- A. the productive efficiency of the economy will decline
- B. the program would operate indefinitely

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- C. supply and demand pressures would encourage evasion of controls
- D. inflationary expectations will likely be unaffected

CORRECT ANSWER IS: the program would operate indefinitely

1851. QUESTION: In the long run, an unanticipated, one-time increase in the money supply leads to

- A. a proportional increase in prices with no change in output or interest rates
- B. increase in output and prices but no change in interest rates
- C. increases in output and prices and a decline in interest rates
- D. an increase in output but no change in prices or interest rates

CORRECT ANSWER IS: a proportional increase in prices with no change in output or interest rates

1852. QUESTION: Supply-side inflation works through the effects of increases in

- A. the money supply
- B. taxes
- C. firms costs
- D. households incomes

CORRECT ANSWER IS: firms costs

1853. QUESTION: Advocates of zero inflation believe that such a policy would

- A. reduce unproductive investments
- B. raise nominal interest rates
- C. reduce long-term gains on invested capital
- D. reduce people's ability to keep track of relative price changes

CORRECT ANSWER IS: reduce unproductive investments

1854. QUESTION: Milton Friedman believes that the 3% rule is the best means to achieve price stability because of each of the following except

- A. continues prosperity would result
- B. monetary instability is largely responsible for the instability in the US economy

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- C. monetary growth affects nominal GDP growth with long and variable lags
- D. there is no question that excessive money growth causes inflation in the long run

CORRECT ANSWER IS: continues prosperity would result

1855. QUESTION: If the economy is initially in long-run equilibrium where $AD = SRAS$. If there is a one time increase in the money supply, which of the following does not cue in the short run?

- A. the unemployment rate decreases
- B. the price level increases
- C. the interest rate increases
- D. supply-side inflation results

CORRECT ANSWER IS: supply-side inflation results

1856. QUESTION: In the $MV = PQ$ relationship, if V is constant the maximum rate of growth of M that is consistent with a stable price level is money growth equal to

- A. zero
- B. the rate of growth of Q
- C. the rate of growth of PQ
- D. the expected rate of inflation

CORRECT ANSWER IS: the rate of growth of Q

1857. QUESTION: Protracted and sustained inflation is most, likely caused by

- A. fiscal tax cuts
- B. federal deficit spending
- C. excess money growth
- D. an unfavorable trade balance

CORRECT ANSWER IS: excess money growth

1858. QUESTION: As a result of an unanticipated, one-time increase in the money supply, the aggregate demand curve shifts

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- A. downward only in the short run
- B. downward in the short and long run
- C. downward only in the long run
- D. upward in the short and long run

CORRECT ANSWER IS: upward in the short and long run

1859. QUESTION: The game theory was basically presented by

- A. Ricardo
- B. Marshall
- C. Neumann and Morgenstern
- D. none of them

CORRECT ANSWER IS: Neumann and Morgenstern

1860. QUESTION: In dominant strategies I am doing the best I can no matter

- A. what you do
- B. what you are doing
- C. what you not do
- D. none of them

CORRECT ANSWER IS: what you do

1861. QUESTION: Nash equilibrium is _____ in case of Cournot equilibrium

- A. reaction
- B. bargaining
- C. deviate
- D. followed

CORRECT ANSWER IS: followed

1862. QUESTION: The age theory is concerned with

- A. perfect competition

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- B. imperfect competition
- C. price discrimination
- D. duopoly and oligopoly

CORRECT ANSWER IS: duopoly and oligopoly

1863. QUESTION: In Nash equilibrium I am doing the best I can given

- A. what you do
- B. what you are doing
- C. what you not do
- D. none of them

CORRECT ANSWER IS: what you are doing

1864. QUESTION: The prisoner's dilemma was presented by A.W. Tucker in

- A. 1930
- B. 1940
- C. 1950
- D. 1960

CORRECT ANSWER IS: 1940

1865. QUESTION: In constant sum game both parties will be

- A. better-off
- B. worst-off
- C. neutral
- D. none of them

CORRECT ANSWER IS: better-off

1866. QUESTION: In Nash equilibrium a player does no _____ from his strategy

- A. deviate
- B. reaction

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- C. bargaining
- D. followed

CORRECT ANSWER IS: deviate

1867. QUESTION: The games with played by players and again are called

- A. repeated games
- B. cooperative games
- C. noun-cooperative games
- D. constant games

CORRECT ANSWER IS: repeated games

1868. QUESTION: The pay-off matrix shows

- A. possible outcomes
- B. possible benefits
- C. possible losses
- D. none of them

CORRECT ANSWER IS: possible outcomes

1869. QUESTION: Which one of the following approaches to the definition of money gives the widest possible view of money?

- A. Central bank approach
- B. Conventional approach
- C. Chicago approach
- D. Gurley Shaw approach

CORRECT ANSWER IS: Central bank approach

1870. QUESTION: Which one of the following is an example of quasi-money or near-money?

- A. bills of exchange
- B. cheque

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- C. bank notes
- D. coins

CORRECT ANSWER IS: bills of exchange

1871. QUESTION: Bad money drives good money out of circulation. With whose name is this law associated?

- A. J.M. Keynes
- B. Thomas Gresham
- C. L.E. Mises
- D. R.G. Hawtrey

CORRECT ANSWER IS: Thomas Gresham

1872. QUESTION: Who is generally regarded as the founder of the Modern Quantity Theory of Money?

- A. J.M. Keynes
- B. Milton Friedman
- C. M.L. Bursten
- D. Don Patinkin

CORRECT ANSWER IS: Milton Friedman

1873. QUESTION: In the Fisher's equation of exchange $MV = PT$, what does T denote?

- A. period of time
- B. volume of trade
- C. total money wealth
- D. trend value of general price level

CORRECT ANSWER IS: volume of trade

1874. QUESTION: The best example of representative full-bodied money is found in the 'gold certificates' which circulated in the U.S.A before being withdrawn from circulation in

- A. 1925
- B. 1927

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C. 1929

D. 1933

CORRECT ANSWER IS: 1933

1875. QUESTION: When the commodity value of money and its value as money are equal, it is called

- A. token money
- B. full-bodied money
- C. quasi-money
- D. fiat money

CORRECT ANSWER IS: full-bodied money

1876. QUESTION: Identify the country which was the first to adopt the gold standard

- A. UK
- B. France
- C. Germany
- D. USA

CORRECT ANSWER IS: UK

1877. QUESTION: The Quantity Theory of Money establishes the relationship between quantity of money in an economy and the level of

- A. employment
- B. national income
- C. prices
- D. savings

CORRECT ANSWER IS: prices

1878. QUESTION: Cost-push inflation is caused by

- A. increase in the quantity of money
- B. increase in investment

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- C. creation of credit money
- D. increase in the prices of inputs

CORRECT ANSWER IS: increase in the prices of inputs

1879. QUESTION: Which of the following is not a function of money?

- A. medium of exchange
- B. unit of account
- C. standard of deferred payments
- D. stabilization of price level

CORRECT ANSWER IS: stabilization of price level

1880. QUESTION: The limited legal-tender money stands for that component of money which

- A. is issued in a limited amount
- B. is legal tender for payment upto a certain maximum amount
- C. is legal tender in specified areas
- D. is to be used in specific transactions

CORRECT ANSWER IS: is legal tender for payment upto a certain maximum amount

1881. QUESTION: During which decade of nineteenth century did most European countries adopt the gold standard?

- A. sixties
- B. seventies
- C. eighties
- D. nineties

CORRECT ANSWER IS: eighties

1882. QUESTION: Identify Pigou's cash balances equation

- A. $M = Ky + K'A$
- B. $M = KPO$
- C. $M = KR/P$

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D. M = PKT

CORRECT ANSWER IS: M = KR/P

1883. QUESTION: Money has been defined as 'that by delivery of which debt contracts and price contracts are discharged, and in the shape of which general purchasing power is held'. Whose definition is this?

- A. G. Crowther
- B. D.H. Robertson
- C. J.M. Keynes
- D. George N. Halm

CORRECT ANSWER IS: J.M. Keynes

1884. QUESTION: As compared to the classical theory, which function of money was stressed more in the Keynesian theory?

- A. unit of account
- B. medium of exchange
- C. standard of deferred payments
- D. store of value

CORRECT ANSWER IS: store of value

1885. QUESTION: When did the UK finally abandon the gold standard?

- A. 1925
- B. 1929
- C. 1931
- D. 1936

CORRECT ANSWER IS: 1931

1886. QUESTION: Fiat money refers to

- A. credit money
- B. legal money

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- C. full bodied money
- D. international money

CORRECT ANSWER IS: legal money

1887. QUESTION: Who introduced the concept of the real balance effect?

- A. A.C. Pigou
- B. Alfred Marshall
- C. J.M. Keynes
- D. Milton Friedman

CORRECT ANSWER IS: A.C. Pigou

1888. QUESTION: The chain banking system a variant of the group banking system, developed around the mid-nineteenth century and reaching the apex of popularity in the present century. In which country did it develop?

- A. USA
- B. UK
- C. Germany
- D. Italy

CORRECT ANSWER IS: USA

1889. QUESTION: The market for very short term loans is known as

- A. capital market
- B. money market
- C. stock market
- D. discount market

CORRECT ANSWER IS: money market

1890. QUESTION: Developing countries usually complain of

- A. deterioration in their terms of trade
- B. serious hurdles in the way of export promotion

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- C. uncertainty and inadequacy of reign aid
- D. all of them

CORRECT ANSWER IS: all of them

1891. QUESTION: The two key factors in 'management by objectives' are

- A. performance evaluation and objectives
- B. democratic goal-setting and verifiable objectives
- C. systems approach and long-range planning
- D. short-run goods and flexibility

CORRECT ANSWER IS: democratic goal-setting and verifiable objectives

1892. QUESTION: Which of the following according to Milton Friedman is not a key determinant of the demand for money?

- A. aggregate wealth
- B. precautionary motive
- C. relative rates of return obtainable on different forms of assets
- D. physical non-human capital goods and human capital or wealth

CORRECT ANSWER IS: precautionary motive

1893. QUESTION: In which country was the instrument of minimum legal cash reserves ratio for banks first introduced?

- A. USA
- B. UK
- C. Germany
- D. Japan

CORRECT ANSWER IS: USA

1894. QUESTION: If the increase in exports exceeds the increase in imports and other things remain the same, then the level of income will

- A. rise

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- B. remain the same
- C. fall
- D. move in an uncertain manner

CORRECT ANSWER IS: rise

1895. QUESTION: Adam Smith's views on world trade can be best understood if one considers them as a reaction to

- A. the mercantilist approach to trade
- B. Ricardo's views on trade
- C. the labor theory of value
- D. none of them

CORRECT ANSWER IS: Ricardo's views on trade

1896. QUESTION: An informal organisation is one where

- A. there is no division of work
- B. jobs of individuals are not precisely defined
- C. the structure is not prescribed by formal authority
- D. there are no fixed hours of work

CORRECT ANSWER IS: the structure is not prescribed by formal authority

1897. QUESTION: Non-registration of a partnership does not affect the

- A. suit by a partner against the firm or other co-partners
- B. suit by the firm against third parties
- C. suit by third parties against the firm
- D. claim of set-off or other proceedings on a contract by the firm

CORRECT ANSWER IS: suit by third parties against the firm

1898. QUESTION: The cash transactions approach to the quantity theory of money is usually associated with the name of

- A. Alfred Marshall
- B. Irving Fisher

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C. J.M. Keynes
D. D.H. Robertson

CORRECT ANSWER IS: Irving Fisher

1899. QUESTION: Which of the following is not a part of the un-organized Indian money market?

- A. indigenous bankers
- B. co-operative credit societies
- C. chit funds
- D. money lenders

CORRECT ANSWER IS: co-operative credit societies

1900. QUESTION: Which of the following was not favored by the mercantilists?

- A. accumulation of gold by the country
- B. free trade
- C. export promotion
- D. import restriction

CORRECT ANSWER IS: free trade

1901. QUESTION: What proportion of international trade is based on absolute differences in costs of production?

- A. all
- B. substantial
- C. very little
- D. nil

CORRECT ANSWER IS: substantial

1902. QUESTION: The first level of needs in Maslow's 'need hierarchy' is

- A. social needs
- B. security needs
- C. physiological needs

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D. esteem needs

CORRECT ANSWER IS: physiological needs

1903. QUESTION: The relationship between the market rate of interest and the market price of a bond is

- A. inverse
- B. direct
- C. positive and proportionate
- D. uncertain

CORRECT ANSWER IS: inverse

1904. QUESTION: Which one of the following will reduce the capacity of commercial banks to lend?

- A. sale of securities in the open market by the central bank
- B. reduction in the discount rate
- C. reduction of the required cash reserves ratio
- D. purchase of securities by the Central bank in the open market

CORRECT ANSWER IS: sale of securities in the open market by the central bank

1905. QUESTION: Of the following concepts of term of trade, which one was introduced by F.W. Taussig?

- A. income terms of trade
- B. commodity terms of trade
- C. real cost terms of trade
- D. double fact oral terms of trade

CORRECT ANSWER IS: commodity terms of trade

1906. QUESTION: Business can be defined as

- A. selling of goods
- B. buying of goods
- C. a market place
- D. trade, commerce and industry

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CORRECT ANSWER IS: trade, commerce and industry

1907. QUESTION: Planning and control are related in such a way that

- A. planning proceeds control
- B. control proceeds planning
- C. both are concurrent
- D. both go hand-in-hand with each other in a cyclical manner

CORRECT ANSWER IS: both go hand-in-hand with each other in a cyclical manner

1908. QUESTION: Organisation theory is concerned with the

- A. development of an organisation as an economic unit
- B. study to explain the nature and composition of organisation as a social or human group
- C. rules governing an organisation
- D. human behavior at work

CORRECT ANSWER IS: study to explain the nature and composition of organisation as a social or human group

1909. QUESTION: The degree of elasticity in respect of speculative demand for money, under the liquidity trap conditions, is

- A. zero
- B. one
- C. greater than one
- D. infinite

CORRECT ANSWER IS: infinite

1910. QUESTION: If there is a significant decrease in the demand for loans, banks will be forced to

- A. sell securities to the public
- B. adjust their portfolios
- C. resort to creating credit
- D. increase liquidity

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CORRECT ANSWER IS: adjust their portfolios

1911. QUESTION: Dynamic factors in the realm of international trade theory relate to changes in

- A. income
- B. factor endowments
- C. technical knowledge and methods of production
- D. all of them

CORRECT ANSWER IS: all of them

1912. QUESTION: What can be the maximum number of partners in a partnership firm?

- A. 10
- B. 15
- C. 20
- D. 25

CORRECT ANSWER IS: 20

1913. QUESTION: Communication is complete when the

- A. message is sent by the sender
- B. message is received by the receiver
- C. message is received and understood by the receiver
- D. message is further transmitted by the receiver

CORRECT ANSWER IS: message is received and understood by the receiver

1914. QUESTION: With which of the following is Behavioral Science in management related?

- A. organizational response to its environment
- B. scientific study of human behavior
- C. superior-subordinate behavior within an organisation
- D. none of them

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CORRECT ANSWER IS: scientific study of human behavior

1915. QUESTION: A retail price index is a good measure of changes in

- A. consumers' cost of living
- B. general purchasing power of money
- C. average standard of living
- D. patterns of consumer expenditure

CORRECT ANSWER IS: consumers' cost of living

1916. QUESTION: Open market operations refer to the buying and selling of

- A. commercial bills
- B. foreign exchange
- C. gold
- D. government securities

CORRECT ANSWER IS: government securities

1917. QUESTION: The devaluation of currency by a country is designed to lead to

- A. expansion of the export trade
- B. contraction of import trade
- C. promotion of import substitution
- D. all of them

CORRECT ANSWER IS: all of them

1918. QUESTION: Which form of business organisation would be most suitable for a capital intensive business?

- A. sole proprietorship
- B. partnership
- C. co-operative society
- D. joint-stock company

CORRECT ANSWER IS: joint-stock company

1919. QUESTION: A private company must have at least

- A. 2 members
- B. 5 members
- C. 7 members
- D. 10 members

CORRECT ANSWER IS: 2 members

1920. QUESTION: Job-enrichment means

- A. more tasks of the same general nature
- B. more tasks providing greater challenge
- C. change or variation of job after a time period
- D. none of them

CORRECT ANSWER IS: change or variation of job after a time period

1921. QUESTION: Which of the following is not an instrument of monetary policy?

- A. taxation
- B. bank rate
- C. open-market operations
- D. credit rationing

CORRECT ANSWER IS: taxation

1922. QUESTION: Bank rate refer to the interest rate at which

- A. commercial banks receive deposits from the public
- B. central bank gives loans to commercial banks
- C. government loans are floated
- D. commercial banks grant loans to their customers

CORRECT ANSWER IS: central bank gives loans to commercial banks

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1923. QUESTION: What would be the impact on the country's balance of payments position when in the context of inflationary pressure resource is taken to expenditure reducing policies?

- A. highly unfavorable
- B. unfavorable
- C. favorable
- D. neutral

CORRECT ANSWER IS: favorable

1924. QUESTION: According to the systems approach, a system is the

- A. sum total of all its components
- B. orderly arrangement of its components in a coordinated manner
- C. a combination of some of the components
- D. a systemic view of the organisation

CORRECT ANSWER IS: orderly arrangement of its components in a coordinated manner

1925. QUESTION: Unless the Articles of Association otherwise provide, the quorum for a general meeting of a public company is

- A. one-third of the total members
- B. five members personally present
- C. seven members personally present
- D. twenty members personally present

CORRECT ANSWER IS: five members personally present

1926. QUESTION: An organisation structure refers to the

- A. nature of superior-subordinate relationship
- B. relationship and dependencies within an organisation
- C. extent of delegation of authority in the organisation
- D. flow of authority and responsibility

CORRECT ANSWER IS: flow of authority and responsibility

1927. QUESTION: At a very low rate of interest, the interest-elasticity of the speculative demand for money becomes

- A. low
- B. high
- C. very high
- D. infinite

CORRECT ANSWER IS: infinite

1928. QUESTION: The immediate effect of credit-creation by banks is

- A. rise in prices
- B. increase in money supply
- C. increase in real national income
- D. reduction of poverty

CORRECT ANSWER IS: increase in money supply

1929. QUESTION: Which of the following items in the balance of payments is invisible?

- A. government expenditure abroad
- B. foreign investment
- C. foreign travel
- D. goods exported

CORRECT ANSWER IS: foreign travel

1930. QUESTION: A business organisation has constant and invisible interaction with its

- A. employees
- B. suppliers and customers
- C. external environment
- D. government

CORRECT ANSWER IS: external environment

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1931. QUESTION: A Special Resolution is one, which is passed in a general meeting by

- A. a simple majority of votes
- B. two-third majority of votes
- C. three-fourth majority of votes
- D. three-fifth majority of votes

CORRECT ANSWER IS: three-fourth majority of votes

1932. QUESTION: Finance is concerned with

- A. arrangement of funds
- B. identification of sources of funds
- C. recording utilization of funds
- D. all of them

CORRECT ANSWER IS: all of them

1933. QUESTION: The liquidity trap condition occurs at a

- A. low rate of interest
- B. very low rate of interest
- C. high rate of interest
- D. very high rate of interest

CORRECT ANSWER IS: very low rate of interest

1934. QUESTION: Selective credit control devices are used by the central bank of a country to

- A. regulate the volume of aggregate bank credit in the economy
- B. regulate credit-creation on the part of some selected banks
- C. control the flow of aggregate bank credit to different productive activities in the economy
- D. selectively allocate credit among banks

CORRECT ANSWER IS: control the flow of aggregate bank credit to different productive activities in the economy

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1935. QUESTION: If the elasticity of foreign demand for the country's exports is unity, the supply curve of foreign exchange will be

- A. backward bending
- B. vertical
- C. positively sloping from left to right
- D. horizontal

CORRECT ANSWER IS: vertical

1936. QUESTION: The asset limit above which a company or group would be covered under the MRTP in India for concentration of economic power is

- A. Rs 50 lakh
- B. Rs 1 crore
- C. Rs 20 crore
- D. Rs 100 crore

CORRECT ANSWER IS: Rs 100 crore

1937. QUESTION: A share warrant can be issued by

- A. private companies only
- B. public companies only
- C. both public and private companies
- D. government companies only

CORRECT ANSWER IS: public companies only

1938. QUESTION: Current ratio is the ratio of

- A. current assets to current liabilities
- B. current liabilities to current assets
- C. fixed assets to total liabilities
- D. current assets to total liabilities

CORRECT ANSWER IS: current assets to current liabilities

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1939. QUESTION: In which capacity does a person stand to gain from deflation?

- A. as a prisoner
- B. as a debtor
- C. as an entrepreneur
- D. as an equity-holder

CORRECT ANSWER IS: as a prisoner

1940. QUESTION: In a bimetallic standard

- A. two metals are simultaneously monetized and their monetary values are fixed as legal tender
- B. both gold and silver coins circulate as unlimited legal tender
- C. coinage as well as exports and imports of both the metals are free
- D. all of them

CORRECT ANSWER IS: all of them

1941. QUESTION: A deficit disequilibrium in the balance of payments can be corrected through

- A. devaluation
- B. monetary squeeze
- C. exchange controls and import quotas
- D. all of them

CORRECT ANSWER IS: all of them

1942. QUESTION: Which one of the following refers to 'factoring services'?

- A. guaranteeing realization from debtors
- B. financing working capital
- C. providing working capital
- D. none of them

CORRECT ANSWER IS: guaranteeing realization from debtors

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1943. QUESTION: What is the minimum number of shareholders necessary for a public company?

- A. 5
- B. 7
- C. 11
- D. 20

CORRECT ANSWER IS: 7

1944. QUESTION: Debt Equity Ratio refers to the ratio of

- A. debtors to equity share capital
- B. long term debt to shareholders equity
- C. total debt to equity share capital
- D. long term debt to equity share capital

CORRECT ANSWER IS: long term debt to shareholders equity

1945. QUESTION: According to the classical approach, the demand for money primarily depends upon

- A. rate of interest
- B. economic transactions
- C. speculative activity
- D. precautionary motive

CORRECT ANSWER IS: economic transactions

1946. QUESTION: One of the following is an instrument of qualitative credit control. Identify it

- A. credit rationing
- B. bank rate
- C. open-market operations
- D. minimum statutory cash reserves ratio

CORRECT ANSWER IS: credit rationing

1947. QUESTION: The spot and forward markets in foreign exchange are linked to each other through

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- A. interest arbitrage
- B. hedging
- C. speculation
- D. all of them

CORRECT ANSWER IS: all of them

1948. QUESTION: A consumer complaint is registered by the MRTP Commission in India on a complaint made by at least

- A. 5 consumers
- B. 25 consumers
- C. 50 consumers
- D. 100 consumers

CORRECT ANSWER IS: 25 consumers

1949. QUESTION: The share capital of a company refers to

- A. equity share capital
- B. preference share capital
- C. equity and preference share capital
- D. equity and preference share capital and debentures

CORRECT ANSWER IS: equity and preference share capital

1950. QUESTION: Trading on equity means

- A. use of equity share capital for trade financing
- B. use of fixed-interest borrowing funds for getting a higher return on equity
- C. having no borrowed funds
- D. trading in equity share capital

CORRECT ANSWER IS: use of fixed-interest borrowing funds for getting a higher return on equity

1951. QUESTION: Which of the following measures is helpful in controlling inflation?

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- A. raising the bank rate
- B. price control and rationing of essential goods
- C. reduction of government expenditure
- D. all of them

CORRECT ANSWER IS: all of them

1952. QUESTION: Which one of the following is an instrument of quantitative credit control?

- A. credit rationing
- B. prescribing margin requirements
- C. variable reserve ratio
- D. consumer credit regulation

CORRECT ANSWER IS: variable reserve ratio

1953. QUESTION: What does the modern theory of international trade predict regarding difference in factor prices between nations on account of trade? The difference:

- A. increases
- B. diminishes
- C. remains the same
- D. either diminishes or increases

CORRECT ANSWER IS: diminishes

1954. QUESTION: Vertical combination implies

- A. formation of pools and cartels
- B. integration of enterprises engaged in different stages of production of a particular product
- C. a group of organisation having common sales set-up
- D. integration of enterprises engaged in manufacturing similar products

CORRECT ANSWER IS: integration of enterprises engaged in different stages of production of a particular product

1955. QUESTION: Within how many days of the declaration of dividend must dividend warrants be posted to shareholders?

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- A. 21 days
- B. 30 days
- C. 42 days
- D. 60 days

CORRECT ANSWER IS: 42 days

1956. QUESTION: Cost of goods sold refers to

- A. sales minus gross profits
- B. sales minus profits
- C. cost of materials, labor and overheads
- D. none of them

CORRECT ANSWER IS: sales minus gross profits

1957. QUESTION: During the period of hyper-inflation, there takes place astronomical rise in prices and as a result, money becomes almost worthless. Such a situation was witnessed in Germany in 1923 and in China in

- A. 1947
- B. 1949
- C. 1951
- D. 1953

CORRECT ANSWER IS: 1949

1958. QUESTION: Arrange the following assets of a bank in the ascending order of income (i.e. in the descending order of liquidity): I-Bills; II-Loans; III-Investments in Government and other approved securities

- A. I, II, III
- B. I, III, II
- C. II, I, III
- D. III, II, I

CORRECT ANSWER IS: I, III, II

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1959. QUESTION: The multiple exchange rates were first employed by

- A. Brazil
- B. Ecuador
- C. Germany
- D. Peru

CORRECT ANSWER IS: Germany

1960. QUESTION: An indirect tax is one where

- A. tax is levied on wealth
- B. tax is levied always on products
- C. points of impact and incidence are the same
- D. points of impact and incidence are different

CORRECT ANSWER IS: points of impact and incidence are different

1961. QUESTION: In which year was the Indian Contract Act passed?

- A. 1850
- B. 1872
- C. 1926
- D. 1939

CORRECT ANSWER IS: 1872

1962. QUESTION: In the pay-back period method of capital budgeting, investment is divided by

- A. annual profits
- B. return on investment
- C. constant annual cash flow
- D. cumulative cash flow

CORRECT ANSWER IS: constant annual cash flow

1963. QUESTION: Stagflation refers to a situation which is characterized by

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- A. deflation and rising unemployment
- B. inflation and deflation
- C. sustained price-rise and rising unemployment
- D. stagnant employment and deflation

CORRECT ANSWER IS: inflation and deflation

1964. QUESTION: Which of the following is not an item on the assets side of the balance sheet of a commercial bank?

- A. investments
- B. money at call and short notice
- C. reserves
- D. advances

CORRECT ANSWER IS: reserves

1965. QUESTION: Which of the following statements is not correct?

- A. devaluation can have only temporary effects and it may provoke other countries to retaliate
- B. many countries of Europe resorted to exchange clearing agreements during the 1930s
- C. the balance of payments of a country is a balance sheet showing the country's foreign assets and liabilities at any given period of time
- D. the concept of single factorial terms of trade was developed by Jacob Viner

CORRECT ANSWER IS: the balance of payments of a country is a balance sheet showing the country's foreign assets and liabilities at any given period of time

1966. QUESTION: Which one of the following is an example of indirect tax?

- A. corporation tax
- B. wealth tax
- C. income tax
- D. sales tax

CORRECT ANSWER IS: sales tax

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1967. QUESTION: Any agreement by a minor which is beneficial to him is a

- A. void agreement
- B. illegal agreement
- C. valid agreement
- D. void agreement

CORRECT ANSWER IS: valid agreement

1968. QUESTION: The relationship between EBIT and EPS gives

- A. operating leverage
- B. financial leverage
- C. normal leverage
- D. composite leverage

CORRECT ANSWER IS: financial leverage

1969. QUESTION: The first explanation of stagflation was offered originally in 1931 by

- A. Friedrich A. von Hayek
- B. J.M. Keynes
- C. Bent Hansen
- D. Milton Friedman

CORRECT ANSWER IS: Friedrich A. von Hayek

1970. QUESTION: Commercial banks have always to face a conflict between

- A. shareholders and depositors
- B. central bank and themselves
- C. liquidity and profitability
- D. demand deposits and time deposits

CORRECT ANSWER IS: liquidity and profitability

1971. QUESTION: Under the flexible exchange rate system, the exchange rate is determined by

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- A. the central bank of the country
- B. the forces of demand and supply in the foreign exchange
- C. the price of gold
- D. the purchasing power of currencies

CORRECT ANSWER IS: the forces of demand and supply in the foreign exchange

1972. QUESTION: The incidence of tax refers to

- A. the effect produced by the tax
- B. the rate of taxation
- C. one who bears the ultimate money burden of the tax
- D. one who is immediately responsible to pay the tax

CORRECT ANSWER IS: one who bears the ultimate money burden of the tax

1973. QUESTION: The liability of partners in a partnership firm is

- A. joint and several
- B. joint and alternative
- C. alternative
- D. joint

CORRECT ANSWER IS: joint and several

1974. QUESTION: Break-even-point in a situation where

- A. profits are negative
- B. there is no profit no loss
- C. profit-costs
- D. business is at the point of dissolution

CORRECT ANSWER IS: there is no profit no loss

1975. QUESTION: The reduction or elimination of inflation is known as

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- A. disinflation
- B. deflation
- C. creeping inflation
- D. stagflation

CORRECT ANSWER IS: disinflation

1976. QUESTION: The main function of legal cash reserve requirements is to

- A. ensure safety of deposits
- B. influence the demand deposit-creating power of commercial banks
- C. regulate the inter-sectoral flow of money supply
- D. keep a portion of deposits liquid

CORRECT ANSWER IS: influence the demand deposit-creating power of commercial banks

1977. QUESTION: The elasticity of demand for foreign exchange for financing capital outflow is

- A. zero
- B. greater than zero
- C. one
- D. less than infinity

CORRECT ANSWER IS: zero

1978. QUESTION: Who is generally regarded as the father of modern management?

- A. F.W. Taylor
- B. Henry Fayol
- C. James D. Mooney
- D. Alan C. Reiley

CORRECT ANSWER IS: Henry Fayol

1979. QUESTION: What is the maximum number of partners necessary in a partnership firm carrying on banking business?

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- A. 5
- B. 10
- C. 15
- D. 20

CORRECT ANSWER IS: 5

1980. QUESTION: Under-capitalization refers to a situation where

- A. the capital base is larger for the earnings made
- B. the capital base does not justify the amount of earnings made and needs to be enhanced
- C. the capital base justifies the earnings made
- D. the earnings ratio of the economy equals the industry's earnings ratio

CORRECT ANSWER IS: the capital base does not justify the amount of earnings made and needs to be enhanced

1981. QUESTION: Which of the following is not a function of a commercial bank?

- A. accepting public deposits
- B. granting loans and advances
- C. undertaking agency functions
- D. banker to the government

CORRECT ANSWER IS: banker to the government

1982. QUESTION: Since when has the Reserve Bank of India been successfully operating the instrument of selective credit control in this country?

- A. 1939
- B. 1951
- C. 1956
- D. 1961

CORRECT ANSWER IS: 1956

1983. QUESTION: The foreign exchange market performs the function of

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- A. transfer of purchasing power
- B. provisions of credit for financing foreign trade
- C. furnishing facilities for hedging foreign exchange risks
- D. all of them

CORRECT ANSWER IS: all of them

1984. QUESTION: The term Managerial Revolution refers to the prediction that with the expansion in size of business units, world affairs will eventually be in the hands of a few powerful managers. Who made use of this term?

- A. J. Burnham
- B. F.W. Taylor
- C. Alfred Marshall
- D. J.K. Galbraith

CORRECT ANSWER IS: J. Burnham

1985. QUESTION: The suit for specific performance in case of breach of contract may be filed only where the subject matter relates to

- A. movable goods
- B. immovable property
- C. perishable goods
- D. personal skills and qualifications

CORRECT ANSWER IS: immovable property

1986. QUESTION: A schedule of balances drawn from the ledger is called

- A. a trial balance
- B. a balance sheet
- C. a profit and loss account
- D. a statement of account

CORRECT ANSWER IS: a trial balance

1987. QUESTION: Prepaid expenses appearing in a trial balance will figure in the

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- A. balance sheet
- B. profit and loss account
- C. profit and loss account and balance sheet
- D. prepaid expenses account

CORRECT ANSWER IS: balance sheet

1988. QUESTION: Which of the following is not a liability of commercial banks?

- A. demand deposits
- B. time deposits
- C. advances from the central bank
- D. security holdings

CORRECT ANSWER IS: security holdings

1989. QUESTION: Identify the country, which first employed credit rationing as an instrument of credit control:

- A. Germany
- B. UK
- C. USA
- D. France

CORRECT ANSWER IS: France

1990. QUESTION: According to the Hecksher-Ohlin theory of international trade the most important cause of differences in relative commodity prices and trade between nations is the difference in

- A. consumer tastes and preferences
- B. factor endowments
- C. knowledge and technology
- D. demand conditions

CORRECT ANSWER IS: factor endowments

1991. QUESTION: The principle of scientific management implies

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- A. replacement of rules of thumb by scientific principles of management
- B. managing business in a scientific way
- C. use of science in business
- D. human approach to management

CORRECT ANSWER IS: replacement of rules of thumb by scientific principles of management

1992. QUESTION: Which one of the following is a void agreement?

- A. agreement in restraint of trade
- B. agreement whose object is illegal
- C. agreement in respect of sale of goodwill
- D. none of them

CORRECT ANSWER IS: agreement in restraint of trade

1993. QUESTION: Goodwill of a firm represents

- A. fixed assets
- B. tangible assets
- C. intangible assets
- D. fictitious assets

CORRECT ANSWER IS: intangible assets

1994. QUESTION: Which is not a function of the central bank of a country?

- A. lender of the last resort
- B. controller of credit
- C. custodian of nation's foreign exchange reserves
- D. supervisor of nation's fiscal policy

CORRECT ANSWER IS: supervisor of nation's fiscal policy

1995. QUESTION: The 'Term of Trade' refers to

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- A. comparative advantage of one country over another in the production of a particular commodity
- B. bilateral trade agreements
- C. rates of exchange between two currencies
- D. ratio of the index of export prices to the index of import prices

CORRECT ANSWER IS: ratio of the index of export prices to the index of import prices

1996. QUESTION: On which of the following is the law of comparative costs based?

- A. labor theory of value
- B. opportunity cost theory
- C. law of diminishing returns
- D. both a and b

CORRECT ANSWER IS: labor theory of value

1997. QUESTION: Objectives in the context of management may be defined as

- A. laying down targets to be achieved over a period of time
- B. the end result, which an organisation tries to attain
- C. the purpose for the organization's survival
- D. parameters for unified planning

CORRECT ANSWER IS: the end result, which an organisation tries to attain

1998. QUESTION: Crossing a cheque 'Not Negotiable' affords security against

- A. negotiation of cheque
- B. theft of cheque
- C. payment to wrong banker or account
- D. none of them

CORRECT ANSWER IS: theft of cheque

1999. QUESTION: A bank account is

- A. personal account

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- B. real account
- C. liability account
- D. nominal account

CORRECT ANSWER IS: personal account

2000. QUESTION: Under the unit banking system, each individual bank is a separate entity having its own independent management and board of directors. Which country is generally regarded as the home of the unit banking system?

- A. USA
- B. Germany
- C. France
- D. Japan

CORRECT ANSWER IS: USA

2001. QUESTION: By which year had the gold standard virtually disappeared from the world as an international monetary system?

- A. 1933
- B. 1936
- C. 1939
- D. 1945

CORRECT ANSWER IS: 1936

2002. QUESTION: Which among the following, is not an assumption of the classical theory of comparative cost advantage?

- A. labor is the only factor of production
- B. production takes place under diminishing returns
- C. there are no tariffs
- D. prices are determined by their real labor costs of production

CORRECT ANSWER IS: production takes place under diminishing returns

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2003. QUESTION: The branch banking system is currently in vogue in most countries of the world. Identify the country where it first developed:

- A. South Africa
- B. UK
- C. Canada
- D. Australia

CORRECT ANSWER IS: UK

2004. QUESTION: Sale of solid furniture on credit will appear in the

- A. sales day book
- B. cash book
- C. journal
- D. debtors ledger

CORRECT ANSWER IS: journal

2005. QUESTION: In an integrated costing system, most of the data relevant to cost accounting comes from the

- A. cost accounting system
- B. financial accounting system
- C. stores accounting system
- D. sales and distribution system

CORRECT ANSWER IS: financial accounting system

2006. QUESTION: To the extent redemption of preference shares takes place out of profits, an equal amount has to be transferred to

- A. development rebate reserve
- B. capital redemption reserve
- C. general reserve
- D. share premium account

CORRECT ANSWER IS: capital redemption reserve

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2007. QUESTION: The excess of purchase price over net assets is

- A. goodwill
- B. capital reserve
- C. preliminary expense
- D. revenue reserve

CORRECT ANSWER IS: goodwill

2008. QUESTION: The excess of current assets over current liabilities is called

- A. net worth
- B. working capital
- C. net tangible worth
- D. turnover

CORRECT ANSWER IS: working capital

2009. QUESTION: Which method of costing is used by sugar mills?

- A. unit or output costing
- B. job costing
- C. process costing
- D. batch costing

CORRECT ANSWER IS: process costing

2010. QUESTION: When shares are forfeited, the share capital account is debited by

- A. calls-in-arrears
- B. called-up amount
- C. paid-up amount
- D. face value of shares

CORRECT ANSWER IS: called-up amount

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2011. QUESTION: In the balance sheet of a company, the items goodwill, patents and trade marks are shown under the heading

- A. current assets
- B. loans and advances
- C. fixed assets
- D. investments

CORRECT ANSWER IS: fixed assets

2012. QUESTION: Advance payment of tax should shown on the

- A. assets side of a balance sheet
- B. liabilities side of a balance sheet
- C. debit side of a profit and loss account
- D. credit side of a profit and loss account

CORRECT ANSWER IS: assets side of a balance sheet

2013. QUESTION: Depreciation is the process of

- A. allocation of costs
- B. valuation of assets
- C. use of assets
- D. none of them

CORRECT ANSWER IS: allocation of costs

2014. QUESTION: Premium on redemption of debentures is accounted for in the

- A. personal account
- B. real account
- C. nominal account
- D. assets account

CORRECT ANSWER IS: personal account

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2015. QUESTION: The profit on re-issuing forfeited shares is transferred to

- A. capital reserve
- B. capital redemption reserve
- C. general reserve
- D. revaluation reserve

CORRECT ANSWER IS: capital reserve

2016. QUESTION: A preliminary expense is a

- A. current asset
- B. fictitious asset
- C. current liability
- D. non-current liability

CORRECT ANSWER IS: fictitious asset

2017. QUESTION: Dividends are usually paid on the

- A. called-up capital
- B. paid-up capital
- C. subscribed capital
- D. nominal capital

CORRECT ANSWER IS: paid-up capital

2018. QUESTION: What is the objective of cost accounting?

- A. cost determination
- B. cost analysis
- C. cost control
- D. all of them

CORRECT ANSWER IS: all of them

2019. QUESTION: After debentures are redeemed, the balance in the sinking fund account is transferred to

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- A. capital reserve
- B. general reserve
- C. profit and loss account
- D. secret reserve

CORRECT ANSWER IS: general reserve

2020. QUESTION: The share application account is a

- A. real account
- B. personal account
- C. nominal account
- D. assets account

CORRECT ANSWER IS: personal account

2021. QUESTION: Divisible profits do not include

- A. reserve fund
- B. profit on revaluation of assets
- C. post-incorporation profits
- D. none of them

CORRECT ANSWER IS: profit on revaluation of assets

2022. QUESTION: Which of the following is concerned with the valuation of goodwill

- A. earning capacity method
- B. super profits method
- C. average profits method
- D. net assets method

CORRECT ANSWER IS: earning capacity method

2023. QUESTION: What is the Conversion Cost?

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- A. cost of materials and labor
- B. cost of transforming direct materials into finished products
- C. cost of labor
- D. total cost of running business

CORRECT ANSWER IS: cost of transforming direct materials into finished products

2024. QUESTION: When two or more companies dissolve to form a new company, the process is known as

- A. amalgamation
- B. absorption
- C. reconstruction
- D. combination

CORRECT ANSWER IS: amalgamation

2025. QUESTION: For a company to carry out capital reduction, permission is required from the

- A. Controller of Capital Issues
- B. Competent Court
- C. Company Law Board
- D. board of directors

CORRECT ANSWER IS: Competent Court

2026. QUESTION: Amounts sacrificed by shareholders are credited to the

- A. capital reserve account
- B. general reserve account
- C. capital reduction account
- D. none of them

CORRECT ANSWER IS: capital reduction account

2027. QUESTION: Absorption is said to take place when

- A. a company is formed to take over another company

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- B. two or more companies are dissolved to form a few company
- C. two or more companies dissolve to be taken over by any existing company
- D. two companies decide for virtual integration of their operations

CORRECT ANSWER IS: two or more companies dissolve to be taken over by any existing company

2028. QUESTION: Any balance in the capital reduction account after writing off lost capital is transferred to

- A. capital reserve
- B. general reserve
- C. debenture redemption reserve
- D. capital redemption reserve

CORRECT ANSWER IS: capital reserve

2029. QUESTION: At the commencement of winding up, a contributory is a

- A. creditor
- B. debtor
- C. shareholder
- D. debenture holder

CORRECT ANSWER IS: shareholder

2030. QUESTION: For calculating market value using P/E ratios, it is necessary to know

- A. the rate of dividend
- B. average profits
- C. market price of the share
- D. earnings per share and market price of the share

CORRECT ANSWER IS: earnings per share and market price of the share

2031. QUESTION: In a scheme of reorganization, the amount of shares surrendered by shareholders is transferred to the

- A. shares surrendered account
- B. capital reduction account

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- C. capital reorganization account
- D. capital sacrificed account

CORRECT ANSWER IS: capital reduction account

2032. QUESTION: The shareholding of the government in a government company must be at last

- A. 33%
- B. 60%
- C. 51%
- D. 100%

CORRECT ANSWER IS: 51%

2033. QUESTION: The relationship between normal rate of return and P/E ratio is

- A. inverse
- B. direct
- C. irregular
- D. none of them

CORRECT ANSWER IS: inverse

2034. QUESTION: Profit and loss-sharing is an element of this system

- A. Islamic
- B. capitalistic
- C. socialistic
- D. none of them

CORRECT ANSWER IS: Islamic

2035. QUESTION: Banks prepare their balance sheet

- A. weekly
- B. monthly
- C. quarterly

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D. annually

CORRECT ANSWER IS: weekly

2036. QUESTION: An asset is liquid when it is

- A. been traded frequently
- B. earning a good rate of return
- C. is money or easily converted into money
- D. all of them

CORRECT ANSWER IS: is money or easily converted into money

2037. QUESTION: Which is the source of interest for a bank

- A. advances
- B. bills discounted
- C. investments
- D. all of them

CORRECT ANSWER IS: all of them

2038. QUESTION: Total number of bank branches in Pakistan is

- A. more than 5000 but less than 10,000
- B. more than 10,000
- C. less than 5000
- D. none of them

CORRECT ANSWER IS: more than 5000 but less than 10,000

2039. QUESTION: Cash cannot be obtained from bank against

- A. cross cheque
- B. order cheque
- C. bearer cheque
- D. traveler cheque

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CORRECT ANSWER IS: cross cheque

2040. QUESTION: Balance sheet of a bank has two parts

- A. supply and demand for deposits
- B. supply and demand for advances
- C. assets and liabilities
- D. cash reserves and loans

CORRECT ANSWER IS: assets and liabilities

2041. QUESTION: A bank has Rs.5 million in cash. The minimum reserve ratio is 20%. What is maximum potential increase in total deposits:

- A. 0
- B. 5 m
- C. 10 m
- D. 25 m

CORRECT ANSWER IS: 25 m

2042. QUESTION: Commercial banks are able to create money by

- A. printing money
- B. making loans
- C. moral suasion
- D. selling government bonds

CORRECT ANSWER IS: making loans

2043. QUESTION: Demand deposits mean

- A. savings account
- B. profit loss account
- C. time deposits
- D. chequeable deposits

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CORRECT ANSWER IS: chequeable deposits

2044. QUESTION: Commercial banks accept deposits and provide

- A. money
- B. cheque
- C. loans
- D. bill of exchange

CORRECT ANSWER IS: loans

2045. QUESTION: When banks prepare their balance sheets, they show the money lent in

- A. liabilities
- B. assets
- C. both assets and liabilities
- D. none of them

CORRECT ANSWER IS: assets

2046. QUESTION: The following is not a bank liability

- A. demand deposit
- B. time deposit
- C. savings deposit
- D. loans

CORRECT ANSWER IS: loans

2047. QUESTION: Which is a function of a commercial bank:

- A. acting as a govt. banker
- B. fixing the exchange rate
- C. issuing bank notes
- D. making loans

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CORRECT ANSWER IS: making loans

2048. QUESTION: Which is considered liability by a bank

- A. loans
- B. bank's building and equipment
- C. time deposits
- D. securities

CORRECT ANSWER IS: time deposits

2049. QUESTION: The banks can give loans

- A. unlimited
- B. equal to deposits
- C. less than deposits
- D. more than deposits

CORRECT ANSWER IS: more than deposits

2050. QUESTION: The power of a bank to create credit is affected by

- A. the cash reserve requirement
- B. the amount of cash available
- C. the number of branches of a bank
- D. both a and b

CORRECT ANSWER IS: both a and b

2051. QUESTION: When a commercial bank creates credit, it immediately raises

- A. its assets
- B. its liabilities
- C. money supply
- D. both a and c

CORRECT ANSWER IS: both a and c

2052. QUESTION: When a commercial bank creates credit, its immediate effect is that it raises

- A. the exchange rate
- B. interest rate
- C. money supply
- D. the real national income

CORRECT ANSWER IS: money supply

2053. QUESTION: Demand deposits are money because

- A. they are backed by gold
- B. they are assets of banks
- C. they can be used to make payments
- D. all of them

CORRECT ANSWER IS: they can be used to make payments

2054. QUESTION: Demand deposits are

- A. bank notes
- B. money (they can be used to make payments)
- C. considered as near money
- D. legal money

CORRECT ANSWER IS: money (they can be used to make payments)

2055. QUESTION: Banks discount it and advance loans

- A. draft
- B. bill of exchange
- C. pay order
- D. good

CORRECT ANSWER IS: bill of exchange

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2056. QUESTION: Credit money is created by

- A. Central Bank
- B. commercial bank
- C. government
- D. all of them

CORRECT ANSWER IS: commercial bank

2057. QUESTION: Which type of cheque is more safe for transfer of money?

- A. bearer cheque
- B. traveler cheque
- C. order cheque
- D. cross cheque

CORRECT ANSWER IS: cross cheque

2058. QUESTION: Which type of card is not issued by central bank:

- A. credit card
- B. debit card
- C. ATM card
- D. none of them

CORRECT ANSWER IS: none of them

2059. QUESTION: If you borrow from a bank the amount which the bank charges is called

- A. bank rate
- B. discount rate
- C. interest rate
- D. borrowing rate

CORRECT ANSWER IS: interest rate

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2060. QUESTION: Long term loans can be obtained in

- A. stock market
- B. money market
- C. capital market
- D. exchange market

CORRECT ANSWER IS: capital market

2061. QUESTION: Credit money is created by

- A. exchange bank
- B. commercial bank
- C. finance bank
- D. none of them

CORRECT ANSWER IS: commercial bank

2062. QUESTION: Which type of cheque is least safe for transfer of money?

- A. bearer cheque
- B. traveler cheque
- C. order cheque
- D. cross cheque

CORRECT ANSWER IS: bearer cheque

2063. QUESTION: Market rate of interest is

- A. always higher than discount rate
- B. always lower than discount rate
- C. both are equal
- D. may be higher or lower than discount rate

CORRECT ANSWER IS: always higher than discount rate

2064. QUESTION: The rate charged by a central bank on loans is called

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- A. market rate
- B. discount rate
- C. lending rate
- D. tax rate

CORRECT ANSWER IS: discount rate

2065. QUESTION: Functions of commercial bank are

- A. accept deposits
- B. create deposit money
- C. provide loans
- D. all of them

CORRECT ANSWER IS: all of them

2066. QUESTION: Select the correct statement:

- A. credit money is better than legal money
- B. legal money is better than credit money
- C. both a and b
- D. none of them

CORRECT ANSWER IS: both a and b

2067. QUESTION: If a person is more interested to earn income, he should deposit his money in

- A. demand deposits
- B. time deposit
- C. saving account
- D. profit-loss account

CORRECT ANSWER IS: time deposit

2068. QUESTION: Most important source of income of commercial banks is

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- A. interest charged on loans
- B. profit earned on investments
- C. income from collecting utility bills
- D. income from reserves at central bank

CORRECT ANSWER IS: interest charged on loans

2069. QUESTION: Changes in discount rate are brought about by State Bank to

- A. control inflation
- B. increase investment activity
- C. increase earnings of the bank
- D. both a and b

CORRECT ANSWER IS: both a and b

2070. QUESTION: This is a difficulty of barter

- A. lack of double coincidence of wants
- B. difficulty to use larger scale in production
- C. lack of divisibility of many goods
- D. all of them

CORRECT ANSWER IS: all of them

2071. QUESTION: Select the correct statement

- A. central bank creates legal money
- B. commercial bank creates paper money
- C. finance companies create fake money
- D. none of them

CORRECT ANSWER IS: central bank creates legal money

2072. QUESTION: If a person is interested that his amount should be readily available as soon as he needs he should deposit his money in

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- A. demand deposits
- B. time deposit
- C. saving account
- D. profit-loss account

CORRECT ANSWER IS: demand deposits

2073. QUESTION: Select the correct statement

- A. the central bank charges high interest rate on loans to commercial banks
- B. the central bank does not charge interest on loans to banks
- C. the central bank does not advance to commercial banks
- D. none of them

CORRECT ANSWER IS: none of them

2074. QUESTION: Short term loans can be obtained in

- A. stock market
- B. money market
- C. capital market
- D. all of them

CORRECT ANSWER IS: money market

2075. QUESTION: Velocity of circulation of money means

- A. total demand for money
- B. total supply of money
- C. the average number of times a unit of money changes hands
- D. annual increase in currency notes

CORRECT ANSWER IS: the average number of times a unit of money changes hands

2076. QUESTION: Which type of card is not issued by commercial banks:

- A. credit card

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- B. debit card
- C. ATM card
- D. green card

CORRECT ANSWER IS: green card

2077. QUESTION: Select the correct statement

- A. central bank creates convertible money
- B. commercial bank create convertible money
- C. govt. creates paper money
- D. none of them

CORRECT ANSWER IS: none of them

2078. QUESTION: Discount rate of State Bank of Pakistan is

- A. less than 5%
- B. more than 5% but less than 15%
- C. more than 15%
- D. more than 25%

CORRECT ANSWER IS: more than 5% but less than 15%

2079. QUESTION: When the State Bank wants to decrease money supply in the country, it

- A. buys govt. securities in stock market
- B. sells govt. securities
- C. lowers discount rate
- D. both b and c

CORRECT ANSWER IS: sells govt. securities

2080. QUESTION: State Bank of Pakistan is run by

- A. board of directors
- B. board of governors

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- C. board of managers
- D. board of bankers

CORRECT ANSWER IS: board of directors

2081. QUESTION: Which is a monetary measure to increase employment

- A. increase in govt. expenditure
- B. reduce govt. expenditure
- C. increase in interest rate
- D. reducing interest rate

CORRECT ANSWER IS: reducing interest rate

2082. QUESTION: Out of the following the only recognized legal tender is

- A. cheque
- B. bank notes and coins
- C. bank notes and cheques
- D. credit card

CORRECT ANSWER IS: bank notes and coins

2083. QUESTION: State bank was established in

- A. 1948
- B. 1950
- C. 1952
- D. 1954

CORRECT ANSWER IS: 1948

2084. QUESTION: Monetary policy consists of

- A. decreasing taxes
- B. changing total money supply
- C. checking commercial banks

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D. printing of money

CORRECT ANSWER IS: changing total money supply

2085. QUESTION: Credit money is controlled by

- A. government
- B. commercial banks
- C. central bank
- D. markets

CORRECT ANSWER IS: central bank

2086. QUESTION: In order to reduce consumer borrowing this is raised

- A. commercial bank deposits
- B. government spending
- C. interest rate
- D. the exchange rate

CORRECT ANSWER IS: interest rate

2087. QUESTION: 10 rupee note is issued by

- A. National Bank
- B. State bank
- C. Govt. of Pakistan
- D. Governor State Bank

CORRECT ANSWER IS: State bank

2088. QUESTION: State Bank of Pakistan has departments

- A. issue and banking department
- B. issue and research department
- C. banking and research department
- D. issue, research and banking department

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CORRECT ANSWER IS: issue, research and banking department

2089. QUESTION: Every country establishes central bank to

- A. issue notes
- B. supervise commercial banks
- C. give loans to businessmen
- D. both a and b

CORRECT ANSWER IS: both a and b

2090. QUESTION: Which organisation controls the banking system in most countries?

- A. central bank
- B. commercial bank
- C. investment bank
- D. world bank

CORRECT ANSWER IS: central bank

2091. QUESTION: Acting as lender of last resort, a central bank lends to

- A. money markets
- B. stock exchange
- C. commercial banks
- D. does not lend

CORRECT ANSWER IS: commercial banks

2092. QUESTION: Central bank's rate of lending to commercial banks is called

- A. interest rate
- B. discount rate
- C. money rate
- D. control rate

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CORRECT ANSWER IS: discount rate

2093. QUESTION: It is not an instrument of monetary policy

- A. bank rate
- B. open market operations
- C. change in reserve ratio
- D. issue notes

CORRECT ANSWER IS: issue notes

2094. QUESTION: Treasury bill is used for

- A. getting short term loans
- B. getting long term loans
- C. treasury bill is not credit instrument
- D. treasury bill is a govt. tax bill

CORRECT ANSWER IS: getting short term loans

2095. QUESTION: Which statement is true of the relationship between bond prices and bond yields?

- A. they vary inversely
- B. they vary directly
- C. they are not related
- D. they are related in long run and not in the short run

CORRECT ANSWER IS: they vary inversely

2096. QUESTION: When a central bank wants to increase money supply in circulation

- A. purchases govt. securities
- B. lowers bank rate
- C. directs banks to advance more loans
- D. both a and b

CORRECT ANSWER IS: both a and b

2097. QUESTION: It creates credit

- A. central bank
- B. commercial bank
- C. government
- D. stock exchange

CORRECT ANSWER IS: commercial bank

2098. QUESTION: Which is the most widely used tool of monetary policy:

- A. clearing house
- B. open-market operations
- C. discount rate
- D. issuing of notes

CORRECT ANSWER IS: open-market operations

2099. QUESTION: Open market operations is

- A. buying and selling bills of exchange
- B. buying and selling govt. securities
- C. buying and selling shares of companies
- D. buying and selling foreign exchange

CORRECT ANSWER IS: buying and selling govt. securities

2100. QUESTION: Monetary policy has the objective

- A. decrease unemployment rate
- B. decrease tax rate
- C. decrease inflation rate
- D. all of them

CORRECT ANSWER IS: decrease inflation rate

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2101. QUESTION: Credit money is controlled by

- A. government
- B. commercial banks
- C. central bank
- D. market forces

CORRECT ANSWER IS: commercial banks

2102. QUESTION: It creates credit money

- A. central bank
- B. commercial bank
- C. government
- D. stock exchange

CORRECT ANSWER IS: commercial bank

2103. QUESTION: The money called legal tender includes

- A. currency notes and credit cards
- B. currency notes and bank deposits
- C. currency notes and cheque
- D. currency notes and coins

CORRECT ANSWER IS: currency notes and coins

2104. QUESTION: State Bank of Pakistan has department

- A. issue and banking departments
- B. income and expenditure departments
- C. research and loan departments
- D. banking and capital departments

CORRECT ANSWER IS: issue and banking departments

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2105. QUESTION: Every country establishes central bank to

- A. issue notes
- B. supervise to commercial banks
- C. give loans to businessmen
- D. both a and b

CORRECT ANSWER IS: both a and b

2106. QUESTION: It is a monetary measure to increase employment

- A. increase in govt. expenditure
- B. increase govt. saving
- C. increase in interest rate
- D. reducing interest rate

CORRECT ANSWER IS: reducing interest rate

2107. QUESTION: Open market operations refer to

- A. buying and selling bills of exchange
- B. buying and selling govt. securities
- C. buying and selling shares of companies
- D. buying and selling foreign exchange

CORRECT ANSWER IS: buying and selling govt. securities

2108. QUESTION: Central bank's rate of lending to commercial banks is called

- A. interest rate
- B. discount rate
- C. money rate
- D. inflation rate

CORRECT ANSWER IS: discount rate

2109. QUESTION: Every country establishes central bank to

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- A. issue currency
- B. to prepare government budget
- C. to establish commercial banks
- D. all of them

CORRECT ANSWER IS: issue currency

2110. QUESTION: In order to reduce consumer borrowing:

- A. bank deposits' are increased
- B. incomes of govt. employees are reduced
- C. interest rate is increased
- D. foreign exchange rate is reduced

CORRECT ANSWER IS: interest rate is increased

2111. QUESTION: If SLR (statutory liquidity ratio) is 20% and a bank gets a new deposit of 10 million, the total increase in its deposits can rise up to

- A. 20 million
- B. 50 million
- C. 100 million
- D. 200 million

CORRECT ANSWER IS: 50 million

2112. QUESTION: When a central bank wants to increase money supply in the country it

- A. purchases govt. securities
- B. lowers discount rate
- C. lowers cash-deposit ratio
- D. all of them

CORRECT ANSWER IS: all of them

2113. QUESTION: It is not an instrument of monetary policy

- A. change in discount rate
- B. open market operations
- C. change in reserve ratio
- D. issuing currency notes

CORRECT ANSWER IS: issuing currency notes

2114. QUESTION: Which organisation controls the banking system?

- A. central bank
- B. provincial bank
- C. investment bank
- D. world bank

CORRECT ANSWER IS: central bank

2115. QUESTION: State Bank policy of regulating interest rate is called

- A. banking policy
- B. monetary policy
- C. fiscal policy
- D. commercial policy

CORRECT ANSWER IS: monetary policy

2116. QUESTION: Treasury bill is used for

- A. getting short term loans
- B. getting long term loans
- C. collecting govt. taxes
- D. make payments of utility bills

CORRECT ANSWER IS: getting short term loans

2117. QUESTION: State Bank of Pakistan is run by

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- A. board of directors
- B. board of governors
- C. board of managers
- D. board of bankers

CORRECT ANSWER IS: board of directors

2118. QUESTION: All of the following are financial intermediaries except

- A. a commercial bank
- B. a saving and loan association
- C. a department store's credit-card division
- D. a credit union

CORRECT ANSWER IS: a department store's credit-card division

2119. QUESTION: The "too-big-to-fail" doctrine was created to

- A. make it easier for the Treasury to sell bonds
- B. limit losses should a relatively large bank fall
- C. guarantee major loans made by US banks to other countries
- D. provide extra deposit insurance for all nonprofit or charitable banks

CORRECT ANSWER IS: limit losses should a relatively large bank fall

2120. QUESTION: In order to regulate the banking industry there are restrictions on all of the following except

- A. bank capital requirements
- B. the riskiness of bank assets and liabilities
- C. the size of total bank deposits
- D. entry into the banking industry

CORRECT ANSWER IS: the size of total bank deposits

2121. QUESTION: Which of the following is not a financial intermediary?

- A. Federal Deposit Insurance Corporation

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- B. Commercial Bank
- C. Savings and loan
- D. Insurance Company

CORRECT ANSWER IS: Federal Deposit Insurance Corporation

2122. QUESTION: If a nation had only one private monopoly bank

- A. $r = 0$
- B. that bank could create a multiple deposit expansion on its own
- C. the monetary base would only consist of vault cash and deposits at the Fed
- D. it would not be possible to have a multiple deposit expansion if the monetary base increased

CORRECT ANSWER IS: that bank could create a multiple deposit expansion on its own

2123. QUESTION: Which of the following is not a social benefit resulting from financial intermediation?

- A. pooling of risks
- B. shorter term of loans for borrowers
- C. an economical concentration of information
- D. improved liquidity for lenders

CORRECT ANSWER IS: shorter term of loans for borrowers

2124. QUESTION: The required-reserve ratio specifies the ratio of reserves to

- A. currency
- B. vault cash
- C. the total money supply
- D. deposits

CORRECT ANSWER IS: deposits

2125. QUESTION: If the banking system gets \$100 in new reserves from the Fed and the required-reserve ratio is 0.2, then the maximum amount by which total deposits in the economy can increase is

- A. \$1,000

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- B. \$500
- C. \$100
- D. \$80

CORRECT ANSWER IS: \$500

2126. QUESTION: If the banking system obtains \$100,000 in new deposits what will total deposits be after the multiple deposit expansion process if $r = 0.25$?

- A. \$25,000
- B. \$125,000
- C. \$300,000
- D. \$400,000

CORRECT ANSWER IS: \$400,000

2127. QUESTION: The stability of the money supply depends upon all of the following except the

- A. public's desire for currency relative to deposits
- B. ratio of coins to currency in M1
- C. banking systems desire for reserve relative to deposits
- D. monetary base

CORRECT ANSWER IS: ratio of coins to currency in M1

2128. QUESTION: Most of the profits of banks come from

- A. service charges on checking accounts
- B. subsidies from the Federal Reserve
- C. lending at higher interest rates than they pay on deposits
- D. fees charged to customers for transactions and services

CORRECT ANSWER IS: lending at higher interest rates than they pay on deposits

2129. QUESTION: The discount rate is the

- A. reduced interest rate banks give to their largest customers

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- B. interest rate that banks pay on deposits
- C. interest rate that the Fed pays on the deposits of banks
- D. interest rate that the Fed charges on loans to banks

CORRECT ANSWER IS: interest rate that the Fed charges on loans to banks

2130. QUESTION: If the reserve ratio that banks desire to maintain is 0.12, then the deposit multiplier is

- A. 12
- B. 10
- C. 8.3
- D. 0.83

CORRECT ANSWER IS: 8.3

2131. QUESTION: The two ways banks can finance the acquisition of assets are by borrowing and through

- A. owners equity or capital
- B. reductions in required reserves
- C. bank creation of money
- D. grants from the FDIC

CORRECT ANSWER IS: owners equity or capital

2132. QUESTION: Excess reserves at commercial banks are

- A. typically 50% of total deposits
- B. held so the bank can meet cash demands of customers in case of a run
- C. the difference between required reserves and total bank deposits
- D. only a small fraction of total bank reserves

CORRECT ANSWER IS: only a small fraction of total bank reserves

2133. QUESTION: The assets of commercial banks include all of the following except

- A. government bonds
- B. savings account

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- C. loans to firms
- D. vault cash

CORRECT ANSWER IS: savings account

2134. QUESTION: Government deposit insurance cut the link between the ability of a bank to attract deposits and

- A. the money supply
- B. interest rates
- C. the real estate market
- D. bank performance

CORRECT ANSWER IS: bank performance

2135. QUESTION: Excess reserves are

- A. the difference between actual and required reserves
- B. the difference between deposits and reserves
- C. the reciprocal of the deposit multiplier
- D. the reciprocal of the money multiplier

CORRECT ANSWER IS: the difference between actual and required reserves

2136. QUESTION: When commercial banks make loans, they

- A. create demand-deposit liabilities
- B. require borrowers to pay their outstanding debts
- C. assist bank customers in finding funds necessary to consolidate their outstanding debts
- D. exchange good debts for bad debts helping the bank remain profitable

CORRECT ANSWER IS: create demand-deposit liabilities

2137. QUESTION: The benefits to consumers of financial intermediation include

- A. interest-free loans
- B. reduced liquidity
- C. higher monitoring costs

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D. lower risk

CORRECT ANSWER IS: lower risk

2138. QUESTION: A banks reserve include

- A. only vault cash
- B. vault cash and deposits at the Fed
- C. vault cash and loans due within thirty days
- D. only deposits at the Fed

CORRECT ANSWER IS: vault cash and deposits at the Fed

2139. QUESTION: The monetary base includes:

- A. only vault cash
- B. only vault cash plus deposits at the Fed
- C. only vault cash plus currency held by the public
- D. only reserves plus currency held by the public

CORRECT ANSWER IS: only reserves plus currency held by the public

2140. QUESTION: The actual effect of a monetary base expansion on the money supply is

- A. smaller than the deposit multiplier because of required reserves
- B. larger than the deposit multiplier because of required reserves
- C. smaller than the deposit multiplier because of cash leakages
- D. larger than the deposit multiplier because of cash leakages

CORRECT ANSWER IS: smaller than the deposit multiplier because of cash leakages

2141. QUESTION: The multiple deposit expansion process states the maximum amount by which total deposits or money will increase given an increase in new reserves and a value or r , assuming all of the following except

- A. no deposit leakages into cash
- B. banks are less concerned with profits than with making loans
- C. a desire by banks to keep excess reserves equal to zero

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D. a willingness by the public to borrow from banks

CORRECT ANSWER IS: banks are less concerned with profits than with making loans

2142. QUESTION: In their study of the Free Banking Era (1837-63) Rolnick and Weber found

- A. most banks located in remote locations where only the "wildcats lived"
- B. bank failures were common
- C. free banking worker well in New York
- D. nearly two-thirds of such banks could not cover their notes

CORRECT ANSWER IS: free banking worker well in New York

2143. QUESTION: After the collapse of central planning in Russia

- A. state run banks continued to hold their monopoly over banking
- B. the government's inkombank failed
- C. a private banking system had to be created
- D. the new government simply asked foreign banks to manage the ruble

CORRECT ANSWER IS: the government's inkombank failed

2144. QUESTION: A sale of Treasury Bill by the Fed always

- A. increases bank reserves
- B. reduces bank reserves
- C. increases the monetary base
- D. reduces the monetary base

CORRECT ANSWER IS: reduces the monetary base

2145. QUESTION: If the failure of one bank were to start a financial panic and cause a run on banks, this would exemplify

- A. the fact that deposit insurance is unnecessary
- B. irrational behavior by bank depositors
- C. the problem of systemic risk
- D. the need to further deregulate the banking sector

CORRECT ANSWER IS: the problem of systemic risk

2146. QUESTION: The theories, which involve risk, are based upon

- A. certainty
- B. uncertainty
- C. neutrality
- D. preference

CORRECT ANSWER IS: uncertainty

2147. QUESTION: In case of risk aversion the utility curve of a gambler will be a

- A. straight line
- B. increasing at a decreasing rate
- C. decreasing at increasing rate
- D. increasing at an increasing rate

CORRECT ANSWER IS: increasing at a decreasing rate

2148. QUESTION: The _____ measure in a measure of local risk aversion

- A. arrow-part
- B. global
- C. premium
- D. none of them

CORRECT ANSWER IS: arrow-part

2149. QUESTION: The classical and new classical theories of consumption and firm behavior are based upon

- A. certainty
- B. uncertainty
- C. neutrality
- D. preference

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CORRECT ANSWER IS: certainty

2150. QUESTION: In case of risk preference the utility curve of a gambler will be

- A. straight line
- B. increasing at a decreasing rate
- C. decreasing at increasing rate
- D. increasing at an increasing rate

CORRECT ANSWER IS: increasing at an increasing rate

2151. QUESTION: In expected utility function we compare the _____ of each economic decision

- A. risk
- B. assign
- C. possible outcome
- D. none of them

CORRECT ANSWER IS: possible outcome

2152. QUESTION: The expected utility function has been presented by

- A. Von-Neumann and Morgenstern
- B. Von-Neumann
- C. Morgenstern
- D. Classical economists

CORRECT ANSWER IS: Von-Neumann and Morgenstern

2153. QUESTION: In case of risk neutral the utility curve of a gambler will be

- A. straight line
- B. increasing at a decreasing rate
- C. decreasing at increasing rate
- D. increasing at an increasing rate

CORRECT ANSWER IS: straight line

2154. QUESTION: The theory expected utility involves _____ in economic decisions:

- A. risk
- B. assign
- C. possible outcome
- D. none of them

CORRECT ANSWER IS: risk

2155. QUESTION: The general form of expected utility function is

- A. $U = x_1, x_2 ?.$
- B. $U = x_1 + x_2 ?..$
- C. $P_1 U (C_1) + P_2 U (C_2) = ??$
- D. $U = P_1 C_1 + P_2 C_2 + ?..$

CORRECT ANSWER IS: $P_1 U (C_1) + P_2 U (C_2) = ??$

2156. QUESTION: Balance of payments of a country includes

- A. current account
- B. monetary account
- C. capital account
- D. all of them

CORRECT ANSWER IS: all of them

2157. QUESTION: If GNP of Pakistan rises, it will encourage

- A. exports
- B. imports
- C. both
- D. none of them

CORRECT ANSWER IS: both

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2158. QUESTION: Pakistan follows the policy of

- A. fixed
- B. flexible exchange rate
- C. controlled exchange rate
- D. increasing exchange rate

CORRECT ANSWER IS: flexible exchange rate

2159. QUESTION: What would cause a country's exchange rate to fall

- A. an increased demand for its exports
- B. an increased demand for its imports
- C. an increase in flow of capital
- D. none of them

CORRECT ANSWER IS: an increased demand for its imports

2160. QUESTION: Balance of payments of a country includes

- A. balance of trade
- B. capital receipts and payments
- C. savings and investment account
- D. both a and b

CORRECT ANSWER IS: both a and b

2161. QUESTION: A country that does not trade with other countries is called an economy

- A. open
- B. closed
- C. independent
- D. none of them

CORRECT ANSWER IS: closed

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2162. QUESTION: It helps countries to meet deficit in balance of payments

- A. IMF
- B. WTO
- C. World Bank
- D. UNO

CORRECT ANSWER IS: IMF

2163. QUESTION: Which of the following must always balance

- A. balance of visible trade
- B. balance of invisible trade
- C. balance on the current account
- D. balance of payments

CORRECT ANSWER IS: balance of payments

2164. QUESTION: If CDA (Capital Development Authority, Islamabad) gets a loan from World Bank for roads, it will be recorded in the balance of payments in section

- A. capital account
- B. invisible balance
- C. visible balance
- D. official financing

CORRECT ANSWER IS: capital account

2165. QUESTION: Final balance of payments of a country is

- A. always balanced
- B. always deficit
- C. always surplus
- D. fluctuates

CORRECT ANSWER IS: always balanced

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2166. QUESTION: If Japanese import more goods from Pakistan (other things remain same)

- A. our balance of payments will improve
- B. Japan's BOP will deteriorate
- C. our BOP will deteriorate
- D. both a and b

CORRECT ANSWER IS: both a and b

2167. QUESTION: The balance of payments of country means

- A. balance in income and expenditure of govt
- B. balance in demand and supply of money
- C. balance in export and import earnings
- D. the annual account of foreign trade

CORRECT ANSWER IS: the annual account of foreign trade

2168. QUESTION: What will be expected result if the value of rupee falls against dollar?

- A. the price of Pakistan goods in USA will rise
- B. the price of Pakistan goods in Pakistan will fall
- C. the price of American goods in USA will fall
- D. the price of American goods in Pakistan will fall

CORRECT ANSWER IS: the price of American goods in Pakistan will fall

2169. QUESTION: Which of the following must always balance

- A. balance of visible trade
- B. balance of invisible trade
- C. balance on the current account
- D. balance of payments

CORRECT ANSWER IS: balance of payments

2170. QUESTION: Balance of payments of a country has parts

- A. 2
- B. 3
- C. 4
- D. 5

CORRECT ANSWER IS: 3

2171. QUESTION: Invisible items of balance of payments include

- A. foreign remittances
- B. income from tourists
- C. interest charges
- D. all of them

CORRECT ANSWER IS: all of them

2172. QUESTION: Pakistan's exports are part of our GDP

- A. 5%
- B. 15%
- C. 25%
- D. 35%

CORRECT ANSWER IS: 15%

2173. QUESTION: If Toyota Company, establishes a factory in Pakistan, this will be recorded in balance of payments in the section

- A. capital account
- B. visible balance
- C. invisible balance
- D. official financing

CORRECT ANSWER IS: capital account

2174. QUESTION: Which of the following compares the average price of exports to average price of imports?

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- A. the balance of payments
- B. the balance of trade
- C. the exchange rate
- D. the terms of trade

CORRECT ANSWER IS: the terms of trade

2175. QUESTION: Exchange rate for currencies is determined by supply and demand in system of

- A. fixed exchange rate
- B. flexible
- C. constant
- D. govt. regulated

CORRECT ANSWER IS: flexible

2176. QUESTION: IMF represents

- A. International Monetary Fund
- B. International Money Flow
- C. International Money Forum
- D. International Monetary Finance

CORRECT ANSWER IS: International Monetary Fund

2177. QUESTION: Visible goods are recorded in this part of balance of payments account

- A. current account
- B. capital account
- C. govt. account
- D. official account

CORRECT ANSWER IS: current account

2178. QUESTION: The balance of payments account of a country includes

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- A. official transfer of foreign exchange
- B. smuggling transactions
- C. loans and aid
- D. both a and c

CORRECT ANSWER IS: both a and c

2179. QUESTION: IMF has given loan to Pakistan. It will improve Pakistan's

- A. current account
- B. capital account
- C. overall balance of payments
- D. both b and c

CORRECT ANSWER IS: both b and c

2180. QUESTION: Flexible exchange rate system has the advantage

- A. automatic adjustment of balance of payments
- B. easy to borrow from world bank
- C. encourage exports
- D. none of them

CORRECT ANSWER IS: automatic adjustment of balance of payments

2181. QUESTION: Visible exports include

- A. remittance
- B. computer hardware
- C. computer software
- D. transport cost

CORRECT ANSWER IS: computer hardware

2182. QUESTION: Foreign exchange receives increase if

- A. govt. increases taxes

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- B. exports increase imports remain the same
- C. imports increase exports remain the same
- D. both a and b

CORRECT ANSWER IS: exports increase imports remain the same

2183. QUESTION: IMF gives loans

- A. to fill gap in balance of payments
- B. to fill gap in government budget
- C. to decrease inflation
- D. to increase employment opportunities

CORRECT ANSWER IS: to fill gap in balance of payments

2184. QUESTION: Fixed exchange rate system has the advantage

- A. automatic adjustment of balance of payments
- B. increases govt. control over foreign trade
- C. discourages unnecessary speculation about future trade deals
- D. both b and c

CORRECT ANSWER IS: both b and c

2185. QUESTION: Visible imports include

- A. remittance
- B. machinery
- C. computer software
- D. transport cost

CORRECT ANSWER IS: machinery

2186. QUESTION: The receipts and payments for goods exported and imported are counted in

- A. trade account
- B. capital account

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- C. current account
- D. monetary account

CORRECT ANSWER IS: trade account

2187. QUESTION: If CDA (Capital Development Authority, Islamabad) gets a loan from World Bank for roads, it will be recorded in the balance of payments in section

- A. capital account
- B. visible balance
- C. invisible balance
- D. official financing

CORRECT ANSWER IS: capital account

2188. QUESTION: Export of goods is called trade in

- A. visible goods
- B. invisible goods
- C. basic goods
- D. real goods

CORRECT ANSWER IS: visible goods

2189. QUESTION: If balance of payments of country is in deficit, then

- A. current account will be in deficit
- B. country can increase money supply to meet deficit
- C. the country can borrow from abroad
- D. both a and c

CORRECT ANSWER IS: both a and c

2190. QUESTION: Export of services is called trade in

- A. visible goods
- B. invisible goods

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- C. basic goods
- D. non-real goods

CORRECT ANSWER IS: invisible goods

2191. QUESTION: The contribution of industry in our GDP is

- A. 9%
- B. 19%
- C. 29%
- D. 39%

CORRECT ANSWER IS: 19%

2192. QUESTION: Life expectancy in Pakistan is (in years)

- A. 46
- B. 56
- C. 66
- D. 76

CORRECT ANSWER IS: 66

2193. QUESTION: Environment includes

- A. ecosystems
- B. wildlife
- C. forests
- D. all of them

CORRECT ANSWER IS: all of them

2194. QUESTION: Expenditure on health as percentage of GDP is

- A. less than 4%
- B. more than 4 but less than 8%
- C. more than 8%

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D. more than 12%

CORRECT ANSWER IS: less than 4%

2195. QUESTION: People do not care for environment problems because of

- A. lack of education
- B. fear of taxes
- C. poverty
- D. both a and c

CORRECT ANSWER IS: both a and c

2196. QUESTION: The percentage of our labor force working in agriculture is

- A. 14%
- B. 24%
- C. 34%
- D. 44%

CORRECT ANSWER IS: 44%

2197. QUESTION: Public spending on health is

- A. less than 1%
- B. more than 1 but less than 2%
- C. more than 2 but less than 3%
- D. more than 3

CORRECT ANSWER IS: less than 1%

2198. QUESTION: Environment deterioration is occurring because of

- A. lack of education
- B. population pressure
- C. under utilization of natural resources
- D. both a and b

CORRECT ANSWER IS: both a and b

2199. QUESTION: Many people do not send their children to schools because of

- A. their own illiteracy
- B. harsh teachers
- C. poverty
- D. all of them

CORRECT ANSWER IS: all of them

2200. QUESTION: There are stock exchanges in Pakistan

- A. 2
- B. 3
- C. 4
- D. 5

CORRECT ANSWER IS: 3

2201. QUESTION: The government spends on education percentage of GDP

- A. 2.5
- B. 5.5
- C. 8.5
- D. 11.5

CORRECT ANSWER IS: 2.5

2202. QUESTION: Infant mortality rate in Pakistan is

- A. 45
- B. 65
- C. 85
- D. 105

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CORRECT ANSWER IS: 65

2203. QUESTION: Forests in Pakistan are decreasing because

- A. population pressure
- B. poor conservation planning
- C. climatic changes
- D. all of them

CORRECT ANSWER IS: all of them

2204. QUESTION: Private sector participation is expanding in

- A. education
- B. health
- C. environment
- D. both a and b

CORRECT ANSWER IS: both a and b

2205. QUESTION: Literacy rate is lower in

- A. males
- B. females
- C. urban areas
- D. both b and c

CORRECT ANSWER IS: females

2206. QUESTION: The lower literacy rate in females is due to

- A. lack of access to education institutions
- B. parallel ignorance
- C. discriminatory social norms
- D. all of them

CORRECT ANSWER IS: all of them

2207. QUESTION: Life expectancy in Pakistan is

- A. less than 60 years
- B. between 60 and 70 years
- C. between 70 and 80 years
- D. more than 80 years

CORRECT ANSWER IS: between 60 and 70 years

2208. QUESTION: Forest cover in Pakistan is

- A. 2%
- B. 4%
- C. 6%
- D. 8%

CORRECT ANSWER IS: 4%

2209. QUESTION: Nationalization of banks was done in

- A. 1974
- B. 1976
- C. 1978
- D. 1980

CORRECT ANSWER IS: 1974

2210. QUESTION: First Women Bank is

- A. private bank
- B. government bank
- C. non-scheduled bank
- D. investment bank

CORRECT ANSWER IS: government bank

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2211. QUESTION: When the State Bank wants to decrease money supply in the country, it

- A. buys govt. securities in stock market
- B. sells govt. securities
- C. lowers discount rate
- D. both b and c

CORRECT ANSWER IS: both b and c

2212. QUESTION: It is not an instrument of monetary policy

- A. bank rate
- B. open market operations
- C. change in reserve ratio
- D. issue notes

CORRECT ANSWER IS: issue notes

2213. QUESTION: National Bank of Pakistan is

- A. industrial bank
- B. commercial bank
- C. central bank
- D. investment bank

CORRECT ANSWER IS: commercial bank

2214. QUESTION: Bank rate in Pakistan is

- A. 3%
- B. 13%
- C. 23%
- D. 33%

CORRECT ANSWER IS: 13%

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2215. QUESTION: Monetary policy consists of

- A. decreasing taxes
- B. changing total money supply
- C. checking commercial banks
- D. printing of money

CORRECT ANSWER IS: changing total money supply

2216. QUESTION: It creates credit

- A. central bank
- B. commercial bank
- C. government
- D. stock exchange

CORRECT ANSWER IS: commercial bank

2217. QUESTION: Total number of branches of Pakistan banks is approximately

- A. 3000
- B. 9000
- C. 15000
- D. 21500

CORRECT ANSWER IS: 9000

2218. QUESTION: State Bank was established in

- A. 1948
- B. 1950
- C. 1952
- D. 1954

CORRECT ANSWER IS: 1948

2219. QUESTION: State Bank of Pakistan has departments

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- A. issue and banking department
- B. issue and research department
- C. banking and research department
- D. issue, research and banking department

CORRECT ANSWER IS: issue, research and banking department

2220. QUESTION: Which is a monetary measure to increase employment

- A. increase in govt. expenditure
- B. reduce govt. expenditure
- C. increase in interest rate
- D. reducing interest rate

CORRECT ANSWER IS: reducing interest rate

2221. QUESTION: National Bank of Pakistan was established in

- A. 1949
- B. 1959
- C. 1969
- D. 1970

CORRECT ANSWER IS: 1949

2222. QUESTION: 10-rupee note is issued by

- A. National Bank
- B. State Bank
- C. Govt. of Pakistan
- D. Governor State Bank

CORRECT ANSWER IS: State Bank

2223. QUESTION: Central bank's rate of lending to commercial banks is called

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- A. interest rate
- B. discount rate
- C. money rate
- D. control rate

CORRECT ANSWER IS: discount rate

2224. QUESTION: In order to reduce consumer borrowing this is raised

- A. commercial bank deposits
- B. government spending
- C. interest rate
- D. the exchange rate

CORRECT ANSWER IS: interest rate

2225. QUESTION: The bank established for loans to very small enterprises is called

- A. Micro Finance Bank
- B. Modarba Bank
- C. SME Bank
- D. First Mini Bank

CORRECT ANSWER IS: Micro Finance Bank

2226. QUESTION: Acting as lender of last resort, a central bank lends to

- A. money markets
- B. stock exchange
- C. commercial banks
- D. does not lend

CORRECT ANSWER IS: commercial banks

2227. QUESTION: When a central bank wants to increase money supply in circulation

- A. purchases govt. securities

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- B. lowers bank rate
- C. directs banks to advance more loans
- D. both a and b

CORRECT ANSWER IS: both a and b

2228. QUESTION: Treasury bill is used for

- A. getting short term loans
- B. getting long term loans
- C. treasury bill is not credit instrument
- D. treasury bill is a govt. tax bill

CORRECT ANSWER IS: getting short term loans

2229. QUESTION: Pakistan has a banking system

- A. developed
- B. underdeveloped
- C. very organized
- D. both a and c

CORRECT ANSWER IS: developed

2230. QUESTION: Which statement is true of the relationship between bond prices and bond yields?

- A. they are inversely
- B. they tool vary directly
- C. they are not related
- D. they are related in long run and not in the short run

CORRECT ANSWER IS: they are inversely

2231. QUESTION: State Bank of Pakistan is run by

- A. board of governors
- B. board of managers

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- C. board of advisors
- D. board of directors

CORRECT ANSWER IS: board of directors

2232. QUESTION: Out of the following the only recognized legal tender is

- A. cheque
- B. bank notes
- C. draft
- D. credit card

CORRECT ANSWER IS: bank notes

2233. QUESTION: Commercial banks in Pakistan are supervised by

- A. State Bank
- B. National Bank
- C. Finance Minister
- D. World Bank

CORRECT ANSWER IS: State Bank

2234. QUESTION: Which is the most widely use of monetary policy:

- A. clearing house
- B. open-market operations
- C. discount rate
- D. issuing of notes

CORRECT ANSWER IS: open-market operations

2235. QUESTION: Credit money is controlled by

- A. government
- B. commercial banks
- C. central bank

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D. markets

CORRECT ANSWER IS: central bank

2236. QUESTION: Open Market Operation is

- A. buying and selling bills of exchange
- B. buying and selling govt. securities
- C. buying and selling shares of companies
- D. buying and selling foreign exchange

CORRECT ANSWER IS: buying and selling govt. securities

2237. QUESTION: Every country established central bank to

- A. issue notes
- B. supervise commercial banks
- C. give loans to businessmen
- D. both a and b

CORRECT ANSWER IS: both a and b

2238. QUESTION: National Bank is a

- A. public sector bank
- B. private bank
- C. micro finance bank
- D. specialized bank

CORRECT ANSWER IS: public sector bank

2239. QUESTION: Tax is a payment

- A. compulsory
- B. voluntary
- C. unnecessary
- D. temporary

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CORRECT ANSWER IS: compulsory

2240. QUESTION: The non-Muslims pay Zakat

- A. at a higher rate than Muslims
- B. at a lower rate than Muslims
- C. at the same rate
- D. do not pay zakat

CORRECT ANSWER IS: do not pay zakat

2241. QUESTION: Pakistan's public debt is

- A. larger than GNP
- B. approximately equal to GNP
- C. smaller than GNP
- D. smaller than our exports

CORRECT ANSWER IS: smaller than GNP

2242. QUESTION: Which is true?

- A. federal government has the right to collect taxes
- B. provincial government has the right to collect taxes
- C. local government has the right to collect taxes
- D. all of them

CORRECT ANSWER IS: all of them

2243. QUESTION: The main source of revenue of federal government is

- A. property taxes
- B. token tax
- C. custom duties
- D. sales tax

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CORRECT ANSWER IS: sales tax

2244. QUESTION: To control inflation the government should increase

- A. budget deficit
- B. consumer spending
- C. income tax
- D. pensions

CORRECT ANSWER IS: income tax

2245. QUESTION: Pakistan's fiscal year starts from:

- A. 1st September
- B. 1st April
- C. 1st January
- D. 1st July

CORRECT ANSWER IS: 1st July

2246. QUESTION: The most important body to collect taxes in Pakistan is

- A. district govt.
- B. State Bank
- C. Ministry of Finance
- D. FBR

CORRECT ANSWER IS: FBR

2247. QUESTION: Rate of General Sales Tax (GST) is:

- A. less than 10%
- B. more than 10% but less than 20%
- C. more than 20% but less than 30%
- D. more than 30%

CORRECT ANSWER IS: more than 10% but less than 20%

2248. QUESTION: In Pakistan government budget is prepared by

- A. National assembly
- B. President of Pakistan
- C. Ministry of Finance
- D. State Bank of Pakistan

CORRECT ANSWER IS: Ministry of Finance

2249. QUESTION: In past decades Pakistan increased its GDP, yet living standard of majority has not risen. The most important cause of this situation is

- A. increased govt. expenditure
- B. increased imports
- C. increased education
- D. increased population

CORRECT ANSWER IS: increased population

2250. QUESTION: The Federal budget is presented in the parliament by

- A. prime minister
- B. president
- C. Finance Minister
- D. commerce minister

CORRECT ANSWER IS: Finance Minister

2251. QUESTION: According to total amount collected the taxes fall in this order

- A. custom, excise, sales
- B. sales, custom, excise
- C. custom, sales, excise
- D. excise, sales, custom

CORRECT ANSWER IS: sales, custom, excise

2252. QUESTION: In Pakistan, Income tax is

- A. progressive tax
- B. proportional
- C. direct
- D. both a and c

CORRECT ANSWER IS: both a and c

2253. QUESTION: Which of the following should not be the aim of a government

- A. economic growth
- B. full employment
- C. inequality of incomes
- D. price stability

CORRECT ANSWER IS: inequality of incomes

2254. QUESTION: Pakistan's budget has parts

- A. current and development
- B. revenue and expenditure
- C. development and non-development
- D. both a and b

CORRECT ANSWER IS: both a and b

2255. QUESTION: According to total amount collected the taxes fall in this order

- A. custom, sales tax, income tax
- B. custom, income tax, sales tax
- C. income tax, custom, sales tax
- D. sales tax, custom, excise

CORRECT ANSWER IS: sales tax, custom, excise

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2256. QUESTION: 40% of income of federal government is obtained from

- A. income tax
- B. excise tax
- C. import tax
- D. property tax

CORRECT ANSWER IS: income tax

2257. QUESTION: The budget estimate prepared by ministry of finance is finally approved by

- A. State Bank
- B. president
- C. senate
- D. National Assembly

CORRECT ANSWER IS: National Assembly

2258. QUESTION: Which of the following would cause incomes to become more unequal:

- A. increased employment
- B. increased unemployment allowance
- C. more progressive taxes
- D. more regressive taxes

CORRECT ANSWER IS: more regressive taxes

2259. QUESTION: Federal government tax revenue collection includes:

- A. divisible taxes with provinces
- B. divisible taxes with district government
- C. non-tax revenue
- D. all of them

CORRECT ANSWER IS: divisible taxes with provinces

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2260. QUESTION: Which is true about amount of taxes collected in Pakistan:

- A. direct taxes are more than indirect taxes
- B. indirect taxes are more than direct taxes
- C. provincial taxes are more than federal
- D. provincial govt. Share taxes with federal govt.

CORRECT ANSWER IS: indirect taxes are more than direct taxes

2261. QUESTION: Pakistan's expenditure on defense is

- A. 10% of federal budget
- B. more than 10% but less than 25%
- C. more than 25% but less than 30%
- D. more than 30%

CORRECT ANSWER IS: more than 10% but less than 25%

2262. QUESTION: Federal govt. budget estimate for 2010-11 is

- A. 2800 million
- B. 2800 billion
- C. 2800 trillion
- D. bigger than 2800 trillion

CORRECT ANSWER IS: 2800 billion

2263. QUESTION: What is the benefit of tariffs:

- A. increased choice
- B. increased government revenue
- C. more competition
- D. more trade

CORRECT ANSWER IS: increased government revenue

2264. QUESTION: Which is true?

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- A. Federal government collects taxes and shares with provinces
- B. provincial government collects taxes and shares with federal government
- C. federal government collects taxes and shares with local government
- D. local government collects taxes and shares with federal government

CORRECT ANSWER IS: Federal government collects taxes and shares with provinces

2265. QUESTION: Exemption limit for income tax in Pakistan is

- A. 10 lacs
- B. 5 lacs
- C. 3 lacs
- D. 1 lac

CORRECT ANSWER IS: 3 lacs

2266. QUESTION: Government of Pakistan can increase its resources by

- A. taxing people
- B. printing new notes
- C. borrowing
- D. all of them

CORRECT ANSWER IS: all of them

2267. QUESTION: Pakistan's exports mainly consists of products

- A. semi-manufactured and manufactured goods
- B. primary goods
- C. manufactured goods
- D. food products

CORRECT ANSWER IS: semi-manufactured and manufactured goods

2268. QUESTION: Import of petroleum makes up Pakistan's total import bill

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- A. 15%
- B. 25%
- C. 35%
- D. 45%

CORRECT ANSWER IS: 25%

2269. QUESTION: Pakistan's

- A. exports are increasing
- B. imports are increasing
- C. exports and imports are increasing
- D. all of them

CORRECT ANSWER IS: all of them

2270. QUESTION: To facilitate foreign trade, Pakistan has established in different cities

- A. inland point
- B. regional ports
- C. dry ports
- D. private ports

CORRECT ANSWER IS: dry ports

2271. QUESTION: Pakistan's exports mainly consists of products

- A. semi-manufactured
- B. machinery
- C. minerals
- D. services

CORRECT ANSWER IS: semi-manufactured

2272. QUESTION: The largest item of Pakistan's exports is

- A. cotton

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- B. rice
- C. cotton yarn
- D. ready made garments

CORRECT ANSWER IS: ready made garments

2273. QUESTION: In Pakistan's foreign trade:

- A. exports are equal to imports
- B. exports are greater than imports
- C. exports are less than imports
- D. imports are three times of exports

CORRECT ANSWER IS: exports are less than imports

2274. QUESTION: The balance of payments account of Pakistan is prepared by

- A. government of Pakistan
- B. National Bank of Pakistan
- C. State Bank of Pakistan
- D. none of them

CORRECT ANSWER IS: State Bank of Pakistan

2275. QUESTION: The largest item in our import list is

- A. consumer goods
- B. machinery
- C. petroleum
- D. computers

CORRECT ANSWER IS: petroleum

2276. QUESTION: Largest share of Pakistan's exports go to

- A. China
- B. Japan

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- C. England
- D. USA

CORRECT ANSWER IS: USA

2277. QUESTION: Since 2005, custom duties have been reduced because of international agreement under

- A. WTO
- B. IMF
- C. World Bank
- D. both a and b

CORRECT ANSWER IS: WTO

2278. QUESTION: Pakistan exports these goods

- A. ready-made garments, computers, rice
- B. rice, leather products, tractors
- C. cotton, yarn, fish, rice
- D. ready-made garments, edible oil, rice

CORRECT ANSWER IS: cotton, yarn, fish, rice

2279. QUESTION: Select the correct statement:

- A. Pakistan's largest item of import is machinery
- B. Pakistan's exports mainly consist of low-value goods
- C. direction of trade means what goods are being exported
- D. imports must be reduced as far as possible

CORRECT ANSWER IS: Pakistan's exports mainly consist of low-value goods

2280. QUESTION: Pakistan's share in the world for cotton textiles is

- A. less than 3%
- B. 10%
- C. 20%

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D. 30%

CORRECT ANSWER IS: less than 3%

2281. QUESTION: Pakistan's exports mainly go to

- A. China
- B. Japan
- C. Saudi Arabia
- D. USA

CORRECT ANSWER IS: USA

2282. QUESTION: Pakistan imports these goods

- A. machinery, tea, fish
- B. machinery, petroleum, fish
- C. tea, fish, fertilizer
- D. machinery, oil, fertilizer

CORRECT ANSWER IS: machinery, oil, fertilizer

2283. QUESTION: Commercial policy means

- A. policy about markets
- B. policy about money supply
- C. policy about imports and exports
- D. policy for controlling of prices of goods

CORRECT ANSWER IS: policy about imports and exports

2284. QUESTION: In capitalism there is sovereignty of

- A. producer
- B. consumer
- C. government
- D. businessmen

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CORRECT ANSWER IS: consumer

2285. QUESTION: In working of markets the Islamic system is nearer to

- A. capitalism
- B. socialism
- C. mixed economy
- D. none of them

CORRECT ANSWER IS: mixed economy

2286. QUESTION: Capitalism is defined as an economic system where there is

- A. a lack of planning
- B. a reliance over free market
- C. private ownership of property
- D. all of them

CORRECT ANSWER IS: all of them

2287. QUESTION: Basic principle of Islamic economic system is

- A. equality
- B. justice
- C. high profit
- D. less consumption

CORRECT ANSWER IS: justice

2288. QUESTION: Which is the basic economic problem which is common in all economic systems?

- A. allocation of scarce resources
- B. elimination of inflation
- C. to increase exports
- D. to reduce taxation

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CORRECT ANSWER IS: allocation of scarce resources

2289. QUESTION: Pakistan having a

- A. mixed economy
- B. capitalistic economy
- C. socialistic economy
- D. Islamic economy

CORRECT ANSWER IS: Islamic economy

2290. QUESTION: In capitalistic system, prices of goods are determined by

- A. sellers
- B. buyers
- C. government
- D. forces of demand and supply

CORRECT ANSWER IS: forces of demand and supply

2291. QUESTION: In a country, like Pakistan

- A. all economic decisions are made through markets
- B. there is no planning
- C. govt. owns most of the means of production
- D. there is reliance on market

CORRECT ANSWER IS: there is reliance on market

2292. QUESTION: In socialistic system, prices of goods are determined by

- A. sellers
- B. buyers
- C. government
- D. forces of demand and supply

CORRECT ANSWER IS: forces of demand and supply

2293. QUESTION: In Islamic economic system

- A. all economic decisions are made through markets
- B. there is no planning
- C. govt. owns most of the means of production
- D. there is reliance on market

CORRECT ANSWER IS: there is reliance on market

2294. QUESTION: The economy of Brazil is mostly dependent on

- A. tea
- B. coffee
- C. tobacco
- D. sugar

CORRECT ANSWER IS: coffee

2295. QUESTION: Devaluation means

- A. change in the currency of a country
- B. decrease in the value of gold
- C. decrease in the value of money in terms of foreign currency
- D. decrease in the value of money internally

CORRECT ANSWER IS: decrease in the value of money in terms of foreign currency

2296. QUESTION: The largest automobile manufacturing center in the world is at

- A. Birmingham
- B. Detroit
- C. Paris
- D. Tokyo

CORRECT ANSWER IS: Detroit

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2297. QUESTION: Banks charge higher rate of interest on the score of

- A. risk involved
- B. purpose of loan
- C. nature of goods
- D. type of customer

CORRECT ANSWER IS: risk involved

2298. QUESTION: Who among the following is a famous economist?

- A. Henry Francis Carry
- B. Gunnar Myrdal
- C. Max Muller
- D. Macaulay

CORRECT ANSWER IS: Gunnar Myrdal

2299. QUESTION: Where is the headquarters of the European Economic Community?

- A. London
- B. Vatican City
- C. Berlin
- D. Brussels

CORRECT ANSWER IS: Brussels

2300. QUESTION: What is the complete name of the World Bank?

- A. International Finance Corporation
- B. International Bank for Reconstruction and Development
- C. International Monetary Fund
- D. International Development Authority

CORRECT ANSWER IS: International Bank for Reconstruction and Development

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2301. QUESTION: The theory of 'surplus value' is associated with

- A. communism
- B. guild socialism
- C. socialism
- D. Fabian socialism

CORRECT ANSWER IS: guild socialism

2302. QUESTION: Economics is

- A. creating maximum production
- B. producing buying and selling for maximum profit
- C. producing good at minimum cost
- D. the science of planning and arranging the production, distribution and consumption of goods and services for the material welfare of mankind

CORRECT ANSWER IS: the science of planning and arranging the production, distribution and consumption of goods and services for the material welfare of mankind

2303. QUESTION: What is the main function of money?

- A. to buy eatables from the market
- B. to serve as a medium of exchange
- C. to earn interest from a bank
- D. to buy luxurious goods

CORRECT ANSWER IS: to serve as a medium of exchange

2304. QUESTION: The first railway line in India was laid between

- A. Calcutta and Madras
- B. Bombay and Madras
- C. Calcutta and Ranchi
- D. Bombay and Thane

CORRECT ANSWER IS: Bombay and Thane

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2305. QUESTION: With which activity is the Wall street in New York, U.S.A. associated?

- A. banking and finance
- B. literacy arts
- C. defense
- D. films

CORRECT ANSWER IS: banking and finance

2306. QUESTION: Which of the following would be a 'fixed cost' to a manufacturing firm?

- A. wages
- B. raw material
- C. replacement of loan
- D. machinery and plant

CORRECT ANSWER IS: machinery and plant

2307. QUESTION: Supply usually lags behind in the case of

- A. personal service
- B. entertainment
- C. luxuries
- D. food

CORRECT ANSWER IS: luxuries

2308. QUESTION: The price of a commodity is fixed

- A. by demand and supply of a commodity
- B. by the government
- C. by supply of a commodity
- D. by demand of a commodity

CORRECT ANSWER IS: by demand and supply of a commodity

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2309. QUESTION: The National Rural Employment Programme focuses particularly on

- A. beautification of rural areas
- B. creation of community assets
- C. famine relief
- D. reduction of unemployment

CORRECT ANSWER IS: reduction of unemployment

2310. QUESTION: Changes in the standard of living of the people in a country are indicated best by changes in the

- A. per capita income
- B. wholesale price index
- C. cost of living index
- D. index of industrial productivity

CORRECT ANSWER IS: per capita income

2311. QUESTION: Which of the following is a non-economic activity?

- A. sweeper cleaning the streets
- B. mother tending her sick child
- C. danseuse performing at a theatre
- D. professor instructing his students

CORRECT ANSWER IS: mother tending her sick child

2312. QUESTION: The entrepreneur

- A. benefits at the expense of the other people
- B. formulates the policy
- C. organizes and takes all responsibility for the business bearing the risks in entails
- D. provides the capital for the business

CORRECT ANSWER IS: organizes and takes all responsibility for the business bearing the risks in entails

2313. QUESTION: The sum of money paid on shares to shareholder by a public limited company out of its profits is called

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- A. annuity
- B. bonus
- C. interest
- D. dividend

CORRECT ANSWER IS: bonus

2314. QUESTION: What is the currency of Myanmar?

- A. Pound
- B. Takka
- C. Kyat
- D. Rupee

CORRECT ANSWER IS: Kyat

2315. QUESTION: Which of the following is the currency of Nepal?

- A. Franc
- B. Peso
- C. Sikka
- D. Taka

CORRECT ANSWER IS: Peso

2316. QUESTION: When prices are rising, one of the ways of bringing about reduction in prices would be to

- A. increase the availability of goods
- B. reduce the rate of personal income tax
- C. lower interest rate
- D. increase government spending

CORRECT ANSWER IS: increase the availability of goods

2317. QUESTION: The Law of Diminishing Returns applies to

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- A. merchandising
- B. production
- C. land
- D. capital

CORRECT ANSWER IS: production

2318. QUESTION: The worker's real wage depends on

- A. his gone earnings
- B. his ability to increase production
- C. his ability to save
- D. the purchasing power of his earnings

CORRECT ANSWER IS: the purchasing power of his earnings

2319. QUESTION: What is the currency of Bangladesh?

- A. Dinar
- B. Takka
- C. Rial
- D. Rupee

CORRECT ANSWER IS:

2320. QUESTION: The law of demand states that other things being equal there is

- A. an inverse relationship between the quantity demanded and income of the consumer
- B. a positive relationship between the quantity demanded and its price
- C. an inverse relationship between the rate of change in the quantity demand and the price of the commodity
- D. an inverse relationship between the quantity demanded and its average cost of production

CORRECT ANSWER IS: an inverse relationship between the rate of change in the quantity demand and the price of the commodity

2321. QUESTION: The currency of Bangladesh is the

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- A. Rial
- B. Takka
- C. Rupee
- D. Rupiah

CORRECT ANSWER IS: Takka

2322. QUESTION: The cause of high inflation is

- A. high prices
- B. black-market
- C. shortage of goods
- D. poor quality of goods

CORRECT ANSWER IS: high prices

2323. QUESTION: In Poland the demand of 'Solidarity' is for

- A. holding of price level for common people
- B. right to make trade unions
- C. religious freedom
- D. none of them

CORRECT ANSWER IS: holding of price level for common people

2324. QUESTION: Elasticity of Demand explains the relationship between

- A. price of substitutes arid quantity demanded
- B. utility of the commodity and quantity demanded
- C. income and quantity demanded
- D. price of a commodity and quantity demanded

CORRECT ANSWER IS: price of a commodity and quantity demanded

2325. QUESTION: When did the International Monetary Fund (IMF) begin its operations?

- A. 1945

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- B. 1946
- C. 1947
- D. 1948

CORRECT ANSWER IS: 1946

2326. QUESTION: What was the total number of member countries of the Colombo Plan for Co-operative Economic Development in South and South-East Asia which was set up in 1950?

- A. seven
- B. fifteen
- C. twenty
- D. twenty six

CORRECT ANSWER IS: twenty six

2327. QUESTION: An affiliate of the World Bank, the International Development Association (IDA) was set up in

- A. 1950
- B. 1956
- C. 1960
- D. 1962

CORRECT ANSWER IS: 1960

2328. QUESTION: The headquarters of the World Health Organisation are located at

- A. Paris
- B. London
- C. Geneva
- D. New York

CORRECT ANSWER IS: Geneva

2329. QUESTION: Where are the headquarters of the United Nations Industrial Development Organisation (UNIDO)?

- A. Vienna

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- A. Geneva
- C. Ottawa
- D. Washington, DC

CORRECT ANSWER IS: Vienna

2330. QUESTION: The European Free Trade Association (EFTA) was formed on the pattern of the EEC as a result of the convention signed by some countries of Europe at Stockholm. When was it formed?

- A. 1959
- B. 1960
- C. 1961
- D. 1962

CORRECT ANSWER IS: 1960

2331. QUESTION: What is the present total number of members of the IMF?

- A. 135
- B. 142
- C. 148
- D. 155

CORRECT ANSWER IS: 155

2332. QUESTION: One of the following countries was not a member country of the Colombo Plan. Identify it

- A. India
- B. Iran
- C. USA
- D. France

CORRECT ANSWER IS: France

2333. QUESTION: Where are the headquarters of the IDA?

- A. Washington. DC

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- A. London
- B. Geneva
- C. New York

CORRECT ANSWER IS: Washington. DC

2334. QUESTION: When was the World Health Organisation (WHO) set up?

- A. 1945
- B. 1946
- C. 1947
- D. 1948

CORRECT ANSWER IS: 1948

2335. QUESTION: When was the Organisation of Economic Corporation and Development (OECD) formed?

- A. 1948
- B. 1953
- C. 1958
- D. 1961

CORRECT ANSWER IS: 1961

2336. QUESTION: When was the United Nations Environment Programme launched?

- A. 1970
- B. 1971
- C. 1973
- D. 1972

CORRECT ANSWER IS: 1972

2337. QUESTION: Where are the headquarters of the IMF?

- A. Paris
- B. Geneva

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- C. New York
- D. Washington, DC

CORRECT ANSWER IS: Washington, DC

2338. QUESTION: In which month of 1945 was the Food and Agriculture Organisation (FAO) set up?

- A. August
- B. September
- C. October
- D. November

CORRECT ANSWER IS: October

2339. QUESTION: The IDA gives development credits to the developing countries for a period of at least

- A. 10 years
- B. 15 years
- C. 20 years
- D. 25 years

CORRECT ANSWER IS: 15 years

2340. QUESTION: Where are the headquarters of the United Nations Fund for Population Activities located?

- A. Geneva
- B. New York
- C. London
- D. Paris

CORRECT ANSWER IS: New York

2341. QUESTION: The headquarters of OECD are located at:

- A. Paris
- B. Vienna
- C. Brussels

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D. New York

CORRECT ANSWER IS: Paris

2342. QUESTION: Which of the following organisations has its headquarters at Nairobi?

- A. United Nations Development Programme
- B. United Nations Environment Programme
- C. Organisation of African Unity
- D. Universal Postal Union

CORRECT ANSWER IS: United Nations Environment Programme

2343. QUESTION: What rate of interest does the IMF charge for providing additional concessional balance of payments assistance, under the structural adjustment facility, to low income countries?

- A. 2%
- B. 1.50%
- C. 1%
- D. 0.50%

CORRECT ANSWER IS: 0.50%

2344. QUESTION: In 1951 the FAO was transferred from its temporary headquarters in Washington DC to

- A. Rome
- B. New York
- C. Ottawa
- D. Geneva

CORRECT ANSWER IS: Rome

2345. QUESTION: How many lending nations formed the 'Aid India Club' to help India out of her foreign exchange difficulties?

- A. 14
- B. 12

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- C. 10
- D. 8

CORRECT ANSWER IS: 12

2346. QUESTION: When was the United Nations Fund for Population Activities set up?

- A. 1967
- B. 1969
- C. 1971
- D. 1973

CORRECT ANSWER IS: 1967

2347. QUESTION: Where are the headquarters of the European Economic Community?

- A. Paris
- B. Brussels
- C. Copenhagen
- D. London

CORRECT ANSWER IS: Brussels

2348. QUESTION: When was the 'Group of 77' an economic group of the Third World countries to protect the economic and trade interests of developing countries, formed under the auspices of the United Nations?

- A. 1962
- B. 1964
- C. 1966
- D. 1968

CORRECT ANSWER IS: 1964

2349. QUESTION: When was the first amendment to the Articles of the IMF made which led to the creation of the Special Drawing Rights (SDR) facility?

- A. 1969

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- B. 1971
- C. 1975
- D. 1978

CORRECT ANSWER IS: 1969

2350. QUESTION: The FAO came into formal being in 1945 with the signing of its constitution at a conference held in

- A. Washington, DC
- B. Virginia
- C. Quebec City
- D. New York

CORRECT ANSWER IS: Quebec City

2351. QUESTION: Which of the following does not match?

- A. Food and Agriculture Organisation - Rome
- B. International Monetary Fund - Washington, DC
- C. United Nations Fund for Population Activities - New York
- D. International Fund for Agriculture Development - Geneva

CORRECT ANSWER IS: International Fund for Agriculture Development - Geneva

2352. QUESTION: Where is the central secretariat of the Association of South-East Asian Nations (ASEAN) located?

- A. Jakarta
- B. Kaula Lampur
- C. Manila
- D. Bangkok

CORRECT ANSWER IS: Jakarta

2353. QUESTION: How many countries are the members of the European Economic Community (EEC)?

- A. 12
- B. 10

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- C. 8
- D. 6

CORRECT ANSWER IS: 12

2354. QUESTION: When was the World Bank's Special Programme of Assistance (SPA) for indebted low income countries initiated?

- A. December 1987
- B. January 1988
- C. March 1988
- D. May 1988

CORRECT ANSWER IS: December 1987

2355. QUESTION: Which one of the following is not a function of the IMF?

- A. to promote international monetary cooperation
- B. to promote exchange stability
- C. to promote a multilateral trading system
- D. to promote the development of backward countries

CORRECT ANSWER IS: to promote the development of backward countries

2356. QUESTION: An affiliate of the World Bank, the International Finance Corporation (IFC) became effective in

- A. 1956
- B. 1960
- C. 1962
- D. 1964

CORRECT ANSWER IS: 1956

2357. QUESTION: The main function of the IFC is to

- A. make special efforts to promote international trade
- B. encourage the growth of productive private enterprises in less developed member countries

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- C. assist those countries with an annual per capital gross national product of less than \$520
- D. promote foreign investment

CORRECT ANSWER IS: encourage the growth of productive private enterprises in less developed member countries

2358. QUESTION: The aim of the ASEAN is to accelerate economic and social progress and maintain stability in the region. When was it formed?

- A. 1965
- B. 1966
- C. 1967
- D. 1968

CORRECT ANSWER IS: 1967

2359. QUESTION: Identify one of the new members of the European Economic Community?

- A. Spain
- B. France
- C. Great Britain
- D. Denmark

CORRECT ANSWER IS: Spain

2360. QUESTION: Which country is the OPEC's largest oil exporter?

- A. Saudi Arabia
- B. Iraq
- C. Kuwait
- D. United Arab Emirates

CORRECT ANSWER IS: Saudi Arabia

2361. QUESTION: When was the Organisation of Petroleum Exporting Countries (OPEC) formed to control the production and pricing of crude oil?

- A. 1956

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- A. 1958
- C. 1960
- D. 1962

CORRECT ANSWER IS: 1960

2362. QUESTION: The IMF institute conducts courses, covering a wide spectrum of subjects in financial analysis and policy-making for officials from member in Washington. When was it established?

- A. 1962
- B. 1964
- C. 1966
- D. 1968

CORRECT ANSWER IS: 1964

2363. QUESTION: The International Bank for Reconstruction and Development (IBRD), known as World Bank, began its operations in

- A. 1944
- B. 1945
- C. 1946
- D. 1947

CORRECT ANSWER IS: 1946

2364. QUESTION: Which financial institution is known as the 'soft loan window' from which underdeveloped countries can borrow in hard currencies?

- A. IBRD
- B. IFC
- C. IDA
- D. IMF

CORRECT ANSWER IS: IDA

2365. QUESTION: How many countries are members of the ASEAN?

- A. 5
- B. 6
- C. 7
- D. 8

CORRECT ANSWER IS: 6

2366. QUESTION: In which year did the European Economic Community (EEC), popularly known as the European Common Market (ECM), come into existence?

- A. 1956
- B. 1958
- C. 1960
- D. 1962

CORRECT ANSWER IS: 1958

2367. QUESTION: The headquarters of which of the following organisations are located at Vienna?

- A. OPEC
- B. COMECON
- C. OECD
- D. IDA

CORRECT ANSWER IS: OPEC

2368. QUESTION: The IMF approves the creation of a given amount of new SDRs. These SDRs are distributed among the participating countries on the basis of their

- A. needs
- B. share in world trade
- C. quotas in the IMF
- D. balance of payments deficit

CORRECT ANSWER IS: quotas in the IMF

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2369. QUESTION: The main function of the World Bank is to

- A. encourage capital investment for the reconstructing and development of its member-countries
- B. grant long-term loans at little or no interest for projects in developing countries
- C. reduce trade barriers and establish rules of free trade
- D. Facilitate poor countries to trade at concessional rates

CORRECT ANSWER IS: encourage capital investment for the reconstructing and development of its member-countries

2370. QUESTION: The main function of the IDA is to

- A. achieve international co-operation in the field of economics
- B. make loans to less developed countries to flexible terms
- C. stabilize exchange rates
- D. promote foreign private investment by guarantees

CORRECT ANSWER IS: make loans to less developed countries to flexible terms

2371. QUESTION: The International Fund for Agriculture Development is a one billion dollar fund used for raising food production in developing countries and providing employment to poor and landless farmers. What proportion of this fund has been contributed by industrialized nations?

- A. 40%
- B. 50%
- C. 60%
- D. 70%

CORRECT ANSWER IS: 60%

2372. QUESTION: Which one of the following countries attend the sessions of the Council for Mutual Economic Assistance as a observer?

- A. Poland
- B. Mexico
- C. Peru
- D. Romania

CORRECT ANSWER IS: Mexico

2373. QUESTION: The International Air Transport Association (IATA) aims to promote safe, regular and economical air transport and to provide a forum for collaboration. When was it founded?

- A. 1945
- B. 1946
- C. 1947
- D. 1948

CORRECT ANSWER IS: 1945

2374. QUESTION: Which of the following currencies is at present not included in the valuation of the SDRs?

- A. Pound sterling
- B. Yen
- C. Mark
- D. Dinar

CORRECT ANSWER IS: Dinar

2375. QUESTION: At what rate of interest does the World Bank provide loan to underdeveloped countries?

- A. 7.50%
- B. 6.50%
- C. 5.50%
- D. 4.50%

CORRECT ANSWER IS: 5.50%

2376. QUESTION: An international conference was held in Geneva in 1947 to consider matters relating to common trade and tariff policy which led to the establishment of the General Agreement on Tariffs and Trade (GATT) in the following years. How many countries attended this conference?

- A. 19
- B. 21
- C. 23
- D. 25

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CORRECT ANSWER IS: 23

2377. QUESTION: When was the International Fund for Agriculture Development set up?

- A. 1977
- B. 1975
- C. 1973
- D. 1971

CORRECT ANSWER IS: 1977

2378. QUESTION: The headquarters of the Council for Mutual Economic Assistance (COMECON) are located at

- A. Moscow
- B. Havana
- C. Warsaw
- D. Budapest

CORRECT ANSWER IS: Moscow

2379. QUESTION: How many international airlines are active members of IATA?

- A. 35
- B. 40
- C. 45
- D. 50

CORRECT ANSWER IS: 40

2380. QUESTION: In 1947 the IMF changed the basis of valuation of the SDR by calculating the value of the SDR from a basket of currencies of several major countries. What was the number of currencies included in the valuation of the SDR in 1947?

- A. 16
- B. 14
- C. 12

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D. 10

CORRECT ANSWER IS: 16

2381. QUESTION: The highest percentage of the World Bank's total loans have been made for the development of

- A. industry
- B. agriculture
- C. energy
- D. transport

CORRECT ANSWER IS: energy

2382. QUESTION: Where are the headquarters of the General Agreement on Tariffs and Trade (GATT) organisation?

- A. Geneva
- B. Washington, DC
- C. London
- D. Ottawa

CORRECT ANSWER IS: Geneva

2383. QUESTION: The International Fund for Agriculture Development has its headquarters in

- A. London
- B. Rome
- C. Geneva
- D. New York

CORRECT ANSWER IS: Rome

2384. QUESTION: When was the Council for Mutual Economic Assistance (COMECON) founded with the object of coordinating and integrating the economies of member-countries?

- A. 1948
- B. 1949
- C. 1950

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D. 1951

CORRECT ANSWER IS: 1949

2385. QUESTION: Which of the following is not a member country of the G-7 (Group of Seven advanced industrial nations)?

- A. USA
- B. UK
- C. USSR
- D. Italy

CORRECT ANSWER IS: USSR

2386. QUESTION: Where are the headquarters of the International Labor Organisation (ILO)?

- A. Rome
- B. Geneva
- C. London
- D. New York

CORRECT ANSWER IS: Geneva

2387. QUESTION: The World Bank normally gives

- A. short-term loans
- B. medium-term loans
- C. long-term loans
- D. medium and long-term loans

CORRECT ANSWER IS: medium and long-term loans

2388. QUESTION: There have been a series of rounds of negotiations between the signatories of GATT designed to reduce trade barriers on a multilateral basis. The first round took place in 1947. Which round came to be known as Kennedy Round?

- A. third

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- B. fourth
- C. fifth
- D. sixth

CORRECT ANSWER IS: sixth

2389. QUESTION: When was the Council of Europe, which aims to protect and promote economic and social progress of its members, set up?

- A. 1948
- B. 1949
- C. 1950
- D. 1951

CORRECT ANSWER IS: 1949

2390. QUESTION: How many countries joined together to form the European Free Trade Association (EFTA) with a view to ultimately establish a free trade area between member-countries?

- A. 6
- B. 7
- C. 8
- D. 9

CORRECT ANSWER IS: 7

2391. QUESTION: Which of the following organisations was brought into existence by the Treaty of Rome?

- A. Council for Mutual Economic Assistance
- B. European Free Trade Association
- C. European Economic Community
- D. Council of Europe

CORRECT ANSWER IS: European Economic Community

2392. QUESTION: When was the ILO established as an autonomous part of the League of Nations?

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- A. 1918
- B. 1919
- C. 1920
- D. 1921

CORRECT ANSWER IS: 1919

2393. QUESTION: In which of the following ways does the World Bank give loans to members?

- A. by granting or providing direct loans out of its own funds
- B. by granting loans out of funds raised in the market
- C. by guaranteeing loans made by private investors through investment channels
- D. all of them

CORRECT ANSWER IS: all of them

2394. QUESTION: When was the Uruguay Round of multilateral trade negotiations under the GATT launched?

- A. Jan-86
- B. Jun-86
- C. Sep-86
- D. Dec-86

CORRECT ANSWER IS: Sep-86

2395. QUESTION: Where are the headquarters of the Council of Europe?

- A. Vienna
- B. Strasbourg
- C. Bonn
- D. Luxembourg

CORRECT ANSWER IS: Strasbourg

2396. QUESTION: Two founder members of the European Free Trade Association (EFTA) left it in 1972 to join the EEC. One was the UK. Which was the other?

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- A. Norway
- B. Sweden
- C. Denmark
- D. Portugal

CORRECT ANSWER IS: Denmark

2397. QUESTION: How many Regional Economic Commissions have been set up by the United Nations Economic and Social Council?

- A. 8
- B. 7
- C. 6
- D. 5

CORRECT ANSWER IS: 5

2398. QUESTION: In which year was the ILO awarded the Nobel Peace Prize?

- A. 1965
- B. 1969
- C. 1973
- D. 1977

CORRECT ANSWER IS: 1969

2399. QUESTION: How many governments have contributed to the capital of the World Bank?

- A. 144
- B. 150
- C. 154
- D. 158

CORRECT ANSWER IS: 154

2400. QUESTION: Including the Uruguay Round, how many multilateral trade negotiations have been held in the GATT so far?

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- A. 9
- B. 8
- C. 7
- D. 6

CORRECT ANSWER IS: 8

2401. QUESTION: Two organisations were conceived at the Breton Woods conference held in 1944. One was the IBRD. Which was the other?

- A. FAO
- B. GATT
- C. IMF
- D. IDA

CORRECT ANSWER IS: IMF

2402. QUESTION: Where are the headquarters of EFTA located?

- A. Geneva
- B. Brussels
- C. Stockholm
- D. Vienna

CORRECT ANSWER IS: Brussels

2403. QUESTION: How many member-states are represented in the United Nations Economic and Social Council?

- A. 44
- B. 50
- C. 54
- D. 58

CORRECT ANSWER IS: 54

2404. QUESTION: Which is the oldest organisation among the four?

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- A. ILO
- B. FAO
- C. WHO
- D. IMF

CORRECT ANSWER IS: ILO

2405. QUESTION: In which year was the Asian Development Bank (ADB) set up following the recommendation of the United Nations Economic Commission for Asia and Far East?

- A. 1964
- B. 1966
- C. 1968
- D. 1970

CORRECT ANSWER IS: 1966

2406. QUESTION: When was the Asian Development Fund by the Asian Development Bank with a view to provide confessional credit to needy members?

- A. 1974
- B. 1972
- C. 1970
- D. 1968

CORRECT ANSWER IS: 1974

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