

Name: Shubhankar Mihir Seth

Roll No: 160100116

Department of Humanities and Social Sciences
Indian Institute of Technology Bombay
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Course HS101: ECONOMICS [Division - S 3]

Date: 17-8-2017

Time: 17:40 to 18:30 hrs.

Max. Marks: 10

Weightage: 10%

Note: Write your name and roll number in the space provided. This is a question paper cum answer sheet.

Q.1 Indicate whether the following statements are *true [T]* or *false [F]*: (8 x 0.5 = 4)

- (i) When demand is elastic, a decrease in price leads to a decrease in total revenue. **F**
- (ii) All inferior goods are not Giffen goods. **T**
- (iii) Minimum Wages Act is an example of price ceiling. **F**
- (iv) Two goods are considered complements if one's price has an inverse effect upon the demand for the other. **T**
- (v) Economics is a study of how a market system functions. **T**
- (vi) The adage, "There is no such thing as a free lunch," is used to illustrate the principle that people face trade-offs. **T**
- (vii) Efficiency and equity can both be achieved if the economic pie is cut into equal pieces. **F**
- (viii) A production possibilities frontier will be a straight line if increasing the production of one good by x units entails no opportunity cost in terms of the other good. **T**

Q.2 Choose the right alternative in case of each of the following statements: (6 x 0.5 = 3)

- (i) Fallacy of Composition refers to:
 - ☒ (a) Ceteris paribus
 - ☐ (b) Over-simplification
 - ☐ (c) Insufficient data
 - ☐ (d) None of the above
- (ii) Positive economic analysis forms:
 - ☐ (a) "what should be"
 - ☒ (b) objective hypothesis
 - ☐ (c) value judgements
 - ☐ (d) bad values

(iii) Which of the following is *not* a determinant of the price elasticity of demand for a good?

- (a) the time horizon
- ✓ (b) the shape of the supply curve for the good
- ✓ (c) the definition of the market for the good
- (d) the availability of substitutes for the good

(iv) A change in demand for butter can be caused by:

- ✓ (a) a change in the price of ghee
- (b) a change in its' own price
- ✓ (c) a change in the cost of producing butter
- (d) either (a) or (b)

(v) Which of the following will not shift the supply curve for gadgets?

- (a) A change in the price of inputs used in the production of gadgets
- (b) A change in the technology available to produce gadgets
- ✓ (c) A change in the price of gadgets
- (d) A change in the number of sellers of gadgets

(vi) Which of the following is most likely to be an opportunity cost?

- ✓ (a) Rental income foregone on assets owned by the firm
- (b) Salaries paid to the firm's board of directors
- ✓ (c) Transportation cost on raw materials
- (d) Interest payments on an outstanding loan of the firm

Q. 3 Fill in the following blanks with the suitable word:

(6 x 0.5 = 3)

- (i) When a society cannot produce all the goods and services people wish to have, it is said that the economy is experiencing Scarcity.
- (ii) In economic analysis market shut down refers to a state of rest.
- (iii) Demand is said to be unit elastic if quantity demanded changes by the same percent as the price.
- (iv) A perfectly elastic supply curve is parallel to X axis.
- (v) A tax on a commodity in a competitive market can result in dead weight loss.
- (vi) A country's consumption possibilities frontier can be outside its production possibilities frontier if the country engages in trade (foreign trade)

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