

DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES

Date: February 10, 2019 Quiz 1/ Semester II [2018-19]

Time: 10 -10.45 AM

Max. Marks: 15

Weightage: 15 %

Note: There is *negative marking*! For every *wrong answer*, 0.5 marks will be deducted.

Q1. State which of the following statements is **True** or **False**. [7.5 Marks]

- a. The notion of ‘*Trade off*’ and ‘*absolute advantage*’ in international trade are interconnected.
- b. If we observe fall in the price of inkjet cartridges while there is an increase in the quantity of printers purchased, we conclude that inkjet cartridges and printers are *substitutes*.
- c. (Point) price elasticity will be the same at all points of a straight line demand curve.
- d. Socialism is the best mechanism to achieve both *equity* and *efficiency*.
- e. When demand is inelastic, an increase in price will cause a sharp decrease in quantity demanded, therefore a firm’s revenue will decrease.
- f. When the price of a good is below the equilibrium price, it causes a shortage.
- g. If the free market equilibrium price of gasoline is \$1.00 per gallon and the government fixes the price of gasoline at \$1.50 per gallon, the result will be a surplus of gasoline in the market.
- h. Car and Petrol have negative cross price elasticity of demand.
- i. If a seller increases the price of a good, it will always bring about an increase in total revenue.
- j. Goods with more competing close substitutes tend to have relatively inelastic demand.
- k. “The rising price of crude oil will lead to an increase in cycling to work.” This is a positive statement.
- l. “Higher interest rate will reduce house prices.” This is a normative statement.
- m. “Pollution is the most serious economic problem.” This is a positive statement.
- n. “The retirement age should be raised to 70 to combat the effects of our ageing population.” This is a positive statement.
- o. “Resources are best allocated by allowing the market mechanism to work freely”. This is a normative statement.

**Q1. ANSWER TABLE**

1. a	<b>FALSE</b>
1. b	<b>FALSE</b>
1. c	<b>FALSE</b>
1. d	<b>FALSE</b>
1. e	<b>FALSE</b>
1. f	<b>TRUE</b>
1. g	<b>TRUE</b>
1. h	<b>TRUE</b>
1. i	<b>FALSE</b>
1. j	<b>FALSE</b>
1. k	<b>TRUE</b>
1. l	<b>FALSE</b>
1. m	<b>FALSE</b>
1. n	<b>FALSE</b>
1. o	<b>TRUE</b>

### Multiple Choice Questions

[0.5 × 6 = 3 Marks]

Q3. Choose only the *best alternative* that is *correct*. There is only one answer to each of these questions.

Note: There is *negative marking*! For every *wrong answer*, 0.5 marks will be deducted.

(i) Economic scarcity arises from:

- a. limited wants and limitless resources
- b. exploitation of natural resources
- c. limited resources and limitless wants
- d. inefficient production

(ii) In this table the opportunity cost of the 2<sup>nd</sup> Pizza is

- a. 95 cases of soda
- b. 80 cases of soda
- c. 0 cases of soda
- d. 15 cases of soda

Possibility	Pizza (per hour)	Soda (cases per hour)
A	0	100
B	1	95
C	2	80
D	3	60
E	4	35
F	5	0

(iii) Suppose the country of Popcorn produces only jets and corn. If Popcorn cannot produce any more jets without giving up corn, we say that Popcorn has achieved

- a. equity and social justice
- b. the socialist objective
- c. the highest marginal benefit
- d. production efficiency

(iv) Internet Cafes in the city have faced a slump in revenues because of the charges fixed by the Association of Internet Cafes for browsing the Net at Rs. 60 per hour. Before this action by the association the charges were as low as Rs. 30 per hour. The demand for net browsing is

- a. perfectly price elastic
- b. perfectly price inelastic
- c. relatively price elastic
- d. relatively price inelastic

(v) In a *free market capitalist economy*, the problems of *what*, *how*, and for *whom* are solved by

- a. the central planning committee like NITI Aayog in India.
- b. the elected representatives of the people.
- c. the price mechanism.
- d. highest judicial authority.

#### **Q3. ANSWER TABLE**

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

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

(i)	<b>c</b>
(ii)	<b>d</b>
(iii)	<b>d</b>
(iv)	<b>c</b>
(v)	<b>c</b>
(vi)	<b>a</b>