VERSION: A

HS 101: Spring 2022

Quiz

Date: January 23rd, 2023 **Time: 11:50 am– 12.25 pm**

Max. Marks: 15 **Weightage: 15%**

Roll No.:

Name:

Department:

Note:

- **Each question carries 0.5 marks**
- **There is negative marking! For every wrong answer, 0.25 marks will be deducted.**
- **Circle only the best alternative that is correct.**
- **If you circle more than one alternative, it will be considered as a wrong answer.**

1) When there is a change in Quantity Demanded owing to a change in the own Price of the product, it is captured by

   a) Shift of the demand curve (b) Movement along the demand curve **Correct**
   c) May be both (a) and (b)

2) Goods that consumers regard as luxuries tend to be

   a) highly income elastic **Correct** (b) income inelastic (c) Neither of the two

3) When the price was 25 rupees, the quantity demanded was 200 units. The quantity demanded rose to 400 units when the price fell to 15 rupees. In this case, the elasticity of demand calculated by the mid-point formula is given by

a) -(4/3) **Correct** (b) -(4/5) (c) -2

4) Suppose a market is characterized by
   - Many sellers
   - Slightly differentiated products
   - Each seller may set price for its own product

   This market structure is called

   a) Oligopoly (b) Monopoly (c) Monopolistic Competition **Correct**

5) If all the consumers expect the price of the product to fall in the future, then it will result

a) in an upward movement along the current demand curve
b) in an inward/leftward shift of the current demand curve **Correct**
c) in an outward/rightward shift of the current demand curve

6) "Supply is more elastic in the long run". This statement is

a) True **Correct** (b) False (c) Indeterminate

7) If a price ceiling is set above the market-clearing equilibrium price, this has

a) No effect on the equilibrium price **Correct** (b) Creates a situation of excess supply
(c) Creates a situation of excess demand

8) Suppose two goods X and Y are substitutes. Then, a rise in the price of Y would result
(a) in an upward movement along the current demand curve of X
(b) in an inward/leftward shift of the current demand curve of X
(c) in an outward/rightward shift of the current demand curve of X **Correct**

9) When the Quantity demanded does not respond strongly to price changes, this case is termed as

a) Perfectly elastic (b) Inelastic **Correct** (c) Neither of the two

10) Suppose a market is characterized by

- Few sellers
- Not always aggressive competition

This market structure is called

a) Oligopoly **Correct** (b) Monopoly (c) Monopolistic Competition

11) For a normal good, the income elasticity is

a) Negative (b) Positive **Correct** (c) The sign is case specific

12) If there are very few number of substitutes available, then the absolute value of price elasticity of demand is

a) High
b) Low **Correct**
c) there is no connection between the two

13) The *law of demand* states that, other things equal, the quantity demanded of a good falls when the price of the good rises. This statement is

a) True **Correct** (b) False (c) Not enough information is provided to comment

14) If the supply is elastic and demand is inelastic, then the majority of the tax burden will be borne by the

a) Sellers (b) Buyers **Correct** (c) Indeterminate

15) *Positive statements* are statements that attempt to describe the world as it is.

(a) True **Correct** (b) False (c) Uncertain

16) When there is an inward/leftward shift of the demand curve and an outward/rightward shift of the supply curve, the effect on the price (P) and quantity (Q) is the following

a) P is ambiguous, Q is ambiguous
b) P is down, Q is ambiguous **Correct**
c) Neither of the above

17) The study of *Macroeconomics* focuses on the individual parts of the economy.

a) True (b) False **Correct** (c) Uncertain

18) If there is a fall in the input prices, then the supply curve will

a) Remain unchanged (b) Shift inwards/leftwards

b) (c) Shift outwards/rightwards **Correct**

19) The economy of Country X has been performing satisfactorily over the past decade. This statement is

a) positive

b) normative **Correct**

c) indeterminate

20) A binding price floor creates a situation of

a) Excess supply **Correct**

b) Excess demand

c) Indeterminate

21) When there is an inward/leftward shift of the supply curve and an outward/rightward shift of the demand curve, the effect on the price (P) and quantity (Q) is the following

a) P is up, Q is ambiguous **Correct**

b) P is ambiguous, Q is ambiguous

c) Neither of the above

22) When price < equilibrium price, this leads to a situation of

a) Surplus

b) Shortage **Correct**

c) Indeterminate

23) When elasticity of supply is zero, the supply curve

a) Has a finite positive slope

b) Is perfectly horizontal

c) Is perfectly vertical **Correct**

24) When demand is inelastic, a rightward/outward shift of the supply curve leads to

a) An increase in revenue

b) A decrease in revenue **Correct**

c) The revenue is unchanged

25) For complements, cross price elasticity is
   a) Positive (b) Negative **Correct** (c) The sign is case specific

26) The impact of one person or firm's actions on the well-being of a bystander is known as
   a) Market power
   b) Invisible hand effect
   c) Externality **Correct**

27) *Market failure* occurs when
   a) the market fails to allocate resources efficiently **Correct**
   b) the market fails to allocate resources equitably
   c) the answer is indeterminate

28) For a perfectly elastic demand curve,
   a) Quantity demanded changes by the same percentage as the price
   b) Quantity demanded does not respond to price changes
   c) Quantity demanded changes infinitely with any change in price **Correct**

29) Positive statements are directly related to
   a) Prescriptive analysis
   b) Descriptive analysis **Correct**
   c) Welfare analysis

30) The *opportunity cost* of an item is
   a) The cost of manufacturing that item for commercial purposes
   b) The money paid to purchase that item
   c) What you give up to obtain that item **Correct**