

Week 6 MCQs

1. What is the primary focus of Module 6?
 - A. Elasticity
 - B. Government policy
 - C. Markets: Places where Economics works (Correct)**
 - D. Demand and supply

2. How many lectures are included in Module 6?
 - A. One
 - B. Two
 - C. Three (Correct)**
 - D. Four

3. What defines a market?
 - A. A single buyer and seller
 - B. A group of buyers only
 - C. A group of sellers only
 - D. A group of buyers and sellers of a particular good or service (Correct)**

4. Who determines the demand for a product?
 - A. Sellers
 - B. Government
 - C. Buyers (Correct)**
 - D. Both buyers and sellers equally

5. Who determines the supply for a product?
 - A. Buyers
 - B. Government
 - C. Sellers (Correct)**
 - D. Both buyers and sellers equally

6. Give an example of an organized market.
 - A. Ice cream shops
 - B. Unorganized markets
 - C. Stock markets
 - D. Food grain markets (Correct)**

7. Give an example of an unorganized market.

- A. Food grain markets
- B. Organized markets
- C. Stock markets
- D. Ice cream shops (Correct)**

8. What characterizes a competitive market?

- A. Few buyers, few sellers
- B. Single buyer, many sellers
- C. Many buyers, many sellers, with negligible impact on market price (Correct)**
- D. Single seller, many buyers

9. In a competitive market, who determines the market price?

- A. A single buyer
- B. A single seller
- C. The buyer who pays the largest price and the seller who sells at the lowest price (Correct)**
- D. The government

10. What is a characteristic of a perfectly competitive market regarding goods offered for sale?

- A. Goods are of varying quality
- B. Goods are branded
- C. Goods are exactly the same (Correct)**
- D. Goods are non-uniform

11. What are price takers?

- A. Buyers who influence market prices
- B. Sellers who influence market prices
- C. Buyers and sellers who accept the market price (Correct)**
- D. Government agencies that set prices

12. What does perfect information transfer regarding prices mean?

- A. Buyers and sellers have limited knowledge of prices
- B. Only sellers know all prices
- C. Only buyers know all prices
- D. All buyers and sellers know who is buying and selling at what price (Correct)**

13. What is essential for a perfectly competitive market to function?

- A. Undefined property rights
- B. Limited information transfer

C. Well-defined property rights (Correct)

D. Restricted entry and exit

14. What does free entry and exit mean in a perfectly competitive market?

A. Restrictions on the number of buyers and sellers

B. No restrictions on the number of buyers and sellers (Correct)

C. Only certain sellers can participate

D. Only certain buyers can participate

15. What assumption does a perfectly competitive market make about buyers and sellers?

A. Irrational decision-making

B. Maximizing their utility (Correct)

C. Minimizing their utility

D. Ignoring market prices

16. What is assumed about transaction costs in a perfectly competitive market?

A. High transaction costs

B. Zero transaction costs (Correct)

C. Moderate transaction costs

D. Variable transaction costs

17. Why is a perfectly competitive market a theoretical concept?

A. It accurately reflects all real-world markets

B. It ignores real-world factors like transaction costs (Correct)

C. It is too complex to model

D. It is outdated

18. What is quantity demanded?

A. Amount buyers want to buy, regardless of ability

B. Amount buyers are willing and able to purchase (Correct)

C. Amount sellers are willing to sell

D. Amount of goods available in the market

19. What is the law of demand?

A. Quantity demanded increases with price increase

B. Quantity demanded remains constant with price change

C. Quantity demanded falls when price rises (other things being equal) (Correct)

D. Quantity demanded has no relation to price

20. What is a demand curve?

- A. A table showing price and quantity supplied
- B. A graph showing the relationship between price and quantity demanded (Correct)**
- C. A table showing price and quantity demanded
- D. A graph showing the relationship between price and quantity supplied

21. What is a demand schedule?

- A. A graph showing price and quantity supplied
- B. A graph showing the relationship between price and quantity demanded
- C. A table showing the relationship between price and quantity demanded (Correct)**
- D. A table showing price and quantity supplied

22. What happens to quantity demanded when the value of a good is greater than its price?

- A. Quantity demanded is infinite
- B. Quantity demanded is zero
- C. Quantity demanded is limited (Correct)**
- D. Quantity demanded is unpredictable

23. How is market demand derived?

- A. Subtracting individual demand schedules
- B. Averaging individual demand schedules
- C. Summing individual demand schedules (Correct)**
- D. Ignoring individual demand schedules

24. What does a rightward shift of the demand curve indicate?

- A. Decrease in demand
- B. Increase in demand (Correct)**
- C. No change in demand
- D. Movement along the curve

25. What does a leftward shift of the demand curve indicate?

- A. Increase in demand
- B. Decrease in demand (Correct)**
- C. No change in demand
- D. Movement along the curve

26. What is a normal good?

- A. Good for which demand decreases with income increase
- B. Good for which demand increases with income increase (Correct)**
- C. Good for which demand is not affected by income

D. Good with fluctuating demand

27. What is an inferior good?

A. Good for which demand increases with income increase

B. Good for which demand decreases with income increase (Correct)

C. Good for which demand is not affected by income

D. Good with fluctuating demand

28. What are substitutes?

A. Goods consumed together

B. Goods with no relation to each other

C. Goods for which an increase in the price of one leads to an increase in demand for the other (Correct)

D. Goods that are always consumed together

29. What are complements?

A. Goods consumed together (Correct)

B. Goods for which an increase in the price of one leads to an increase in demand for the other

C. Goods with no relation to each other

D. Goods that are never consumed together

30. What can cause shifts in the demand curve?

A. Only changes in price

B. Changes in income, price of related goods, taste, expectations, number of buyers (Correct)

C. Only changes in income

D. Only changes in the price of related goods

31. What is quantity supplied?

A. Amount sellers want to sell, regardless of ability

B. Amount sellers are willing and able to sell (Correct)

C. Amount buyers are willing to buy

D. Amount of goods available in the market

32. What is the law of supply?

A. Quantity supplied falls when price rises (other things being equal)

B. Quantity supplied remains constant with price change

C. Quantity supplied increases when price rises (other things being equal) (Correct)

D. Quantity supplied has no relation to price

33. What is a supply curve?

- A. A table showing price and quantity demanded
- B. A graph showing the relationship between price and quantity supplied (Correct)**
- C. A table showing price and quantity supplied
- D. A graph showing the relationship between price and quantity demanded

34. What is a supply schedule?

- A. A graph showing price and quantity demanded
- B. A table showing price and quantity demanded
- C. A graph showing price and quantity supplied
- D. A table showing price and quantity supplied (Correct)**

35. What happens to quantity supplied when production costs increase?

- A. Quantity supplied increases
- B. Quantity supplied remains the same
- C. Quantity supplied decreases (Correct)**
- D. Quantity supplied is unpredictable

36. How is market supply derived?

- A. Subtracting individual supply schedules
- B. Averaging individual supply schedules
- C. Summing individual supply schedules (Correct)**
- D. Ignoring individual supply schedules

37. What does a rightward shift of the supply curve indicate?

- A. Decrease in supply
- B. Increase in supply (Correct)**
- C. No change in supply
- D. Movement along the curve

38. What does a leftward shift of the supply curve indicate?

- A. Increase in supply
- B. Decrease in supply (Correct)**
- C. No change in supply
- D. Movement along the curve

39. What can cause shifts in the supply curve?

- A. Only changes in price
- B. Changes in input prices, technology, expectations, number of sellers (Correct)**

- C. Only changes in input prices
- D. Only changes in technology

40. What is equilibrium?

- A. When quantity demanded exceeds quantity supplied
- B. When quantity supplied exceeds quantity demanded
- C. When quantity supplied equals quantity demanded (Correct)**
- D. When there is no market interaction

41. What is the equilibrium price?

- A. Price at which quantity demanded is less than quantity supplied
- B. Price at which quantity supplied is less than quantity demanded
- C. Price at which quantity supplied equals quantity demanded (Correct)**
- D. Price determined by the government

42. What is the equilibrium quantity?

- A. Quantity demanded at any price
- B. Quantity supplied at any price
- C. Quantity demanded and supplied at the equilibrium price (Correct)**
- D. Quantity determined by the government

43. What is the law of supply and demand?

- A. Price adjusts to balance quantity supplied and demanded (Correct)**
- B. Price remains constant regardless of supply and demand
- C. Price is determined solely by supply
- D. Price is determined solely by demand

44. What happens to price and quantity when demand increases and supply remains constant?

- A. Price decreases, quantity decreases
- B. Price increases, quantity increases (Correct)**
- C. Price increases, quantity decreases
- D. Price decreases, quantity increases

45. What happens to price and quantity when supply decreases and demand remains constant?

- A. Price increases, quantity increases
- B. Price decreases, quantity decreases
- C. Price increases, quantity decreases (Correct)**
- D. Price decreases, quantity increases

46. What happens to price when demand increases and supply decreases?

- A. Price decreases
- B. Price remains the same
- C. Price increases (Correct)**
- D. Price is unpredictable

47. What happens to quantity when demand increases and supply decreases?

- A. Quantity always increases
- B. Quantity always decreases
- C. Quantity may increase or decrease (Correct)**
- D. Quantity remains the same

48. What is elasticity?

- A. A measure of how buyers and sellers respond to market changes (Correct)**
- B. A measure of market size
- C. A measure of government intervention
- D. A measure of production costs

49. What is price elasticity of demand?

- A. Responsiveness of quantity supplied to price change
- B. Responsiveness of quantity demanded to price change (Correct)**
- C. Responsiveness of price to quantity demanded
- D. Responsiveness of price to quantity supplied

50. How is price elasticity of demand computed?

- A. Percentage change in price / percentage change in quantity demanded
- B. Percentage change in quantity demanded / percentage change in price (Correct)**
- C. Price / quantity demanded
- D. Quantity demanded / price

51. What does inelastic demand mean?

- A. Small price change leads to large quantity demanded change
- B. Large price change leads to small quantity demanded change (Correct)**
- C. Price change has no effect on quantity demanded
- D. Quantity demanded changes proportionally to price change

52. What does elastic demand mean?

- A. Large price change leads to small quantity demanded change
- B. Small price change leads to large quantity demanded change (Correct)**
- C. Price change has no effect on quantity demanded

D. Quantity demanded changes proportionally to price change

53. What does a perfectly inelastic demand curve look like?

A. Horizontal

B. Diagonal

C. Vertical (Correct)

D. Curved

54. What does a perfectly elastic demand curve look like?

A. Vertical

B. Diagonal

C. Curved

D. Horizontal (Correct)

55. What determines price elasticity of demand?

A. Availability of substitutes, necessity vs. luxury, market definition, time horizon (Correct)

B. Only availability of substitutes

C. Only necessity vs. luxury

D. Only market definition

56. How does the availability of close substitutes affect price elasticity of demand?

A. Makes demand more inelastic

B. Makes demand more elastic (Correct)

C. Has no effect on demand elasticity

D. Makes demand unpredictable

57. How does the necessity vs. luxury nature of a good affect price elasticity of demand?

A. Luxuries have less elastic demand than necessities

B. Necessity and luxury have equal elasticity

C. Luxuries have more elastic demand than necessities (Correct)

D. There is no relation between necessity/luxury and demand elasticity

58. How does market definition affect price elasticity of demand?

A. Narrower market definitions lead to more inelastic demand

B. Narrower market definitions lead to more elastic demand (Correct)

C. Market definition has no effect on demand elasticity

D. Wider market definitions lead to more elastic demand

59. How does time horizon affect price elasticity of demand?

- A. Elasticity decreases over longer time horizons
- B. Elasticity increases over longer time horizons (Correct)**
- C. Time horizon has no effect on demand elasticity
- D. Elasticity is constant regardless of time horizon

60. What is income elasticity of demand?

- A. Responsiveness of quantity supplied to income change
- B. Responsiveness of quantity demanded to income change (Correct)**
- C. Responsiveness of income to quantity demanded
- D. Responsiveness of income to quantity supplied

61. How is income elasticity of demand computed?

- A. Percentage change in income / percentage change in quantity demanded
- B. Percentage change in quantity demanded / percentage change in income (Correct)**
- C. Income / quantity demanded
- D. Quantity demanded / income

62. What is cross-price elasticity of demand?

- A. Responsiveness of quantity demanded of one good to price change of another good (Correct)**
- B. Responsiveness of quantity supplied to price change
- C. Responsiveness of price to quantity demanded
- D. Responsiveness of price to quantity supplied

63. How is cross-price elasticity of demand computed?

- A. Percentage change in price of good 2 / percentage change in quantity demanded of good 1
- B. Percentage change in quantity demanded of good 1 / percentage change in price of good 2 (Correct)**
- C. Price of good 2 / quantity demanded of good 1
- D. Quantity demanded of good 1 / price of good 2

64. What is price elasticity of supply?

- A. Responsiveness of quantity demanded to price change
- B. Responsiveness of quantity supplied to price change (Correct)**
- C. Responsiveness of price to quantity demanded
- D. Responsiveness of price to quantity supplied

65. How is price elasticity of supply computed?

- A. Percentage change in price / percentage change in quantity supplied
- B. Percentage change in quantity supplied / percentage change in price (Correct)**

- C. Price / quantity supplied
- D. Quantity supplied / price

66. What does inelastic supply mean?

- A. Small price change leads to large quantity supplied change
- B. Large price change leads to small quantity supplied change (Correct)**
- C. Price change has no effect on quantity supplied
- D. Quantity supplied changes proportionally to price change

67. What does elastic supply mean?

- A. Large price change leads to small quantity supplied change
- B. Small price change leads to large quantity supplied change (Correct)**
- C. Price change has no effect on quantity supplied
- D. Quantity supplied changes proportionally to price change

68. What does a perfectly inelastic supply curve look like?

- A. Horizontal
- B. Diagonal
- C. Vertical (Correct)**
- D. Curved

69. What does a perfectly elastic supply curve look like?

- A. Vertical
- B. Diagonal
- C. Curved
- D. Horizontal (Correct)**

70. What determines price elasticity of supply?

- A. Ability of sellers to change quantity supplied, time horizon (Correct)**
- B. Only ability of sellers to change quantity supplied
- C. Only time horizon
- D. Neither ability nor time horizon

71. How does time horizon affect price elasticity of supply?

- A. Elasticity increases over longer time horizons (Correct)**
- B. Elasticity decreases over longer time horizons
- C. Time horizon has no effect on supply elasticity
- D. Elasticity is constant regardless of time horizon

72. Why is elasticity important?

A. It determines market outcomes and seller power (Correct)

B. It determines government policy

C. It is irrelevant to market analysis

D. It is only useful in theoretical models

73. What happens to farmer revenue with a bumper harvest and inelastic demand?

A. Revenue increases

B. Revenue remains the same

C. Revenue decreases (Correct)

D. Revenue is unpredictable

74. How does inelastic demand affect seller market power?

A. Increases seller power (Correct)

B. Decreases seller power

C. Has no effect on seller power

D. Makes seller power unpredictable

75. How does seller market power change in the long run?

A. Remains constant

B. Increases significantly

C. Decreases significantly (Correct)

D. Becomes unpredictable

76. What are the prerequisites for a properly functioning market?

A. Property rights, institutions, no externalities (Correct)

B. Government regulation

C. Perfect competition

D. Absence of competition

77. What is an externality?

A. A factor that only affects the producer

B. A factor that only affects the consumer

C. A factor that affects a bystander not involved in the action (Correct)

D. A factor that has no external effects

78. Why might a government intervene in a market?

A. To improve market outcomes (Correct)

B. To decrease market efficiency

C. To create monopolies

D. To hinder competition

79. What are the benefits of markets in organizing economic activity?

A. Free will, freedom of expression, fast information movement, automatic decision-making, increased welfare/efficiency (Correct)

B. Centralized control

C. Limited consumer choice

D. Inefficient resource allocation

80. Placeholder: Generation failed/incomplete for Week 6 - Q80

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

81. Placeholder: Generation failed/incomplete for Week 6 - Q81

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

82. Placeholder: Generation failed/incomplete for Week 6 - Q82

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

83. Placeholder: Generation failed/incomplete for Week 6 - Q83

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

84. Placeholder: Generation failed/incomplete for Week 6 - Q84

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

85. Placeholder: Generation failed/incomplete for Week 6 - Q85

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

86. Placeholder: Generation failed/incomplete for Week 6 - Q86

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

87. Placeholder: Generation failed/incomplete for Week 6 - Q87

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

88. Placeholder: Generation failed/incomplete for Week 6 - Q88

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

89. Placeholder: Generation failed/incomplete for Week 6 - Q89

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

90. Placeholder: Generation failed/incomplete for Week 6 - Q90

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

91. Placeholder: Generation failed/incomplete for Week 6 - Q91

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

92. Placeholder: Generation failed/incomplete for Week 6 - Q92

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

93. Placeholder: Generation failed/incomplete for Week 6 - Q93

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

94. Placeholder: Generation failed/incomplete for Week 6 - Q94

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

95. Placeholder: Generation failed/incomplete for Week 6 - Q95

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

96. Placeholder: Generation failed/incomplete for Week 6 - Q96

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

97. Placeholder: Generation failed/incomplete for Week 6 - Q97

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

98. Placeholder: Generation failed/incomplete for Week 6 - Q98

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

99. Placeholder: Generation failed/incomplete for Week 6 - Q99

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D

100. Placeholder: Generation failed/incomplete for Week 6 - Q100

A. Failed A (Correct)

B. Failed B

C. Failed C

D. Failed D