



Introduction

1. From the national point of view which of the following indicates Micro Approach?

- (A) Per capita income in India
- (B) Study of sales of TISCO
- (C) Inflation of India
- (D) Educated Unemployment in India

Ans. (B) (SSC CGL Tier-I 2015)

Exp: From economics point of view there are two approaches to study economics.

(i) Micro Approach, (ii) Macro Approach

Micro approach is study at the single point or individual level like study of human behaviour in relation to price change and its effect on demand and supply etc.

Macro approach is study at population point or wholesome level like study of interest rates in relation to inflation and deflation etc.

2. The theory of distribution relates to which of the following?

- (A) The distribution of assests
- (B) The distribution of income
- (C) The distribution of factor payments
- (D) Equality in the distribution of the income and wealth

Ans. (D) (SSC Sec. officer 2001)

Exp: Theory of distribution states the way by which distribution of income and output is done among individuals or among factors of production (like labour, land and capital etc) So theory of distribution relates to equality in distribution of income and wealth.

3. The problem of Economics arises from-

- (A) Plenty
- (B) Scarcity of goods
- (C) More wants and less goods
- (D) All of the above

Ans. (B) (SSC Combined Matric Level 2001) (MTS 2013)

Exp: Economics problem is all about choosing alternative among finite resources available that means scarcity of resources.

4. Why is rent earned by land even in the long run?

- (A) Land has original and indestructible power
- (B) Land is a man made factor
- (C) Its supply is inelastic in the short run
- (D) Its supply is inelastic in the long run

Ans. (D) (SSC Combined Matric Level 2001)

Exp: Rent supply is inelastic in the long run in sense that no human effort can increase or decrease their amount of supply in long run.

5. Who is called the father of Economics?

- (A) J.M. Keynes
- (B) Malthus
- (C) Ricardo
- (D) Adam Smith

Ans. (D) (SSC Combined Matric Level 2001) (SSC CGL 2014)

Exp: Adam smith is known as father of economics. He was pioneer in identifying market as a force i.e. self regulating force by giving idea of invisible hands in his first book "The theory of moral sentiments".

6. The four factors of production are-

- (A) Land, labour, capital, organisation
- (B) Land, electricity, water labour
- (C) Labour, capital, land rainfall
- (D) Labour, climate, land, rainfall

Ans. (A) (SSC Combined Matric Level 2001)

Exp: Factors of production are resources by which production is done or essential resources which are core for production. Examples are land, labour, capital and organisation.

7. Division of labour is the result of-

- (A) Complicated work
- (B) Excessive pressure
- (C) Excess supply of labour
- (D) Specialisation

Ans.(D) (SSC Combined Matric Level 2002)

Exp: Division of labour principle work on specialisation of workers in a particular task so that work can be divided into stages. So production can be effecient and effective.

8. Who said, "Economics is the Science of Wealth"?

- (A) Robbins
- (B) J.S. Mill
- (C) Adam Smith
- (D) Keynes

Ans. (C) (SSC Combined Matric Level 2008)

Exp: Adam Smith and Ricardo and other classical economist defined economics as science of national wealth. The understanding of economics was that by studying economics we can know allocation and distribution of wealth.

9. Micro-economics is also called-

- (A) Income theory
- (B) Investment theory
- (C) Price theory
- (D) Expenditure theory

Ans. (C) (SSC MTS 2013)

Exp: Price theory is associated with the micro economics which is basically concerned with determination of output and price for an individual firm or industry.

10. Quasi rent is a _____ phenomenon.

- (A) Medium term
- (B) Long term
- (C) Short term
- (D) No time

Ans. (C) (SSC MTS 2014)

Exp: Quasi-rent is type of return to organization which is different from price rent. Quasi rent is additional income and is a temporary phenomenon for the short run.

11. Rent is a factor payment paid to-

- (A) Land (B) Restaurant
(C) Building (D) Factory

Ans. (A) (SSC MTS 2014)

Exp: Factor payments are payment done for factors of production like for land, labour, capital. The payment done will be called as rent, wage and interest respectively.

12. According to Modern Theory of Rent, rent accrues to-

- (A) Capital only (B) Any factor
(C) Labour only (D) Land only

Ans. (B) (SSC CGL 2014)

Exp: Rent is surplus earn by organization and it does not include rent as the payment of land but also other surplus earning by other factors.

13. Which of the following is not an economic problem?

- (A) Deciding between paid work and leisure
(B) Deciding between expenditure on one good and the other
(C) Deciding between alternative methods of personal savings
(D) Deciding between different ways of spending lesisure time

Ans. (D) (SSC CHSL 2014)

Exp: Economic problem is all about choosing alternative among finite resources available that means scarcity of resources.

14. Which among the following statements is not true when there is an increase in interest rate in an economy?

- (A) Increase in saving (B) Decrease in loan
(C) Increase in production cost
(D) Increase in capital return

Ans. (D) (SSC Sec. officer 1997)

Exp: Increase of interest rate in economy leads to increase in saving, decrease in loan and increase in cost of product with decrease in capital return.

15. Investment is equal to-

- (A) Gross total of all types of physical capital assets
(B) Gross total of all capital assets minus wear and tear
(C) Stock of plants, machines
(D) None of the above

Ans. (B) (SSC Combined Matric Level 2000)

Exp: Investment is portion of amount that is used for capital formation and all the wear and tear are deducted to know actual amount of investment.

16. Investment and savings are kept equal through a change in the level of-

- (A) Consumption (B) Investment
(C) Government expenditure
(D) Income

Ans. (A) (SSC Sec. officer 2005)

Exp: Investment is generally equal to savings. Savings are amount that is reserved for further investment keeping inflation in mind so Investment and savings are kept equal through a change in level of consumption.

17. Imputed gross rent of owner occupied buildings is a part of-

- (A) Capital formation (B) Final consumption
(C) Intermediate consumption
(D) Consumer durable

Ans. (D) (SSC Tax Asst. (Income & Centre Excise) 2007)

Exp: Imputed gross rent is amount of rent that the owner of the house would like to pay to live in his own house. So imputed gross rent is final consumption for the owner of the house.

18. Which one of the following would not constitute an economic activity?

- (A) A teacher teching students in his class
(B) A teacher students under Sarva Shiksha Abhiyan
(C) A teacher teaching his own daughter at home
(D) A techer providing consultancy services from his residence

Ans. (C) (SSC CPO SI 2009)

Exp: An economic activity is defined as work done by individual with expectation of getting monetary rewards or it can also be understood by the activites which result in monetary production.

19. Trickle down theory ignores the impact of economic growth on-

- (A) Investment (B) Savings
(C) Income distribution (D) Consumption

Ans. (C)

Exp: Trickle down in economics is a term used to describe the belief that if high income earners gain an increase in salary, then everyone in economy will benefit as their increased income and wealth is filtering down to all sections in society.

20. From the national point of view, which of the following indicates micro approach?

- (A) Study of sales of mobile phones by BSNL
(B) Unemployment among Women
(C) Per capita income in India
(D) Inflation in India

Ans. (A)

Exp: Microeconomics is one of the branch of economics that deals with human behavior in relation to scarce resources at Individual level. Like study of pricing, demand supply.

21. The concept of joint sector implies cooperation between

- (A) Public sector and private sector industries
(B) State Government and Central Government
(C) Domestic and Foreign Companies
(D) None of these

Ans. (A)

Exp: Concept of joint sector implies that public and private sector come together for establishment of new enterprise for a project.

22. A 'Market Economy' is one which-

- (A) Is controlled by the Government
- (B) Is free from the Government control
- (C) Is influenced by international market forces
- (D) All of these

Ans. (B)

Exp: Market economy is also called as open economy in which price is decided according to demand and supply in market. There is less or no government intervention.

23. Economics assumes that-

- (A) People have unlimited desires but limited resources
- (B) People have limited desires but unlimited resources
- (C) Allocation of resources of not centrally planned will cause inefficiency
- (D) People are emotional and make irrational decisions

Ans. (A) [SSC CHSL Exam 2017]

Exp: Economics is the study of human behaviour in relation with human needs to scarce resource available to fulfill these needs.

24. Micro economics deals with-

- (A) The circular flow of income
- (B) The decision making of a single economic variable like demand
- (C) Understanding unemployment
- (D) Economic growth

Ans. (B) [SSC CHSL Exam 2017]

Exp: Micro-economics is the branch of economics which study economics at individual level like demand, supply price (at singular level) etc.

25. Which of the following statements is incorrect, if resources were unlimited?

- (A) There would still be scarcity and opportunity costs
- (B) There would still be scarcity but no opportunity costs
- (C) There would be no scarcity, but there would be opportunity costs.
- (D) There would neither be scarcity nor opportunity costs

Ans. (C) [SSC CHSL Exam 2017]

Exp: In the case of unlimited resources there will be no scarcity but choosing one resource will be loss to other alternative so there will be opportunity costs.

26. Which of the following statements deals with microeconomics?

- (A) Government spending will decrease unemployment
- (B) Increase in money supply will increase inflation.
- (C) Lower interest rates will increase investment
- (D) Higher fees at private schools will increase admissions at public schools

Ans. (D) [SSC CHSL Exam 2017]

Exp: Microeconomics is one of the branch of economics that deals with human behavior in relation to scarce resources at 'Individual level', like study of pricing, demand and supply.

27. Socialism is successful in achieving because of-

- (A) Excess socialistic approach in society
- (B) To increase standard of living
- (C) Equal distribution of income
- (D) None of the above

Ans. (D) (SSC CGL 2012)

Exp: Socialism theory says that state should work as the resource provider to protect marginalised or poor people for equality in society. Society welfare is core of this theory and due to this reason it is widely accepted and practiced almost everywhere.

28. The Production of a commodity mostly through the natural process is an activity of-

- (A) Primary Sector (B) Secondary Sector
- (C) Tertiary Sector (D) Technology Sector

Ans. (A) (SSC 10+2 2013)

Exp: Primary sector includes all those economic activities where there is the direct use of natural resources like agriculture, forestry, fishing, fuels, metals etc.

29. Economics is a-

- (A) Computer Science (B) Physical Science
- (C) Social Science (D) Natural Science

Ans. (C) (SSC MTS 2013)

Exp: Economics is study of human behaviour (i.e. social science) in relation to utilization of scarce resources available with maximum efficiency for production and distribution of goods and services.

30. Price theory is also known as-

- (A) Macro Economics (B) Development Economics
- (C) Public Economics (D) Micro Economics

Ans. (D) (SSC CGL 2010)

Exp: Price theory is associated with micro economics which is basically concerned with determination of output and price for individual firm or industry.

31. "Economics is what it ought to be" This statement refers to-

- (A) Normative Economics
- (B) Positive Economics
- (C) Monetary Economics
- (D) Fiscal Economics

Ans. (A) (SSC CGL 2010)

Exp: Normative economics is economics that is opinion based neither any facts nor objective, so it cannot be actually proved or disapproved it is totally subjective or quality based.

32. 'Hire and Fire' is the policy of-

- (A) Capitalism (B) Socialism
- (C) Mixed economy (D) Traditional economy

Ans. (A) (SSC MTS 2011)

Exp: Capitalism is a theory which believes in profit maximization and regulation by demand and supply itself only. Therefore there is no regulation on what to hire and whom to fire.

33. The Economic development depends on-

- (A) Natural resources (B) Capital formation
(C) Size of the market (D) All of these

Ans. (D) (SSC (10+2) 2011)

Exp: Economic development refers to development by promoting standard of living and economic health by applying policies related to them and for economic development we need things like resources natural or artificial capital market and many more.

34. What are the main components of basic social infrastructure of an economy?

- (A) Education, Industry and Agriculture
(B) Education, Health and Civil Amenities
(C) Transport, Health and Banks
(D) Industry, Trade and Transport

Ans. (B) (SSC SO 2003)

Exp: Basic social infrastructure of economy constitutes the structures which helps society to grow as economy. Infrastructures like health facilities, education, public amnesty etc helps in social growth. Hence these are part of basic social infrastructure of economy.

35. A mixed economy works primarily through the-

- (A) Market mechanism
(B) Central allocative machinery
(C) Market mechanism regulated by government policy
(D) Market mechanism guided by government participation and planning

Ans. (D) (SSC SO 2006)

Exp: Mixed economy is an economy in which there is certain amount of freedom of operation to market but with government regulation on it. Hence, this market mechanism is guided by government participation and planning.

36. 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 the UNO

Ans. (A) (SSC CPO 2006)

Exp: Closed economies are those economy which survive on the supply from domestic market only with no foreign trade, (totally dependent on domestic resources to fulfill demands.)

37. India is called a mixed economy because of the existence of-

1. Public Sector 2. Private Sector
3. Joint Sector 4. Cooperative Sector

Codes

- (A) 1 and 2 (B) 1 and 3
(C) 3 and 4 (D) 2 and 4

Ans. (A) (SSC T.A. 2009)

Exp: Mixed economy is economy in which there is freedom of operations to market but with government regulation (i.e. existence of private sector as well as public sector respectively).

38. In an economy, the sectors are classified into public and private on the basis of-

- (A) Employment conditions
(B) Nature of economic activities
(C) Ownership of enterprises
(D) Use of raw materials

Ans. (C) (SSC DEO 2009)

Exp: Sectors which are owned by state are called as public sectors and sectors which are owned by private entity are called as private sectors.

39. Which of the following is a part of tertiary sector?

- (A) Power and Transportation
(B) Animal Husbandry
(C) Cotton Manufacturing
(D) Cultivation of Crops.

Ans. (A) (SSC MTS 2010)

Exp: Classification of economy on the basis of production can be done into three sectors

Primary sectors- deals with production from natural resources

Secondary sector- production from the produce of primary sector as raw material

Tertiary sector- activities related with services i.e. intangible activities.

40. Which one of the following categories of workers is termed as cultivators?

- (A) Those who own land and cultivate
(B) Those who lease in land and cultivate
(C) Those who cultivate the land of others
(D) Those who own land and lease in from others or institutions and cultivate

Ans. (C) (SSC Steno. 2010)

Exp: Workers are classified on the basis of industrial category of workers in following four categories: (1) Cultivators (2) Agricultural labourers, (3) Household Industry workers (4) Other workers. According to census cultivator is the person who is engaged in cultivation of land owned by other person.

41. The study of individual markets of demand and supply in which the 'players', or the decision makers, were also individuals (buyers or sellers, even companies) who were seen as trying to maximize their profits (as producers or sellers) and their personal satisfaction or welfare levels (as consumers) is called-

- (A) Macroeconomics (B) Econometrics
(C) Microeconomics (D) Heterodox Economics

Ans. (C) (SSC CGL 2017)

Exp: Micro-economics is study at the single point or individual level like study of human behaviour in relation to price change and its effect on demand and supply etc.

42. An economic system combining private and state enterprise is called as-

- (A) Market economy
(B) Centrally planned economy
(C) Private economy (D) Mixed economy

Ans. (D) (SSC CGL 2017)

Exp: Mixed economy is an economy in which there is certain amount of freedom of operation to market but with government regulation on it. Here market mechanism is guided by government participation and planning.

43. In a centrally planned economy, the _____ plans all the important activities in the economy.

- (A) Industrialists (B) Citizens
(C) Government (D) Judiciary

Ans. (C) (SSC CGL 2017)

Exp: Socialistic economy is that system of economy in which all the means of production are controlled or regulated by State. The ownership is confined to community. This type of economy is also called as centrally planned economy. So, here government plans all important activities in the economy.

44. The closest example of a centrally planned economy is the _____ for the major part of the 20th Century.

- (A) USA (B) India
(C) Soviet Union (D) Japan

Ans. (C) (SSC CGL 2017)

Exp: Centrally planned economy is other name of socialistic economic system where all the means of production are controlled by the state.

A closest example of centrally planned economy is the Soviet Union for the major part of the 20th century.

45. What is the meaning of 'Laissez Faire Policy'?

- (A) Fair legislation (B) Control over trade
(C) Withdrawal of 'some restrictions'
(D) None of these

Ans. (C) (SSC CPO 2017)

Exp: 'Laissez faire' means no restrictions by government. So laissez faire policy is withdrawal of restrictions laid by the government on economy.

46. In which economic system the goods produced are distributed among people not on the basis of what people need but on the basis of Purchasing Power?

- (A) Socialist
(B) Mixed
(C) Capitalist
(D) Marxist

Ans. (C) (SSC CPO 2017)

Exp: Capitalist economy is an economy in which market is regulated by demand and supply itself with the objective of profit maximization allowing private property.



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Demand and Supply

1. **Equilibrium is a condition that can-**

- (A) Never change
- (B) Change only if some outside factor changes
- (C) Change only if some internal factor changes
- (D) Change only if government policies change

Ans. (C) (SSC Sec. officer 2003)

Exp: Equilibrium is state where quantity demanded equals quantity supplied. So in case of change, change will be either in demand or in supply and these changes are internal change.

2. **A firm is in equilibrium when its-**

- (A) Marginal cost equals the marginal revenue
- (B) Total cost is minimum
- (C) Total revenue is maximum
- (D) Average revenue and marginal revenue are equal

Ans. (A) (SSC Tax Assistant (Income Tax & Central Excise 2006))

Exp: A firm's equilibrium is a point when it has no inclination in changing its production or in short run marginal revenue equals marginal cost.

3. **Which of the following does not determine supply of labour?**

- (A) Size and age-structure of population
- (B) Nature of work
- (C) Marginal productivity of labour
- (D) Work-leisure ratio

Ans. (C) (SSC Sec. officer 2006)

Exp: Marginal productivity of labour is change in output resulting from employing one more unit of labour. It does not play any role in supply of labour.

4. **Extension or contraction of quantity demanded of a commodity is a result of a change in the-**

- (A) Unit price of the commodity
- (B) Income of the consumer
- (C) Tastes of the consumer
- (D) Climate of the region

Ans. (A) (SSC Tax Assistant (Income & Tax & Central Excise 2008))

Exp: Law of demand represents inverse relationship between demand and price. So change in unit price of commodity will result change in demand i.e extension and contraction of quantity demanded.

5. **Cross elasticity of demand between petrol and car is-**

- (A) Infinite
- (B) Positive
- (C) Zero
- (D) Negative

Ans. (D) (SSC Tax Asst. 2008) (SSC CPO SI 2009)

Exp: Cross-price elasticity is responsiveness of demand of

goods due to change in price of other goods. Complementary goods are goods which are consumed together like tea and sugar etc. Here cross price elasticity will be negative.

6. **'Law of demand' implies that when there is excess demand for a commodity, then -**

- (A) Price of the commodity falls
- (B) Price of the commodity remains same
- (C) Price of the commodity rises
- (D) Quantity demanded of the commodity falls

Ans. (C) (SSC (South Zone) Investigator 2010)

Exp: Law of demand states that with increase and decrease in price of good its quantity demanded decrease and increase respectively, and when there is excess demand, price of goods increases until it reach equilibrium.

7. **The demand curve shows that price and quantity demanded are-**

- (A) Directly related only
- (B) Directly proportional and also directly related
- (C) Inversely proportional and also inversely related
- (D) Inversely related only

Ans. (C) (SSC Combined Matric Level 2000)

Exp: Law of demand states that with increase and decrease in price of goods, their demand decreases and increases respectively. So, price and quantity demanded are inversely related.

8. **Economic rent does not arise when the supply of a factor unit is-**

- (A) Perfectly inelastic
- (B) Perfectly elastic
- (C) Relatively elastic
- (D) Relatively inelastic

Ans. (B) (SSC Combined Matric Level 2002)

Exp: Economic rent is excess amount earned on capital, higher than actual amount entrepreneur was expecting. In case of perfect elasticity, the entrepreneur would have choice to move over other factor units. So, in this case economic rent does not arise.

9. **A horizontal demand curve is-**

- (A) Relatively elastic
- (B) Perfectly elastic
- (C) Relatively elastic
- (D) Relatively inelastic

Ans. (B) (SSC Combined Matric Level 2002)

Exp: Horizontal demand curve's elasticity is perfectly elastic. In other sense when the price of these goods changes from the market price, quantity demanded falls to zero.

10. **Under increasing returns the supply curve is-**

- (A) positively sloped from left to right
- (B) negatively sloped from left to right
- (C) parallel to the quantity axis
- (D) parallel to the price axis

Ans. (A) (SSC CHSL Date Entry Operator & LDC 2011)

Exp: Under increasing return the supply will also have to increase. Hence, positively sloped from left to right.

11. Elasticity of demand measures the responsiveness of the quantity demanded of a goods to a-

- (A) change in the price of the goods
- (B) change in the price of substitutes
- (C) change in the price of the complements
- (D) change in the price of joint products

Ans. (A) (SSC (10+2) Level DEO & LDC 2011)

Exp: Elasticity of demand measures the responsiveness or change in quantity demand due to change in price of goods.

12. Which one of the following is having elastic demand?

- (A) Electricity (B) Medicines
- (C) Rice (D) Match boxes

Ans. (A) (SSC (10+2) Level DEO & LCD 2011)

Exp: Electricity have elastic demand means there is change in quantity demand due to change in price of goods. The other goods mention here will be non-elastic because these goods are essential goods.

13. Name the curve which shows the quantity of products as seller wishes to sell at a given price level-

- (A) Demand curve (B) Cost curve
- (C) Supply curve (D) None of these

Ans. (C) (SSC Const. (GD) & Rifleman 2012)

Exp: Supply curve is the graphical representation of relationship between quantity supplied and its price with quantity. So, it shows the price at which seller is ready to sell with a particular quantity.

14. The supply of labour in the economy depends on-

- (A) Population (B) National income
- (C) Per capita income (D) Natural resources

Ans. (A) (SSC Const. (GD) & Rifleman 2012)

Exp: Supply of labour means availability of persons working hours. Supply of labour depends on several factors like population, working age, working hour, income etc.

15. Which one of the following pairs of goods is an example for Joint Supply?

- (A) Coffee and Tea (B) Ink and Pen
- (C) Tooth brush and Paste
- (D) Wool and Mutton

Ans. (D) (SSC (10+2) Level DEO & LDC 2012)

Exp: Joint supply is the production of more than one produce from single resource. In given example, wool and mutton are goods produced by single object i.e. sheep.

16. Demand in Economics means:

- (A) Aggregate demand (B) Market demand
- (C) Individual demand
- (D) Demand backed by purchasing power

Ans. (D) (SSC MTS 2013)

Exp: Need is a state of mind in which someone felt deprived of something. To fulfill need the individual will have to have purchasing power and willingness to buy them, this need will convert into demand.

17. When percentage change in demand for a commodity is less than percentage change in its price, then demand is said to be-

- (A) Highly elastic (B) Inelastic
- (C) Relatively elastic (D) Perfect inelastic

Ans. (B) (SSC MTS 2013)

Exp: Elasticity is responsiveness of demand due to change in its price. An inelasticity is situation when there is responsiveness in demand due to change in price is very less.

18. The demand for necessities is-

- (A) Elastic (B) Perfectly inelastic
- (C) Inelastic (D) Perfectly elastic

Ans. (B) (SSC CGL Tier-I 2013)

Exp: Necessities are essential goods and services. Essential in nature can not be changed. So necessities will be perfectly inelastic i.e. change in demand will be neutral in response to change in price.

19. If a good has negative income elasticity and positive price elasticity of demand, it is a-

- (A) Giffen good (B) Normal good
- (C) Superior good (D) An inferior good

Ans. (A) (SSC CGL Tier-I 2013)

Exp: Giffen goods are those good which are close to luxury goods. The demand for the giffen goods increases as the price of these goods are high representing social status and as the consumer earn less, he tend not to buy giffen goods.

20. Cross demand expresses the functional relationship between-

- (A) Demand and prices of related commodities
- (B) Demand and income
- (C) Demand and prices
- (D) Demand and supply

Ans. (A) (SSC (10+2) Level DEO & LDC 2013)

Exp: Cross demand is change in quantity demanded due to change in price or demand of other related goods.

21. The law of Demand is based on-

- (A) Manufacturer's preference
- (B) Seller's returns
- (C) Constant returns (D) Increasing returns

Ans. (D) (SSC (10+2) Level DeO & LDC 2013)

Exp: Law of demand is inverse relationship between demand and price and it is based on increasing returns i.e. with increase in demand price will increase upto only equilibrium stage only.

22. A supply function expresses the relationship between-

- (A) Price and output
- (B) Price and selling cost
- (C) Price and consumption
- (D) Price and consumption

Ans. (A) (SSC (10+2) DEO & LDC 2013)

Exp: Supply function expresses the relationship between producers and sellers in market hence price and output of goods.

23. Any factor of production can earn economic rent, when its supply will be-

- (A) Perfectly elastic (B) Relatively elastic
(C) Perfectly inelastic (D) All of the above

Ans. (A) (SSC CAPFs SI, CISF ASI & Delhi 2014)

Exp: Economic rent is excess amount earned on capital, higher than actual amount entrepreneur was expecting. In case of perfect elasticity the entrepreneur would have choice to move over other factor units. So in this case economic rent does not rise.

24. The demand of a factor of production is-

- (A) Direct (B) Derived
(C) Neutral
(D) Discretion of the producer

Ans. (B) (SSC CGL Tier-2014)

Exp: Demand for factors of production is created when there is demand for production of goods, so the demand created for factors will be derived demand.

25. A unit price elastic demand curve will touch-

- (A) Both price and quantity axis
(B) Neither price axis, nor quantity axis
(C) Only price axis (D) Only quantity axis

Ans. (B) (SSC CGL Tier-I 2014)

Exp: Unit elasticity is when there is change in price (big or small) leads to exactly the same percentage change in quantity each time. Also unit price elastic demand curve do not touch either price axis or quantity axis.

26. Other things being equal, a decrease in quantity demanded of a commodity can be caused by-

- (A) A rise in the price of the commodity
(B) A rise in the income of the consumer
(C) A fall in the price of a commodity
(D) A fall in the income of the consumer

Ans. (A) (SSC CHSL (10+2) DEO & LDC 2014)

Exp: Law of demand shows inverse relationship between price and demand of commodities in light of assumption that other things are kept same.

27. A demand curve will not shift-

- (A) When only income changes
(B) When only prices of substitute products change
(C) When there is a change in advertisement expenditure
(D) When only price of the commodity changes

Ans. (C) (SSC CHSL (10+2) DEO & LDC 2015)

Exp: Demand Curve is graphical representation of price and quantity relationship with demand. A change in advertisement expenditure do not change demand curve.

28. Perfectly inelastic demand is equal to-

- (A) One (B) Infinite
(C) Zero (D) Greater than one

Ans. (C) (SSC CHSL (10+2) DEO & LDC 2015)

Exp: Price elasticity of demand is the relationship between a change in quantity demanded of goods and change in price. If price elasticity of demand is equal to zero, demand does not change when price changes.

29. A demand curve, which is parallel to the horizontal axis, showing quantity, has the price elasticity equal to-

- (A) Zero (B) One
(C) Less than one (D) Infinity

Ans. (D) (SSC CHSL (10+2) DEO & LDC 2015)

Exp: A demand curve when parallel to horizontal axis that means perfect elasticity. Here the coefficient price elasticity of demand is infinity.

30. The demand curve facing a perfectly competitive firm is-

- (A) Downward sloping (B) Perfectly inelastic
(C) A concave curve (D) Perfectly elastic

Ans. (D) (SSC CHSL (10+2) Tier-I 2017)

Exp: Demand curve in perfectly competitive firm environment is a situation where large number of producers are selling identical goods, here responsiveness of demand in relation to prices will be perfectly elastic i.e. infinity.

31. 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

Ans. (C) (SSC CGL Tier-I 1999)

Exp: Personal disposable income is income disposable so it will be amount available to the person after paying direct taxes.

32. Who said 'Supply creates its own demand'?

- (A) Adam Smith (B) J.B. Say
(C) Marshall (D) Ricardo

Ans. (B) (SSC CGL Tier-I 1999)

Exp: Say's law propounded by JB Say, according to which in a market, "supply creates its own demand."

33. Speculative demand for cash is determined by-

- (A) The rate of interest (B) The level of income
(C) The general price level
(D) The market conditions

Ans. (A) (SSC Combined Matric Level 2002)

Exp: The rate of interest is one of the main deciding factors of supply of cash, so speculative demand can be determined by rate of interest.

34. What is needed for creating demand?

- (A) Production (B) Price
(C) Income (D) Import

Ans. (C) (SSC Combined Matric Level 2008)

Exp: Demand is quantity of goods desired by buyers. The quantity demanded is supported by several other factors like purchasing power of buyer, willingness of buyer, product as per desire of buyers etc.

35. Effective demand depends on-

- (A) Capital output ratio (B) Output capital ratio
(C) Total expenditure (D) Supply price

Ans. (D) (SSC CHSL Data Entry Operator & LDC 2010)

Exp: Effective demand is actual demand i.e. demand supported by purchasing power and willingness to buy i.e. demand of product supported by price effects. If product price is low, people will buy more, but if price goes up then the quantity demanded of product goes down.

36. The supply-side economics lays greater emphasis on-

- (A) Producer (B) Global economy
(C) Consumer (D) Middle Man

Ans. (A) (SSC CGL Tier-I 2015)

Exp: Supply side economics is also known as Reaganomics which emphasizes that growth can be achieved by tax and fiscal policy that will create incentives to producer for producing more goods & services.

37. When price of a substitute of commodity 'x' falls, the demand for 'x'—

- (A) Falls (B) Remains unchanged
(C) Increases at increasing rate
(D) Rises

Ans. (A) (SSC CHSL (10+2) LDC, DEO & PA/SA 2015)

Exp: When price of substitute goods falls, it directly effect demand of goods by decreasing it. In simple words when price of substitute goods fall people will tend to buy that particular good more, so demand for related product will automatically falls.

38. J.B Say's Law of Market was not accepted by:

- (A) Adam Smith (B) Marshall
(C) Malthus (D) David Ricardo

Ans. (C) (SSC CHSL (10+2) LDC, DEO & PA/SA 2015)

Exp: J.B. say's law of market is "supply creates its own demand". Malthus opposed this very idea and state that demand of consumer is effected by other factors like tastes and habits. If supply increases, demand would not necessarily match supply.

39. The time element in price analysis was introduced by-

- (A) J.M. Keynes (B) Alfred Marshall
(C) J.S. Mill (D) J.R. Hicks

Ans. (B) (SSC CHSL (10+2) LDC, DEO & PA/SA 2015)

Exp: Alfred Marshall propounded the theory that price is determined by demand & supply both, he introduced time period analysis into pricing process i.e. longer the time more important will be influence of cost of production on value.

40. When the demand for a good increases with an increase in income, such a good is called

_____ .

- (A) Superior good (B) Giffen good
(C) Inferior good (D) Normal good

Ans. (A)

Exp: Superior goods are those goods in which their demand increases with increase in income like unique antique goods or goods with scarcity of them in market.

41. If demand curve for camping tents is D = 100000 - 17P and supply curve is S = 50000 + 8P, find the equilibrium Price?

- (A) Rs. 1000 (B) Rs. 2000
(C) Rs. 4000 (D) Rs. 500

Ans. (B) (SSC CHSL 2017)

Exp: Equilibrium price \Rightarrow Quantity demand = Quantity Supply. If we put the values, answer will be 2000.

42. If price of an article decreases from P1 to Rs 25, quantity demanded increases from 900 units to 1200 units. If point elasticity of demand is 2 find P1?

- (A) Rs. 20 (B) Rs. 30
(C) Rs. 35 (D) Rs. 15

Ans. (B) (SSC CHSL 2017)

Exp: Point Elasticity = $\frac{\% \Delta Q}{\% \Delta P}$ i.e. $\frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$
by putting values to formula we will get Rs. 30

43. A company faces a -2.5 price elasticity of demand for its product. It is presently selling 10,000 units/month. If it wants to increase quantity sold by 6%, it must lower its price by-

- (A) 3.50% (B) 15%
(C) 2.50% (D) 2.40%

Ans. (D) (SSC CHSL 2017)

Exp: Elasticity of demand = $\frac{\% \text{ change in Quantity demanded}}{\% \text{ change in price}}$
by following the formula the answer will be 2.40%.

44. If price of an article decreases from Rs. 12 to Rs. 10, quantity demanded increases from 1000 units to 1400 units. Find point elasticity of demand?

- (A) 2.4 (B) -2
(C) -2.4 (D) 2

Ans. (A) (SSC CHSL 2017)

Exp: Point elasticity is finding elasticity at any point on demand curve. Point Elasticity

= $\frac{\% \Delta Q}{\% \Delta P}$ i.e. $\frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$ by following the formula answer will be 2.4.

45. A manufacturer faces price elasticity of demand of a - 2 for its product. If it lowers its price by 5%, the increase in quantity sold will be-

- (A) 3% (B) 10%
(C) 2.50% (D) 7%

Ans. (B) (SSC CHSL 2017)

Exp: Elasticity of demand = $\frac{\% \text{ change in Quantity demanded}}{\% \text{ change in price}}$
by putting values to the formula we will get answer 10%.

46. If demand curve for a fishing rod is $D = 37000 - 11P$ and supply curve is $S = 12000 + 9P$, find the equilibrium quantity ?

- (A) 1250 units (B) 23250 units
(C) 52350 units (D) 2500 units

Ans. (B) (SSC CHSL 2017)

Exp: By following Equilibrium price theory that propagate
Quantity demanded = Quantity supplied
Solving the equation answer will be 23250 units.

47. If price of an article decreases from Rs. 25 to quantity demanded increases from Q1 units to 1500 units. If point elasticity of demand is - 1.25, find Q1 ?

- (A) 900 units (B) 1200 units
(C) 2000 units (D) 1800 units

Ans. (B) (SSC CHSL 2017)

Exp: Point Elasticity = $\frac{\% \Delta \text{ in } Q}{\% \Delta \text{ in } P}$ i.e. $\frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$
by putting values to the formula the answer recieved will be 1200 units.

48. Calculate a country's GDP if for the year consumer spending is \$400 million, government spending is \$150 investment by businesses is \$80 million, exports are \$35 million and imports are \$40 million.

- (A) \$625 million (B) \$465 million
(C) \$475 million (D) \$635 million

Ans. (A) (SSC CHSL 2017)

Exp: GDP calculation by expenditure method
= private consumption + Investment + Government Expenses + foreign expenditure (Import-Export) So, Answer will be \$ 625 million.

49. If price of an article decreases from Rs P1 to Rs 75, quantity demanded increases from 1000 units to 1200 units. If point elasticity of demand is 3.2 find P1?

- (A) Rs 85 (B) Rs 80
(C) Rs 90 (D) Rs 95

Ans. (B) (SSC CHSL 2017)

Exp: Point Elasticity = $\frac{\% \Delta \text{ in Quantity}}{\% \Delta \text{ in price}}$ i.e. $\frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$
by putting values to formula answer can be derived and i.e. Rs. 80.

50. Suppose the equilibrium price for sugar is Rs 50/kg. If the government sets a price floor of Rs 70/kg then ____.

- (A) Quantity fo sugar demanded will be greater than the quantity demanded at equilibrium price
(B) There will be a shortage of sugar in the market
(C) There will be a surplus of sugar in the market.
(D) Quantity of sugar supplied will be less than what was supplied at the equilibrium price

Ans. (C) (SSC CHSL 2017)

Exp: Equilibrium price is at which quantity demanded is equal to quantity supplied. So when floor price is more then there will be more production to access profits

51. If demand curve for trekking boots is $D = 11000 - 30P$ and supply is $S = 4000 + 40P$, What is the euilibrium Price?

- (A) 50 (B) 100
(C) 150 (D) 200

Ans. (B) (SSC CHSL 2017)

Exp: Equilibrium price is when quantity demanded equal to quantity supplied Equilibrium \Rightarrow demand = supply. By putting values to formula, 100 will be the answer.

52. If demand curve for racing cycles is $D = 59600 - 6P$ and supply curve is $S = 29600 + 4P$, find the equilibrium Quantity?

- (A) 118000 (B) 300
(C) 41600 (D) 6000

Ans. (C) (SSC CHSL 2017)

Exp: Equilibrium quantity is equal to equilibrium demand so by putting $D = S$, answer can be arrived at 41,600

53. If demand curve for racing cycles is $D = 80200 - 13P$ and supply curve is $S = 6200 + 12P$, What is the equilibrium Quantity?

- (A) 2960 units (B) 31220 units
(C) 8750 units (D) 41720 units

Ans. (D) (SSC CHSL 2017)

Exp: Equilibrium is situation where quantity demanded equals to quantity supplied i.e. $D = S$. By putting value to formula answer of 41720 units.

54. A manufacturer faces a -1.2 price elasticity of demand for its product. It is presently selling 7,500 units/day. If it wants to increase quantity sold by 9%, it must lower its price by

- (A) 7.5 percent (B) 7.8 percent
(C) 10.2 percent (D) 10 percent

Ans. (A) (SSC CHSL 2017)

Exp: Elasticity of demand = $\frac{\% \Delta Q}{\% \Delta P}$
 Q = quantity
 P = price
put the values to formula and answer will be 7.5%.

55. If demand curve for trekking boots is $D = 67500 - 18P$ and supply curve is $S = 22500 + 12P$, find the equilibrium Price?

- (A) 1500 (B) 750
(C) 2250 (D) 500

Ans. (A) [SSC CHSL 2017]

Exp: Equilibrium is situation where quantity demand equals to quantity supplied. $S = D$. Putting the values we will receive the answer i.e. 1500

56. A manufacturer faces price elasticity of demand of a 1.25 for its product. If it lowers its price by 6.4%, the increase in quantity sold will be ____.

- (A) 5.15 percent (B) 7.65 percent
(C) 8 percent (D) 5.12 percent

Ans. (C) [SSC CHSL 2017]

Exp: Elasticity of demand = $\frac{\% \text{ Change in Quantity demand}}{\% \text{ Change in price}}$ by putting values to formula we can reach to answer 8%.

57. If quantity of good X demanded increases from 4000 units to 5000 units when price of good Y increases from Rs 75 to Rs 90, find Arc Cross elasticity of demand?

- (A) 0.55 (B) 1.66
(C) 0.25 (D) 1.22

Ans. (D) [SSC CHSL 2017]

Exp: Cross elasticity of demand is response on a demand of product due to change in price of another product.

$$\text{Cross elasticity} = \frac{\% \text{ change in quantity}}{\% \text{ rise in price}}$$

Using this formula will get us to 1.22

58. Find arc elasticity of demand, if quantity demanded falls from 750 unit to 650 unit when price of the item is increased from Rs 15 to Rs 20?

- (A) 0.5 (B) -0.5
(C) -2 (D) 2

Ans. (A) [SSC CHSL 2017]

Exp: Arc elasticity of demand = $\frac{q_1 - q_2}{q_1 + q_2} \times \frac{p_1 + p_2}{p_1 - p_2}$. Answer will be 0.5.

59. In Which stage of the business cycle the inventory stock will be the highest?

- (A) Boom (B) Depression
(C) Recession (D) Recovery

Ans. (B) [SSC CHSL 2017]

Exp: Business cycle is increase or decrease in economic activity in long term having stages like expansion, peak and contraction that can be given economic name as growth, maturity & recession respectively. In depression there will be loss in economic activity so inventory will not be sold.

60. If price of an article decreases from Rs 800 to Rs 700, quantity demanded increases from Q1 units to 70 units. If point elasticity of demand is -1.333 find Q1?

- (A) 80 units (B) 90 units
(C) 60 units (D) 50 units

Ans. (C) [SSC CHSL 2017]

Exp: Point elasticity is finding elasticity at a point on demand curve.

$$P. \text{ Elasticity} = \frac{\%Q}{\%P}$$

Solving above formula will result in 60 units.

61. Increase in the demand for a good will cause the equilibrium price of the good to ____ and the equilibrium quantity to ____.

- (A) Increase~ increase (B) Decrease~ decrease
(C) Increase~ decrease (D) Decrease~ increase

Ans. (A) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand equals supply fixing quantity and Price. If there is increase in demand, demand curve will shift to the right and with supply meeting it, price and quantity both will increase respectively.

62. If quantity of a good demanded increases from 200 to 250 then the average income of the population increases from Rs 20,000 to Rs 30,000, find Arc Income elasticity of demand?

- (A) 1.45 (B) 0.55
(C) 2 (D) 1.25

Ans. (B) [SSC CHSL 2017]

Exp: Arc Income elasticity of demand = $\frac{q_1 - q_2}{q_1 + q_2} \times \frac{y_1 + y_2}{y_1 - y_2}$ by following the formula answer realized will be 0.55

63. If demand curve for an electric tooth brush is $D = 25000 - 7P$ and supply curve is $S = 10000 + 8P$, find the equilibrium Price?

- (A) Rs 150 (B) Rs 1000
(C) Rs 400 (D) Rs 50

Ans. (B) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand matches supply equally.

Formula \Rightarrow Equilibrium \Rightarrow demand = supply

By putting values to formula answer will be 1000

64. If demand curve for radial car tyres is $D = 220000 - 19P$ and supply curve is $S = 180000 + 6P$, find the equilibrium Quantity?

- (A) 19200 units (B) 291000 units
(C) 29100 units (D) 192000 units

Ans. (D) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand matches supply equally.

Formula : Equilibrium \Rightarrow demand = supply

By putting values to formula answer will be 192,000 units.

65. If demand curve for renting a car is $D = 90000 - 23P$ and supply curve is $S = 9000 + 7P$, find the equilibrium Price?

- (A) Rs 1800 (B) Rs 900
(C) Rs 3600 (D) Rs 2700

Ans. (D) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand match supply equally.

E \Rightarrow demand = Supply by putting values to formula answer will be Rs. 2700.

66. If price of an article decreases from Rs 80 to Rs 60, quantity demanded increases from 600 units to 750 units. Find point elasticity of demand?

- (A) -1 (B) 1
(C) -1.25 (D) 1.25

Ans. (B) [SSC CHSL 2017]

Exp: Point Elasticity is finding elasticity at a point on demand curve.

$$\text{Formula} = P. \text{ Elasticity} = \frac{\% \Delta \text{Quantity}}{\% \Delta \text{in price}}$$

By putting values to formula answer will be 1.

67. If price of a article decreases from Rs P1 to Rs 1000 units. If point elasticity of demand is - 1, then find P1?

- (A) 100 (B) 250
(C) 200 (B) 225

Ans. (C) [SSC CHSL 2017]

Exp: Point Elasticity is finding elasticity at a point on demand curve.

$$P. \text{ Elasticity} = \frac{\% \Delta \text{in Quantity}}{\% \Delta \text{in price}}$$

By putting value to formula answer will be 200.

68. If price of an article decreases from Rs 800 to Rs 750, when quantity demanded increases from Q1 units to 2250 units, and If point elasticity of demand is -2 find Q1?

- (A) 2400 units (B) 2000 units
(C) 1800 units (D) 1500 units

Ans. (B) [SSC CHSL 2017]

Exp: Point elasticity is finding elasticity at a point on demand curve.

$$P. \text{ Elasticity} = \frac{\% \Delta \text{in Quantity}}{\% \Delta \text{in price}}$$

By putting values to the formula we will receive 2000 units.

69. If demand curve for house cleaning services is D = 45000 - 21P and supply curve is S = 15000 + 9P, find the equilibrium Quantity?

- (A) 12000 units (B) 6000 units
(C) 24000 units (D) 30000 units

Ans. (C) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand matches supply equally. Equilibrium \Rightarrow demand = supply by putting value to formula answer will be 24,000 units.

70. If demand curve for alphonso mangoes is D = 25000 - 70P and supply curve is S = 10000 + 80P, find the equilibrium quantity?

- (A) 18,000 units (B) 2,000 units
(C) 1,800 units (D) 200 units

Ans. (A) [SSC CHSL 2017]

Exp: Equilibrium is situation where demand match supply equally.

Equilibrium \Rightarrow demand = supply

By putting values to formula answer will be 18,000 units.

71. If price of an article decreases from Rs 240 to Rs 220, when quantity demanded increases from 200 units to 210 units. Find point elasticity of demand?

- (A) 0.6 (B) -1.8
(C) -0.6 (D) 1.8

Ans. (C) [SSC CHSL 2017]

Exp: Point Elasticity of demand : Finding Elasticity at point on demand curve.

$$P \text{ Elasticity} = \frac{\% \Delta \text{Quantity}}{\% \Delta \text{price}}$$

by putting the formula the answer received will be -0.6

72. If demand curve for roller skates is D = 23000 - 19P and supply curve is S = 18000 + 6P, find the equilibrium Price?

- (A) Rs 100 (B) Rs 400
(C) Rs 50 (D) Rs 200

Ans. (D) [SSC CHSL 2017]

Exp: Equilibrium is a situation where demand matches supply.

Equilibrium \Rightarrow demand = supply

By putting values to formula we will receive Rs. 200

73. If price of an article decreases from Rs P1 to Rs 190, when quantity demanded increases from 5000 units to 5200 units, and if point elasticity of demand is -0.8 find P1?

- (A) Rs 220 (B) Rs 240
(C) Rs 200 (D) Rs 250

Ans. (D) [SSC CHSL 2017]

Exp: Point Elasticity is finding elasticity at point on demand curve.

$$P. \text{ Elasticity} = \frac{\% \Delta \text{Quantity}}{\% \Delta \text{in price}}$$

So by above formula, we will get value i.e. Rs 250

74. The Law of Demand is based on the concept that people _____.

- (A) Buy more of a good as their income increases.
(B) Buy more of a good as the price of the good falls.
(C) Will spend all of their money on something.
(D) Want more of everything even if they have no money to buy anything.

Ans. (B) [SSC CHSL 2017]

Exp: Law of demand states that the ultimate aim of human is to maximize profit so when price of any good is increased demand will decrease and when price is decreased, demand for that product will increase.

75. If price of an article decreases from Rs 100 to Rs 80, when quantity demanded increases from Q1 units to 4600 units, and if point elasticity of demand is -0.75. Q1 = ?

- (A) 5000 units (B) 4000 units
(C) 3000 units (D) 2000 units

Ans. (B) [SSC CHSL 2017]

Exp: Point Elasticity is finding elasticity at point on demand curve.

$$P. \text{ Elasticity} = \frac{\% \Delta \text{ Quantity}}{\% \Delta \text{ in price}}$$

By putting value we will receive 4000 units as answer.

76. For a goods ————— negative income elasticity and positive price elasticity of demand, then the good is-

- (A) An inferior goods (B) Normal goods
(C) Superior goods (D) Giffen goods

Ans. (D) (SSC (CGL) 2013)

Exp: Giffen goods are those goods whose consumption increases as the price rises.

77. The Goods which are either for consumption or for investment are called-

- (A) Intermediate goods (B) Final goods
(C) Giffen goods (D) Inferior goods

Ans. (B) (SSC (10+2) 2013)

Exp: Goods purchased by consumer are goods for final consumption. Good purchased by someone to use it for further investment is also for final consumption. So in both situation these goods will be final goods.

78. The Price discrimination is helpful when.

- (A) Demand elasticity for two market is different
(B) Demand elasticity for two market is same
(C) Supply elasticity for two market is different
(D) Supply elasticity for two market is same.

Ans. (A) (SSC (LDC) 2005)

Exp: Price discrimination is pricing strategy in which identical or similar goods are priced differently, according to different markets. In this, producer tries to get as much as price that consumer is willing to pay. So when the demand elasticity for two market is different then the price discrimination works.

79. Discuss about giffen and inferior good.

- (A) Inferior goods are also giffen
(B) Giffen goods are also inferior goods
(C) Inferior good should not be giffen
(D) Giffen good should not be inferior.

Ans. (B) (SSC MTS 2006)

Exp: Giffen goods and Inferior goods are sort of similar to each other specially in case of relationship of demand and income.

Giffen goods are those goods for which demand will decrease if the price of goods are reduced and people will tend to move towards alternative goods.

80. The Price elasticity of demand is –

- (A) Elasticity = %change in demand ÷ %change in price
(B) Elasticity = %change in price ÷ %change in demand

(C) Elasticity = %change in demand ÷ %change in supply

(D) Elasticity = %change in supply ÷ %change in Price.

Ans. (A) (SSC (10+2) 2013)

Exp: Price elasticity of demand is responsiveness of the demand in relation to change in price of product.

81. Elasticity expressed by formula $1 > e > 0$ is –

- (A) Perfectly elastic (B) Relatively elastic
(C) Perfectly inelastic (D) Relatively inelastic

Ans. (D) (SSC MTS 2013)

Exp: Formula $1 > e > 0$ is expressing that there is change in price but quantity is relatively less responsive to the change. In other words it can be understood as not very responsive to price so Relatively inelastic.

82. When percent change in demand for a commodity is less than percentage change in its price, then demand is said to be–

- (A) Highly elastic (B) Inelastic
(C) Relatively elastic (D) Perfectly inelastic.

Ans. (B) (SSC MTS 2013)

Exp: When percentage change in quantity is less than percentage change in price, this particular situation will be inelastic.

83. When there is no change in demand, with large change in price then such type of demands are called-

- (A) Elastic (B) Inelastic
(C) Perfectly inelastic (D) Relatively elastic

Ans. (C) (SSC MTS 2008)

Exp: When there is large change in price of article but it is not effecting demand of that product that it will be called as perfectly inelastic.

84. With other factor Constant, the demand of any product is decreased by-

- (A) Increase in price of that product
(B) Increase in income of customer
(C) Decrease in price of that product
(D) Decrease in income of customer

Ans. (A) (SSC (10+2) 2014)

Exp: Law of demand says that if there is increase or decrease in price of goods then there will be decrease or increase in demand respectively.

85. There will be increase in price of tomato in domestic market, if-

- (A) There is enormous production of tomato
(B) Export of fresh tomatoes to other countries
(C) Production cost of tomato is less
(D) All of the above

Ans. (B) (SSC MTS 2006)

Exp: If there is increase in price of tomato it can be due to supply constraints, and situation here suits the condition where export of fresh tomatoes to other countries is done here resulting into less supply and increase in price.

86. Which of the following is not the direct deciding factor of demand?

- (A) Saving (B) Income
(C) Price (D) Taste

Ans. (A) (SSC 10+2 2012)

Exp: Law of demand holds true when keeping other things same, that means factors other than price like taste, preferences, income, price of related goods should be constant.

87. Which of the following goods has elastic demand?

- (A) Electricity (B) Medicines
(C) Rice (D) Match box

Ans. (C) (SSC 10+2 2011)

Exp: Elasticity of essential goods like electricity, medicines, match box, milk etc is inelastic but the goods, if a consumer can substitute them like other normal goods rice will be very elastic.

88. Which of the following statement is true?

- (A) Price of any good depends upon its cost.
(B) Any good has valuable price in anyone which has desire to buy it.
(C) Price of any good depend upon place value.
(D) Any good has its price if its supply is equal to demand.

Ans. (D) (SSC CPO 2012)

Exp: In market, generally price is decided by supply and demand in a market. Any good has its price if its supply is equal to its demand.

89. Which of the following is an Example of derived demand?

- (A) Rice (B) Cloths
(C) Beauty Products (D) Cement

Ans. (D) (SSC CPO 2012)

Exp: Derived demand refers to the demand rise as a result of rise in demand of other related product. Best example for Derived demand is rising demand of factors of production when there is demand of finished product.

90. Demand of Labour is called-

- (A) Derived demand (B) Factory demand
(C) Market demand (D) Direct demand

Ans. (A) (SSC CGL 2013)

Exp: Demand of Labour is derived demand because demand of labours depends upon demand of the produce that workers will be producing.

91. Perfectly inelastic demand is equal to-

- (A) Unity (B) Zero
(C) Infinity (D) Greater than unity

Ans. (B) (SSC 10+2 2015)

Exp: Perfectly inelastic demand means no responsiveness of demand in relation to price, so it will be equal to zero.

92. Which among the following are close substitutes?

- (A) Milk and Sugar (B) Sugar and Tea
(C) Tea and Coffee (D) Coffee and Biscuits

Ans. (C)

Exp: Substitute goods are those which are replacable in consumption with each other, In other words people can switch to other products and can derive same utility.

Eg:- Tea & Coffee, Rice & Wheat etc.

93. If there is decrease in price of X, then demand of Y is also decreased, then X & Y are-

- (A) Substitute goods (B) Complementary goods
(C) X is inferior to Y (D) Y is inferior to X

Ans. (A) (SSC LDC 2005)

Exp: In Substitute goods if price of one good is increased or decreased, it will decrease or increase demand of other related goods respectively.

94. For Successful Price discrimination between two market, demand elasticity of production should be-

- (A) Same (B) Different
(C) Constant (D) Zero

Ans. (B) (SSC T.A. 2008)

Exp: Price discrimination is pricing strategy in which identical or similar goods are priced differently according to different markets. In this producer tries to get as much as price that consumer is willing to pay. So when the demand elasticity for two market is different then the price discrimination works.

95. Other things being equal, a decrease in quantity demanded of a commodity can be caused by-

- (A) A rise in the price of the commodity
(B) A rise in the income of the consumer
(C) A fall in the price of a commodity
(D) A fall in the income of the consumer

Ans. (A) (SSC 10+2 2014)

Exp: Law of demand says that if there is increase or decrease in price of goods, then there will be decrease or increase in demand respectively

96. Which of the following are consumer semi-durable goods?

- (A) Cars and Television sets
(B) Milk and Milk products
(C) Foodgrains and other food products
(D) Electrical appliance like fans and electric irons

Ans. (C) (SSC 10+2 2014)

Exp: Semi-durable goods are those goods which are neither durable nor perishable like cloths, preserved foods, foods grains etc.

97. A supply function expresses the relationship between-

- (A) Price and demand (B) Price and consumption
(C) Price and output (D) Price and selling cost

Ans. (C) (SSC 10+2 2013)

Exp: Supply function is expression of relationship between supply and factor that affect the producer like Price, factor inputs technology, taxes subsidies, output etc.

98. Demand for complementary goods is known as–

- (A) Joint demand (B) Derived demand
(C) Direct demand (D) Cross demand

Ans. (A) (SSC (10+2) 2012)

Exp: Complementary goods are those goods which are actively indulge in each other and makes final goods to consume. The demand here for one factor will have same effect on other related goods, so it is called as joint demand.

99. Which one of the following pairs of goods is an Example for joint supply?

- (A) Coffee and Tea (B) Ink and Pen
(C) Tooth brush and Paste
(D) Wool and Mutton

Ans. (D) (SSC (10+2) 2011)

Exp: Joint supply is when a product that yield more than one output. Best suitable example for this is livestock industry like sheep giving meat as well as wool.

100. For an inferior good, demand falls when–

- (A) Price rises (B) Income rise
(C) Price falls (D) Income falls

Ans. (B) (SSC (10+2) 2011)

Exp: Inferior goods are those goods which have a negative income effect (or negative relation with income) and when the income rises, demand for inferior goods falls.

101. A 'want' becomes a demand only when it is backed by the–

- (A) Ability to purchase (B) Necessity to buy
(C) Desire to buy (D) Utility of the product

Ans. (A) (SSC CGL 20101)

Exp: Need is state of feeling deprived of something and when the deprivation for particular goods is identified it is called as want. Want when backed by ability to purchase or willingness to pay it is called as demand.

102. An exceptional demand curve is one that moves–

- (A) Upward to the right (B) Downward to the right
(C) Horizontally (D) Vertically

Ans. (A) (SSC T.A. 2009)

Exp: Exceptional demand curve :- Normally demand curve is downward sloping i.e inverse relationship between demand and price but something it shows upward movement with increase in price this generally occurs when people fear that product shortage can happen soon.

103. A fall in demand or rise in supply of a commodity–

- (A) increases the price of that commodity
(B) decreases the price of that commodity
(C) neutralises the changes in the price
(D) determines the price elasticity

Ans. (B) (SSC DEO 2008)

Exp: Fall in demand and rise in supply of commodity will create excessive 'Buffer stock. So to sell the product there will be decrease in the price of that commodity so that sell could occur.

104. The Law of Demand expresses–

- (A) Effect of change in price of a commodity on its demand
(B) Effect of change in demand of a commodity on its price
(C) Effect of change in demand of a commodity over the supply of its substitute
(D) None of the above

Ans. (A) (SSC TA 2008)

Exp: Law of demand says that if there increase or decrease in price of goods then there will be decrease or increase in demand respectively.

105. The demand curve for a Giffen good is–

- (A) Upward rising (B) Downward falling
(C) Parallel to the quantity axis
(D) Parallel to the price axis

Ans. (A) (SSC CGL 2007)

Exp: Giffen goods have unique responsiveness instead of Law of demand. Basically when price rises, quantity demanded will increase and vice-versa, so demand curve for a Giffen good is upward rising instead of general demand curve i.e downward sloping.

106. The supply of agricultural products is generally–

- (A) Elastic (B) Inelastic
(C) Perfectly elastic (D) Perfectly inelastic

Ans. (B) (SSC TA 2007)

Exp: Supply of agricultural products is generally inelastic in short term because when a crop is sown suddenly farmers can't raise supply by growing more crop. because time is required for the yield to take place.

107. All of the goods which are scarce and limited in supply are called–

- (A) Luxury goods (B) Expensive goods
(C) Capital goods (D) Economic goods

Ans. (A) (SSC SO 2007)

Exp: Luxury goods are those goods whose demand increases in more proportion than increase in income. Luxury goods are also goods with uniqueness and limited supply.

108. Engel's Law states the relationship between–

- (A) Quantity demanded and price of a commodity
(B) Quantity demanded and price of substitutes
(C) Quantity demanded and tastes of the consumers
(D) Quantity demanded and income of the consumers

Ans. (D) (SSC CGL 2007)

Exp: Engel's law state that as the income rises the proportionate, expenditure from income on food products decreases.

109. Seawater, fresh air etc are regarded in economics as–

- (A) Giffen goods (B) Inferior goods
(C) Free goods (D) Normal goods

Ans. (C) (SSC CPO 2006)

Exp: Free goods are those goods which are not scarce and can be available by just the virtue of living organisms. Examples are air, sea water, sun light etc.

- 110. If the price of tea falls, demand for coffee will—**
 (A) Increase (B) Decrease
 (C) Remain same (D) None of these

Ans. (B) (SSC SO 2006)

Exp: When the price of tea fall the demand for coffee will also fall due to substitution effect.

- 111. If the main objective of the government is to raise revenue, it should tax commodities with—**
 (A) High elasticity of demand
 (B) Low elasticity of supply
 (C) Low elasticity of demand
 (D) High income elasticity of demand

Ans. (C) (SSC MTS 2006)

Exp: Low elasticity of demand because it will generate income for the government and due to low elasticity, consumer will consume in any way the goods which are essential in nature.

- 112. Bread and butter, car and petrol are Examples of goods which have—**
 (A) Composite demand (B) Joint demand
 (C) Derived demand (D) Autonomous demand

Ans. (B) (SSC MTS 2006)

Exp: Joint demand is demand for the goods which are usually complementary so they will be demanded jointly and in a fixed proportion.

- 113. In the law of demand, the statement “Other things remain constant” means—**
 (A) Income of consumer should not change
 (B) Price of other goods should not change
 (C) Taste of consumer should not change
 (D) All of the above

Ans. (D) (SSC CPO 2006)

Exp: Law of demand holds true when keeping other things same, that means factors other than price like taste, preferences, Income, price of related goods should be constant.

- 114. The functional relationship between income and consumption expenditure is explained by—**
 (A) Consumer surplus
 (B) Law of demand
 (C) Law of supply
 (D) Keynes's psychological law of consumption

Ans. (D) (SSC MTS Exam, 2006)

Exp: Keynesian psychological law of consumption state that as income rises the expenditure also increases but not in same proportions, having saving from income as new share from raised income.

- 115. According to Keynesian theory of income determination, at full employment a fall in aggregate demand causes—**
 (A) A fall in prices of output and resources
 (B) A fall in real gross National product and employment
 (C) A rise in real gross National product and investment
 (D) A rise in prices of output and resources

Ans. (A) (SSC CPO 2004)

Exp: According to Keynesian theory of income determination, at full employment there is a fall in aggregate demand

causing a fall in price of output and resources because theory says that income depends on employment which depends on effective demand and also depends on consumption expenditure and investment expenditure.

- 116. If the price of an inferior good falls its demand—**
 (A) Rises (B) Falls
 (C) Remains constant (D) Can be any of the above

Ans. (A) (SSC CPO 2003)

Exp: Inferior goods are those goods whose demand decreases as increase in income of consumer and vice-versa.

- 117. Demand of commodity mainly depends upon—**
 (A) Purchasing will (B) Purchasing power
 (C) Tax policy (D) Advertisement

Ans. (B) (SSC SO 2003)

Exp: Demand is a want backed by ability to purchase and willingness to buy.

- 118. When there is a change in demand leading to a shift of the demand curve to the right at the same price as before, the quantity demanded will—**
 (A) Decrease (B) Increase
 (C) Remain the same (D) Contract

Ans. (B) (SSC SO 2001)

Exp: When there is change in demand leading to shifting of demand curve to right keeping price at same, quantity demanded will increase.

- 119. Movement along the same demand curve is known as—**
 (A) Extension and contraction of demand
 (B) Increase and decrease of demand
 (C) Contraction of supply
 (D) Increase of supply

Ans. (A) (SSC SO 2001)

Exp: Movement along the same demand curve is caused by change in price of the commodity it self and this is referred as increase (extension) and decrease (contraction) of demand.

- 120. The income elasticity of demand being greater than one, the commodity must be—**
 (A) A necessity (B) A luxury
 (C) An inferior good (D) None of the above

Ans. (B) (SSC SO 2001)

Exp: Luxury goods demand increases in more proportion to increase in income. Thus responsiveness of demand is more, so elasticity of demand here will be greater than one.

- 121. If the change in demand for a commodity is at a faster rate than change in the price of the commodity, the demand is—**
 (A) Perfectly inelastic (B) Elastic
 (C) Perfectly elastic (D) Inelastic

Ans. (B) (SSC MTS 2001)

Exp: Elasticity is responsiveness to the change in demand of commodity due to change in its price.

- 122. The demand for which of the following commodity will not rise in spite of a fall in its price?**
 (A) Television (B) Refrigerator
 (C) Salt (D) Meat

Ans. (C) (SSC MTS 2000)

Exp: Necessity goods are those goods which are very essential so their demand is very less or zero responsive to change in price like salt, medicines etc.

123. If the price of Pepsi decreases relative to the price of Coke and 7-Up, the demand for-

- (A) Coke will decrease
- (B) 7-Up will decrease
- (C) Coke and 7-Up will increase
- (D) Coke and 7-Up will decrease

Ans. (D) (SSC MTS 2000)

Exp: Pepsi, Coke 7up, they all are coldrinks, homogenous so substitute goods. If price of Pepsi decreases the demand for its substitutes like Coke and 7up will decrease.

124. Which one of the following is an Example of joint supply?

- (A) Petrol and Bus
- (B) Ink and Fountain pen
- (C) Sugar and Coffee
- (D) Wool and Cotton

Ans. (B) (SSC Steno. 2014)

Exp: Ink and fountain Pen is example of joint supply because usually are produced by a single producer.

125. A refrigerator operating in a chemist's shop is an Example of-

- (A) Free good
- (B) Final good
- (C) Producer's good
- (D) Consumer's good

Ans. (B) (SSC CPO 2008)

Exp: Final goods are goods that are consumed rather than used in further production.

126. Which among of the following is necessary for demand.

- (A) Production
- (B) Cost
- (C) Income
- (D) Import

Ans (C) (SSC MTS 2008)

Exp: Income is necessary for demand. Its a major factor in demand because with change in income demand also changes.

127. In which of the following case, law of demand fails?

- (A) Giffen goods
- (B) Normal goods
- (C) Inferior goods
- (D) Both Giffen and Inferior goods

Ans. (A) (SSC CGL 2017)

Exp: There are some exceptions to law of demand:-
 1. Conspicuous goods 2. Giffen goods
 3. Conspicuous necessities 4. Demand for necessities
 5. Speculative goods

128. The _____ curve represents the demand of all consumers in the market taken together at different levels of the price of the good.

- (A) Monotonic
- (B) Indifferent
- (C) Market demand
- (D) Diminishing

Ans. (C) (SSC CGL 2017)

Exp: Market demand curve is total of all individual demand curves. So, market demand curve represents the demand of all consumers in the market taken together at different level of prices of the good.

129. Who gave the 'General Equilibrium Theory'?

- (A) J. M. Keynes
- (B) Leon Walras
- (C) David Ricardo
- (D) Adam Smith

Ans. (B) (SSC CGL 2017)

Exp: The most accepted theory of General Equilibrium was developed by French economist Leon Walras. This theory suggested that all prices and quantities are determined through interaction of several markets with one another.

130. In a market system, the central problems regarding how much and what to produce are solved through the coordination of economic activities brought about by _____ signals.

- (A) Supply
- (B) Demand
- (C) Price
- (D) Stock Market

Ans. (C) (SSC CGL 2017)

Exp: In a market system, the central problems regarding how much and what to produce are solved through price mechanism. Price mechanism is a system to fix price where demand equals supply.

131. The demand for a normal good increases with _____ in the consumer's income.

- (A) Increase
- (B) Decrease
- (C) Constant
- (D) Double

Ans. (A) (SSC CGL 2017)

Exp: Normal Goods:- Normal goods are any goods for which demand increase when income increases and falls when income decreases but price remains constant. Examples: food staples, clothing and household appliances.

132. The demand for a inferior good increases with _____ in the consumer's income.

- (A) Increase
- (B) Decrease
- (C) Constant
- (D) Double

Ans. (B) (SSC CGL 2017)

Exp: Inferior good are those goods whose demand decreases (increases) with increase (decrease) in income.

133. Demand curve will shift forward, when _____.

- (A) Price of complementary good falls
- (B) Price of substitute goods decreases
- (C) Income of the consumer falls
- (D) Price of complement good increases

Ans. (A) (SSC CPO 2017)

Exp. Complementary goods are those goods which are consumed together. Like Pen and Ink.

If price of complementary good falls, the demand for the product increases. Hence demand curve will shift forward.





Consumer Behaviour

1. **Payment of water charges by the farmers to the government represents**
 (A) Intermediate consumption
 (B) Final consumption
 (C) Fixed investment
 (D) Inventory investment

Ans. (A) (SSC Combined Matric Level 2000)

Exp: Intermediate consumption is that stage of consumption at which goods and services are utilized as inputs for further production.

2. **The difference between the price the consumer is prepared to pay for a commodity and the price which he actually pays is called**
 (A) Consumer's Surplus (B) Producer's Surplus
 (C) Landlord's Surplus (D) Worker's Surplus

Ans. (A) (SSC Combined Matric Level 2002)

Exp: Consumer's surplus is extra amount that consumer realise when he is willing to pay more than the seller's selling price.

Or simply consumer surplus = Expected payment - Actual payment.

3. **The marginal propensity to consume lies between**
 (A) 0 to 1 (B) 0 to ∞
 (C) 1 to ∞ (D) ∞ to ∞

Ans. (A) (SSC (10+2) Level DEO & LDC 2011)

Exp: Marginal propensity to consume is ratio of change in consumption due to change in income. It lies between 0 to 1.

4. **'Marginal efficiency of capital is**
 (A) Expected rate of return on new investment
 (B) Expected rate of return of existing investment
 (C) Difference between rate of profit and rate of interest
 (D) Value of output per unit of capital invested

Ans. (A) (SSC Sec. Officer 2001)

Exp: Marginal efficiency of capital is the return on investment generally investor invest when return on investment is greater than interest rate.

5. **Consumptions function refers to**
 (A) Relationship between income and employment
 (B) Relationship between savings and investment
 (C) Relationship between input and output
 (D) Relationship between income and consumption

Ans. (D) (SSC Combined Matric Level 2002)

Exp: Consumption function a formula developed by J.M. Keynes that shows relationship between real disposable income and consumer spending. It lays very much stress on importance of consumer spending in creating demand in economy.

6. **The functional relationship between income and consumption expenditure is explained by**
 (A) Consumer's Surplus (B) Law of Demand
 (C) Law of Supply
 (D) Keynes's psychological law of consumption

Ans. (D) (SSC Combined Matric Level 2006)

Exp: Keynes psychological law of consumption states that as the income of consumer increases, expenditure on consumption also increases but not as much as increase in income.

7. **Income and consumption are:**
 (A) Inversely related (B) Directly related
 (C) Partially related (D) Unrelated

Ans. (B) (SSC (10+2) Level DEO & LDC 2011)

Exp: Consumption and income are directly related as the income rises consumption rises and as it decreases consumption also decreases.

8. **Which of the following relationship always holds true?**
 (A) Income = Consumption + Investment
 (B) Income = Consumption + Saving
 (C) Saving = Investment
 (D) Income = Consumption + Saving + Investment

Ans. (B) (SSC CGL Tier-I 2014)

Exp: It is believed that consumer's income is used in consumption and if remains left, it is used for savings for future. So income = consumption + savings

9. **The Keynesian consumption function shows a relation between**
 (A) Aggregate consumption and total population
 (B) Aggregate consumption and general price level
 (C) Aggregate consumption and aggregate income
 (D) Aggregate consumption and interest rate

Ans. (C) (SSC CGL Tier-I 2014)

Exp: Consumption function a formula developed by J.M. Keynes that shows relationship between real disposable income and consumer's spending. It lays very much stress on importance of consumer's spending in creating demand in economy.

10. **Over short period, when income rises, average propensity to consume usually**
 (A) Rises (B) Falls
 (C) Remains constant (D) Fluctuates

Ans. (B) (SSC CGL Tier-I 2014)

Exp: Marginal propensity to consume: According to Keynesian consumption function, as the income increases average propensity to consume falls in short term.

11. According to Marshall, the basis of consumer surplus is-

- (A) Law of diminishing marginal utility
- (B) Law of equi-marginal utility
- (C) Law of proportions
- (D) All of the above

Ans. (A) (SSC CGL Tier-I 2015)

Exp: According to Marshall, the basis of consumer surplus is based on law of diminishing marginal utility i.e. as the consumption increases, the satisfaction or utility derived from that product diminishes.

12. Collective consumption means-

- (A) Household consumption
- (B) Individual consumption
- (C) Self-consumption
- (D) Consumption by the citizens of the country

Ans. (A) (SSC (10+2) 2014)

Exp : Collective consumption refers that goods and services produced are consumed at commodity level or area level such as households living in a particular region.

13. The concept that under a system of free enterprise, it is consumers who decide what goods and services shall be produced and in what quantities is known as-

- (A) Consumer protection
- (B) Consumer's decision
- (C) Consumer preference
- (D) Consumer's sovereignty

Ans. (D) (SSC SO 2006)

Exp: Consumer sovereignty is a concept that propounds consumer as decision maker in each aspect like from what to produce, for whom to produce and what should be price.

14. If for any product X, total utility from 9 units is 20 and from 10 unit is 15, then Marginal utility is-

- (A) -.5
- (B) 5
- (C) .5
- (D) -5

Ans. (D) (SSC 10+2 2015)

Exp: Marginal utility = New total utility - old total utility
by following the formula the answer will be -5.

15. In economics, 'Utility' and 'Usefulness' words has.

- (A) Same meaning
- (B) Different meaning
- (C) Opposite meaning
- (D) None of the above

Ans.(B) (SSC Tax Asst. Exam, 2009)

Exp: Utility in economics refers to satisfaction received from consumption of a commodity.
Usefulness means being of some use or when a commodity serve some purpose.

16. The Psychological law of consumption states that-

- (A) Proportionate increase in consumption is less than proportionate increase in income
- (B) Increase in income is equal to increase in consumption

(C) Increase in consumption is greater than increase in income

(D) Consumption does not change with a change in income

Ans. (A) (SSC (10+2) 2014)

Exp: Psychological law of consumption states that with increases in income, consumption also increase but not in equal proportionate. Consumption in comparison to increase in income is less proportionate.

17. When Marginal Utility (MU) is zero, the Total Utility (TU) is-

- (A) Minimum
- (B) Increasing
- (C) Maximum
- (D) Decreasing

Ans. (C) (SSC CPO 2004)

Exp: According to law of diminishing marginal utility, increase the level of satisfaction driven diminish with consumption of successive units. There will be a situation where marginal utility is zero, it means adding one more unit of goods will not add to any benefit to production or consumer. In that case, it shows total utility is maximized.

When MU is zero, it means that every additional unit of a good does not add any benefits to the consumer. In that case total utility is maximized.

18. The marginal utility curve slopes downward from left to right indicating-

- (A) A direct relationship between marginal utility and the stock of commodity
- (B) A constant relationship between marginal utility and the stock of commodity
- (C) A proportionate relationship between marginal utility and the stock of commodity
- (D) An inverse relationship between marginal utility and the stock of commodity

Ans. (D) (SSC CPO Exam, 2003)

Exp: According to law of diminishing marginal utility as the quantity of goods with consumer increases, marginal utility of the goods to him expressed in terms of money falls. So the marginal utility curve is downward sloping.

19. The term utility means-

- (A) Usefulness of a commodity
- (B) The satisfaction in which a commodity yields
- (C) The service which a commodity is capable of rendering
- (D) None of the above

Ans. (B) (SSC MTS Exam, 2011)

Exp: Utility is level of satisfaction derived by consumption of goods and services.

20. When Marginal utility diminishes, total utility:

- (A) Diminishes
- (B) Increases
- (C) Remains constant
- (D) Increases at a diminishing rate

Ans: (D)

Exp: Relationship between Total utility and Marginal utility-

1. MU is rate of change in TU
2. When MU is zero TU is maximum
3. When MU become negative TU will decline.
4. When MU decreases TU increases at decreasing rate.

21. A utility function shows the relation between :

- (A) The amount of goods consumed and a consumer's utility.
- (B) Income and a consumer's utility.
- (C) Prices and a consumer's utility.
- (D) Maximum utility and the prices and income facing a consumer.

Ans. (A) (SSC CPO 2004)

Exp: Utility function is an important concept that states the utility derived by consumer for all goods consumed represents welfare and their preferences.

22. Marginal utility is equal to average utility at that time when average utility is-

- (A) Increasing
- (B) Maximum
- (C) Falling
- (D) Minimum

Ans. (B)

Exp: Marginal utility is utility driven by consuming one additional unit of good.

Average utility is utility derived by per unit of consumption and it is always positive and remain above x-axis. When average utility attains maximum value, it will be equal to marginal utility.

23. At point of satiety, Marginal Utility is-

- (A) Zero
- (B) Positive
- (C) Maximum
- (D) Negative

Ans. (A)

Exp: Point of satiety is the stage where one more additional unit consumption is not contributing in increasing total utility.

So at point of satiety, marginal utility is zero.

24. Which of the following is the second law of Gossen?

- (A) Law of equi-marginal utility
- (B) Law of equi-product
- (C) Theory of indifference curve
- (D) Law of diminishing marginal utility

Ans. (A)

Exp: Second law of Gossen states that consumer will distribute his resources or income in such a way that utility dervied from last single penny on expenditure is equal.

Consumer is in equilibrium when marginal utility of expenditure on each article is same.

25. Total Utility of a commodity is measured by which price of that commodity?

- (A) Value in use
- (B) Value in exchange
- (C) Both of above
- (D) None of above

Ans. (A) (SSC CHSL 2017)

Exp: Total utility is the overall quantified satisfaction by consuming goods and services, so it is measured by price of goods and services value in use.

26. Irfaan loves black coffee. A roadside stall selling a cup of black corffee at. 120 offered 25% discount to Irffan. If Irfaan was willing to pay event Rs. 200 for this cup of black coffee, Irfaan's consumer surplus is

- (A) 90
- (B) 80
- (C) 30
- (D) 110

Ans. (D) (SSC CHSL 2017)

Exp: Consumer Surplus = Consumer willing to pay- Actual pay
By this answer will be 110.

27. The minumum price at which I was willing to sell my old TV was RS. 7,000. I quoted Rs. 12,000 while selling it, but sold for Rs. 10,500. This transaction generated

- (A) Rs. 3,500 worth of consumer surplus
- (B) Rs. 5,000 worth of consumer surplus
- (C) Rs. 5,000 worth of producer surplus
- (D) Rs. 3,500 worth of producer surplus

Ans. (D) (SSC CHSL 2017)

Exp: Producer surplus is extra amount realised by selling a product expecting the sell to happen at lower price. Net extra amount above expected amount is considered as producer surplus.

28. The minimum price at which I was willing to sell my old TV was Rs 37,000. I quoted Rs 50,000 while selling it, but it sold for Rs 42,000. This transaction generated _____.

- (A) Rs 5000 worth of consumer surplus
- (B) Rs 8000 worth of consumer surplus
- (C) Rs 5000 worth of producer surplus
- (D) Rs 8000 worth of producer surplus

Ans. (C) (SSC CHSL 2017)

Exp: Producer surplus is extra amount realised by selling a product expecting the sell to happen at lower price. Net extra amount above expected amount is considered as producer surplus.

29. If hiring an extra worker increases a brick making unit's output from 2000 to 2250 units per day, but the factory has to reduce the price of its brick from Rs 15 to Rs 14 per brick to sell the additional output, the marginal revenue product of the last worker is

- (A) Rs 1500
- (B) Rs 250
- (C) Rs 3000
- (D) Rs 100

Ans. (A) (SSC CHSL 2017)

Exp: Marginal revence of product = $(P_2 \times Y_2) - (P_1 \times Y_1)$
 P_1 = old price/article
 P_2 = New price/article
 Y_1 = old units produced before
 Y_2 = New units produced

By putting the formula, answer will be Rs. 1500

30. Reema wants to buy a certain designer party dress. The shop is offering a discount of 20% on that dress which is marked at Rs 5000. If Reema was willing to pay even Rs 7000 for that dress, Reema's consumer surplus is
- (A) Rs 3000 (B) Rs 2000
(C) Rs 1000 (D) Rs 7000

Ans. (A) [SSC CHSL 2017]

Exp: Consumer surplus = expected price - (market price discount)

By putting the formula, answer will be Rs. 3000

31. An increase in price will _____.

- (A) Increase consumer surplus
(B) Decrease consumer surplus
(C) Have no affect on consumer surplus
(D) Decrease producer surplus

Ans. (B) [SSC CHSL 2017]

Exp: Consumer surplus is surplus over the expected or willingness to pay over actual payment, so increase in price will lead to decrease in consumer surplus.

32. Priya likes a wedding gown so much that she was willing to pay even Rs. 30000 for it. Luckily she finds the same gown marked at Rs. 25000 at a local store. The store is further offering a 30% discount on the gown. Priya's consumer surplus is

- (A) Rs. 5000 (B) Rs. 12500
(C) Rs. 7500 (D) Rs. 25000

Ans. (B) [SSC CHSL 2017]

Exp: Consumer surplus = willingness to pay - Actual payment

By putting value of formula answer will be Rs. 12500.

33. Which among the following is an example of micro-economic variable?

- (A) National Income (B) Aggregate Supply
(C) Employment (D) Consumer's Equilibrium

Ans. (D) [SSC CHSL 2017]

Exp: Micro-Economics is study of economics at individual level. We mainly study following in Micro-Economics

1. Product Pricing
2. Consumer Behaviour, consumer equilibrium
3. Factor pricing
4. Study of firm
5. Economic conditions of a section of people.

34. What does indifference curve represent?

- (A) Levels of Income and Capital
(B) Satisfaction derived from two goods
(C) Income from two businesses
(D) Relationship between expenditure and savings

Ans. (B) [SSC CGL 2017]

Exp: Indifference curve is the graphical representation of various combinations of two commodities leading to the same level of satisfaction from each combination.

35. Which among the following is used to measure slope of indifference curve?

- (A) Marginal Rate of Transformation
(B) Marginal Rate of Substitution
(C) Marginal Rate of Technical Substitution
(D) None of these

Ans. (B) [SSC CPO 2017]

Exp. Indifference curve is curve that shows combination of two commodities resulting same level of satisfaction.

Marginal rate of substitution is used to measure slope of indifference curve.



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Production

1. Economic rent refers to-

- (A) Payment made for the use of land
- (B) Profit
- (C) Producer's surplus (D) Consumer's surplus

Ans. (A) (CPO SI 2003)

Exp: Economic Rent only include income or payment that arises due to use of land only.

2. The Marginal Utility Curve slopes downward from left to right indicating-

- (A) A direct relationship between marginal utility and the stock of commodity
- (B) A constant relationship between marginal utility and the stock of commodity
- (C) A proportionate relationship between marginal utility and the stock of commodity
- (D) An inverse relationship between marginal utility and the stock of commodity

Ans. (D) (SSC CPO SI 2003)

Exp: Marginal utility curve shows relationship between marginal utility i.e utility obtained from consuming an additional unit of goods or quantity of goods consumed. It shows inverse relationship between marginal utility and stock. In other words, as more of product is consumed, the marginal benefit to consumer falls.

3. Entrepreneurial ability is a special kind of labour that-

- (A) Is hired out to firms at high wages
- (B) Organises the process of production
- (C) Produce new capital goods to earn interest
- (D) Manages to avoid losses by continual

Ans. (B) (CPO SI 2003)

Exp: Factors of productions are inputs for further production, each factors has its role like land, labour capital and Entrepreneur. Entrepreneur have the main role to manage production process and to review working etc.

4. When marginal utility is zero, the total utility is-

- (A) Minimum (B) Increasing
- (C) Maximum (D) Decreasing

Ans. (C) (CPO SI 2003)

Exp: Marginal utility measures extra utility derived from consuming additional unit of product. Total utility is total satisfaction derived from consumption. These two utility are related by law of diminishing marginal utility i.e, as consumption increases, marginal utility diminishes and at the stage when it is zero this means there will no further increase in total satisfaction. So, when MU is zero, TU is Maximum.

5. Operating Surplus arises in the-

- (A) Government Sector
- (B) Production for self consumption
- (C) Subsistence farming (D) Enterprise Sector

Ans. (D) (SSC CPO SI 2005)

Exp: Operating surplus of enterprise measures the difference between revenue and expenditure.

6. The fixed cost on such factors of production which are neither hired nor bought by the firm is called-

- (A) Social cost (B) Opportunity cost
- (C) Economic cost (D) Surcharged cost

Ans. (A) (SSC Sec. Officer 2005)

Exp: Social cost is amount out of private and external costs, borne collectively by society on recurring basis. These cost may occur due to any event, action or policy changes.

7. Given the money wages, if the price level in an economy increases, then the real wages will-

- (A) Increase (B) Decrease
- (C) Creating utility (D) Become flexible

Ans. (B) (SSC Tax Assistant (Income Tax & Central Excise 2006)

Exp: If there is increase in nominal wage keeping price level constant, it will increase real purchasing power of labour. But when price level increase, it will decrease the purchasing power hence real wages decreases.

8. According to modern thinking the law of diminishing returns applies to-

- (A) Agriculture (B) Industry
- (C) Mining (D) All fields of production

Ans. (D) (SSC Sec. Officer 2006)

Exp: Law of diminishing returns state that in all the process of production adding more factors of production will at some points yield lower unit returns.

9. Which is the most essential function of an entrepreneur?

- (A) Supervision (B) Management
- (C) Marketing (D) Risk bearing

Ans. (D) (SSC Sec. Officer 2006)

Exp: Entrepreneur performs various fuctions right from starting of generation of idea, implementing the idea then supervising production and many more . Key function of entrepreneurship involves decison making on the basis of keeping in mind the risks. So risk bearing is most essential function of entrepreneurs.

10. Knowledge, technical skill, education etc, in economics, are regarded as-

- (A) Social-overhead capital
- (B) Human capital
- (C) Tangible physical capital
- (D) Working capital

Ans. (B) (SSC Sec. Officer 2007)

Exp: Human Capital is stock of various qualities like creativity, competency, social skills, performance ability all are focused towards producing something of economic value. So knowledge, technical skills and education are considered under human capital.

11. Production function expresses-

- (A) Technological relationship between physical inputs and output
- (B) Financial relationship between physical input and output
- (C) Relationship between finance and technology
- (D) Relationship between factors of production

Ans. (A) (SSC Tax Assistant (Income Tax & Central 2008)

Exp: Production literally means conversion of inputs into output. Output is function of input. So production function is formula to show relationship between inputs that can be used for producing maximum output. Production function expresses technological relationship between physical inputs and outputs.

12. "Interest is a reward for parting with liquidity" is according to-

- (A) Keynes
- (B) Marshall
- (C) Haberler
- (D) Ohlin

Ans. (A) (SSC Tax Assistant (Income Tax & Central 2008)

Exp: According to Keynesian theory, liquidity preference is demand for money and when someone supplies it through his saving he will receive reward in form of interest. This theory explains determination of interest rate by supply and demand for Money.

13. Labour Intensive Technique would get chosen in a-

- (A) Labour Surplus Economy
- (B) Capital Surplus Economy
- (C) Developed Economy
- (D) Developing Economy

Ans. (A) (SSC CPO SI 2009)

Exp: labour intensive techniques are technology or process of production that needs good amount of labours in comparison to capital investment. This happens very much in small scale industries and personalised products. So high level of labour can only be achieved in labour surplus economy only. Hence, labour intensive technique would get chosen in labour surplus economy.

14. The value of a commodity expressed in terms of money is known as-

- (A) Price
- (B) Utility
- (C) Value
- (D) Wealth

Ans. (A) (SSC FCI Assistant Grade-III 2012)

Exp: Exchange value of a commodity is expressed in terms of money. This expression has given the money a status of medium of exchange. Basically, value of a commodity is price of that commodity.

15. Division of labour is limited by-

- (A) The number of workers
- (B) Hourse of work
- (C) Extent of the market
- (D) Working space

Ans. (C) (SSC Combined Matric Level 2001)

Exp: Division of labours is process of differentiating various stages of production and assigning worker at each stage as their work specialisation. This phenomenon can only occur when market is huge because in small size market production process cannot be differentiated and no person can dedicate himself entirely to one small stage. So division of labour can be limited by extent of market

16. It is prudent to determine the size of the output when the industry is operating in the stage of-

- (A) Increasing returns
- (B) Constant returns
- (C) Diminishing returns
- (D) Negative returns

Ans. (C) (SSC Combined Matric Level 2002)

Exp: Law of diminishing returns state that in all the process of production adding one more factors of production will at some point yield lower per unit returns, so when industry is operating at diminishing returns it becomes prudent to determine the size of output.

17. Exploitation of labour is said to exist when-

- (A) Wage = Marginal Revenue
- (B) Wage < Marinal Revenue Product
- (C) Wage > Marinal Revenue Product
- (D) Marginal Revenue Product = 0

Ans. (B) (SSC Steno. 2011)

Exp: Exploitation of labours is considered when wages given to labour is less than its marginal revenue product. In simple words wage is less than revenue generated by one more unit of labour in production.

18. Cost of production of the producer is given by-

- (A) Sum of wages paid to labourers
- (B) Sum of wages and interest paid on capital
- (C) Sum of wages, interest rent and supernormal profit
- (D) Sum of wages, interest, rent and normal profit

Ans. (D) (SSC (10+2) Level DEO & LCD 2011)

Exp: Cost of production is sum paid for the use of factors of production. Like payment for land, Labour, capital and entrepreneur in form of rent, wages and interest and normal profit respectively.

19. Wage fund theory was pro-pounded by-

- (A) J.B. Say
- (B) J.S. Mill
- (C) J.R. Hicks
- (D) J.M. Keynes

Ans. (B) (SSC Const. (GD) 2012)

Exp: Wage fund theory propounded by J.S.Mill. This theory states that in certain circumstances wages could rise above subsistence level so to handle this, a fund of capital has to be accumulated before wages could be paid.

20. Real wage is-

- (A) $\frac{\text{Profit}}{\text{Price level}}$
- (B) $\frac{\text{Rent}}{\text{Price level}}$
- (C) $\frac{\text{Interest}}{\text{Price level}}$
- (D) $\frac{\text{Money wage}}{\text{Price level}}$

Ans. (D) (SSC (10+2) Level DEO & LDC 2012)

Exp: Real wage is amount of money for that consumer will have real purchasing power. It can be calculated by

$$= \frac{\text{Money wage}}{\text{Price level}}$$

21. Plant and machinery are-

- (A) Producer's goods (B) Consumer's goods
(C) Distributor's goods (D) Free goods

Ans. (A) (SSC (10+2) Level DEO & LDC 2012)

Exp: Plant and machinery are goods used for production. These can be termed as factors of production. So these will be considered as producer's goods.

22. The remuneration of the entrepreneur in production is-

- (A) Pure profit (B) Gross profit
(C) Net profit (D) Super-normal profit

Ans. (C) (SSC MTS 2013)

Exp: An entrepreneur is a person who uses factors of production for the creation of article with some economic value. Entrepreneur uses land, labour, machines for production and realises value of production. After deducting all payments and depreciation from value of production, recieved amount will be net profit.

23. The basic objective of all production is to-

- (A) Satisfy human wants
(B) Provide employment
(C) Make profits
(D) Increase physical output

Ans. (A) (SSC (10+2) Level DEO & LDC 2013)

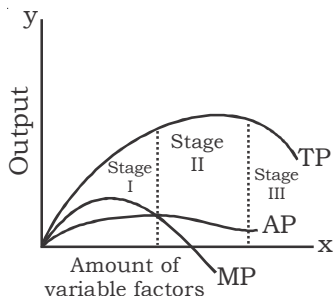
Exp: According to Adam Smith, consumption is the objective of production done. In other words production's objective is satisfaction of human desire.

24. Third stage of law of Variable proportion is called-

- (A) Negative returns (B) Positive returns
(C) Constant returns (D) Increasing returns

Ans. (A) (SSC (10+2) Level DEO & LDC 2013)

Exp: law of variable proportion Three stages



1. In first stage average production increases with total product and MP
2. Second stage is when average product and marginal product start falling
3. Third stage is when marginal product is negative and total product falls but average product is still positive.

25. Minimum payment to factor of production is called-

- (A) Quasi Rent (B) Rent
(C) Wages (D) Transfer payment

Ans. (D) (SSC MTS 2014)

Exp: Transfer payment is amount paid or receive in which no exchange of goods and services is done. Like subsidised government programme.

26. Returns to scale is a-

- (A) Timeless phenomenon
(B) Directionless phenomenon
(C) Short-run phenomenon
(D) Long run phenomenon

Ans. (D) (SSC MTS 2014)

Exp: Return to scale is rate at which production increases due to increase in input or factors of production in long run.

27. Consumer gets maximum satisfaction at the point where-

- (A) Marginal Utility = Price
(B) Marginal Utility > Price
(C) Marginal Utility < Price
(D) Marginal Cost = Price

Ans. (A) (SSC CAPFs SI, CISF ASI & Delhi 2014)

Exp: Law of diminishing marginal utility says that utility by consuming one more successive unit goes on decreasing. Consumer will consume the goods up-to the stage where utility driven from object is equal to marginal utility of money he is paying. So Consumer gets maximum satisfaction at the point where marginal utility equals to price a consumer is paying.

28. Production refers to-

- (A) Destruction of utility (B) Creation of utilities
(C) Exchange value (D) Use of a product

Ans. (B) (SSC CGL Tier-I 2014)

Exp: In economics production is creation of satisfaction that have economic value for exchange. In simple words creation of utility having value of exchange.

29. The law of diminishing returns applies to-

- (A) All sectors (B) Industrial sector
(C) Agriculture sector (D) Service sector

Ans. (A) (SSC CGL Tier-I 2014)

Exp: Law of diminishing returns state that in all the process of production adding one more units of factors of production will at some point yield lower per unit returns.

30. The study of factor pricing is alternatively called the theory of-

- (A) Functional distribution
(B) Personal distribution
(C) Income distribution (D) Wealth distribution

Ans. (A) (SSC CGL Tier-I 2014)

Exp: Factor pricing is determination of price for different factors. Alternatively it is called as Theory of functional distribution.

31 The internal rate of return-

- (A) Must be less than the interest rate if the firm is to invest
- (B) Makes the present value of profits equal to the present value of costs
- (C) Falls as the annual yield of an investment rises
- (D) Is equal to the market interest rate for all the firm is investment

Ans. (B) (SSC CHSL (10+2) DEO & LDC 2014)

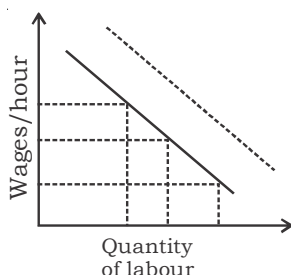
Exp: Internal rate of return is yield by investment done. It is Calculated as a discount rate that make net present value of cash (i.e. present value profit in comparison to present value of cost) equal to Zero.

32. Which of the following occurs when labour productivity rises?

- (A) The equilibrium nominal wage falls
- (B) The equilibrium quantity of labour falls
- (C) Competitive firms will be induced to use more capital
- (D) The labour demand curve shifts to the right

Ans. (D) (SSC (CHSL (10+2) DEO & LDC 2014)

Exp: labour demand curve shows relationship between wages and quantity of labour. It is downward sloping curve because as the wage increases, workers become expensive to firms resulting less quantity of labour. So when productivity increases labour demand curve shift to right.



33. Economics classifies the manmade instrument of production as-

- (A) Organization
- (B) Capital
- (C) Equipment
- (D) Labour

Ans. (D) (SSC Const. (GD) 2015)

Exp: Labour is one of primary factors of production. Labour can be explained as the amount of mental or physical effort for the production of goods and services. So Labour is the manmade (human effort) instrument of production (mental physical dedication for production or the way through work will be done)

34. 'Marginal efficiency of capital's-

- (A) Expected rate of return of new investment
- (B) Expected rate of return of existing investment
- (C) Difference between rate of profit and rate of interest
- (D) Value of output per unit of capital invested

Ans. (A) (SSC Sec. officer 2001)

Exp: Marginal efficiency of capital displays the expected rate of return. "J.M. Keynes described marginal efficiency as rate of discount which would make the present value

of the series of annuities given by the returns expected from the capital asset during its life just equal to its supply price"

35. Capital output ratio of a commodity measures-

- (A) Its per unit cost of production
- (B) The amount of capital invested per unit of output
- (C) The ratio of capital depreciation to quantity of output
- (D) The ratio of working capital employed to quantity of output

Ans. (B) (SSC CGL Pre 2007)

Exp: Capital-output ratio is a measure to show the amount of capital needed for one unit of production. In other words, it is amount of capital essential to produce one unit of output.

36. Investment is equal to-

- (A) Gross total of all types of physical capital assets
- (B) Gross total of all capital assets minus wear and tear
- (C) Stock of plant, machines and equipments
- (D) None of these

Ans. (B) (SSC Tax Assistant (Income Tax & Central Excise 2004)

Exp: In economics, investment is purchase of goods to create wealth. It is a kind of goods that one purchases with objective of getting returns from it in future. In business, it will be considered as capital but due to wear and tear, value depreciates. So investment will be equal to gross total of capital assets minus wear and tear.

37. In a business, raw materials, components, work in progress and finished goods are jointly regarded as-

- (A) Capital stock
- (B) Inventory
- (C) Investment
- (D) Net worth

Ans. (B) (SSC Tax & Central Excise 2004)

Exp: Inventory is stock of goods that are of some economic value either stock for future or for further production or portion of assets kept for a reason.

38. While determining income the expenditure on which of the following items is not considered as investment?

- (A) Construction of factory
- (B) Computer
- (C) Increase in the stock of unsold articles
- (D) Stock and share in joint stock company

Ans. (C) (SSC Sec. Officer 2005)

Exp: In economics, investment is purchase of goods to consume in future to create wealth. It is kind of goods that one purchased with objective of getting returns from it in future. In business it will be considered as capital but due to wear and tear, value depreciates. So investment will be equal to gross total of capital assets minus wear and tear.

39. Who defined investment as "the construction of a new capital asset like machinery or factory building?"

- (A) Hansen
- (B) J.M. Keynes
- (C) Harrod
- (D) J.R. Hicks

Ans. (B) (SSC (south zone) Investigator 2010)

Exp: According to J.M. Keynes investment is "construction of new capital asset like Machinery or factory building".

- 40. The demand for money, according to Keynes, is for-**
 (A) Speculative motive (B) Transaction motive
 (C) Precautionary motive
 (D) All the above motives

Ans. (D) (SSC Combined Matric Level 2001)

Exp: According to J.M. Keynes demand for money is because money yields convenience. Keynes said that money is demanded due to three main motives :-

1. Transactions motive → for making transaction or exchange
2. Precautionary motive → for contingencies
3. Speculative Motive → by seeing speculation in demand for money.

- 41. If a change in all inputs lead in a proportionate change in output it is case of**

- (A) Constant returns to scale
 (B) Diminishing returns to scale
 (C) Increasing returns to scale
 (D) Variable returns to scale

Ans. (A) (SSC CAPFs SI, CISF ASI & Delhi Police 2015)

Exp: Return to scale shows increase in production due to change in factors of production.

When inputs are increased less and output increases more then it is increasing return to scale. When inputs are increased by same value and output increases in same proportion, it is constant return to scale. When proportional increase in output is less than increase in inputs, then it is decreasing return to scale.

- 42. One of the following is Labour' in Economics-**

- (A) A Musician performing for a benefit fund
 (B) A Painter working for his own pleasure
 (C) Reading a book as a hobby
 (D) A Mother teaching her own son

Ans. (A)

Exp: Labour in economics is work done expecting monetary rewards including both physical and mental work.

- 43. Depreciation is loss in value of-**

- (A) Final goods (B) Machinery
 (C) Capital stock (D) Stock of inventory

Ans. (B)

Exp: Depreciation is loss in value of machinery due to wear and tear by use of machinery.

- 44. If the fixed costs of a factory producing candles is Rs 20,000, selling price is Rs 30 per dozen candles and variable cost is Rs 1.5 per candle, what is the break-even quantity?**

- (A) 20000 (B) 10000
 (C) 15000 (D) 12000

Ans. (A) (SSC CHSL 2017)

Exp: Break even quantity is value of articles sold equal to the total cost.

Formula ⇒ Break even point = $\frac{\text{Fixed cost}}{\text{price} - \text{variable cost}}$ Answer recieved will be 20000

- 45. A minimum wage _____**

- (A) Is the price floor below which workers may not sell their labor
 (B) Is set at a price below the equilibrium wage
 (C) Creates a price ceiling below which the wage cannot legally go
 (D) Decreases unemployment

Ans. (A) (SSC CHSL 2017)

Exp: Minimum wage is the minimum price below which workers will not be ready to work.

- 46. For a certain shoe factory the fixed costs are Rs 200,000, selling price is Rs 2000 per pair of shoes and variable cost is Rs 1200 per pair, what is the breakeven quantity?**

- (A) 100 (B) 62.5 (C) 167 (D) 250

Ans.(D) (SSC CHSL 2017)

Exp: Breakeven quantity is number of quantity that has to be sold to equals the value of cost acquired in Production

Formula ⇒ Breakeven point = $\frac{\text{Fixed cost}}{\text{Price-Variable cost}}$

By following formula we will get value i.e. 250

- 47. Insure payment of minimum wages for tea leave pickers-**

- (A) Will improve quality of tea.
 (B) Will reduce unemployment of tea leave pickers.
 (C) Decreases unemployment.
 (D) Will increase picking cost for all tea companies.

Ans. (D) (SSC CHSL 2017)

Exp: Insuring minimum floor wage directly impacts current wages usually by increase in wages.

- 48. Which of the following is false about minimum wages?**

- (A) A minimum wage law benefits all unskilled workers.
 (B) A minimum wage harms firms by forcing them to pay higher wages.
 (C) A minimum wage harms customers because the law usually leads to higher product prices.
 (D) A minimum wage increases unemployment.

Ans. (B) (SSC CHSL 2017)

Exp: Minimum wage is the amount that workers legally deserve or it also can be said as minimum floor level of wage below which workers will not perform.

Minimum wage helps in relation to reduction in poverty, raise standard of living in contrast to its harmful effect, like rise in business cost resulting higher product price and increasing dependency on minimum wage.

- 49. 7 workers work in a printing press. Each gets paid Rs 450 per day. The 8th worker demands Rs 500 per day. If this worker is hired then all other workers must be paid Rs 500. The marginal resource (labour) cost of the 8th worker is _____.**

- (A) Rs 50 (B) Rs 850
 (C) Rs 400 (D) Rs 100

Ans. (B) (SSC CHSL 2017)

Exp: Marginal resource labour cost = New cost – Old Cost

By putting the formula, answer will be Rs. 850

50. Which among of the following is a factor of production?

- (A) Coal (B) Entrepreneur
(C) Energy (D) Industry

Ans. (B) [SSC MTS 2014]

Exp: Factors of production in economics are the basic inputs that are needed for production. Factors of production are land, labour, capital & Entrepreneur.

51. Which activity is not included in production?

- (A) Production of wheat by a farmer
(B) Production of medicines by a company
(C) Services given by a nurse in hospital
(D) Services done by a house-wife in her own house

Ans. (D)

Exp: Production is process of workers using various inputs and converting them into some value that can be sold to consumer. Service done by housewife in her own house is not quantified usually so it will be not included in production.

52. Returns to scale is a-

- (A) Timeless phenomenon
(B) Directionless phenomenon
(C) Short run phenomenon
(D) Long run phenomenon

Ans. (D)

Exp: Return to scale is rate at which production or output respond due to change in input or factors of production in long run.

53. Internal economies-

- (A) Arise when there is expansion in an industry
(B) Arise in an economy as it makes progress
(C) Accrue to a firm when it expands its output
(D) Arise when there is expansion in internal trade

Ans. (A)

Exp: Internal economies are economics occurred when firm expand its work and due to this, economies in production occur.

54. Third situation of law of variable proportion is-

- (A) Negative return (B) Positive return
(C) Proportional return (D) None of these

Ans. (A) (SSC 10+2 2013)

Exp: Law of variable proportionate explains three situations:

1. Increasing return 2. Diminishing return
3. Negative return

55. The excess of the price, person is to pay rather than forego the consumption of the commodity is called-

- (A) Price (B) Profit
(C) Producer's surplus (D) Consumer's surplus

Ans. (C) (SSC CGL Exam, 2010)

Exp: Producer's surplus is measurement of revenue realised. It occurs when producer receives revenue more than he was willing to accept and sells its produce.

56. Production function means-

- (A) Relation between land & rent.
(B) Relation between initial input & ultimate output
(C) Relation between demand & supply
(D) Relation between output and export

Ans. (B) (SSC LDC 2005)

Exp: Production function means relationship of inputs with final output.

57. When the marginal product of labour is greater than the average product of labour-

- (A) The total product curve is negatively sloped
(B) The average product of labour is increasing
(C) The firm is experiencing diminishing returns
(D) The marginal product of labour is increasing

Ans. (B)

Exp: Relationship between Marginal product of labour and average product of labour

1. If M.P. is less than APL then average product declines.
2. If M.P. is greater than APL then average product rise
3. If M.P. is equal to APL then average product do not changes.

58. Economies of scale exists when-

- (A) The firm is too small and too specialised
(B) The long-run cost of producing a unit of output falls as the output increases
(C) The cost of finding a trading partner is low.
(D) A firm's decision to hire additional inputs does not result in an increase in the price of inputs
(E) The firm is too large and too diversified

Ans. (B)

Exp: Economies of scale is a situation in economics when with increased production, factors of production operating at maximum efficiency leads to decline in cost of production. This phenomenon is a long run feature in production.

59. The Production function signifies-

- (A) Economical relation (B) Social relation
(C) Industrial relation (D) Cost relation

Ans. (C) (SSC MTS. Exam, 2006)

Exp: Production function shows relationship between input and outputs. So it signifies industrial relation.

60. Indicate below what is NOT a factor of production-

- (A) Land. (B) A bank loan.
(C) Labor. (D) Capital.

Ans. (B)

Exp: Factors of production in economics are the basic input that are needed for production. Factors of production are land, labour, capital & Entrepreneur

61. The least cost combination of-factors or producer's equilibrium is now explained with the help of curves and iso costs.

- (A) Iso product (B) Iso process
(C) Both(A) and (B) (D) None of these

Ans. (A)

Exp: Iso product also known as Isoquant or product indifference curve shows combination of two inputs that will give same level output. In other words, Iso product is graphical representation of inputs combination for same level output. Iso cost shows different combination of labour and capital that the firm can buy for a given prices and the same amount of cost.

62. When the total product rises at an increasing rate, then the-

- (A) Marginal product is zero
- (B) Marginal product is rising
- (C) Marginal product is falling
- (D) Marginal product remains constant

Ans. (B) (SSC T.A Exam, 2007)

Exp: Total product increasing at increasing rate leads to increase in marginal product.

63. In Economics, Production means-

- (A) Manufacturing (B) Making
- (C) Creating utility (D) Forming

Ans. (C)

Exp: In economics, production means creating utility. Utility Means Satisfaction. Generated by consuming any unit of production.

64. The marginal propensity to consume lies between-

- (A) 0 to 1 (B) 0 to ∞
- (C) 1 to ∞ (D) ∞ to ∞

Ans. (A) (SSC (10+2) Exam, 2011)

Exp: Marginal propensity to consumer lies between 0 to 1. Marginal propensity to consume measures the portion of extra income that is spent on consumption.

65. The production function relates to-

- (A) Costs to outputs (B) Costs to inputs
- (C) Inputs to outputs (D) Wage level to profits

Ans. (C) (SSC (10+2) Exam, 2010)

Exp: Production function shows relationship between input and output so it signifies industrial relation.

66. Isoquants that are downward-sloping straight lines imply that the inputs-

- (A) Are perfect substitutes.
- (B) Are imperfect substitutes.
- (C) Cannot be used together.
- (D) Must be used together in a certain proportion.

Ans. (A)

Exp: Isoquant shows combination of two inputs or factors of production resulting same level of output. In other words Iso quant shows the limitation to the firm for ability to substitute products.

67. It is prudent to determine the size of the output when the industry is operation in the stage of-

- (A) Increasing returns (B) Constant returns
- (C) Diminishing returns (D) Negative returns

Ans. (C) (SSC MTS Exam, 2002)

Exp: Diminishing return in economics means decrease in marginal output as the increase in amount of only single factor of production while keeping all other factors of production same.

68. The four factors of production are-

- (A) Land, Labour, Capital, Organisation
- (B) Land, Electricity, Water, Labour
- (C) Labour, Capital, Land, Rainfall
- (D) Labour, Climate, Land, Tools

Ans. (A) (SSC MTS Exam, 2001)

Exp: Factors of production in economics are the basic input that are needed for production. Factors of production are land, labour capital & entrepreneur

69. Minimum payment of factor of production is called-

- (A) Quasi Rent (B) Rent
- (C) Wages (D) Transfer Payment

Ans. (D) (SSC CGL April Exam, 2014)

Exp: Minimum payment of factor of production is minimum amount that is charged against factors of production at no production stage too. This cost is called as transfer payment because nothing (goods or service) is exchanged against this payment.

70. Surplus earned by a factor other than land in the short period is referred to as-

- (A) Economic rent (B) Net rent
- (C) Quasi-rent (D) Super-normal rent

Ans. (C) (SSC CPO Exam, 2009)

Exp: Quasi rent is almost rent but not economic rent. It is amount earned when demand of product rises suddenly and extra earning other than from land in short run is quasi-rent.

71. An isoquant represents levels of capital and labor that-

- (A) have constant marginal productivity.
- (B) yield the same level of output.
- (C) incur the same total cost.
- (D) All of the above.

Ans. (B)

Exp: Isoquant shows combination of two inputs or factors of production with same level of output. In other words Iso quant shows the limitation to the firm for ability to substitute products.

72. Given the money wages, if the price level in an economy increases, then the real wages will-

- (A) Increase (B) Decrease
- (C) Remain constant (D) Become flexible

Ans. (B) (SSC Tax Asst. Exam, 2006)

Exp: Real wages are actual wage after adjusting or deducting variable factors like inflation etc. So if price level increases then the wage will decrease.

73. Quasi rent is a _____ phenomenon.

- (A) Medium (B) Long-term
- (C) Short-term (D) No time

Ans. (C) (SSC CGL April 2014)

Exp: Quasi rent is a term in economics that describes certain types of returns to firm. It is a temporary phenomenon.

74. Which of the following statements best describes a production function?

- (A) the maximum profit generated from given levels of inputs
- (B) the maximum level of output generated from given levels of inputs
- (C) all levels of output that can be generated from given levels of inputs
- (D) all levels of inputs that could produce a given level of output

Ans. (B)

Exp: Production function relates physical input to output or production. It shows combination of inputs generating maximum level of output.

75. Returns to scale refers to the change in output when-

- (A) all inputs increase proportionately.
- (B) labor increases holding all other inputs fixed.
- (C) capital equipment is doubled.
- (D) specialization improves.

Ans. (A)

Exp: Return to scale is rate at which production increases due to increase in input or factors of production in long run.

76. _____ says that if we keep increasing the employment of an input, with other inputs fixed, eventually a point will be reached after which the resulting addition to output (i.e. marginal product of that input) will start falling.

- (A) Law of diminishing marginal product
- (B) Law of variable proportions
- (C) The Short Run
- (D) The Long Run

Ans. (A) (SSC CGL 2017)

Exp: Law of diminishing marginal product says that if we keep increasing the employment of an input with other inputs fixed, eventually a point will be reached after which the resulting addition to output will start falling.

77. _____ says that the marginal product of a factor input initially rises with its employment level. But after reaching a certain level of employment, it starts falling.

- (A) Law of diminishing marginal product
- (B) Law of variable proportions
- (C) The Short Run
- (D) The Long Run

Ans. (B) (SSC CGL 2017)

Exp: Law of variable proportion according to Benham is "As the proportion of the factor in a combination of factors is increased, after a certain point, first the marginal and then the average product of the factor will diminish".

78. _____ is the relationship between the variable input and output, keeping all other inputs are held constant.

- (A) Total product
- (B) Average product
- (C) Isoquant
- (D) The Long Run

Ans. (A) (SSC CGL 2017)

Exp: Total product is the relationship between the variable input and output, keeping all other inputs constant. Total product is the overall quantity of output that is produced in the firm.

79. _____ is the set of all possible combinations of the two inputs that yield the same maximum possible level of output.

- (A) The Short Run
- (B) The Long Run
- (C) Isoquant
- (D) Average product

Ans. (C) (SSC CGL 2017)

Exp: Isoquant represent possible combinations of two inputs that yield the same level of output

80. _____ of an input is defined as the change in output per unit of change in the input when all other inputs are held constant.

- (A) Marginal product
- (B) Production function
- (C) Total product
- (D) Average product

Ans. (A) (SSC CGL 2017)

Exp: Marginal product is the change in output on one more successive unit of input employed in production process. So, Marginal product of an input can be defined as the change in output per unit of change in the input when all other inputs are held constant.

81. The _____ of a firm is a relationship between inputs used and output produced by the firm.

- (A) Marginal product
- (B) Production function
- (C) Total product
- (D) Average product

Ans. (B) (SSC CGL 2017)

Exp: Production function shows the relationship between inputs and outputs. Basically, production function directly relates the output produced to inputs.

82. _____ is defined as the output per unit of variable input

- (A) Marginal product
- (B) Production function
- (C) Total product
- (D) Average product

Ans. (D) (SSC CGL 2017)

Exp: Average Product:- Output produced per unit of a variable input, holding all other inputs fixed is called Average product. It is calculated by dividing total product by the quantity of the variable input.



Cost



1. If an industry is characterised by economies of scale then-

- (A) Barriers to entry are not very large
- (B) Long run unit costs of production decreases as the quantity the firm produces increases
- (C) Capital requirement are small due to the efficiency of the large scale operation
- (D) The costs of entry into the market are likely to be substantial

Ans. (B) (SSC Sec. officer 2001)

Exp: Economies of scale is a long run concept, refers to situation when per unit cost decreases due to mass production.

2. Transfer earning or alternative cost is otherwise known as-

- (A) Variable cost (B) Implicit cost
- (C) Explicit cost (D) Opportunity cost (economic cost)

Ans.(D) (SSC Sec. officer 2001)

Exp: Opportunity cost is cost measured for the value of best next alternative that is not chosen. In other words opportunity cost is sacrificed value due to choosing second best alternative.

3. Prime cost is equal to-

- (A) Variable cost plus administrative cost
- (B) Variable cost plus fixed cost
- (C) Variable cost only
- (D) Fixed cost only

Ans. (C) (SSC Sec. officer 2006)

Exp: The prime cost calculates manufactured products cost like the use of raw materials and direct labour, but does not calculates indirect manufacturing expenses such as the cost for a company logo or gas used to deliver the product.

4. When average cost production (AC) falls, marginal cost of production must be-

- (A) Rising (B) Falling
- (C) Greater than the average cost
- (D) Less than the average cost

Ans. (D) (SSC CPO SI 2008)

Exp: Average Cost and Marginal cost both get affected by production. In long run when economies of scale occurs, average cost i.e. total cost per unit goes decreasing. At this stage Marginal cost of production is less than the average cost.

5. The 'Break-even' point is where-

- (A) Marginal revenue equals marginal cost
- (B) Average revenue equals average cost
- (C) Total revenue equals total cost
- (D) None of the above

Ans. (C) (SSC CGL 2011)

Exp: Break-even point is the point where cost of production will be equal to revenue realised. This situation is no loss no profit for company.

6. As output increases, average fixed cost-

- (A) Increases (B) Falls
- (C) Remains constant
- (D) First increases, then falls

Ans.(B) (SSC Combined Matric Level 2000)

Exp: Average cost is total cost per unit so if output increase, same amount of fixed costs is spread over large number of units so average fixed cost falls.

7. The situation in which total revenue is equal to total cost, is known as-

- (A) Monopolistic competition
- (B) Equilibrium level of output
- (C) Break-even point
- (D) Perfect competition

Ans. (C) (SSC Combined Matric Level 2000)

Exp: Break-even point is the point where cost of production will be equal to revenue realised. This situation is no loss no profit for company.

8. Selling cost means-

- (A) Cost of selling a product
- (B) Cost incurred in transportation
- (C) Cost Incurred in advertisement
- (D) Cost Incurred on factors of production

Ans. (C) (SSC Combined Matric Level 2000)

Exp: Selling cost is cost increased or foregone for promotion of sales of production. It is total cost of advertising marketing etc.

9. Under full cost pricing price is determined-

- (A) By adding a margin to the average cost
- (B) By comparing marginal cost and marginal revenue
- (C) By adding normal profit to the marginal cost
- (D) By the total cost of production

Ans. (A) (SSC Combined Matric Level 2006)

Exp: Full cost pricing is practice where total cost incurred on production is divided by units produced and after getting average cost, profit margin is added then final price is fixed which is charged by the producer.

10. Which of the following is not a fixed cost?

- (A) Salaries of administrative staff
- (B) Rent of factory building
- (C) Property taxes (D) Electricity charges

Ans. (D) (SSC (10+2) Level DEO & LDC 2011)

Exp: Fixed costs are cost or expenses done on basic infrastructure or for the cost occurred that tend to be same regardless to the level of production like building office supplies etc.

11. The expenses on advertising is called-

- (A) Implicit cost (B) Surplus cost
(C) Fixed cost (D) Selling cost

Ans. (D) (SSC Const. (GD) 2012)

Exp: Selling cost is cost increased or foregone for promotion of sales of production. It is total cost of advertising, marketing etc.

12. The addition to total cost by producing an additional unit of output by a firm is called-

- (A) Variable cost (B) Average cost
(C) Marginal cost (D) Opportunity cost

Ans. (C) (SSC FCI Assistant Grade- III 2012)

Exp: Marginal cost is addition to total cost by producing an additional unit of output by a firm.

13. The opportunity cost of a factor of production is-

- (A) What it is earning in its present use
(B) What it can earn in the long period
(C) What has to paid to retain it in its present use
(D) What it can earn in some other use

Ans. (D) (SSC Graduate Level Tier-I 2013)

Exp: Opportunity cost is cost measured for the value of best next alternative that is not choosen. In other words opportunity cost is sacrificed value due to choosing second best alternative.

14. Consumer gets maximum satisfaction at the point where-

- (A) Marginal Utility = Price
(B) Marginal Utility > Price
(C) Marginal Utility < Price
(D) Marginal Cost = Price

Ans. (A) (SSC CAPFs SI, CISF ASI & Delhi 2014)

Exp: Average cost is total cost per unit. Marginal cost is addition to total cost by producing one more unit. When cost rises, marginal cost also rises. With the increase in production, average cost falls and marginal cost is lower than average cost.

15. Which of the following costs is related to marginal cost?

- (A) Variable Cost (B) Implicit Cost
(C) Prime Cost (D) Fixed Cost

Ans. (A) (SSC CGL Tier-I 2015)

Exp: Marginal cost is addition to total cost by producing one more unit. MC is free from fixed cost beacuse fixed cost do not change with production but variable cost does. Since variable cost changes with production, marginal cost relates to it.

16. Average Fixed Cost Curve is-

- (A) Upward sloping (B) 'U' shaped
(C) 'V' shaped (D) Downward sloping

Ans. (D) (SSC (10+2) Steno. Grade 2016)

Exp: Average fixed cost is total fixed cost divided by total unit or in other words per unit fixed cost. Increase in production leads to division or spread of fixed cost so average fixed cost decreases. Average fixed cost is downward sloping curve.

17. Selling cost have to be incurred in case of-

- (A) Perfect competition
(B) Monopoly
(C) Monopolistic Competition
(D) None of the given options

Ans. (C)

Exp: Selling costs are the expenses occurred for the sale of products like advertisement, free sampling services and so on. Under Monopolistic competition due to product differentiation effort or campaign to sell the product is done, thus creating selling cost.

18. A beedi making workshop can hire 5 women by paying them Rs. 300 per day. The 6th woman demads Rs. 350 per day. If this woman is hired then all other women must be paid Rs. 350 The marginal resource (labour) cost of the 6th woman is-

- (A) Rs. 600 (B) Rs. 50
(C) Rs. 100 (D) Rs. 300

Ans. (A) [SSC CHSL 2017]

Exp: Marginal resource = New cost – old cost
Putting the formula answer will be 600

19. If quantity of good X demanded increases from 2300 to 2700 when price of good Y increases from Rs. 45 to Rs. 55, find Arc Cross elasticity of demand?

- (A) 4 (B) 1.25
(C) 0.25 (D) 0.8

Ans. (D) [SSC CHSL 2017]

Exp: Arc Elasticity of demand = $\frac{\Delta Q_x}{\Delta P_y} \times \frac{P_1 + P_2}{Q_{x_1} + Q_{x_2}}$

P_{y_1} = The price of good Y at first time

P_{y_2} = The price of good Y at second time

Q_{x_1} = Quantity demanded of X good at first time

Q_{x_2} = Quantity demanded of X good of second time

ΔQ_x = Change in quantity demanded of good X.

ΔP_y = Change is price of good Y. **Answer = 0.8**

20. If the average total cost are Rs 54, average variable cost is Rs 36 and quantity produced is 2500 units, find the total fixed costs (in Rs) of the firm?

- (A) 30000 (B) 15000
(C) 45000 (D) 60000

Ans. (C) [SSC CHSL 2017]

Exp: Cost = (Variable cost + Fixed cost) × total quantity of goods produced. By this formula the answer will be 45,000

21. If the average total cost are Rs 54, total fixed cost is Rs 45000 and quantity produced is 2500 units, find the average variable costs (in Rs) of the firm?

- (A) 24 (B) 18
(C) 36 (D) 60

Ans. (C) [SSC CHSL 2017]

Exp: Total Cost = (Variable cost + Fixed cost) × total quantity of goods produced.

By following this formula answer will be 36.

22. If the breakeven quantity for a factory whose variable cost of manufacturing a cell is Rs. 15 and selling price is Rs. 24. Total quantity produced is 2,400 units, find the fixed cost of the factory?

- (A) Rs. 21600 (B) Rs. 36000
(C) Rs. 57600 (D) Rs. 14400

Ans. (A) [SSC CHSL 2017]

Exp: Total cost = (Variable cost + Fixed cost) × Total number of goods produced.

by following this formula answer will be 21,600

23. A price floor is _____.

- (A) A maximum legal price
(B) A minimum legal price
(C) The price where demand equals supply
(D) The price where elasticity of demand equals elasticity of supply

Ans. (B) [SSC CHSL 2017]

Exp: Price floor for any product is minimum price of the product. Price floor is used by government to prevent prices from being too low.

24. A hand made paper workshop can hire 8 craftsmen by paying them Rs 400 per person per day. The 9th craftsman demands Rs 450 per day. If this craftsman is hired then all other craftsmen must be paid Rs 450. The marginal resource (labour) cost of the 9th craftsman is-

- (A) Rs 50 (B) Rs 850
(C) Rs 800 (D) Rs 100

Ans. (B) [SSC CHSL 2017]

Exp: Marginal resource cost = New cost – Old cost

By putting value to equation, we will receive answer i.e. Rs. 850.

25. Calculate the accounting profits for a firm, if its economic profits for the year are Rs 60 crores, total implicit costs are Rs 18.5 crores and total explicit costs are Rs 35 crores.

- (A) Rs 113.5 crores (B) Rs 43.5 crores
(C) Rs 76.5 crores (D) Rs 78.5 crores

Ans. (D) [SSC CHSL 2017]

Exp: Accounting profit include implicit costs so Accounting profit ⇒ Economic profit + implicit cost. By putting values to equation we will reach at 78.5 crore.

26. If the average total cost are Rs 2400, average variable cost is Rs 1700 and quantity produced is 75 units, find the total fixed costs of the firm?

- (A) Rs 52500 (B) Rs 127500
(C) Rs 180000 (D) Rs 60000

Ans. (A) [SSC CHSL 2017]

Exp: fixed cost = (Total cost - variable cost) × quantity of production.

27. If the average total cost are Rs. 1700, total fixed cost is Rs. 52500 and quantity produced is 75 units, find the average variable costs of the firm?

- (A) Rs. 1000 (B) Rs. 2400
(C) Rs. 1800 (D) Rs. 600

Ans. (A) [SSC CHSL 2017]

Exp: Total cost = (Average cost + Fixed cost) × quantity Practiced by following above formula, the answer realised is Rs. 1000.

28. Calculate the economic profit for a firm if its total revenues are Rs. 180 crores, explicit costs are Rs. 95 crores, and implicit costs are Rs. 25 crores.

- (A) Rs. 110 crores (B) Rs. 300 crores
(C) Rs. 60 crores (D) Rs. 250 crores

Ans. (C) [SSC CHSL 2017]

Exp: Economic profit = total Revenue – (Explicit costs + implicit costs)

29. If the break even quantity for a factory whose variable cost of manufacturing a tubelight is Rs. 35 per unit and selling price is Rs. 50 per unit. Total quantity produced is 600 units, find the fixed cost of the factory?

- (A) Rs. 30000 (B) Rs. 21000
(C) Rs. 51000 (D) Rs. 9000

Ans. (D) [SSC CHSL 2017]

Exp: Breakeven point = $\frac{\text{Fixed cost}}{(\text{Price} - \text{Variable cost})}$ by following the formula we will realise Rs. 9000 as answer.

30. For each perfectly competitive firm in the long run

- (A) Price = marginal costs = average variable costs
(B) Price = average profit
(C) Price = marginal costs = minimum average total costs
(D) Price = minimum average variable costs

Ans. (C) [SSC CHSL 2017]

Exp: Perfectly competitive firm exists in perfect competition market i.e. large number of buyer and sellers having identical products. So there will be no difference in price and marginal cost usually.

31. A ceramic pottery unit hires 8 craftsmen by paying each of them Rs 900 per day. The 9th craftsman demands Rs 950 per day. If this craftsman is hired then all other craftsmen must be paid Rs 950. The marginal resource (labour) cost of the 9th craftsman is _____.

- (A) Rs 1530 (B) Rs 1050
(C) Rs 50 (D) Rs 1350

Ans. (D) [SSC CHSL 2017]

Exp: Marginal cost = New cost Including new worker - Previous total cost.

By putting values to formula, we will receive Rs. 1350.

32. If for a perfectly competitive firm, price is Rs. 60, output is 300 units, average variable costs are Rs. 18, and average total costs are Rs. 36. The firm's profits are equal to-

- (A) Rs. 5400 (B) Rs. 3600
(C) Rs. 7200 (D) Rs. 1800

Ans. (D) [SSC CHSL 2017]

Exp: Profit = Total revenue - (Fixed cost + Variable cost)

33. The cost of one thing in terms of the alternative given up is called-

- (A) Real cost (B) Production cost
(C) Physical cost (D) Opportunity cost

Ans. (D)

Exp: Opportunity cost is representation of benefit that a person missed by choosing another alternative. It can also be said as an alternative value given up when a decision is made.

34. In the short run, when the output of a firm increases, its average fixed cost-

- (A) Remains constant
(B) Decreases
(C) Increases
(D) First decreases and then rises

Ans. (B) [SSC CHSL 2017]

Exp: When the output increases, being fixed cost constant average fixed cost decreases.

35. Payment given to others by firms for using their goods and services are called-

- (A) Actual cost (B) Economic cost
(C) Explicit (D) Implicit cost

Ans. (C) (SSC Steno Exam, 2011)

Exp: Explicit costs are cost or payment occurred due to others in course of running an organization. Examples are wage, rent and materials used in production.

36. The additional cost to total cost by producing an additional unit of output by a firm is called-

- (A) Average cost (B) Marginal Cost
(C) Total Cost (D) Variable Cost

Ans. (B) (SSC 10+2 Exam, 2012)

Exp: Marginal cost is the additional cost increased for one more unit production. Marginal cost

$$= \frac{\text{Change in total cost}}{\text{Change in output}}$$

37. The non-expenditure costs which arise when producing firm itself and supplies contain factors of production are-

- (A) Expicit Cost (B) Original Cost
(C) Implicit Cost (D) Replacement Cost

Ans.(C) (SSC 10+2 Exam, 2013)

Exp: There are two types of cost on the basis of payments. Implicit cost and explicit cost. Implicit costs are cost that does not take a form of cash and neither these costs are recorded. whereas explicit costs are cost occurred in form of cash and are recorded in books.

38. Expicit + Implicit cost =

- (A) Economic cost (B) Social cost
(C) Personal cost (D) Accounting cost

Ans. (A) (SSC Steno Exam, 2012)

Exp: Economic cost is revenue foregone during the production

It can be expressed with the payment made in cash and opportunity cost occurred. So

Economic cost = Expicit cost + implicit cost + normal cost.

39. In the long-run the fixed costs become-

- (A) Money costs (B) Real costs
(C) Opportunity costs (D) Variable costs

Ans. (D) (SSC CGL July Exam, 2014)

Exp: In the long run fixed cost also become variable cost because long run is sufficient time for all fixed inputs to become variable inputs.

40. Marginal Cost equals-

- (A) Total cost divided by quantity
(B) The change in total cost divided by the change in quantity
(C) Total cost minus total benefit for the last unit Produced
(D) Total cost divided by total benefit for the last unit produced

Ans. (B) (SSC (10+2) Exam, 2013)

Exp: Marginal cost is the additional cost increased on one more unit of production. Marginal cost

$$= \frac{\text{Change in total cost}}{\text{Change in output}}$$

41. The expenses on advertising is called-

- (A) Implicit cost (B) Surplus cost
(C) Fixed cost (D) Selling cost

Ans. (D) (SSC Const (GD) Exam, 2012)

Exp: Selling costs are expenses done by sales department for the promotion of sales like marketing and advertisement etc.

42. Which of the following cost curve is never 'U' shaped?

- (A) Marginal cost curve
(B) Average variable cost curve
(C) Average fixed cost curve
(D) Average cost curve

Ans. (C) (SSC (10+2) Exam, 2012)

Exp: Average fixed cost curve is never 'U' shaped because fixed cost do not changes with change in output. Thus average fixed costs falls continuously. Average fixed cost can never be zero as well.

43. Those payments which the firms make to outsiders for their goods and services are called-

- (A) Real costs (B) Economic costs
(C) Explicit costs (D) Implicit costs

Ans. (C) (SSC Stenographer Exam, 2011)

Exp: Explicit cost is payment directly made to other. like payment of wages etc and these costs are recorded in books.

44. Cost of production of the producer is given by-

- (A) Sum of wages paid to labourers
(B) Sum of wages and interest paid on capital
(C) Sum of wages, interest, rent and supernormal profit
(D) Sum of wages, interest, rent and normal profit

Ans. (D) (SSC (10+2) Exam, 2011)

Exp: For production the basic needed things are factors of production like land, labour, capital, entrepreneur etc. and for these, payments are done in form of rent, wage, interest and profit respectively. These payments done in exchange of factors of production are called as factor cost or cost of production.

45. Opportunity cost of production of a commodity is-

- (A) The cost that the firm could have incurred when a different technique was adopted
(B) The cost that the firm could have incurred under a different method of production
(C) The actual cost incurred
(D) The next best alternative output

Ans. (A) (SSC CPO Exam, 2009)

Exp: Opportunity cost is cost measured for the value of best next alternative that is not chosen. In other words opportunity cost is sacrificed value due to choosing second best alternative.

46. When Average Cost Production (ACP) falls, marginal cost of production must be-

- (A) Rising (B) Falling
(C) Greater than the average cost
(D) Less than the average cost

Ans. (D) (SSC Tax Asst. Exam, 2008)

Exp: Average cost is cost per unit of output. Marginal cost is addition to total cost by producing one more unit. So marginal cost of production lies below average cost when average cost falls.

47. Prime cost is equal to-

- (A) Variable cost plus administrative cost
(B) Variable cost plus fixed costs
(C) Variable cost only (D) Fixed cost only

Ans. (C) (SSC SO Exam, 2006)

Exp: The prime cost calculates manufactured products cost like the use of raw materials and direct labour, but does not calculates indirect manufacturing expenses such as the cost for a company logo or gas used to deliver the product.

48. An expenditure that has been made and cannot be recovered is called-

- (A) Variable cost (B) Opportunity cost
(C) Sunk cost (D) Operational cost

Ans. (C) (SSC SO Exam, 2006)

Exp: Sunk cost are expenses occurred and these expenses cannot be recovered.

49. What is selling cost?

- (A) Cost incurred on transportation of commodities to market
(B) Cost incurred on promoting the sale of the product
(C) Cost incurred on commission and salaries personnel
(D) Cost incurred on advertisement

Ans. (B) (SSC MTS Exam, 2006)

Exp: Selling cost is cost increased or foregone for promotion of sales of product. It is total cost of marketing advertising etc.

50. Marginal cost is the-

- (A) Cost of producing a unit of output
(B) Cost of producing an extra unit of output
(C) Cost of producing the total output
(D) Cost of producing a given level of output

Ans. (B) (SSC MTS Exam, 2006)

Exp: Marginal cost is the additional cost increased for one more unit of production. Marginal cost

$$= \frac{\text{Change in total cost}}{\text{Change in output}}$$

51. The fixed cost on such factors of production which are neither hired nor brought by the firm is called-

- (A) Social cost (B) Opportunity cost
(C) Economic cost (D) Surcharged cost

Ans. (A) (SSC SO Exam, 2005)

Exp: Social cost is cost borne by the organisation but it is cost of society, like cost for building of airport. It includes private cost like cost of consultation and external cost like noise and air pollution cost, loss of landscape etc.

52. Transfer earning or alternative cost is otherwise known as-

- (A) Variable cost
(B) Implicit cost
(C) Explicit cost
(D) Opportunity cost (Economic cost)

Ans. (D) (SSC SO Exam, 2003)

Exp: Opportunity cost is cost a person could have received but sacrificed to take another course of action or alternative.

It is sacrifice due to second best choice available who has selected another option. Hence transfer earning is also known as opportunity cost.

53. Economic rent refers to-

- (A) Payment made for the use of labour
(B) Payment made for the use of capital
(C) Payment made for the use of organisation
(D) Payment made for the use of land

Ans. (D) (SSC CPO Exam 2003)

Exp: Economic rent is revenue foregone or received for the use of land.

It can be expressed with the payment made in Cash and reward in the form of cost occurred.

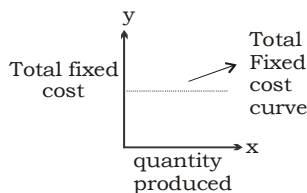
Economic rent = Payment made.

54. Total fixed cost curve is-

- (A) Vertical (B) Horizontal
(C) Positively sloping (D) Negatively sloping

Ans. (B) (SSC MTS Exam, 2002)

Exp: Total fixed curve is graphical representation of relation between total fixed cost and quantity produced. It is horizontal curve because it remains fixed through out the production.



55. Which of the following are not fixed costs?

- (A) Rent on land (B) Municipal taxes
(C) Wages paid to workers
(D) Insurance charges

Ans. (C) (SSC MTS Exam, 2001)

Exp: Fixed costs are cost or expenses done on the basic infrastructure. These costs tend to be same regardless to the level of production like building office, supplies etc.

56. Fixed cost is known as-

- (A) Special cost (B) Direct cost
(C) Prime cost (D) Overhead cost

Ans. (D) (SSC MTS Exam, 2000)

Exp: Overhead costs are cost which remain same through all the level of production. In other words overhead costs are expenses other than variable cost i.e. cost increasing (decreasing) with increase (decrease) in production. These costs are similar to fixed cost, supplementary cost and indirect cost because these expenses are not depended on level of goods and services produced.

57. Fixed costs are also known as-

- (A) Supplementary Costs
(B) Overhead Costs
(C) Indirect Costs (D) All of these

Ans: (D)

Exp: Overhead costs are cost which remain same through all the level of production. In other words overhead costs are expenses other than variable cost i.e. cost increasing or decreasing with increase and decrease in production. These costs are similar to fixed cost, supplementary cost and direct cost because these expenses are not depended on level of goods and services produced.

58. Average fixed cost is indicated by-

- (A) A rectangular hyperbola
(B) A straight line parallel to X-axis
(C) A straight line parallel to Y-axis
(D) A U-shaped curve

Ans: (A)

Exp: Average fixed cost is indicated by a rectangular hyperbola. Average fixed cost is total fixed cost divided by quantity of output produced.

59. The short run average cost curve is ____ shaped.

- (A) U (B) V
(C) X (D) W

Ans. (A)

(SSC CGL 2017)

Exp: Short run average cost curves are of 'U' shape. The average costs are high at low levels of output but as the level of output increases, the average costs fall more sharply and will continue to fall till they reach minimum point. After this minimum point, average costs starts rising as more quantities are produced beyond this level.

AVC = Average variable cost



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Revenue

1. **Average Revenue means-**

- (A) the revenue per unit of commodity sold
- (B) the revenue from all commodities sold
- (C) the profit realised all commodities unit sold
- (D) the profit realised by sale of all commodities

Ans. (A) (SSC CPO SI 2003)

Exp: Average revenue is the revenue realised on per unit. In other words, total revenue realised divided by total units produced.

2. **Gross profit means-**

- (A) Total investment over total saving
- (B) Changes in methods of production
- (C) Changes in the form of business organisation
- (D) Total receipts over total expenditure

Ans. (D) (SSC Combined Matrix Level 2002)

Exp: Gross Profit means profit realised on production. In Other words gross profit is total revenue realised by selling of products and then reducing total cost with deduction of total cost i.e. expenditure occurred.

3. **The situation in which total Revenues equals total cost, is known as-**

- (A) Monopolistic competition
- (B) Equilibrium level of output
- (C) Break even point
- (D) Perfect competition

Ans. (C) (SSC CHSL 2010)

Exp: Breakeven point is stage where total revenue received equals to total cost occurred. It is no profit no loss point for firm.

4. **Who propounded the Innovation theory of profit?**

- (A) J.A. Schumpeter
- (B) P.A. Samuelson
- (C) Alfred Marshall
- (D) David Ricardo

Ans. (A) (SSC CHSL 2010, SSC MTS 2013)

Exp: Innovation theory of profit was given by J.A. Schumpeter in 1934. Schumpeter says that entrepreneur by his virtue of giving birth to value creating activities, expands the circular flow of income.

5. **The market price is related to-**

- (A) Very short period
- (B) Short period
- (C) Long period
- (D) Very long period

Ans. (A) (SSC (10+2) Level DEO & LDC 2011)

Exp: Marshall was pioneer economist to analyze role of time in determination of price. Market period is very short period in which supply is assumed to be constant and price is determined by demand.

6. **Who propounded Dynamic Theory of profit?**

- (A) Clark
- (B) Schumpeter
- (C) Knight
- (D) Hawly

Ans. (A) (SSC MTS 2013)

Exp: Dynamic theory of profit was given by J.B. Clark. According to J.B. Clark, in this world profit arises in dynamic economy.

7. **If the average revenue is a horizontal straight line, marginal revenue will be-**

- (A) U shaped
- (B) Kinked
- (C) Identical with average revenue
- (D) L shaped

Ans. (C) (SSC CGL Tier-I 2014)

Exp: Average revenue can be considered as price for the commodity. Average revenue is identical to marginal revenue, when both the average revenue and marginal revenue are constant. Hence curve for the average revenue and marginal revenue is identical i.e. horizontal curve.

8. **Economics profit or normal profit is the same as-**

- (A) Optimum profit
- (B) Accounting profit
- (C) Maximum profit
- (D) Net profit

Ans. (A) (SSC CGL Tier-I 2015)

Exp: Economic profit or normal profit is minimum amount of profit that the firm is realising so that firm can remain competitive in market.

9. **If one more cobbler is hired the output of a shoe making unit will increase from 50 pairs of shoes to 55 pairs per day, but then the shoe making unit will have to reduce the price of a pair of shoes from Rs 3200 to Rs 3000 per pair to sell the additional output, the marginal revenue product of the last cobbler is-**

- (A) Rs 1000
- (B) Rs 5000
- (C) Rs 4000
- (D) Rs 200

Ans. (B) (SSC CHSL 2017)

Exp: Marginal revenue product = Marginal product of labour × price of article or output added by employing one more employee in terms of revenue. So answer will be Rs.5000.

10. **The marginal revenue of monopolist is-**

- (A) More than price
- (B) Equal to price
- (C) Less than price
- (D) Less than marginal cost

Ans. (C) (SSC 10+2 Exam, 2010)

Exp: Monopolist Marginal revenue :-

Marginal revenue is amount the firm receives for each additional unit of output.

Monopolist's Marginal revenue is always less than price of good.

11. For a price taking firm, average revenue is _____ market price.-

(A) Half of

(C) Double of

(B) Equal to

(D) Less than

Ans. (B)

(SSC CGL 2017)

Exp. Price taking firms means those firms which consider the price of the product as decided by demand & supply of the product. These firms exist in perfect competition market.



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Market

1. Which of the following most closely approximates our definition of oligopoly?

- (A) The cigarette industry (B) The barber shops
(C) The gasoline stations (D) Wheat Farmers

Ans. (A) (SSC CGL 1999)

Exp: The most close approximate definition of oligopoly is cigarette industry. Oligopoly market is market where there are very less number of sellers selling homogeneous product but with little differentiation to have edge on competitor. Competition filter down to advertisement and marketing because product are so much related.

2. One of the essential conditions of perfect competition is-

- (A) Product differentiation
(B) Multiplicity of prices for identical products at any one time
(C) Many seller and a few buyers
(D) Only one price for identical goods at any one time

Ans. (D) (SSC CGL 1999)

Exp: Perfect competition is market structure that have many sellers and buyer with a homogeneous product. In this structure product is identical and prices are decided by demand and supply so buyers are price fixer not sellers.

3. In equilibrium a perfectly competitive firm will equate-

- (A) Marginal social cost with marginal social benefit
(B) Market supply with market demand
(C) Marginal profit with marginal cost
(D) Marginal revenue with marginal cost

Ans. (D) (SSC CPO SI 2003)

Exp: Under perfect competition there are large number of sellers with homogeneous product so price is fixed by buyer and profits are minimum per unit. Here marginal cost i.e. additional cost for producing one more unit will be equal to marginal revenue i.e. additional revenue by selling one additional unit.

4. Seller market denotes a situation where-

- (A) Commodities are available at competitive rates
(B) Demand exceeds supply
(C) Supply exceeds demand
(D) Supply and demand are evenly balanced

Ans. (B) (SSC Statistical Investigator 2005)

Exp: Seller's market is market where buyers are more. So demand is more for the product so supply is less than demand. Here price will be high due to excess demand over supply.

5. One of the essential conditions of Monopolistic competition is-

- (A) Many buyers but one seller
(B) Price discrimination
(C) Product differentiation
(D) Homogeneous product

Ans. (C) (SSC Tax Assistant 2005)

Exp: Monopolistic competition is also known as imperfect competition. It is market structure where there are multiple seller having product which are homogeneous but not close substitute. Here competition is at the level of brand awareness, marketing and advertisement.

6. The concept that under a system of free enterprise, it is consumers who decide what goods and services shall be produced and in what quantities is known as-

- (A) Consumer Protection (B) Consumer's Decision
(C) Consumer Preference
(D) Consumer's Sovereignty

Ans. (D) (SSC Sec. officer 2006)

Exp: Perfect competition is market structure that have many sellers and buyer with a homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers. So consumer decides what to produce and in what quantity. It is known as consumer's sovereignty.

7. Under which market condition do firm have excess capacity?

- (A) Perfect competition (B) Monopolistic competition
(C) Duopoly (D) Oligopoly

Ans. (B) (SSC CGL 2010)

Exp: The excess capacity condition do occur in monopolistic competition. Concept explained by many economist like J. Robinson, Chamberlin. It is condition of producers or firm working with normal profits and producing that much only that is needed to match equilibrium level resulting under utilization of resource. So monopolistic competition firms have excess capacity.

8. The size of the market for a product refers to-

- (A) The number of people in the given area
(B) The geographical area served by the producers
(C) The volume of potential sales of the product
(D) The number of potential buyers of the market

Ans. (D) (SSC Combined Matric Level 2001)

Exp: Market for product refers to number of buyers and sellers in market.

9. Product differentiation is the most important feature of

- (A) Pure competition
- (B) Monopolistic competition
- (C) Monopoly
- (D) Oligopoly

Ans. (B) (SSC Combined Matric Level 2002)

Exp: Tooth paste is product under monopolistic market because presence of differentiated products, with differentiation on the basis of color, taste, packing etc. In this market sellers are not price maker but have market to influence price due to product differentiation.

10. Different firms constituting the industry, produce homogeneous goods under-

- (A) Monopoly
- (B) Monopolistic competition
- (C) Oligopoly
- (D) Perfect competition

Ans. (D) (SSC Combined Matric Level 2002)

Exp: Perfect competition is market structure that have many sellers and buyers with a homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers.

11. Same price prevails throughout the market under-

- (A) Perfect competition
- (B) Monopoly
- (C) Monopolistic competition
- (D) Oligopoly

Ans. (A) (SSC Combined Matric Level 2002)

Exp: Perfect competition is market structure that have many sellers and buyer with a homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers.

12. A situation of large number of firms producing similar goods is termed as-

- (A) Perfect competition
- (B) Monopolistic competition
- (C) Pure competition
- (D) Oligopoly

Ans. (A) (SSC Combined Matric Level 2002)

Exp: Perfect competition is market structure that have many sellers and buyers with a homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers.

13. Under perfect Competition-

- (A) Marginal Revenue is less than the Average Revenue
- (B) Average Revenue is less than the Marginal Revenue
- (C) Average Revenue is equal to the Marignal Revenue
- (D) Average Revenue is more than the Marginal Revenue

Ans. (C) (SSC Combined Matric Level 2002)

Exp: Under perfect competition there are large number of sellers with homogeneous product so price is fixed by buyer and profits are minimum per unit. Here marginal cost i.e. addition cost for producing one more unit will be equal to Marginal revenue i.e. additional revenue by selling one additional unit.

14. Perfect competition means-

- (A) Large number of buyers and less sellers
- (B) Large number of buyers and sellers
- (C) Large number of sellers and less buyers
- (D) None of these

Ans. (B) (SSC Combined Matric Level 2006)

Exp: Perfect competition is market structure that have many sellers and buyers with a homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers.

15. Monopoly means-

- (A) Single buyer
- (B) Many sellers
- (C) Single seller
- (D) Many buyers

Ans. (C) (SSC Combined Matric Level 2006)

Exp: Monopoly is market where the product is available with single seller. Thus he is pricemaker and the chances of making profits are maximum.

16. Consumer's sovereignty means-

- (A) Consumers are free to spend their income as they like
- (B) Consumers have the power to manage the economy
- (C) Consumer's expenditures influences the allocation of resources
- (D) Consumer goods are free from government control

Ans. (A) (SSC Steno. 2010)

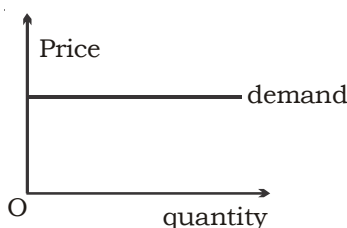
Exp: Perfect competition is market structure that have many sellers and buyers with homogeneous product. In this structure, product is identical and prices are decided by demand and supply. So buyers are price fixer not sellers. Here consumer decides what to produce and in what quantity. It is known as consumer sovereignty.

17. Demand curve of a firm under perfect competition is-

- (A) Horizontal On-axis
- (B) Negatively sloped
- (C) Positively sloped
- (D) U- shaped

Ans. (A) (SSC CHSL Data Entry operator 2010)

Exp: Under perfect competition because there are large number of buyers demanding homogeneous product. Sellers can sell any numbers of quantity on market price. So demand curve will be horizontal.



18. The theory of monopolistic competition has been formulated in the United States of America by-

- (A) Joan Robinson
- (B) Edward Chamberlin
- (C) John Bates Clark
- (D) Joseph Schumpeter

Ans. (B) (SSC CHSL Date entry Level 2010)

Exp: Theory of monopolistic competition formulated in United States under Edward Chamberlin. Edward Chamberlin published his book "The theory of monopolistic competition in 1933."

- 19. Under perfect competition the industry does not have any excess capacity because each firm produces at the minimum point on its-**
- (A) Long-run marginal cost curve
 - (B) Long-run average cost curve
 - (C) Long-run average variable cost curve
 - (D) Long-run average revenue curve

Ans. (B) (SSC CHSL 2010)

Exp: Under perfect competition, the firm produces at the minimum point of long run average cost curve.

- 20. In a perfectly competitive market, a firm's-**
- (A) Average Revenue is always equal to Marginal Revenue
 - (B) Marginal Revenue is more than Average Revenue
 - (C) Average Revenue is more than Marginal Revenue
 - (D) Marginal Revenue and Average Revenue are never equal

Ans. (A) (SSC FCI Assistant Grade-III 2012)

Exp: Under perfect competition there are large number of sellers with homogeneous product. Price is fixed by buyer and profits are minimum per unit. Here marginal cost i.e. additional cost for producing one more unit will be equal to marginal revenue i.e. additional revenue by selling one additional unit.

- 21. A market in which there are a few number of large firms is called as-**
- (A) Duopoly
 - (B) Competition
 - (C) Oligopoly
 - (D) Monopoly

Ans. (C) (SSC MTS 2013)

Exp: Oligopoly is market where there are few sellers having large majority of share. It lies between pure monopoly and monopolistic market.

- 22. Number of sellers in the monopoly market structure is-**
- (A) One
 - (B) Few
 - (C) Large
 - (D) Two

Ans. (A) (SSC MTS 2013)

Exp: Monopoly is market where the product is available with single seller. Thus there is single seller so he is pricemaker and the chances of making profits are maximum.

- 23. Diamonds are priced higher than water because-**
- (A) They are sold by selected firms with monopolistic powers
 - (B) Their marginal utility to buyers is greater than that of water
 - (C) Their total utility to buyers is higher than that of water
 - (D) Consumers do not buy them at lower prices

Ans. (B) (SSC CGL 2013)

Exp: The water diamond puzzle is related with Adam Smith. Diamond have greater marginal utility to consumer than water so diamonds prices are higher.

- 24. Price and output are determinates in market structure other than-**
- (A) Monopoly
 - (B) Perfect competition
 - (C) Oligopoly
 - (D) Monopsony

Ans. (B) (SSC CAPFs SI, CISF ASI & Delhi 2014)

Exp: Under perfect competition because there are large number of buyers demanding homogeneous product. Sellers can sell any numbers of quantity on market price. So demand curve will be horizontal.

- 25. In a free enterprise economy, resource allocation is determined by-**
- (A) The pattern of consumer's spending
 - (B) the wealth of the entrepreneurs
 - (C) decision of the Government
 - (D) the traditional employment of factors

Ans. (A) (SSC CGL Tier-I 2013)

Exp: In a free market economy resources allocation is done by market i.e. demand and supply of product. Here what to produce and how much to produce is decided by consumer and that depends on consumers capacity to spend.

- 26. Buyers and Sellers will have perfect Knowledge of market conditions under-**
- (A) Duopoly
 - (B) Perfect Competition
 - (C) Monopolistic competition
 - (D) Oligopoly

Ans. (B) (SSC CGL Tier-I 2013)

Exp: Complete market information is one of the main features of perfect competition.

- 27. One of the features of a free market economy is-**
- (A) Active state intervention
 - (B) Public ownership of factors of production
 - (C) Rationing and price control
 - (D) Consumer's sovereignty

Ans. (D) (SSC CGL Tier-I 2015)

Exp: Perfect competition is market structure that have many sellers and buyers with homogeneous product. In this structure product is identical and prices are decided by demand and supply. So buyers are price fixer not the sellers. Here consumer decides what to produce and in what quantity and it is known as consumer's sovereignty.

- 28. Money market is a market for ____.**
- (A) Short term fund
 - (B) Long term fund
 - (C) Negotiable instruments
 - (D) Sale of shares

Ans. (A)

Exp: Money market is a market for the financial instrument which have very less maturity and generally with very high liquidity and maturity of less than one years.

- 29. In which of the following market forms, a firm does not exercise control over price?**
- (A) Monopoly
 - (B) Perfect competition
 - (C) Oligopoly
 - (D) Monopolistic competition

Ans. (B)

Exp: Under perfect competition there is buying and selling of homogeneous product at single price decided by market. Here producers are not price maker because price is decided by demand and supply in market.

30. Bilateral monopoly situation is-

- (A) When there are only two sellers of a product
- (B) When there are only two buyers of a product
- (C) When there is only one buyer and one seller of a product
- (D) When there are two buyers and two sellers of a product

Ans. (C)

Exp: Bilateral monopoly situation is that condition in which a specific product is demanded by single seller and supplied by single seller. So single buyer, single seller.

31. Which among the following is a characteristic of Laissezfaire system?

- (A) No government intervention
- (B) Market forces are highly regulated
- (C) It is a socialist system
- (D) Maximum government intervention

Ans. (A) [SSC CHSL 2017]

Exp: Laissez fair is a French term that literally means leave alone In economy it is referred in the situation where there is no interference from the government in deciding market factors.

32. Which of the following is not an assumption of perfect competition?

- (A) There are many buyers and single sellers
- (B) Average total costs continually decrease.
- (C) The good sold by all sellers in the market is assumed to be homogeneous.
- (D) Buyers and sellers in the market are assumed to have perfect information

Ans. (A)

Exp: Assumptions for perfect competition

- ☐ Profit is main objective
- ☐ Large number of buyers and sellers
- ☐ Homogeneous product
- ☐ Free entry and exit
- ☐ Full mobility
- ☐ Perfect knowledge

33. In perfect competition a firm maximizes profit by ____.

- (A) Setting price such that price is equal to or greater than its marginal costs
- (B) Setting output such that price equals average total costs
- (C) Setting output such that price equals marginal costs
- (D) Setting price so that it is greater than marginal cost

Ans.(C) [SSC CHSL 2017]

Exp: In perfect competition situation the firms maximize profit by making that much output so that price of product can cover marginal cost.

34. Match the characteristics with their market structure-

- (i) Differentiated products, but close substitutes for consumers so their demand curves are elastic
- (ii) Homogeneous product, all goods are perfect substitutes for consumers
- (A) (i) Monopolistic Competition, (ii) Pure Competition
- (B) (i) Monopolistic Competition, (ii) Pure Monopoly
- (C) (i) Pure Competition, (ii) Monopolistic Competition
- (D) (i) Pure Monopoly, (ii) Pure Competition

Ans. (A) [SSC CHSL 2017]

Exp: Monopolistic competition is market situation where sellers are many and competitor to each other offering differentiated products but with close substitute. Pure competition is market where large number of sellers as well as buyers exists, price here will be decided by market demand & supply.

35. Match the characteristics with their market structure-

- (i) Difficult entry (often due to economies of scale)
- (ii) Can sell as much as it can at market price
- (A) (i) Monopolistic Competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Oligopoly
- (C) (i) Oligopoly, (ii) Pure Competition
- (D) (i) Pure Competition, (ii) Oligopoly

Ans. (C) [SSC CHSL 2017]

Exp: Oligopoly market are those markets where there are few sellers having differentiated product. So new firm entry will be difficult.

Pure competition is market where there are large number of buyers with large number of sellers having identical goods. So at the market price, seller can sell as much as it can.

36. Match the characteristics with their market structure-

- (i) MC = Price
- (ii) Firm will tend to set output so that it earns maximum profits.
- (A) (i) Pure Competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic Competition
- (C) (i) Oligopoly, (ii) Monopolistic Competition
- (D) (i) Pure Competition, (ii) Oligopoly

Ans. (A) [SSC CHSL 2017]

Exp: Pure competition is that situation of market where price of the product is decided by market itself.

Pure Monopoly: Situation of market where seller is single so here price determination will be according to seller.

37. In perfect competition ____.

- (A) Products can be similar or different
- (B) Producer can control price by controlling production
- (C) Demand curve is perfectly elastic
- (D) All firms make economic profit in the long run

Ans. (C) [SSC CHSL 2017]

Exp: Perfect competition is situation in market where there are large numbers of buyers as well sellers having identical goods & services.

38. Match the characteristics with their market structure:

- (i) demand will tend to be inelastic
- (ii) Firm has control over quantity of output but it must take into account reactions of competitors
- (A) (i) Pure Monopoly, (ii) Oligopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic Competition
- (C) (i) Pure Competition, (ii) Oligopoly
- (D) (i) Monopolistic Competition, (ii) Pure Competition

Ans. (A) [SSC CHSL 2017]

Exp: Pure monopoly is a market where there is only one seller so it resulting the demand of the product as inelastic.

Oligopoly market is the market with few sellers having their product differentiated so to keep product differentiated seller will have to be aware of their competitors.

39. Match the characteristics with their market structure:

- (i) $MR = MP$
- (ii) Elasticity of demand depends on pricing policies of rivals
- (A) (i) Pure Monopoly, (ii) Monopolistic competition
- (B) (i) Pure competition, (ii) Oligopoly
- (C) (i) Pure competition, (ii) Pure Monopoly
- (D) (i) Pure Monopoly, (ii) Oligopoly

Ans. (B) [SSC CHSL 2017]

Exp: Pure competition market is where a large number of buyers as well sellers exists Price here will be decided by market demand & supply.

Oligopoly market is where there are few sellers with product differentiation. So awareness of competition will exist.

40. Match the characteristics with their market structure:

- (i) $Price > MC$ in both short and long run
- (ii) Faces highly elastic demand
- (A) (i) Monopolistic competition, (ii) Pure competition
- (B) (i) Pure Monopoly, (ii) Monopolistic competition
- (C) (i) Pure competition, (ii) Monopolistic competition
- (D) (i) Oligopoly, (ii) Pure competition

Ans. (A) [SSC CHSL 2017]

Exp: Monopolistic market is a market where sellers are many but competitor to each other offering differentiated product but close substitute.

Pure competition is situation is market where there are large number of buyers as well as sellers having identical goods & services

41. Match the characteristics with their market structure:

- (i) A single, homogeneous product with no close substitutes
- (ii) Few sellers with interdependent pricing and quantity decision
- (A) (i) Pure Competition, (ii) Monopolistic Competition
- (B) (i) Pure Monopoly, (ii) Monopolistic Competition
- (C) (i) Oligopoly, (ii) Pure Competition
- (D) (i) Pure Monopoly, (ii) Oligopoly

Ans. (D) [SSC CHSL 2017]

Exp: Pure monopoly is the market where there is only one seller so it will result the demand of the product as inelastic.

Oligopoly market is the market with few sellers having their product differentiated. So to keep product differentiated, seller will have to be aware of the competitor.

42. Match the characteristics with their market structure:

- 1. Firm has control over quantity of output but it must take into account reactions of competitors.
- 2. Firm will tend to set output so that it earns maximum profits.
- (A) 1. Oligopoly, 2. Pure competition
- (B) 1. Monopolistic competition, 2. Oligopoly
- (C) 1. Pure Monopoly, 2. Pure competition
- (D) 1. Oligopoly, 2. Pure Monopoly

Ans. (D) [SSC CHSL 2017]

Exp: Pure monopoly is the market where there is only one seller so it will result the demand of the product inelastic.

Oligopoly market is the market with few sellers having their product differentiated. So to keep product differentiated, seller will have to be aware of the competitor.

43. Match the characteristics with their market structure:

- (i) Expand output until $MC = MR$
- (ii) Elasticity of demand depends on pricing policies of rivals
- (A) (i) Pure competition, (ii) Pure Monopoly
- (B) (i) Pure Monopoly, (ii) Monopolistic competition
- (C) (i) Pure competition, (ii) Oligopoly
- (D) (i) Monopolistic competition, (ii) Oligopoly

Ans. (D) [SSC CHSL 2017]

Exp: Monopolistic competition is market situation where sellers are many and competitor to each other offering differentiated products but close substitute

Oligopoly market is where there are few sellers with product differentiations with awareness with competitor exist.

44. Which is the best for any firm?

- (A) Increase in profit (B) Decrease in selling
(C) Market monopoly
(D) Decrease in production

Ans. (A) [SSC CHSL 2017]

Exp: Firm operates usually with the objective of profit, and increase in profit is best for any firm.

Decrease in selling and decrease in production will lead to decrease in profit.

45. Bilateral Monopoly refers to the market situation of-

- (A) Two sellers, Two buyers
(B) One seller, Two buyers
(C) Two sellers, One buyer
(D) One seller, One buyer.

Ans. (D) (S.S.C (CGL) 2013)

Exp: Bilateral Monopoly is a situation in which both 'monopoly' and 'monopsony' i.e. single buyer is found.

46. The Extreme forms of market are-

- (A) Perfect Competition, Monopolistic Competition
(B) Perfect Competition, Oligopoly
(C) Oligopoly, Monopoly
(D) Perfect Competition, Monopoly.

Ans. (D) (S.S.C (10+2) 2013)

Exp: Extreme forms of market are

Perfect competition: Large number of buyers and large number of sellers, price decided by market itself.

Monopoly: Single seller. Seller himself decides prices. Monopoly is market where only one seller exists. Here new firms are not allowed to enter in market.

47. The New firms are not allowed in market with.

- (A) Perfect competition (B) Oligopoly
(C) Monopolistic competition
(D) Monopoly.

Ans. (D) (S.S.C (CGL) 2006)

Exp: Extreme forms of market are

Perfect competition: Large number of buyers and large number of sellers, price decided by market itself.

Monopoly: Single seller. Seller himself decides prices.

48. Perfect Market situation will be situated when-

- (A) When firms are independent
(B) When large number of buyers & sellers are present
(C) When large number of sellers & less number of buyers are there
(D) When less number of buyer are there.

Ans. (B) (SSC Steno 2014)

Exp: Perfect market situation is when there are large number of seller as well as buyers exist here true market mechanism work because prices are decided by demand and supply. This situation exist in perfect competition market.

49. Under Perfect Competition who is Price Taker.

- (A) Buyer (B) Business
(C) Government (D) Firm.

Ans. (D) (SSC CPO 2008)

Exp: Under perfect competition, the price is decided by demand and supply of the product. So buyers are price decider. Here seller have to accept the fixed price because there are large number of sellers available to sell that product at normal level.

50. The Theory of "Monopolistic Competition" was given by-

- (A) John Robinson (B) Edward Chamberlin
(C) John Bates Clarke (D) Joseph Schumpeter

Ans. (B) (SSC 10+2 2010)

Exp: Theory of monopolistic competition was given by Edward Chamberlin an American in 1933. Theory state that in perfect competition too there are certain seller behaving as monopoly, by having some product differentiation

51. Which market firms allow free entry and exit of firms?

- (A) Perfect and Monopolistic
(B) Perfect and Oligopoly
(C) Oligopoly and Monopoly
(D) Monopoly and Monopolistic

Ans. (B) (SSC Steno. Sep. 2014)

Exp: Free entry and exit of firms means no prohibition on entry of a firm i.e. any firm choose to sell product can enter market and no prohibition on exit of firm i.e. a firm when feel want to leave market can leave market.

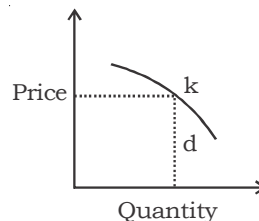
Oligopoly (few sellers with differentiated products) and perfect competitive market (large number of sellers with homogeneous product) have free entry and exit.

52. Kinked demand curve is a feature of-

- (A) Monopoly (B) Oligopoly
(C) Monopsony (D) Duopoly

Ans. (B) (SSC (10+2) 2012)

Exp: Kinked demand curve shows dual demand curve for product based on likely reaction of other firms. It is an exculsive firm having close substitute product feature of oligopoly market where if a firm changes price of its product then it may also have to reduce the price.



53. In which market structure is the demand curve of the market is represented by the demand curve of the firm?

- (A) Monopoly (B) Oligopoly
(C) Duopoly (D) Perfect Competition

Ans. (A) (SSC (10+2) 2011)

Exp: Under monopoly market there is only single seller hence the firm represents whole industry.

- 54. The most distinguishing feature of oligopoly is–**
 (A) Number of firms (B) Interdependence
 (C) Negligible influence on price
 (D) Price leadership

Ans. (B) (SSC Investigator Exam, 2010)

Exp: The most distinguishing feature of oligopoly is interdependence of firms because of having few firms with differentiated product. Firms are competitor to each other.

- 55. The degree of monopoly power is to be measured in terms of the firm's–**
 (A) Normal profit
 (B) Supernormal profit
 (C) Both normal and supernormal profit
 (D) Selling price

Ans. (D) (SSC (10+2) Exam, 2010)

Exp: Degree of monopoly is decided by the decision of fixing selling price by firm.

- 56. Under which market condition do firms have excess capacity?**
 (A) Perfect competition
 (B) Monopolistic competition
 (C) Duopoly (D) Oligopoly

Ans. (B) (SSC CGL Exam, 2010)

Exp: Under monopolistic competition firm produces in excess capacity due to differentiated feature of product.

- 57. The situation in which total revenues equals total cost is known as–**
 (A) Monopolistic competition
 (B) Equilibrium level of output
 (C) Break even point
 (D) Perfect competition

Ans. (C) (SSC (10+2) Exam, 2010)

Exp: Break even point is a point at which cost equal to revenue earned by firm. Here profit of firm is equal to zero.

58. Match the following

Form of Market	Number of sellers and Buyers
1. Oligopoly	a. A few big sellers and a large number of buyers
2. Monopoly	b. One seller but large number of buyers
3. Perfect Competition	c. Large number of sellers and buyers
(A) 1-b, 2-c, 3-a	(B) 1-c, 2-a, 3-b
(C) 1-a, 2-b, 3-c	(D) 1-b, 2-a, 3-c

Ans. (C) (SSC CGL 2017)

Exp:

Forms of Market	Number of buyers and sellers
Pure Competition	Many sellers, Many buyers
Pure Monopoly	Single seller, Many buyers
Oligopoly	More than one but few sellers, Many buyers
Monopolistic competition	Large number of firms, free entry and exit of firms but goods are not homogenous

- 59. The market structure called monopoly exists where there is exactly _____ seller in any market.**

- (A) One (B) Two
 (C) Five (D) Ten

Ans. (A) (SSC CGL 2017)

Exp: Monopoly is the market where there is only one seller. For monopoly firm, price depends on the quantity sold. Thus monopoly firm is a price-maker.

- 60. In which market form, a market or an industry is dominated by a single seller?**
 (A) Oligopoly (B) Monopoly
 (C) Duopoly
 (D) Monopolistic Competition

Ans. (B) (SSC CGL 2017)

Exp: Monopoly form of market is where there is only one seller of product.

- 61. When there is only one buyer and one seller of product, it is called _____ situation.**
 (A) Public monopoly (B) Bilateral monopoly
 (C) Franchised monopoly (D) Monopsony

Ans. (B) (SSC CGL 2017)

Exp: Bilateral Monopoly: One seller and one buyer

- 62. In which market form, a market or industry is dominated by a few firms?**
 (A) Perfect Competition (B) Monopoly
 (C) Oligopoly (D) Monopolistic

Ans. (C) (SSC CGL 2017)

Exp: Oligopoly market is the market with few sellers selling product with the product differentiation. Like tooth paste etc.

- 63. In which of the following market forms, a firm does not exercise control over price?**
 (A) Mixed Competition (B) Monopoly
 (C) Oligopoly (D) Perfect Competition

Ans. (D) (SSC CGL 2017)

Exp: Perfect competition occurs when large number of sellers as well as buyers exist in the market. Here true market mechanism works because prices are decided by demand and supply of the product in market.

- 64. A _____ deficit is financed by net capital flows from the rest of the world, thus by a capital account surplus.**
 (A) Current Account (B) Savings Account
 (C) Capital Account (D) Asset Account

Ans. (A) (SSC CGL 2017)

Exp: Current Account Deficit:- It is a measurement of country's trade where the value of goods and services it imports exceed the value of goods and services it exports i.e., more imports and less export.

Capital Account Surplus:- A surplus in the capital account means more money is flowing into the country than flowing out. This surplus money is used for financing current Account Deficit.

65. A commodity market has a _____ structure, if there is one seller of the commodity, the commodity has no substitute, and entry into the industry by another firm is prevented.

(A) Perfect Competition
(B) Monopoly
(C) Oligopoly
(D) Monopolistic Competition

Ans. (B) (SSC CGL 2017)

Exp: A Monopoly exists when a specific person or enterprise is the only supplier of a particular commodity. Thus it is characterised by a lack of economic competition to produce the good or service.

66. If the _____ firm has zero costs or only has fixed cost, the quantity supplied in equilibrium is given by the point where the marginal revenue is zero.

(A) Perfect Competition
(B) Monopoly

(C) Oligopoly
(D) Monopolistic Competition

Ans. (D) (SSC CGL 2017)

Exp: Monopolistic competition is situation where there are multiple seller selling homogenous product but with differentiation.

In monopolistic competition, the short run equilibrium result in quantity produced being higher compared to perfect competition.

67. Which of the following is a basic characteristic of 'Oligopoly'?

(A) Many sellers, many buyers
(B) Few sellers, few buyers
(C) Few sellers, many buyers
(D) Many sellers, few buyers

Ans. (C) (SSC CPO 2017)

Exp: Oligopoly market is a market where there are few sellers having differentiated product so new firm entry will be difficult.



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Introduction

1. The best Example of capital intensive industry in India is-

- (A) Textile industry (B) Steel industry
(C) Tourism industry (D) Spare goods industry

Ans. (B) [S.S.C (10+2) 2011]

Exp: Capital intensive industry are those industries which need large amount of investment in capital i.e. large investment in machinery and infrastructure. In the above industries, steel industry is best example of capital intensive industry in India.

2. The Removal of prohibitions and hindrance by government is called-

- (A) Globalisation (B) Privatisation
(C) Liberalisation
(D) Bilateral understanding

Ans. (C) [S.S.C (FCI) 2012]

Exp: Liberalisation in economy means to free economy from control, prohibition or imposition of duties by the government.

3. Arthashastra by "Kautilya" is related with-

- (A) Military Phase (B) Political Reign
(C) Social Phase (D) Economic Postulates

Ans. (B) [SSC CGL 2015]

Exp: Arthashastra is written by Kautilya or Vishnugupta or Chanakya. Arthashastra is compilation of various treaties, strategies and policies basically art of political reign.

4. One of the objectives of Industrial Licensing Policy in India was to ensure-

- (A) Creation of adequate employment opportunities
(B) Free flow of foreign capital in Indian industries
(C) Use of modern technology
(D) Balanced (industrial) development across regions

Ans. (D) [SSC CGL 2004]

Exp: Industrial policy is a statement which define the governments role in development (Industrial). It lays down rules and regulations. Major objectives of industrial policy are:-

1. Balanced regional growth
2. Balanced industrial structure
3. Prevention of concentration of economic power
4. Rapid industrial development.

5. The Indian economy can be most appropriately described as a-

- (A) Capitalist economy (B) Socialist economy
(C) Traditional economy (D) Mixed economy

Ans. (D) [SSC CGL 1999]

Exp: Indian Economy can be most appropriately described as mixed Economy.

Mixed economy is that type of economy in which some sectors are reserved for government only and other general sectors are open for private organisation. Like Indian Railways and Defence are reserved for government only and other sectors like construction, automobile, consumer goods for private organisation.

6. Which is the first Public Sector Corporation of independent India?

- (A) Hindustan Steel Corporation, Bhilai
(B) State Trading Corporation of India
(C) Food Corporation of India
(D) Damodar Valley Corporation

Ans. (D) [SSC CPO 2004]

Exp: Damodar Valley Corporation is the first public sector corporation of independent India. It came into existence on 7 July, 1948 as first multipurpose river valley project as well as first public sector corporation.

7. Which of the following is not the infrastructure Sector?

- (A) Power generation (B) Construction of roads
(C) Food Production (D) Expansion of air ports

Ans. (C) [SSC CPO 2006]

Exp: Infrastructure is basic core framework either physical or organizational which help in operation of activities. It facilitates economy to function properly. Like roads, water supply, railway, telecommunication, electricity supply etc. Food production does not come under infrastructure rather it is primary activity for economy.

8. The term 'Mixed Economy' denotes-

- (A) Existence of both rural and urban sectors
(B) Existence of both private and public sectors
(C) Existence of both heavy and small industries
(D) Existence of both developed and underdeveloped sectors

Ans. (B) [SSC Tax Assistant 2008, DEO 2011, CHSL 2015]

Exp: Mixed Economy refers to that system of economy which have presence of government i.e public sector as well as private sector. This economy have public sector to have monopoly on strategic or essential goods that can't be handled by private sector and have private sector for general goods production and distribution.

9. India is called a mixed economy because of the existence of-

- (a) Public Sector (b) Private Sector
(c) Joint Sector (d) Cooperative Sector
(A) a, d (B) a, b
(C) c, d (D) b, d

Ans. (B) (SSC Tax Assistant 2009)

Exp: See explanation of Q. No.8

10. Which of the following sectors contributed more of the savings in India?

- (A) Public Sector (B) Household Sector
(C) Corporate Sector (D) Private Sector

Ans. (B) (SSC Combined Matric Level 1999)

Exp: Household sector contribute more to the savings. Since there is no social security system to secure future contingency, people have tendency to save more either in small savings fixed deposits or in money market through investment.

11. The concept of mixed economy means-

- (A) To have balanced development in the agricultural and industrial sector
(B) Simultaneous development of the rural and urban sector
(C) To have equal distribution of wealth among the rural and the urban poor
(D) Simultaneous existence of the private and public sector

Ans. (D) (SSC Combined Matric Level 2001 & 2014)

Exp: See explanation of Q. No.8

12. Over use of resource is called "Tragedy of Commons". It was propounded by:

- (A) Garrett Hardin (B) Seligman
(C) Adolph Wagner (D) A.P. Lerner

Ans. (A) (SSC CGL 2013)

Exp: Garrett Hardin propounded the term. "Tragedy of commons" which means people out of self interest and selfish nature tend to consume shared resources without even caring about their depletion. i.e. behaving contrary to the common good of all resources.

13. In the national context which of the following indicates Macro Approach?

- (A) Inflation in India
(B) Sales of Bata shoe Company
(C) Exports of Mangoes to UK
(D) Income from Railways.

Ans. (A) (SSC CGL 2015)

Exp: Macro economics deals economics at larger level rather it will be right to say that Macro approach work at national level by analysing performance, structure, behaviour and decision making of economy as whole.

14. Indian economy is an example of a mixed economy because-

- (A) Urban sector coexists with vast rural sector
(B) Traditional subsistence economy coexists with modern economy

(C) Private sector coexists with public sector enterprises

(D) Monopoly elements coexist with competitive elements

Ans. (C) (SSC CGL Tier-I 2015)

Exp: See explanation of Q. No.8

15. Indian Economy is a/an-

- (A) Independent Economy (B) Mixed Economy
(C) Capitalist Economy (D) Communist Economy

Ans. (B) (SSC CHSL (10+2) LDC, DEO & PA/SA 2015)

Exp: See explanation of Q. No.8

16. If the price of an inferior good falls, its demand-

- (A) Rises (B) Falls
(C) Remains constant (D) Can be any of the above

Ans. (A) (SSC CPO SI 2003)

Exp: Inferior goods are those goods which have inverse relationship between income and demand of the consumer. As the income of consumer rises demand for inferior goods decreases. Example Bus travel, use of millets in food, use of kerosene etc. If the price of inferior goods fall its demand will rise because of people's tendency to maximize benefits.

17. All of the goods which are scarce and limited in supply are called-

- (A) Luxury goods (B) Expensive goods
(C) Capital goods (D) Economic goods

Ans. (D) (SSC Sec. officer. 2007)

Exp: Economics goods are opposite to free goods. Basically goods which are scarce and limited in supply are called as Economic goods. Due to scarcity of these goods, human effort is required to obtain them. Like food, clothing, housing etc.

18. "Economics is what it ought to be" The statement refers to-

- (A) Normative economics (B) Positive economics
(C) Monetary economics (D) Fiscal economics

Ans. (A) (SSC CGL 2010)

Exp: Normative economics is economics of ideal operation that should be done. Generally Normative Economics is referred in policy decisions like big tax cut would help public etc. Here economics deals with value judgement and theoretical scenarios.

19. In a Capitalistic Economy, the prices are determined by-

- (A) Demand and Supply
(B) Government and Authorities
(C) Buyers in the market (D) Sellers in the market

Ans. (A) (SSC FCI Assistant 2012)

Exp: Capitalistic economy refers to the economic system where responsibility of production and distribution of goods and services remain with private organisation. In this economy, prices of goods and services are fixed according to demand and supply of product rather than government in socialist economy.

- 20. Demand for complementary goods is known as-**
 (A) Joint demand (B) Derived demand
 (C) Direct demand (D) Cross demand

Ans. (A) (SSC (10+2) Level DEO & LDC 2012)

Exp: Complementary goods are those goods which are consumed with each other like sugar and tea etc. Demand for complementary goods is joint demand i.e. relation in demand of both the product in such a way that if there is increase in demand of one product, demand for its complementary product also arises.

- 21. Which of the following are consumer semi-durable goods?**

- (A) Cars and television (B) Milk and Milk products
 (C) Foodgrains and other food products
 (D) Electrical appliance like fans and electric irons

Ans. (C) (SSC (CHSL (10+2) DEO & LDC 2014)

Exp: Consumer semi-durable goods are those goods which are neither durable nor perishable like clothing, preserved foods etc.

- 22. Who among the following is not a classical economist?**

- (A) David Ricardo (B) John Richard
 (C) Thomas Malthus (D) Johan Maynard Keynes

Ans. (B) (SSC Sec. Officer 2008)

Exp: Classical economics believe that market function with government's minimal interference. It is also known as liberal economics that was propounded during 18th & 19th century. It was favoured by many economist and these were called as Classical Economist. Some of them are Adam Smith, J.B. Say David Ricardo, T. Malthus.

- 23. The terms "Micro Economics" and Macro Economics" were coined by-**

- (A) Alfred Marshall (B) Ranger Nurkse
 (C) Ranger Frisch (D) J.M. Keynes

Ans. (C) (SSC CGL 2010, CHSL 2017)

Exp: The Term Microeconomics and Macro economics were coined by Ranger Frisch in 1933.

- 24. According to the classical system, Saving is a function of-**

- (A) Income (B) The interest rate
 (C) The real wage (D) The price level

Ans. (A) (SSC Combined Matric Level 2000)

Exp: Saving is the part of income that is put aside not consumed rather saved for contingency. Income is main factor for saving because if income is not there the amount that has to be save will not be available. So saving is function of economics and later this became basis for Keynesian economics.

- 25. The self-employed in a developing country who are engaged in small scale labour intensive work belong to the-**

- (A) Informal sector (B) Primary sector
 (C) Secondary sector (D) Tertiary sector

Ans. (B) (SSC Combined Matric Level 2002)

Exp: This above scenerio can be observed in primary sector of developing country. Since, developing stage work done in primary sector is more labour intensive like agriculture employees, farmer engaging in small scale is labour intensive work.

- 26. Price mechanism is a feature of-**

- (A) Capitalist economy (B) Barter economy
 (C) Mixed economy (D) Socialist economy

Ans. (A) (SSC Const. (GD) & Rifleman (GD) 2012)

Exp: Price mechanism refers to system of fixing price of the products according to their demand and supply. Capitalistic economy is that type of economy in which production and distribution of goods and services is done by private organisations and price of the goods and services are decided by their demand and supply.

- 27. The main feature of a capitalist economy is-**

- (A) Administered prices (B) Public ownership
 (C) Economic planning (D) Private ownership

Ans. (D) (SSC Const. (GD) & Rifleman (GD) 2012)

Exp: Capitalist economy is economic system in which production and distribution of goods and services is done by private organisation. Thus, private ownership is allowed.

- 28. A camera in the hands of a profesional photog-rapher is a _____ good.**

- (A) Free (B) Intermediary
 (C) Consumer (D) Capital

Ans. (B) (SSC MTS 2013)

Exp: Intermediary goods are input goods for further production. These goods are sold in industries for resale or production of other goods.

- 29. Production of a commodity mostly through the natural process is an activity of-**

- (A) Primary sector (B) Secondary sector
 (C) Tertiary sector (D) Technology sector

Ans. (A) (SSC (10+2) Level Data Entry 2013)

Exp: Primary sector is that sector of economy which involves production from natural resources like agriculture, mining, fishery etc. Generally it involves production through natural process like mining, mineral extracted are made by natural process.

- 30. According to Keynes, business cycles are due to variation in the rate of investment caused by fluctuations in the-**

- (A) Marginal efficiency of capital
 (B) Marginal propensity to save
 (C) Marginal propensity to consumption
 (D) Marginal efficiency to investment

Ans. (A) (SSC CGL Tier- 2014)

Exp: Marginal efficiency of capital is expected profits from new investemnt.

According to Keynes, General theory of employment, interest and money, "Business cycles are caused by variation in rate of investement which are caused by fluctuations in marginal efficiency of capital."

- 31. The main feature of a capitalist economy is on-**
 (A) Expenditure (B) Exchange
 (C) Foreign trade (D) Taxation

Ans. (A) (SSC CGL Tier-I 2014)

Exp: Keynesian economics is all about spendings and its effect on economy as output and inflation. It emphasise on government expenditure leading to increase in GDP.

- 32. The book which is at the centrepiece of the study of Macro-Economics was written by-**

- (A) Prof. Samuelson (B) Prof. J.M. Keynes
 (C) Prof. Benham (D) Prof. Baumol

Ans. (B) (SSC CGL Tier-I 2014)

Exp: Keynes book "General theory of Employment, Interest and money" lays the centrepiece to the study of macroeconomics. This book particularly propounded the modern economics.

- 33. The basic problem studied in Macro Economics is-**

- (A) Production of income (B) Usage of income
 (C) Flow of income (D) Distribution of income

Ans. (D) (SSC CGL Tier-I 2014)

Exp: Macro economics deals with economics at whole level particularly it involves issues like national income, growth, inflation, population and unemployment etc.

- 34. Capacity utilisation-**

- (A) Is usually near 100 percent
 (B) Represents the percent of the labour force that is employed
 (C) Is a measure of the proportional of the existing capital stock used for current production
 (D) Rises as the economy moves into a recession, since firms must replace unemployed workers with some other resources to maintain production

Ans. (C) (SSC CHSL (10+2) DEO & LDC 2014)

Exp: Capacity utilization refers to the level to which the capacity is used in terms of generation of goods and services. It is a measurement that state percentage of capacity used in production.

- 35. Internal economies-**

- (A) Arise when there is expansion
 (B) Arise in an economy as it makes progress
 (C) Accure to a firm when it expands its output
 (D) Arise when there is expansion in internal trade.

Ans. (A) (SSC CGL Tier-I 2015)

Exp: Internal economies refers to those economies (reduction in cost) which occurs due to firm itself. Internal economies occur when firm expands or enlarge its scale of production.

- 36. Barter transactions means-**

- (A) Goods are exchanged with goods
 (B) Coins are exchanged for goods
 (C) Money acts as a medium
 (D) Private ownership

Ans. (A) (SSC CHSL (10+2) LDC, DEO & PA/SA 2015)

Exp: Barter is system of exchange where goods are exchange for other goods in return.

- 37. What are the main components of basic social infrastructure of an economy?**

- (A) Education, Industry and Agriculture
 (B) Education, Health and Civil amenities
 (C) Transport, Health and Banks
 (D) Industry, Trade and Transport

Ans. (B) (SSC CGL Tier-I 2014)

Exp: Social infrastructure refers to facilities that help in social welfare. Like education, health care, research, sports and recreational infrastructure, ports, tourism etc.

- 38. Basic infrastructure facilities in Economics are know as-**

- (A) Human capital (B) Physical capital
 (C) Social overheads capital
 (D) Working capital

Ans. (C) (SSC Sec. Officer 2003)

Exp: Social overheads capital is type of capital goods that are available to everybody by the value of members of society. These are usually provided by government.

- 39. The main feature of a capitalist economy is on the basis of raw-materials?**

- (A) Small Scale - Large scale
 (B) Primary and Secondary
 (C) Basic and Consumer
 (D) Agro-based and Mineral based

Ans. (D) (SSC Sec. officer 2006)

Exp: Classification of Industries on the basis of raw material can be done in Agro-based and Mineral based. Agrobased industries have agricultural produce as raw material. On other hand industries which use minerals as raw material are called as mineral based industries.

- 40. The existence of a parallel economy or Black Money-**

- (A) Makes the economy more competitive
 (B) Makes the monetary policies less effective
 (C) Ensures a better distribution of income and wealth
 (D) Ensures increasing productive investment

Ans. (B) (SSC SAS 2010)

Exp: Existence of black money reduces impact of monetary policy decision and also black money distort the allocation of resources and accuracy of economic forecast. Black money also spread social injustice and growth because of unaccounted money.

- 41. What is dual pricing?**

- (A) Expenditure two product
 (B) Exchange two product
 (C) Foreign trade
 (D) Two prices of a product

Ans. (D) (SSC CGL Tier-I 2014)

Exp: Dual pricing is mechanism of setting prices at two level one is usually minimum selling price and other price is according to demand & supply of the produce i.e. Market price. Example: Price of wheat one is fixed by government i.e. MSP and other is open market price.

42. A black market is a situation where in-

- (A) Goods are loaded by the producers
- (B) Goods are sold secretly
- (C) Goods are sold at prices higher than what is fixed by the government
- (D) Goods are made available only after there is a rise in prices

Ans. (D) (SSC Combined Matric Level 2000)

Exp: Black market refers to situation where goods available are scarce or not easily available so to make them available someone act as intermediary and sold them at higher prices.

Ex: Urea, price of urea is fixed at particular level but when demand is high, urea is sold at high price. This situation is Black market.

43. 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 the U.N.O

Ans. (A) (SSC CPO SI 2005)

Exp: A Closed economy is that economy which do not deal with other countries or in other words economy which do not transact (import and export) with foreign countries.

44. Free Trade refers to-

- (A) Free movement of goods from one country to another
- (B) Movement of goods free of cost
- (C) Unrestricted exchange of goods and service
- (D) Trade free of duty

Ans. (C) (SSC Tax Assistant (Income & Central Excise 2007)

Exp: Free trade refers to free movement of goods from one country to another without restriction in from of tariffs. Free trade principle work on mutual gain theory which state the free trade mutually benefit the countries.

45. With which form of economy is the term 'Laissez-faire' associated?

- (A) Capitalist economy
- (B) Socialist economy
- (C) Mixed economy
- (D) Command economy

Ans. (A) (SSC Tax Asst. (Income & Central Excise 2007)

Exp: The term 'Laissez faire' is a French term that is use to show economy without any government intervention. In these economies, entry and exit is free and also pricing is done according to demand and supply of product. All these above scenerio develop in capitalist economy.

46. Externality theory is the basic theory of the following branch of Economics-

- (A) Environomics
- (B) Fiscal Economics
- (C) unrestricted exchange of goods and service
- (D) Trade free of duty

Ans. (A) (SSC Graduate Level Tier-I 2013)

Exp: Externality theory forms the basis for the theory of environmental economics. Externality is realisation of

benefit or loss resulting from activity which affects on otherwise involved party. Example- Environmental pollution is good example of externality.

47. Which of the following is part of tertiary sector?

- (A) Power and transportation
- (B) Animal Husbandry
- (C) Cotton manufacturing
- (D) Cultivation of crops

Ans. (A) (SSC Combined Matric Level 2000)

Exp: Tertiary sector is one of the sectors of economy that mainly deals with service industry. Service is the process of facilitation to the consumer. Examples- Transport, communication, distribution of goods, entertainment etc.

48. Economies of a firm is-

- (A) An increase in its profits
- (B) A reduction in its selling expenses
- (C) Its dominance of the market
- (D) Saving its production costs

Ans. (D) (SSC CAPFs SI CISP ASI & Delhi 2015)

Exp: Economies of firm refers to reduction in cost of production due to better combination of use of raw material So the average cost reduces and ultimately reducing cost of production.

49. Short term contractions and expansions in economic activity are called ____.

- (A) Expansion
- (B) Recession
- (C) Deficits
- (D) Business cycle

Ans. (D) (SSC CHSL 2017)

Exp: Business cycle is various stages of business on the basis of growth like: Expansion, Maturity, Contraction and finally decline.

50. In terms of economics, if it is possible to make someone better-off without making someone worse-off, then the situation is-

- (A) Inefficient
- (B) Efficient
- (C) Optimal
- (D) Pareto-superior

Ans. (D) (SSC CHSL 2017)

Exp: Pareto-superior is the situation in economics in which someone is made better off without making someone else worse off.

51. The goods which people consume more, when their price rises are called ____.

- (A) Essential goods
- (B) Capital goods
- (C) Veblen goods
- (D) Giffen goods

Ans. (D) (SSC CHSL 2017)

Exp: Giffen goods are those goods whose demand increases with increase in their price.

52. _____ is a good whose quantity demanded decreases when consumer income rises.

- (A) Veblen good
- (B) Normal good
- (C) Exclusive good
- (D) Inferior good

Ans.(D) (SSC CHSL 2017)

Exp: Inferior goods are those goods whose demand decreases with increase in income of the consumer. Example: Kerosene etc.

53. If goods A and B are substitutes, a decrease in the price of good B will-

- (A) Decrease demand for good B
- (B) Decrease demand for both the goods
- (C) Increase demand for both the goods
- (D) Decrease demand for goods A

Ams. (A) (SSC CHSL 2017)

Exp: Substitute goods are those goods which are usually homogeneous and can be consumed in place of one another. Decrease in price of a good leads to decrease in the demand for another good.

54. Macro economics deals with-

- (A) The circular flow of income
- (B) The decision making of a single economic variable like demand
- (C) Resource allocation at firm level
- (D) Equilibrium prices and quantities

Ams. (A) (SSC CHSL 2017)

Exp: Macro-economics is branch of economics that deals with economics as a whole or at the wholesome level. Circular flow of Income is at whole or bigger level. So it is part of macro Economics.

55. Which of the following will cause an increase in the demand for coffee?

- (A) Price of coffee falling in foreign markets
- (B) Coffee prices are expected to fall rapidly in domestic markets
- (C) Average income falls in the country
- (D) Increase in price of tea

Ams.(D) (SSC CHSL 2017)

Exp: Substitute goods are those goods which can be consumed at one another place. So, If price of one good

increases, it will automatically shift consumer towards another goods.

56. Goods whose demand is proportional to price are called-

- (A) Inferior goods
- (B) Veblen goods
- (C) Normal goods
- (D) Exclusive goods

Ams. (B) (SSC CHSL 2017)

Exp: Veblen goods also can be said as positional good, or kind of luxury goods. Their demand increases as the income of consumer increases. One of the feature of Veblen goods is that their demand is created as the more income is earned like luxury care, (jewellery).

57. Which sector has the highest number of people working in India?

- (A) Manufacturing
- (B) Agriculture
- (C) IT
- (D) Services

Ams. (B) (SSC CHSL 2017)

Exp: According to economic survey highest number of people are working in agriculture.

58. Which of the following will cause an increase in demand for a good?

- (A) An increase in income if the good is an inferior goods
- (B) A decrease in the price of the goods
- (C) A decrease in income if the good is a normal goods
- (D) An increase in the price of its substitute goods

Ams. (D) (SSC CHSL 2017)

Exp: Substitute goods are those goods which are usually homogeneous and can be consumed in place of one another. An increase in price of a good will cause increase in demand for another good.



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Inflation



1. The relationship between the value of money and the price level in an economy is-

(A) Direct (B) Inverse
(C) Proportional (D) Stable

Ans. (B) [SSC DEO Exam, 2009]

Exp: Relationship between value of money (value of money is exchange rate or the power of one unit to buy) and price level (general price level of commodities) in an economy is inverse. In simple words, when value of money decreases people have more money supply. Hence increase in price level and vice versa.

2. The Result of cost push inflation is-

(A) Hindrances in economic development increases
(B) Adverse effect on Balance on Payment
(C) Hindrance in development
(D) All of the above

Ans. (D) [SSC CPO 2015]

Exp: Cost push inflation is inflation i.e. general rise in level of price due to increase in cost (means increase in price of inputs). Cost push inflation leads to decrease in savings. It also impacts import by decreasing it.

So all of the above effects are result of cost push inflation.

3. During periods of inflation, tax rates should-

(A) Increase (B) Decrease
(C) Remain constant (D) Fluctuate

Ans. (A) [SSC CGL 2010]

Exp: Inflation is a rise in price level of commodities. So, it depicts increase of money supply. To prevent inflation, tax rate should be increased. So that increased tax rate suck extra money available in economy.

4. Which of the following groups suffer the most from inflation?

(A) Debtors (B) Creditors
(C) Business Class (D) Holders of Real Assets

Ans. (B) [SSC CPO Exam 2003, CPO 2013]

Exp: The group which suffers the most from inflation is creditors because creditor had lend the money when value of money was high So when they will receive money back it will be of equal amount but of less value.

5. Inflation can be checked by-

(A) Increasing exports
(B) Increasing money supply
(C) Increasing government expenditure
(D) Decreasing money supply

Ans. (D) [SSC MTS Exam, 2002]

Exp: Rising inflation can be check by decreasing supply of money using monetary tools like SLR, CRR, Bank rate etc.

6. Government securities are considered liquid because they are-

(A) Backed by the government treasure
(B) Convertible into other types of saving deposits
(C) Quickly and easily marketable
(D) Stable in value

Ans. (C) [SSC MTS 2002]

Exp: Government securities are said to be liquid because these securities are easily marketable. Government securities can be sold easily due to assured rate of return as well as backing by government.

So these are considered liquid because they are quickly and easily marketable.

7. Inflation is caused by-

(A) Increase in supply of goods
(B) Increase in cash with the government
(C) Decrease in money supply
(D) Increase in money supply

Ans. (D) [SSC CGL 2004, CPO 2017 & DEO 2013]

Exp: Inflation refers to general increase in price level of commodity. In other words, Inflation is situation where due to increase in money supply, price level of commodities also increases.

8. The Central Statistical Organisation (CSO) provides data under a new revised series in which the base year is taken as-

(A) 1960-61 (B) 2004-05
(C) 1980-81 (D) 1990-91

Ans. (B) [SSC MTS 2013]

Exp: National accounts statistics are calculated with the base year 2004-05. That is now changed to 2011-12.

9. Which is NOT a measure undertaken by government to check inflation?

(A) Increase in consumption
(B) Increase in production
(C) Reduction in Deficit financing
(D) Taxation measures

Ans. (A) [SSC CHSL (10+2) DEO & LDC 2004]

Exp: Inflation is general increase in price level of commodity. It can be checked by reducing money supply by the government, by reduction in deficit financing or tax increase, reduction in expenditure.

Increase in consumption by no way help in reducing money supply.

10. Which of the following is a consequence of inflationary price rise?

- (A) Obstacle in development
- (B) Increase in economic inequalities
- (C) Adverse effect on the balance of payment
- (D) All of these

Ans. (B) [SSC CAPFs SI, CISF ASI & DP SI 2015]

Exp: Inflationary price rise may hamper the growth by devaluing money. Hence less productivity. It also effect equalities, and promote inequalities by keeping poor more poor and unsustainability of consumption. Here all of these happens in inflationary price rise.

11. The supply-side measure to control inflation is-

- (A) Reducing public expenditure
- (B) Price control through Public Distribution System
- (C) Higher taxation to mop up liquidity.
- (D) Credit control

Ans. (B) [SSC (10+2) Steno. Grade 'C' & 'D' 2016]

Exp: Measures to control inflation can be of two types:- Demand-side measure- by reducing demand. Supply-side measure can be PDS i.e. public distribution system that will ensure availability of essential commodity hence price control. Some other measures like sale of grains by FCI during price rise, it will increase supply of grain in market. Hence reduction in price.

12. 'Galloping Inflation' is also known as-

- (A) Walking Inflation
- (B) Running Inflation
- (C) Hyper Inflation
- (D) Creeping Inflation

Ans. (C) [SSC (10+2) Steno. Grade 'C' & 'D' 2016]

Exp: Galloping inflation refers to situation of rise in price level more than two or three digits. This situation is very harmful for economy and very hard to recover from this condition. It collapses whole economy. It is also known as Hyper inflation.

13. The Great Depression occurred during-

- (A) 1914-18
- (B) 1929-34
- (C) 1939-45
- (D) 1922-26

Ans. (B) [SSC MTS 2016]

Exp: Great depression was depression in economic activities spread all around the world. It originated in United States with severe fall in price of stocks (also known as black Tuesday) later it spread all over the world. It occurred in 1929.

14. The world wide Great Depression took place in-

- (A) 1936
- (B) 1929
- (C) 1928
- (D) 1930

Ans. (B) [SSC MTS 2013]

Exp: Great depression was depression in economic activities all around the world. It originated in United States with severe fall in price of stock (also known as black Tuesday) later it spread all over the world. It occurred in 1929.

15. State which of the following is correct? The Consumer Price Index reflects-

- (A) The standard of living
- (B) The extent of inflation in the prices of consumer goods
- (C) The increasing per capita income
- (D) The growth of the economy

Ans. (B) [SSC Section Officer 2013]

Exp: CPI i.e. Consumer Price Index measures the change in price of consumer goods at retail level. CPI has been adopted as monetary tool objective to see inflation. Consumer price index shows change in price level in comparison to base year. It is published by CSO quarterly.

16. Forced Savings refer to-

- (A) Reduction of consumption consequent to a rise in prices
- (B) Taxes on individual income and wealth
- (C) Compulsory deposits imposed on income tax payers
- (D) Provident fund contribution of private sector employees

Ans. (D) [SSC CGL Tier-I 2013]

Exp: Forced saving in economics is situation where consumer is forced to save money due to non-availability of goods that he want or due to greater rise in price of goods.

17. When too much money is chasing to few goods, the situation is-

- (A) Deflation
- (B) Inflation
- (C) Recession
- (D) Stagflation

Ans. (B) [SSC CPO 2007]

Exp: Inflation is general rise in price level of commodity. In other words, it means due to increase in money supply, rise in price level. That means too much money chasing few goods.

18. Which of the following groups suffer the most from inflation?

- (A) Debtors
- (B) Creditors
- (C) Business class
- (D) Holders of real assets

Ans. (B) [SSC SS CPO SI 2013]

Exp: Inflation devalues currency so it helps borrower to pay less than value of money he has borrowed. Devaluation of money affect creditors badly because the money received back will be of less value.

19. Which of the following can be used for checking inflation temporarily?

- (A) Increase in wages
- (B) Decrease in money supply
- (C) Decrease in taxes
- (D) None of these

Ans. (B) [SSC Section Officer 2005]

Exp: Inflation means rise in price level of commodity from general level that also means increase in money supply. To check inflation the measures that should be taken can involve decrease in money supply by several measures like one of the measures is open market operations by RBI.

20. Inflation occurs when aggregate supply is

- (A) More than aggregate demand
- (B) Less than aggregate demand
- (C) Equal to aggregate demand
- (D) None of these

Ans. (B) [SSC Section Officer 2006]

Exp: Inflation: when there is less supply and more demand of product it will lead to increase in the price of the product. So when aggregate supply is less than aggregate demand, there will be rise in price.

21. The process of curing inflation by reducing money supply is called-

- (A) Cost-push inflation (B) Demand-pull inflation
(C) Disinflation (D) Reflection

Ans. (C) [SSC Section Officer 2008]

Exp: Disinflation is slow increase in rise of price level. Generally disinflation is much needed because it helps competition to grow and make production profitable. When money supply is reduced, it slows down the rate of inflation.

22. The term stagflation refers to a situation where-

- (A) Growth has no relation with the change in prices
(B) Rate of growth and prices both are decreasing
(C) Rate of growth is faster than the rate of price increase
(D) Rate of growth is slower than the rate of price increase

Ans. (D) [SSC Tax Assistant (Income Tax & Central 2009)]

Exp: Stagflation is kind of inflation with a combination of no economic growth and higher unemployment. So stagflation will be referring to situation where rate of growth is slower than the rate of price increase.

23. Cheap Money means-

- (A) Low Rate of Interest (B) Low Level of Savings
(C) Low Level Income (D) Excess of Black Money

Ans. (A) [SSC CPO Sub-Inspector 2010]

Exp: Cheap money means easy availability of money that means increase in supply of money that can be done through low rate of interest.

24. In a period of inflation and price rise the supply of money remains-

- (A) The same (B) Increases
(C) Decreases
(D) Increases or decreases proportionately

Ans. (B)

Exp: Inflation refers to general increase in price level of commodity. In other words inflation is situation where due to increase in money supply, price level of commodities also increases.

25. Stagflation is a situation of-

- (A) Stagnation and deflation
(B) Stagnation and recession
(C) Stagnation and inflation
(D) Stagnation and recovery

Ans. (C) [SSC Data Entry Operator 2009]

Exp: Same as explanation of Q. No. 23.

26. Deflation is a situation in which-

- (A) The value of money is falling.
(B) The price of goods is increasing.

(C) The value of money is increasing

(D) The price level is stagnant.

Ans. (C) [SSC Constable (GD) 2013]

Exp: Deflation is opposite to inflation. In inflation due to excess availability of money, value of money decreases. In case of deflation, there is decrease in price of commodity this is due to reduced supply of money so value of money increases.

27. Stagflation refers to a situation which is characterised by-

- (A) Stagnant employment and deflation
(B) Deflation and rising unemployment
(C) Inflation and rising employment.
(D) Inflation and rising unemployment.

Ans. (D) [SSC CGL Tier-I 2013]

Exp: Same as explanation of Q. No. 23.

28. Who benefits the most during the inflationary period?

- (A) Corporate servants (B) Creditors
(C) Entrepreneurs (D) Government servants

Ans. (C) [SSC CGL Tier-I Re-2013-14]

Exp: Inflation affects the nature of wealth distribution. Entrepreneurs gain more than fixed cost in production during inflation due to increase in price.

29. Pump priming should be resorted to at a time of-

- (A) Inflation (B) Deflation
(C) Stagflation (D) Reflation

Ans. (B) [SSC CHSL 2017]

Exp: Deflation is decrease in price of goods and services. So to deal with it, injection of money in economy is resorted through several government spending measures or tax reductions. This phenomenon is called as pump priming.

30. Inflation is a situation characterized by-

- (A) Too much money chasing too few goods
(B) Too few money chasing too much goods
(C) Too many people chasing too few goods
(D) Too many people chasing too little money

Ans. (A) [SSC CHSL 2017]

Exp: Inflation means general increase in price of goods that automatically means, that there is more money available in relation to few goods.

31. Which of the following brings out the 'Consumer Price Index Number' for Industrial workers?

- (A) RBI (B) The Labour Bureau
(C) Commerce Department (D) NITI Ayog

Ans. (B) [SSC CHSL 2017]

Exp: CPI: Consumer Price Index: Change in price of goods at retail level.

CPI - IW- is prepare by labour bureau

CPI - NEW - by Central Statistical Office with base year 2012.

32. The basis of determining dearness allowance to employees in India is-

- (A) National Income (B) Consumer Price Index
(C) Standard of Living (D) Inflation Rate

Ans. (D) [SSC CHSL 2017]

Exp: Dearness Allowances is certain percentage of salary to mitigate the impact of inflation calculated as a percentage of salary.

33. In 2015 the nominal rate of interest in country was 6%, and the inflation rate then was 1.5%. So real rate of interest in 2015 was-

- (A) 7.50% (B) 4.50%
(C) 4% (D) 0.25%

Ans. (B) [SSC CHSL 2017]

Exp: Real rate of interest = nominal rate of interest - inflation

Answer will be 4.50%

34. Stagflation is defined as-

- (A) Low inflation, low growth, low unemployment
(B) High inflation, low growth, high unemployment
(C) High inflation, high growth, high unemployment
(D) Low inflation, high growth, low unemployment

Ans. (B) [SSC CHSL 2017]

Exp: Stagflation is the combination of high inflation and rising unemployment due to recession leading to low growth.

35. An increase in the growth rate of the nominal money supply results in-

- (A) Lower rate of inflation (B) Higher rate of inflation
(C) Lower interest rates (D) Currency appreciation

Ans. (B) [SSC CHSL 2017]

Exp: Increase in money supply leads to more money available for the same goods which were available for the less price. So, increase in growth rate of nominal money supply results in high rate of inflation.

36. In 2015, the real rate of interest in a country was 6% and the inflation rate then was 3%. So the nominal rate of interest in 2015 was-

- (A) 3% (B) 6%
(C) 9% (D) 12%

Ans. (C) [SSC CHSL 2017]

Exp: Nominal rate of interest = Real interest rate + inflation rate

So by following this formula answer will be 9%

37. If Money supply growth is faster than real GDP growth, it results in ____.

- (A) Inflation (B) Deflation
(C) Budget surplus (D) Budget deficit

Ans. (A) [SSC CHSL 2017]

Exp: Inflation is condition where there is increase in general price level of articles. So, if money supply growth is faster it will create more money chasing too few goods. Ultimately leading inflation.

38. During a recession ____

- (A) Producers will be cautiously optimistic.
(B) There will be decrease in inventory
(C) There will be capacity under utilization.
(D) There will be expansion in bank credit

Ans. (C) [SSC CHSL 2017]

Exp: Recession is a situation in economy where there is decline in growth resulting inactivity so resulting capacity under utilization.

39. In 2015, the nominal rate of interest in a country was 8% and the inflation rate then was 2.5%. So real rate of interest in 2015 was-

- (A) 3.2 percent (B) 10.5 percent
(C) 8 percent (D) 5.5 percent

Ans. (D) [SSC CHSL 2017]

Exp: Real rate of interest = nominal rate of Interest - inflation rate. So answer will be 5.5 percent.

40. Stagflation exists when ____

- (A) price indices and output both decrease.
(B) price indices increase but output decreases.
(C) price indices and output both increase.
(D) price indices decrease but output increases.

Ans. (B) [SSC CHSL 2017]

Exp: Stagflation is situation in a country when there is inflation but not employment. Here production will decrease with the price rise resulting increase in price indices but decrease in output.

41. Stagflation is a period of ____.

- (A) Persistent high inflation combined with high unemployment
(B) Persistent high inflation combined with low unemployment
(C) Persistent low inflation combined with high unemployment
(D) Persistent low inflation combined with low unemployment

Ans. (A) [SSC CHSL 2017]

Exp: Stagflation is situation in a country when there is inflation but not employment. Here production will decrease with the price rise.

42. Inflation exists when

- (A) There is general increase in the prices over time.
(B) There are periodic decreases in the price level.
(C) There are continuous increases in the output level over time.
(B) There is rise in the purchasing value of money

Ans. (A) [SSC CHSL 2017]

Exp: Inflation is situation where there is general increase in price of goods leading to many hands with money chasing few goods.

43. In a period when an economy is facing price rise, and along with that there is slowing down of economy activities, this is case of _____.

- (A) Deflation (B) Stagflation
(C) Recession (D) Depression

Ans. (B) [SSC CHSL 2017]

Exp: Stagflation is situation in a country when there is inflation but not employment. Here production will decrease with the price rise.

44. An increase of 1% per annum in the rate of growth of the money supply will increase inflation in the long run by _____.

- (A) Zero percent (B) One percent
(C) 0.5 percent (D) More than one percent

Ans. (B) [SSC CHSL 2017]

Exp: Rate of growth in money supply is directly proportionate to inflation in long run

45. In which situation, wages and prices chase each other at a very quick speed?

- (A) Disinflation (B) Reflation
(C) Stagflation (D) Hyper-inflation

Ans. (D) [SSC CPO 2017]

Exp: Hyper-inflation is that type of inflation in which rate of inflation is more than 3 digits. This phenomenon has been observed in Germany after World War II.

46. What is moderate degree of controlled inflation called as?

- (A) Reflation (B) Stagflation
(C) Hyper-inflation (D) Disinflation

Ans. (A) [SSC CPO 2017]

Exp: Reflation is a government policy to reduce burden of deflation, it includes reducing taxes, increasing money supply, lowering interest rates etc.



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National Income

1. The Expenditure on advertisement and public relation by an enterprise is a part of its-

- (A) Consumption of fixed capital
- (B) Final consumption Expenditure
- (C) Intermediate Consumption
- (D) Fined Capital

Ans. (C) [S.S.C (CGL) 2013]

Exp: The expenditure on advertisement and public relation by an enterprise is a part of its intermediate consumption. Intermediate consumption is the expenditure done on those good and services which are used as inputs for production of final goods and services.

2. If a country produces consumer goods only and nothing else, then-

- (A) Standard of living will be highest
- (B) The country have certain amount of good
- (C) The country will soon become poor if external trade will not happen
- (D) The country will gradually become rich if external trade will not happen

Ans. (C) [S.S.C MTS 2006]

Exp: If a country produces only consumer goods and there is no exchange of goods and services with other countries its economy will distort. International trade is done in order to fulfill the requirements of things that are not available in their country and to sell things in foreign markets which are in excess in their country.

3. The Income of Indians working abroad is-

- (A) Domestic Income of India
- (B) Income earned from abroad
- (C) Net domestic product of India
- (D) Gross domestic product of India.

Ans. (B) [S.S.C 10+2 2013]

Exp: The income of Indians working abroad is known as income earned from abroad by Indian nationals.

4. When increase in income the increase in ratio between income & expenditure changes-

- (A) In same ratio
- (B) Ratio less than 1
- (C) Ratio more than one
- (D) None

Ans. (B) [S.S.C CGL 2015]

Exp: When income increases, expenditure also increases but not in the proportion of income. So the ratio between income and expenditure changes by less than 1.

5. The Census of Indian agriculture is done by-

- (A) Production Method
- (B) Income Method
- (C) Expenditure Method
- (D) Consumption Method

Ans. (A) [SSC CGL 2006]

Exp: The method used in census of Indian agriculture is production method, in which data of lands are collected which is wholly or partially used under agricultural production.

6. The First Income Committee was established in-

- (A) 1948
- (B) 1949
- (C) 1950
- (D) 1951

Ans. (B) [SSC MTS. 2008]

Exp: In 1949, First Income Committee was established under the chairmanship of P.C Mahalonobis. D.R. Gadgil and Dr V.K.R.V Rao were its two members. It was constituted to calculate national income on scientific basis.

7. Depreciation is equal to-

- (A) GNP – NNP
- (B) NNP – GNP
- (C) GNP – Personal Income
- (D) Personal Income – Personal Taxes

Ans. (A) [SSC DEO 2009]

Exp: A depreciation refers to reduction in a value of fixed asset over a certain period of time. It can be calculated by subtracting net income from gross income.

8. Other name of Net National Product at market price-

- (A) National Income
- (B) Gross Domestic Production
- (C) Personal Income
- (D) Per Capital Income

Ans. (A) [SSC 10+2 2012]

Exp: Net National Product is defined as value of total goods and services produced by the citizens of a country residing anywhere in the world minus depreciation of capital goods. It can also be named as National Income. $GNP - depreciation = NNP$

9. A rising per Capita Income will indicate a better welfare if it is accompanied by -

- (A) Unchanged Income distribution overall.
- (B) Changed Income distribution in favour of rich.
- (C) Changed Income distribution in favour of poor.
- (D) Changed Income distribution in favour of Industrial Labour.

Ans. (C) [SSC 10+2 2010]

Exp: Per capita income refers to average income per person of any country over a certain period of time. If per capita income of poor increases it will indicate better welfare of a country.

10. Income and consumption are–

- (A) Inversely Related (B) Directly Related
(C) Partially Related (D) Unrelated

Ans. (B) [SSC (10+2) 2011]

Exp: Income and consumption are directly related so that when income rises, consumption is also increased.

11. Which one of the following is not a method of measurement of National Income?

- (A) Value Added Method (B) Income Method
(C) Investment Method (D) Expenditure Method

Ans. (C) [SSC CPO Exam, 2010]

Exp: There are 3 methods through which national income can be calculated. These includes value Added Method, Income Method and Expenditure Method. Investment method is not related to calculation of national income.

12. Gross Profit means–

- (A) Total investment over total savings
(B) Changes in methods of production
(C) Changes in the form of business organisation
(D) Total receipts over total expenditure.

Ans. (D) [SSC MTS Exam, 2002]

Exp: Gross profit can be calculated by substracing total expenditure from total revenue. Total revenue is referred to as total receipts while total expenditure is cost of production of goods or services.

13. Per Capita Income is equal to–

- (A) $\frac{\text{National Income}}{\text{Total Population of the country}}$
(B) National Income + Population
(C) National Income - Population
(D) National Income x Population

Ans. (A) [SSC FCI 2012]

Exp: Per capita Income is the income per person or in other words it can be represented by average income of the people of a country. So, per capita income will be National income divided by population.

14. Which one of the following is the most appropriate reason for inequalities in income?

- (A) Racial factors (B) Lack of opportunities
(C) Inheritance from family environment
(D) Differences in ability

Ans. (B) [SSC (10+2) 2012]

Exp: Lack of opportunity is the most appropriate reason for inequalities in India.

Lack of opportunity means the assets available with people are not used due to non-availibility of chance to performance to various reasons.

15. National Income include–

- (A) Financial help to earthquake victims
(B) Pocket money of a child
(C) Winning of a lottery prize
(D) Construction of a new house

Ans. (D) [SSC (10+2) Exam, 2010]

Exp: National Income is defined as value of total goods and services produced by a citizen of any country residing anywhere in world. Construction of a new house will be included in national income because it forms the part of capital formation.

16. Which of the following is not included in the National Income?

- (A) Imputed rent of owner-occupied houses
(B) Government expenditure on making new bridges
(C) Winning a lottery
(D) Commission paid to an agent for sale of house

Ans. (C) [SSC CGL Exam, 2008]

Exp: Winning a lottery is not included in national income because national income includes the total value of final goods and services produced over a certain period of time.

17. What does National Income mean?

- (A) The total value of all goods and services produced in the country during a period of 1 year
(B) The total value of all stocks and shares in the country during a period of 1 year
(C) The total value of all capital goods produced in the country during a period of 1 year
(D) The total value of all consumer goods produced in the country during a period of 1 year

Ans. (A) [SSC SO Exam 2005, SSC CPO Exam 2003]

Exp: National income is defined as total value of goods and services produced by citizens of any country residing anywhere in the world over a period of 1 year. It is also referred as total productive income of any country.

18. The difference between the GNP and the NNP is equal to the–

- (A) Consumer expenditure on durable goods
(B) Direct tax revenue
(C) Indirect tax revenue
(D) Capital depreciation

Ans. (D) [SSC Tax Asst. Exam, 2004]

Exp: Depreciation refers to reduction in a value of fixed asset over a certain period of time. It can be calculated by subtracting net national product from gross national product.

19. The National Income of a country is–

- (A) Government annual revenue
(B) Total productive income
(C) Surplus of the public sector enterprise
(D) Export and Import

Ans. (B) [SSC SO 2003]

Exp: National income is defined as total value of goods and services produced by citizens of any country residing anywhere in the world over a period of 1 year. It is also referred as total productive income of any country.

20. The method of calculating the National Income by the product method is otherwise known as–

- (A) Income method (B) Value added method
(C) Expenditure method (D) Net output method

Ans. (B) [SSC SO 2003]