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HS 101: Economics

DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES

Date: February 8th, 2020   Quiz 1 [Spring Semester 2019 – 20]   Time: 9:00 am – 9.45 am

Max. Marks: 15   Weightage: 15%

Note:

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

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

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

0.5

2) The growth rate of a healthy economy should ideally be greater than five percent. This statement is

a) positive   (b) normative   (c) indeterminate

0.5

3) In any market structure (perfect competition, oligopoly, monopoly), the demand curve is the same as the average revenue curve. Is this statement always true?

a) yes   (b) no   (c) insufficient information is provided to answer

0
Not Attempted

4) Goods consumers regard as necessities tend to be

a) highly income elastic   (b) income inelastic   (c) Indeterminate

0.5

5) When the price was 20 rupees, the quantity demanded was 200 units. The quantity demanded rose to 300 units when the price fell to 10 rupees. In this case, the absolute value of the own price elasticity of demand calculated by the mid-point formula is given by

a) .3   (b) .6   (c) Neither (a) nor (b)

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

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

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

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

8) If a price floor is set below the market-clearing equilibrium price, this has

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

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

10) Suppose a market is characterized by
    • Few sellers
    • Not always aggressive competition

    This market structure is called

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

11) The Long-Run Average Total Cost is

    a) Greater than or equal to the Short-Run Average Total Cost
    (b) Lesser than or equal to the Short-Run Average Total Cost
    c) The relation is indeterminate

12) If there are a large number of close substitutes available, then the absolute value of price elasticity of demand is

    (a) High   (b) Low   (c) Neither of the above

13) Suppose the law of diminishing marginal product holds. Then the Marginal Cost Curve is

0.5

    (a) Rising   (b) Falling   (c) There is no connection

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

0.5

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

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

0.5

    a) Sellers   (b) Buyers   (c) Indeterminate

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

0.5

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

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

0.5

    a) P is up, Q is down   (b) P is up, Q is ambiguous   (c) Neither of the above
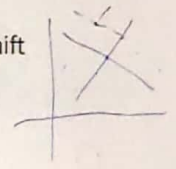
18) The study of *Macroeconomics* focuses on the individual parts of the economy.

    a) True   (b) False   (c) Uncertain

0.5

19) If the sellers expect the price to rise in the future, then the current supply curve will

0.5

    a) Remain unchanged   (b) Shift inwards (leftward)   (c) Shift outwards (rightwards)

20) The Average Fixed Cost curve is

0.5

    a) Always falling
    b) Always Rising
    c) May Rise or Fall

21) Cross Price Elasticity of Demand is.

0.5

    a) Always positive   (b) Always negative   (c) Neither (a) nor (b)

22) The efficient scale of the firm is achieved at

0.5

    a) The minimum point of the Average Variable Cost Curve
    b) The minimum point of the Average Total Cost Curve
    c) The minimum point of the Marginal Cost Curve

23) Suppose the absolute value of the own price elasticity of demand is between zero and one. In this case, an increase in price leads to

    a) A fall in total revenue

0.5
b) A rise in total revenue
c) The effect on total revenue is uncertain

24) Economies of scale occur when as a result of a proportional rise in the factors of production, we have a

0
Not Always
a) Less than proportional rise in the level of production
b) More than proportional rise in the level of production
c) Neither (a) nor (b)

none.

25) Income Elasticity of Demand is
0.5
a) Always positive   (b) Always negative   (c) Neither (a) nor (b)

26) Elasticity of supply in the short run tends to be
a) More elastic
0.5
b) Less elastic
c) There is no relation with time horizon considered

27) Tax incidence depends on whether the tax is imposed on the buyers or the sellers. This statement is
0
Not Always
a) True
b) False
c) Indeterminate

28) If the Average Total Curve is falling, this implies there is
a) Economies of Scale
0.5
b) Diseconomies of Scale
c) Indeterminate

True for long run ATC.
Since not mentioned can be both long run, short run.

29) If economic profits are zero, then accounting profits are
a) Zero
+0.5
b) Positive
c) Indeterminate

30) When Marginal cost is rising, it implies that Average Total Cost is
a) Rising
0.5
b) Falling
c) Indeterminate

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