ECO-401 Introduction To Economics

Update MCQS For Quiz-1 File

Solve By Vu Topper RM

80 To 100% Marks

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Question No:1 **(Marks:1)** **Vu-Topper RM**

Giffen goods are the sub category of:

Inferior goods **Page 10**

What does the economic term scarcity refer to?

A. Unlimited wants and unlimited resources

B. Limited wants and unlimited resources

Unlimited wants and limited resources

If the cost of computer components increases, then:?

The demand curve for computers shifts to the right.

The demand curve for computers shifts to the left.

The supply curve for computers shifts to the right.

The supply curve for computers shifts to the left.

How is Normative Economics defined?

A. Study of economic trends

B. Study of "what could be"

C. Study of values and judgements

D. Study of "what is"

What does the term "equilibrium price" mean in Economics?

A. The highest possible price in the market

B. The price determined by a government

C. The price where demand and supply curves intersect

D. The lowest possible price in the market

A shortage is a situation in which:

A. Supply remains neutral

B. Demand exceeds supply

C. Demand remains neutral

D. Demand does not exceed supply

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Demand is said to be ---------- when the price elasticity of demand is less than 1.
Elastic
Inelastic
Unit Elastic
Perfectly Inelastic

Which of the following is a normative statement?
A. When the price of a good goes up, consumers buy less of it.
B. Public should properly use their right to vote to elect the right person.
C. When the Federal government sells bonds, interest rates rise and private investment is reduced.
D. When the price of a good goes up, firms produce more of it.

Price floor results in:
A. Undetermined
B. Excess supply.
C. Excess demand.
D. Equilibrium.

if there is a reduction in price of resources used for production of commodity, then supply curve of that commodity will:
A. Shift rightward.
B. Remain same.
C. Shift leftward.
D. Remain undetermined.

What best describes a market economy?
A. Prices are determined by feudalists
B. Prices are determined by elite group
C. Prices are determined by market forces

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D. Prices are determined by the government

When consumers' expenditures on a particular good fall in response to increase in their income,that good can be categorized as:
A. Complementary good
B. Normal good
C. Luxury good
D. Inferior good

Inferior goods are those goods whose quantity demanded goes down as:
A. Consumer income remains constant
B. Consumer income decreases
C. Price of goods increases
D. Consumer income increases

When percentage increase in the price of a good decreases its quantity demanded by the same percentage, it shows that demand of this good is:
A. Perfectly price inelastic
B. Unit price elastic
C. Price inelastic
D. Price elastic

What does a concave shape of Production Possibility Frontier (PPF) show?
A. Law of decreasing opportunity cost
B. Law of constant opportunity cost
C. Law of increasing opportunity cost
D. Law of diminishing returns

Hasan runs a surgical business and provides surgical tools to the local hospitals. For his company, Hasan falls in the category of _____.
A. Money
B. Capital
C. Labor

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D. Entrepreneurship

Which of the following measures the responsiveness of demand for one good to a change in the price of another good?
Price elasticity of demand
Price elasticity of supply
Income elasticity of demand
Cross price elasticity of demand

What is a product market in Economics?
A. A market for exchange of inputs
B. A market for exchange of outputs
C.A market for exchange of metals
D.A market for exchange of currency

An equilibrium quantity is a quantity prevailing at the point of intersection where;
A. Quantity demanded is equal to quantity supplied.
B. Quantity demanded is less than quantity supplied.
C. Quantity demanded is greater than quantity supplied.
D. Quantity demanded is not than quantity supplied

How is Positive Economics defined?
A. Study of "what is"
B. Study of "what could be"
C. Study of values and judgements
D. Study of economic trends

If the cross price elasticity of demand between two products is -3.5, then:
A. One product is a normal good and the other is an inferior good.
B. The two products are complements.
C. One of the products is expensive and one is relatively inexpensive.
D. The two products are substitutes.

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When government gives a subsidy to producers on production of a good, the equilibrium price of that good will:

A. Increase

B. Undetermined

C. Remain unchanged

D. Decrease

The production possibility frontier (PPF) shows all combinations of goods that:

A. A economy produces efficiently

B. Society most desires

C. Lie outside the curve

D. Reflect full production

What does economic growth mean?

A. Decrease in country's total output

B. No change in country's total output

C. Increase in country's total output

D. Redistribution of country's total output

If a 4% rise in consumer's incomes causes an 8% rise in product's demand, the income elasticity of demand for the product will be:

A. 0.5

B. 1.5

C.2.5

D.2

..... is the study of how we the people engage ourselves in production, distribution and consumption of goods and services in a society."

A. Physics

B. Economics

C. Sociology

D. Chemistry

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Faiza stays at home for cooking rather than going out with her friends for a walk. Her dilemma is an example of:

A. Opportunity cost

B. Nash Equilibrium

C. Allocative efficiency

D. Marginal analysis

Sultan is running a logistics business and provides logistics services to the local business community. For his company Sultan falls in the category of _____.

A. Entrepreneurship

B. Capital

C. Labor

D. Land

A 10 percent increase in price of mutton leads to a 30 percent increase in demand for beef. The cross price elasticity of demand in this case is:

A. 3

B. 1/3

C. 2/3

D.2

Difference between the amount of money a consumer is willing to pay for a good and the actual price at which he/she purchases that good is known as:

A. Consumer surplus

B. Total utility

C. Marginal utility

D. Opportunity cost

When the absolute value of price elasticity of demand is equal to one,it means that demand is:

A. Unit elastic

B. Inelastic

C. Perfectly inelastic

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D. Elastic

Why is price mechanism important in Economics?
A. Circulates money
B. Regulates demand and supply
C. Provides consumer discounts
D. Controls government expenditures

When an industry's raw material costs decrease, other things remaining the same then:
A. The supply curve shifts to the right.
B. The demand curve for computers shifts to the left.
C. The demand curve for computers shifts to the right.
D. The supply curve shifts to the left.

An equilibrium price is a price prevailing at the point of intersection where;
A. Quantity demanded is not equal to quantity supplied
B. Quantity demanded is less than quantity supplied
C. Quantity demanded is greater than quantity supplied
D. Quantity demanded is equal to quantity supplied

Which best expresses the law of demand?
A. A higher price reduces quantity demanded, other things remaining same.
B. A lower price shifts the demand curve to the right.
C. A higher price reduces demand.
D. A lower price increases quantity supply, other things remaining same

“We all want a bunch of stuff, we can't have everything that we want.” Which of the following best describes this statement?
A. Inflation
B. Scarcity
C. Rationing

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D. Bundling

If a 2% rise in consumer's incomes causes a 4% rise in product's demand, the income elasticity of demand for the product will be:

A. 0.5

B. 2.5

C. 2

D. 1.5

Other things remaining the same, if Anam drinks more and more bottles of coke, her marginal utility from coke will:

A. Remains constant

B. Decrease

C. Increase and than decrease

D. Increase and than decrease

If opportunity cost decreases with each additional unit produced, then it is the principle of:

A. Constant increasing cost

B. Decreasing opportunity cost

C. Constant opportunity cost

D. Increasing opportunity cost

If marginal utility is equal to 50 and price is equal to 40, consumer surplus will be:

A. 20

B. 90

C. 10

D. 100

The price elasticity of demand measures the responsiveness of quantity demanded to:

A. Output.

B. Price.

C. Income

D. Total revenue.

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If there is an increase in price of oil from Rs.100/liter to Rs.110/liter, the change in the quantity demanded of oil can be shown by:

A. Moving up along the same demand curve

B. Shifting the demand curve rightward

C. Moving down along the same demand curve

D. Shifting the demand curve leftward

Normally the shape of production possibility frontier is:

A. Positive.

B. Linear.

C. Concave.

D. Convex.

Farooq is running a logistics business and provides logistics services to the local business community. For his company truck drivers fall in the category of _____.

A. Land

B. Labor

C. Entrepreneurship

D. Capital

Income elasticity of demand for the normal goods is usually:

A. Less than zero

B. Equal to one

C. Greater than zero

D. Equal to minus one

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Which of the following is a characteristic of a mixed economy?
Select correct option:

In mixed economy, resources are governed by both government and individuals.
Mixed economy utilizes the characteristics of both market economy and planned economy to allocate goods and services.
People are free to make their decisions and government controls the Defence.
All of the given options are true. (Correct)

If a firm operates in a perfectly competitive market, then it will most likely:
Select correct option:

Advertise its product on television.
Have difficult time obtaining information about the market price.
Settle for whatever price is offered.
Have an easy time keeping other firms out of the market. (Correct)

Which of the following is TRUE about the production function?
Select correct option:

It relates inputs with output.
It generates a curve that is upward sloping.
It shows diminishing marginal product of an input, since it gets flatter as output rises.
All of the given options are true. (Correct)

Ref by Sehar khan:
A mathematical relation between the production of a good or service and the inputs used. A production function is usually expressed in this general form: Q = f(L, K), where Q = quantity of production output, L = quantity of labor input, and K = quantity of capital input. **A production function is simply the relationship between inputs & outputs. (for referance of option 2 and 3 see page no 56 from soft copy)**

Goods X and Y are complements while goods X and Z are substitutes. If the supply of good X increases:
Select correct option:

The demand for both Y and Z will increase
The demand for Y will increase while the demand for Z will decrease (Correct)
The demand for Y will decrease while the demand for Z will increase
The demand for both Y and Z will decrease

fareedip: An indifference curve is:
Select correct option:

A collection of market baskets that are equally desirable to the consumer.
A collection of market baskets that the consumer can buy.
A curve whose elasticity is constant for every price.
A curve which passes through the origin and includes all of the market baskets that the consumer regards as being equivalent. (Correct)

Which of the following best describes an inferior good?
Select correct option:

A good for which price and quantity demanded are directly related.
A good for which price and quantity demanded are inversely related.
A good for which income and quantity demanded are directly related. (Correct)
A good for which income and quantity demanded are inversely related.

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Suppose we find that the cross-price elasticity of demand for two products is a negative number. We know that:
Select correct option:

The two goods are normal goods. (Correct)
The two goods are inferior goods.
The two goods are substitutes.
The two goods are complements

If the equilibrium price of bread is Rs. 3 and the government imposes Rs. 2 price ceiling on the price of bread then:
Select correct option:

More bread will be produced to meet the increased demand.
There will be a shortage of bread. (Correct)
The demand for bread will decrease because suppliers will reduce their supply.
A surplus of bread will emerge.

If the cost of computer components falls, then
Select correct option:

The demand curve for computers shifts to the right.
The demand curve for computers shifts to the left.
The supply curve for computers shifts to the right. (Correct)
The supply curve for computers shifts to the left.

More output could be produced with available resources if:
Select correct option:

Resources are allocated efficiently. (Correct)
Resources are imperfectly shiftable among alternative uses.
Prices are reduced.
The economy is operating at a point inside the production possibilities curve.

The law of diminishing returns assumes:
Select correct option:

There are no fixed factors of production. (Correct)
There are no variable factors of production.
Utility is maximised when marginal product falls.
Some factors of production are fixed.

Production possibilities analysis assumes that:
Resources and technology increase with production.
Resources are used to produce thousands of goods.
Extra resources are saved for emergency use.
Resources are used in a technically efficient way (Correct)

Average physical product is equal to:
Select correct option:

TPPF
TPPF/QF (Correct)
QF / TPPF
TPPF * QF

If two goods were perfect complements, their indifference curves would be:

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Select correct option:

Straight lines
L-shaped (Correct)
Rectangular hyperbolas
Parabolic

The principle economic difference between a competitive and a non-competitive market is:
Select correct option:

The number of firms in the market.
The extent to which any firm can influence the price of the product. (Correct)
The size of the firms in the market.
The annual sales made by the largest firms in the market.

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