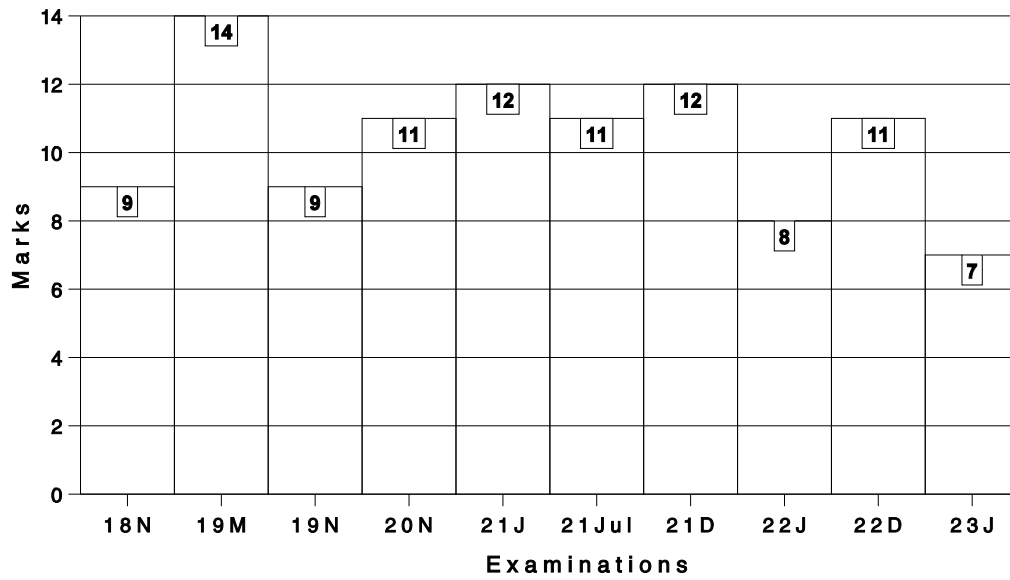


1	<h2 style="margin: 0;">NATURE AND SCOPE OF BUSINESS ECONOMICS</h2>
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Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend

Objective
 Short Notes
 Distinguish
 Descriptive
 Practical



PAST YEAR QUESTIONS AND ANSWERS**2006 - NOVEMBER**

- [1] 'Economics is the study of mankind in the ordinary business of life' was given by:
- (a) Adam Smith
 - (b) Lord Robbins
 - (c) Alfred Marshall
 - (d) Samuelson
- (1 mark)
- Answer:**
- (c) 'Economics is a study of mankind in the ordinary business of life' is the welfare definition given by Alfred Marshall.
- [2] The branch of economic theory that deals with the problem of allocation of resources is :
- (a) Microeconomics
 - (b) Macroeconomics
 - (c) Econometrics
 - (d) None of these
- (1 mark)
- Answer:**
- (a) The study of microeconomics deals with how a producer allocates his resources and fixes the price of his product for the optimum utilization of resources.
- [3] Capitalistic Economy uses _____ as principal means of allocating resources.
- (a) demand
 - (b) supply
 - (c) price
 - (d) all of the above
- (1 mark)

Answer:

- (c) A capitalistic economy is characterized by the absence of state intervention. This economy uses price mechanism (forces of demand and supply) to solve their basic economic problems. Demand and supply both depend upon price and therefore capitalistic economy uses price as principal means of allocating resources.

2007 - FEBRUARY

- [4] A study of how an increase in the corporate income tax rate will affect the natural unemployment rate is an example of:
- (a) Macroeconomics
 - (b) Descriptive Economics
 - (c) Microeconomics
 - (d) Normative Economics (1 mark)

Answer:

- (a) Macroeconomics studies the economy as a whole. Therefore, increase in corporate income tax rate and its effect on unemployment is at the macro level.
- [5] In which type of economy do consumers and producers make their choices based on the market forces of demand and supply?
- (a) Open Economy
 - (b) Controlled Economy
 - (c) Command Economy
 - (d) Market Economy (1 mark)

Answer:

- (d) In a capitalistic economy, producers make their choices based on market forces of demand and supply. The capitalist economy works under the price mechanism i.e. prices are determined by free interplay of demand and supply forces. A capitalist economy is also known as Market Economy.

2007 - MAY

- [6] Under a free economy, prices are:
- (a) Regulated
 - (b) Determined through a free interplay of demand and supply
 - (c) Partly regulated
 - (d) None of these
- (1 mark)

Answer:

(b) Under the free economy (capitalist economy) prices are determined by the price or the market mechanism i.e. there is no authority to determine prices but they are decided by forces of demand and supply.

- [7] Which of the following falls under microeconomics?
- (a) National income
 - (b) General price level
 - (c) Factor pricing
 - (d) National saving and investment
- (1 mark)

Answer:

(c) Microeconomics studies the economic behavior of individual economic units. Factor pricing is pricing of every factor, and hence is a micro concept.

2007 - AUGUST

- [8] In a free-market economy, when consumers increase their purchase of a goods and the level of _____ exceeds _____ then prices tend to rise:
- (a) demand, supply
 - (b) supply, demand
 - (c) prices, demand
 - (d) profits, supply
- (1 mark)

Answer:

- (a) In a market (capitalist) economy prices are determined by market forces of demand and supply. When the demand for goods increases, the supply remaining the same, the prices of goods rise.

2007 - NOVEMBER

[9] Under the Inductive method, the logic proceeds from :

- (a) General to particulars
- (b) Particular to general
- (c) Both (a) and (b)
- (d) None

(1 mark)

Answer:

- (b) Under the inductive method, conclusions are drawn on the basis of collection and analysis of facts relevant to the inquiry. The logic proceeds from particular to general. The generalizations are based on the observations of individual examples.

[10] According to Robbins, 'means' are:

- (a) Scarce
- (b) Unlimited
- (c) Undefined
- (d) All of these

(1 mark)

Answer:

- (a) Robbins in his definition of scarcity explains that there are unlimited ends (wants) and limited means (resources). Resources are limited in nature and have alternative uses.

2008 - JUNE

[11] Economics is the study of :

- (a) How society manages its unlimited resources
- (b) How to reduce our wants until we are satisfied
- (c) How society manages its scarce resources
- (d) How to fully satisfy our unlimited wants.

(1 mark)

Answer:

- (c) Society has scarce resources and unlimited wants. Economics is the study of how to manage the scarce resources to fulfill the unlimited ends. Economics deals with how to make optimum utilization of scarce resources.

[12] A mixed economy means :

- (a) Co-existence of small and large industries
- (b) Promoting both agriculture and industries in the economy
- (c) Co-existence of rich and poor
- (d) Co-existence of public and private sectors (1 mark)

Answer:

- (d) Mixed economy is characterized by the presence of both the private and the public sectors. Under this economy prices are determined both by planning authority and market forces.

2008 - DECEMBER

[13] Who defines Economics in terms of Dynamic Growth and Development?

- (a) Robbins
- (b) Paul A Samuelson
- (c) Adam Smith
- (d) None (1 mark)

Answer:

- (b) Economics in terms of Dynamic Growth and Development was given by Paul A. Samuelson. Who states that "Economics is the study of how men and society choose, with or without the use of money to enjoy scarce productive resources which could have alternative uses, to produce various commodities over time and to distribute them for consumption now and in the future of amongst various people and groups of society.

[14] A Free Market- economy, solves its Central Problems through_____.

- (a) planning authority
- (b) market mechanism
- (c) both

- (d) none (1 mark)

Answer:

- (b) A free market economy also known as a capitalist economy, has no central planning authority to decide what, how and for whom to produce. Such an economy uses the impersonal market forces of demand and supply or the price mechanism to solve its central problems.

[15] Normative aspect of Economics is given by :

- (a) Marshall (b) Robbins
(c) Adam Smith (d) Samuelson (1 mark)

Answer:

- (a) Normative aspect is concerned with welfare propositions. Such an aspect of economics is prescriptive in nature and describes 'what should be the thing'. Example, the question like what should be the level of national income, how the fruits of national product be distributed among people. An aspect of economics given by 'Alfred Marshall'.

2009 - JUNE

[16] Which one is not the characteristic of a capitalistic economy?

- (a) Profit motive (b) Income inequality
(c) Free employment (d) Collective ownership (1 mark)

Answer:

- (d) The characteristic of collective ownership does not belong to capitalistic economy. The characteristic of collective ownership is that of a socialistic economy where the entire control is of the Government.

[17] Mixed economy means

- (a) All economic decisions are taken by the Central Authority
(b) All economic decisions are taken by private entrepreneurs
(c) Economic decisions are partly taken by the state and partly by

4.10

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private entrepreneurs

(d) None of these (1 mark)

Answer:

(c) A mixed economy is characterised by the presence of both private and public enterprises. In this economy, the government as well as private enterprises, exist and hence economic decisions are taken by the government and private enterprises both.

2009 - DECEMBER

[18] Capitalistic Economy uses _____ as principal means of allocating resources.

(a) demand (b) supply
(c) price (d) all of the above (1 mark)

Answer:

Same as Answer 3

[19] Economic Problem arises when :

(a) Wants are unlimited
(b) Resources are limited
(c) Alternative uses of resources
(d) All of the above (1 mark)

Answer:

(d) Economic problem arises when wants are unlimited, resources are limited and resources have alternative uses. These reasons give rise to basic economic problems of “what to produce”, “How to produce” and “For whom to produce”.

2010 - JUNE

[20] Micro economics is also known as_____.

(a) public economics (b) price theory
(c) income theory (d) demand theory (1 mark)

Answer:

(b) Micro Economics is also known as Price Theory. (Self Explanatory).

[21] A developed economy uses _____ technique in production.

- (a) labour intensive (b) capital intensive
(c) home-based (d) traditional (1 mark)

Answer:

(b) Developed Economies have more of technology so they use capital intensive techniques in production to minimize the cost of production.

[22] Which one is the feature of Marshall's definition?

- (a) Limited ends
(b) Scarce means
(c) Study of wealth as well as study of man
(d) Study of allocation of resources (1 mark)

Answer:

(c) Alfred Marshall clearly pointed out that economics is on the one side a study of wealth and on the other and more important side a part of study of man.

2010 - DECEMBER

[23] Which one in the following is not correct :

- (a) There are limited wants
(b) Means are scarce
(c) Resources have alternative uses
(d) Economics is science (1 mark)

Answer:

(a) According to two fundamental facts, human beings have unlimited wants and the means of satisfying the wants are scarce.

[24] Micro Economics is concerned with:

- (a) Consumer Behaviour
(b) Product pricing

4.12

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- (c) Factor Pricing
- (d) All of the above (1 mark)

Answer:

- (d)** Micro-economics is concerned with:
- (i) Product pricing
 - (ii) Consumer behaviour
 - (iii) Factor pricing
 - (iv) Economic conditions of a section of the people
 - (v) Study of firms
 - (vi) Location of an industry

2011 - JUNE

[25] Who gave the positive aspect of science?

- (a) Alfred Marshall
- (b) A.C. Pigou
- (c) Adam Smith
- (d) Robbins (1 mark)

Answer:

- (d)** A positive or pure science analyses cause and effect relationship between variables but it does not pass value judgments. This positive aspect of science was emphasized by Professor Robbins.

[26] A mixed economy means :

- (a) Coexistence of both private and public sector
- (b) Coexistence of poor and rich people
- (c) Both (a) and (b)
- (d) None (1 mark)

Answer:

- (a)** A mixed economy is an economy that includes the best features of both the controlled economy and the market economy. The most

important feature of a mixed economy is the co-existence of both private and public enterprises.

[27] Which of these is a part of microeconomics?

- (a) Factor pricing (b) National Income
(c) Balance of payment (d) None (1 mark)

Answer:

(a) Microeconomics is the study of the economic behaviour of an individual, firm or industry in the national economy. It is the study of a particular unit. Factor pricing relates to the pricing of individual factors and hence is a subject of microeconomics.

[28] Which of these is an example of macroeconomics :

- (a) The problem of unemployment in India
(b) The rising price level in the country
(c) Increase in disparities of income
(d) All of the above (1 mark)

Answer:

(d) In macroeconomics we study the economic behaviour of large aggregates such as overall conditions of the economy, total production etc. Therefore, all these are a subject of macroeconomics.

2011 - DECEMBER

[29] In a capitalist economy the allocation of resources is performed by:

- (a) Producers
(b) Government
(c) Planners
(d) Price mechanism (1 mark)

Answer:

(d) A capitalistic economy has no central planning authority to decide what, how and for whom to produce. Thus, the allocation of resources is performed by the market forces of demand and supply

known as price mechanism.

[30] Which of the following statements is incorrect?

- (a) Alfred Marshall propagated the wealth definition of Economics
- (b) L. Robbins introduced the "Scarcity" definition of Economics
- (c) Samuelson emphasized upon the "growth" aspect of Economics
- (d) A.C Pigou believed in the "welfare" aspect of Economics (1 mark)

Answer:

- (a) The 'wealth' definition of Economics was given by Adam Smith and JB Say:

"An inquiry into the nature and causes of the wealth of the nations" – Adam Smith.

"Science which deals with wealth" – JB Say.

[31] Inequalities of income do not perpetuate in_____.

- (a) socialism
- (b) mixed economy
- (c) capitalism
- (d) none (1 mark)

Answer:

- (a) The relative equality of income is an important feature of a socialistic economy. Educational and other facilities are enjoyed more or less equally, thus the basic causes of inequalities are removed.

2012 - JUNE

[32] Which of the following are the features of a mixed economy?

- (a) Planned economy
- (b) Dual system of pricing exists
- (c) Balanced regional development
- (d) All of the above. (1 mark)

Answer:

- (d) An economy that incorporates the features of capitalist and socialist both the economies is called a mixed economy. It has the following features –

- (a) A mixed economy is a planned economy where the government has a clear and definite economic plan.

- (b) In a mixed economy, the prices are determined both by price mechanism and central planning authority. Hence a dual system of pricing exists.
- (c) There is a balanced regional development in a mixed economy as the public sector enterprises will be set up in backward areas for balanced development.

Hence, the answer will be all of these.

[33] Normative Economics is based on:

- (a) Ethical Considerations
- (b) Facts and Generalisation
- (c) What is?
- (d) All of the above. (1 mark)

Answer:

- (a) Normative economics is concerned with welfare propositions. It states “what should be the things.” It does not deal with facts but involves value judgments. The ethical aspect of economics is normative economics.

Example: What should be the wage rate level? This is a normative statement.

[34] The dual system of pricing exists in:

- (a) Free market economy
- (b) Socialistic economy
- (c) Mixed economy
- (d) None of the above (1 mark)

Answer:

- (c) A mixed economy is a type of economy which combines the features of both capitalistic and socialistic economy. In this economy, the dual system of pricing exists i.e. prices of essential commodities are determined by the government while the prices of others commodities are fixed by the price mechanism (by the interaction of demand and supply)

[35] In the Inductive method, logic proceeds from:

- (a) General to Particular
- (b) Particular to General
- (c) Both (a) and (b)
- (d) None of these. (1 mark)

Answer:

- (b) Under the inductive method, conclusions are drawn on the basis of

collection and analysis of facts relevant to the inquiry. Here the logic proceeds from particular to general. This means generalizations are made based on facts collected.

[36] In a capitalist economy, allocation of resources is done by:

- (a) Producers
 - (b) Government
 - (c) Planners
 - (d) Price mechanism
- (1 mark)

Answer:

(d) In a capitalist economy, there is no government intervention. In this economy, the resources are allocated based on the demand of the consumers. Producers will produce those goods which are in demand without thinking about the public welfare. Hence, this economy is guided by the price mechanism.

2012 - DECEMBER

[37] A Capitalist Economy follows the policy of:

- (a) Laissez- faire
 - (b) Regulated markets
 - (c) Promoting public sector
 - (d) None of the above.
- (1 mark)

Answer:

(a) One of the guiding principles of the capitalistic economy is that the economic system should be **free from government interventions** and be driven by market forces. Laissez- faire means **allow to pass**. Thus, the capitalistic economy follows the policy of laissez- faire.

[38] 'Economics is the science of choice- making' implies:-

- (a) No choice is to be made
 - (b) The choice to be made between alternative uses
 - (c) The choice to be made between means and ends
 - (d) None of the above
- (1 mark)

Answer:

(b) Robbins gave the following definition of economics —

“Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.

Thus, economics is a science of choice which is to be made between alternative uses.

[39] Which of the following is a part of the subject matter of macro economics?

- (a) Study of firms
- (b) Aggregate profits of a firm
- (c) Market demand for a product
- (d) Net national product.

(1 mark)

Answer:

(d) In macroeconomics, we study the economic behaviour of large aggregates such as overall conditions of the economy, total production etc. Out of the given options, only NNP studies the national income which is related to the entire economy.

[40] A capitalist economy is by and large _____

- (a) a closed economy
- (b) a free market economy
- (c) a centrally controlled economy
- (d) an economy in which a government neither collects any taxes nor incurs any expenditure

(1 mark)

Answer:

(b) A capitalist economy also known as free- market economy has no central planning authority to decide what, how and for whom to produce. Such an economy uses the impersonal force of the market demand and supply or the price mechanism to solve its central problems.

2013 - JUNE

[41] Deductive and Inductive methods are complementary to each other. It is:

- (a) Absolutely correct
 - (b) Absolutely incorrect
 - (c) Partially incorrect
 - (d) None of the above
- (1 mark)

Answer:

- (a) Deductive and inductive methods are not mutually exclusive and are used side by side in any scientific inquiry. Conclusions drawn from the deductive method of reasoning are verified by the inductive method of observing concrete facts of life. Thus, it can be said that Deductive and inductive methods are **complementary** to each other is **absolutely correct**.

[42] A free- market economy's driving force is:

- (a) Profit motive
 - (b) Welfare of the people
 - (c) Rising income and levels of living
 - (d) None of the above
- (1 mark)

Answer:

- (a) A free market economy or a capitalist economy is one in which all the means of production are owned and controlled by private individuals for profit. Thus, **the profit motive** is the driving force of a free market economy.

[43] "Economics is neutral between ends". The statement is given by:

- (a) L. Robbins
 - (b) Mrs. Joan
 - (c) Alfred Marshall
 - (d) A.C. Pigou
- (1 mark)

Answer:

- (a) According to Prof. Lionel Robbins "economics is neutral between

ends" Ends refer to wants. Human wants are unlimited. When one want is satisfied, other wants crop up.

[44] A system of economy in which all the means of production are owned and controlled by the private individuals for the purpose of profit is called:

- (a) Socialist Economy (b) Capitalist Economy
(c) Mixed Economy (d) All of the above (1 mark)

Answer:

(b) Capitalistic economic system is one in which all the means of production are owned and controlled by private individuals for profit. In this system, the government does not interfere in the management of economic affairs.

2013 - DECEMBER

[45] Where does the price mechanism exist?

- (a) Capitalist Economy (b) Socialist Economy
(c) Both types of economies (d) None of the above (1 mark)

Answer:

(a) A capitalistic economy has no central planning authority to decide what, how and for whom to produce. This economy uses the impersonal forces of the market demand and supply or price mechanism to solve its central problems.

[46] Economics which is concerned with welfare propositions is called

- (a) Socialistic economics (b) Capitalistic economics
(c) Positive economics (d) Normative economics (1 mark)

Answer:

(d) Normative aspect is concerned with welfare propositions. It involves value judgements. It is prescriptive in nature and describes 'what should be the things'. **E.g.** what should be the level of national income, what should be the wage rate.

Thus **Normative economics** is the correct option.

[47] In which among the following systems the 'right to property' exists

- (a) Mixed economy
- (b) Capitalist economy
- (c) Socialist economy
- (d) Traditional economy (1 mark)

Answer:

- (b)** Capitalism is an economic system in which all the means of production are owned and controlled by private individuals for profit. The right of private property means that productive factors such as land, factories, machinery, mines etc are under private ownership. The owners of these factors are free to use them in the manner they like.

Thus **option (B)** is correct.

[48] Positive science only explains

- (a) What is?
- (b) What ought to be?
- (c) What is right or wrong
- (d) None of the above (1 mark)

Answer:

- (a)** A positive or pure science analyses cause and effect relationship between variables but it does not pass value judgement. It states **what is** and not what ought to be.

Thus, **option (A)** is correct.

[49] Socialist Economy is also known as

- (a) Mixed Economy
- (b) Centrally Planned Economy
- (c) Capitalist Economy
- (d) None of the above (1 mark)

Answer:

- (b)** Socialist economy is also known as centrally planned economy because there is central authority to set and accomplish socio-economic goals.

2014 - JUNE

[50] Which of the following is not a feature of a capitalist economy?

- (a) Right to private property
- (b) Restrictions on consumers right to choose
- (c) Profit motive
- (d) Freedom of enterprise

(1 mark)

Answer:

(b) The features of a capitalist economy are:

- (1) The right of private property
- (2) Freedom of enterprise
- (3) Freedom to choice by the consumers
- (4) Profit motive

(5) Competition

(6) Inequalities of income

Hence, **restrictions on consumers right to choose** is not a feature of a capitalistic economy.

[51] The term “Mixed Economy” denotes:

- (a) Co-existence of both consumers and producers good's industries in the economy.
- (b) Co-existence of both private and public sectors in the economy.
- (c) Co-existence of both rural and urban sectors in the economy.
- (d) Co-existence of both large and small industries in the economy.

(1 mark)

Answer:

(b) The term “Mixed Economy” denotes **the co-existence of both private & public sectors in the economy**. In fact, in a mixed economy, there are three sectors of industries:

- (a) Private sector
- (b) Public sector
- (c) Combined sector

2014 - DECEMBER

[52] The most important function of an entrepreneur is to _____.

- (a) innovate
- (b) bear the sense of responsibility
- (c) finance
- (d) earn profit (1 mark)

Answer:

- (a)** An entrepreneur is one of the factors of production. He is the one who co-ordinates with other factors like land, labour, capital, etc. Various functions of entrepreneurs are decision-making, managerial function, organizational functions, etc. while the most important function of an entrepreneur is to innovate.

[53] Under Inductive method logic proceeds from:

- (a) General to particular
- (b) Positive to normative
- (c) Normative to positive
- (d) Particular to general (1 mark)

Answer:

- (d)** Under inductive method conclusions are drawn on the basis of collection and analysis of facts relevant to the inquiry. The logic in this case proceeds from the **particular to general**.

2015 - JUNE

[54] The meaning of time element in economics is:

- (a) Calendar time
- (b) Clock time
- (c) Operational time in which supply adjusts with the market demand
- (d) None of the above (1 mark)

Answer:

- (c)** Operational time in which supply adjusts with the market demand.

[55] All wants of an individual are not of:

- (a) Equal importance
 - (b) Immediate importance
 - (c) Fixed importance
 - (d) All of the above
- (1 mark)

Answer:

(a) All wants of individuals are not of **equal importance** as all cannot be fulfilled.

[56] _____ is another name of production possibility curve.

- (a) Indifference Curve
 - (b) ISO-Product Curve
 - (c) Transformation Curve
 - (d) Diminishing Utility Curve
- (1 mark)

Answer:

(c) PPC is also known as Production Possibility Curve, Production Possibility Boundary, Transformation Line/Curve.

2015 - DECEMBER

[57] Who is the author of “The Nature and Causes of Wealth of Nations”?

- (a) Karl Marx
 - (b) Adam Smith
 - (c) J B Say
 - (d) A C Pigou
- (1 mark)

Answer:

(b) Science of wealth:

Although the activity of acquiring and increasing material wealth is as old as civilisation, a disciplined study of the wealth- producing activities commenced about 235 years back (in 1776) when **Adam Smith**, the father of Economics, published “The Nature and Causes of Wealth of Nations”.

[58] Microeconomics does not study

- (a) Consumer behaviour
 - (b) Factor pricing
 - (c) General price level
 - (d) Firms equilibrium.
- (1 mark)

Answer:

(c) Microeconomics is the study of particular firms, particular households, individual price, wage income, individual industries and particular commodities.

We mainly study the following:

- (i) Product Pricing
- (ii) Consumer Behaviour
- (iii) Factor Pricing
- (iv) Economic conditions of a section of the people
- (v) Study of firms
- (vi) Location of industry

[59] Find out the correct statement

- (a) Higher the prices, lower the quality demanded of a product is a normative statement
 - (b) Micro and macro-economics are interdependent
 - (c) In a capitalist economy, the economic problems are solved by planning commission
 - (d) In deductive method logic proceeds from particular to the general
- (1 mark)

Answer:

(b) **Micro and Macro Economics are interdependent** on each other because they both play a vital and in most cases they play a complementary role Ex. National income cannot grow unless the production in individual firms and factories rises.

[60] Which of the following illustrate a decrease in unemployment using the PPF?

- (a) A movement down along the PPF
- (b) A rightward shift of the PPF
- (c) A movement from a point on the PPF to a point inside the PPF
- (d) A movement from a point inside the PPF to a point on the PPF

(1 mark)

Answer:

(d) A movement of point inside PPF to on the PPF indicates the actual

growth in an economy and wherever there is a decrease in unemployment, it shows that an economy is making progress towards growth by optimizing its full resources.

2016 - JUNE

[61] Microeconomics is the study of:

- (a) Individual parts of the economy
- (b) The economy as a whole
- (c) Choice making
- (d) Development of the economy (1 mark)

Answer:

(a) The term microeconomics is derived from the Greek word mikros, meaning “small”. In microeconomics we study the economic behaviour of an individual, firm or industry. It is thus a study of a particular unit rather than all the units combined.

2016 - DECEMBER

[62] Freedom of choice is the advantage of

- (a) Socialism
- (b) Capitalism
- (c) Mixed Economy
- (d) Communism (1 mark)

Answer:

(b) Freedom of choice is the advantage of capitalism.

[63] The definition of economics given by Robbins does not deal with one of the following aspects. Indicate that aspect.

- (a) Scarce means
- (b) Limited ends
- (c) Alternative uses
- (d) Economics is a science (1 mark)

Answer:

(b) The definition of economics given by Robbins does not deal with

limited ends as in the definition, he deals with unlimited ends.

[64] An economic system in which all means of production are owned and controlled by private individuals for profit is called:

- (a) Mixed Economy
- (b) Socialist Economy
- (c) Capitalist Economy
- (d) Developed Economy (1 mark)

Answer:

(c) A capitalist economy is an economy system in which all means of production are owned and controlled by private individuals for profit.

2017 - JUNE

[65] In which of the following methods conclusions are drawn on the basis of collection and analysis of facts?

- (a) Deductive method
- (b) Scientific method
- (c) Inductive method
- (d) Experimental method. (1 mark)

Answer:

(c) Inductive Method: Under this method, conclusions are drawn on the basis of collection and analysis of facts relevant to the inquiry. The logic, in this case, proceeds from particular to general. The generalizations are based on observation of individual examples. Thus, **option (c)** is correct.

[66] Which Economic System is described by Schumpeter as 'capitalism in the oxygen tent'?

- (a) Laissez-Faire Economy
- (b) Command Economy
- (c) Mixed Economy
- (d) Agrarian Economy. (1 mark)

Answer:

(c) Mixed economy is described by Schumpeter as "Capitalism in the oxygen tent". According to him, it is only a trick of the capitalists to cheat the working class by offering them some temporary

advantages like social security, upliftment of the depressed classes etc. Thus, option c is correct.

[67] The production Possibility Curve (PPC) is also known as:

- (a) Indifference Curve
- (b) Supply Curve
- (c) Transformation Curve
- (d) Demand Curve. (1 mark)

Answer:

(c) The production-possibility curve is also known as the transformation curve. It is a graph that shows the different rates of production of two goods that an individual or group can efficiently produce with limited productive resources.

[68] The Central problem in every economic society is:

- (a) To ensure a minimum level of income for every individual.
- (b) To allocate scarce resources in such a manner that society's unlimited wants are satisfied in the best possible manner.
- (c) To ensure that production occurs in the most efficient manner.
- (d) To provide job to every job seeker. (1 mark)

Answer:

(b) Every economic system, be it capitalist, socialist or mixed, has to deal with this central problem of scarcity of resources relative to wants for them. The central economic problem is further divided into four basic economic problems.

These are:

- (i) What to produce
- (ii) How to produce
- (iii) For whom to produce

What provisions (if any) are to be made for economic growth?

2018 - MAY

[69] Socialist Economy was propounded by:

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- (a) Karl Marx (b) Samuelson
(c) A.C. Pigou (d) Adam Smith (1 mark)

Answer:

(a) Karl Marx gave the theory of socialist economy.

[70] Concept of Business Economics was given by:

- (a) Joel Dean (b) Alfred Marshall
(c) Adam Smith (d) L. Robbins (1 mark)

Answer:

(a) Concept of Business economics was given by Joel Dean.

[71] Features of the book wealth of nations:

- (a) It was the first book written on economics
(b) It was created in 1776
(c) It was also known as 'wealth of nations'
(d) All of the above. (1 mark)

Answer:

(d) Adam Smith was the father of Economics. He wrote the book 'the Nature and Causes of Wealth of Nations' in 1776. This book was also known as 'Wealth of Nations'. He defined economics in 'An Inquiry into the Nature and Causes of wealth of nations'

[72] In India, Mixed Economy exists due to:

- (a) coexistence of public sector and private sector
(b) individual forces of demand and supply
(c) orders by government
(d) None of these. (1 mark)

Answer:

(a) There are three types of economy. These are:

- (a) Capitalist economy (private enterprises)
(b) Socialist economy (governed by government)
(c) Mixed economy (public and private enterprises)

Mixed economy means a co-relation or co-existence of public and private sector.

[73] Which economic system is described by Schumpeter as capitalism in the oxygen tent?

- (a) Laissez-faire Economy
- (b) Command Economy
- (c) Mixed Economy
- (d) Agrarian Economy

(1 mark)

Answer:

(c) Mixed Economy is described by Schumpeter as 'capitalism in oxygen tent'. According to him it is only a trick of capitalism to cheat the working class by offering them some temporary advantages like social security, upliftment of depressed classes etc.

[74] Capitalistic Economy uses _____ as principal means of allocating resources:

- (a) demand
- (b) supply
- (c) price
- (d) all of the above.

(1 mark)

Answer:

(c) Price is principal means of allocating resources in a capitalist economy while it is not so in a socialist economy. Price Mechanism is a characteristic of capitalist economy.

[75] Under inductive method logic proceeds from:

- (a) General to particular
- (b) Positive to narrative
- (c) Normative to positive
- (d) Particular to general

(1 mark)

Answer:

(d) Inductive Method is based on facts and in this method logic proceeds from particular to general. While deductive method is based on assumptions and in this, logic proceeds from general to particular.

[76] Human wants are _____ in response to satisfy their wants?

- (a) Unlimited
- (b) Limited
- (c) Scarce
- (d) Multiple (1 mark)

Answer:

(a) 'Human beings have unlimited wants and the means to satisfy these unlimited wants are relatively scarce' form the subject matter of Economics.

[77] Price Mechanism is the main feature of which economy?

- (a) Capitalistic Economy
- (b) Mixed Economy
- (c) Socialist Economy
- (d) All of the above (1 mark)

Answer:

(a) Capitalism is self- regulating and works automatically through the price mechanism.

[78] Business Economics is also known as?

- (a) Applied Economics
- (b) Managerial Economics
- (c) Micro Economics
- (d) All of the above (1 mark)

Answer:

(b) Business economics, also referred to as managerial economics, generally refers to the integration of economic theory with business practice.

[79] A business economy involves the theory of Business economics with _____.

- (a) Normative Economics
- (b) Business practices
- (c) Micro Economics
- (d) Macro Economics (1 mark)

Answer:

(b) Business economy Involves theory of business with business practices. (application of theory)

[80] Which is not included in Economics?

- (a) Family Structure
- (b) Managerial Economics
- (c) Micro Economics
- (d) Macro Economics

(1 mark)

Answer:

(a) Family structure in no sense effects economics, therefore, it is not included in economics.

[81] Business Economics involves the elements of:

- (a) Micro Environment
- (b) Macro Environment
- (c) Both (a) and (b)
- (d) None of the above

(1 mark)

Answer:

(c) Business economics involves the economy as a whole and therefore, elements of macroeconomics and microeconomics are included in it.

[82] In which economy market and government both play an important role?

- (a) Mixed economy
- (b) Socialistic economy
- (c) Capitalistic economy
- (d) Business economy

(1 mark)

Answer:

(a) The mixed economic system depends on market and government for allocation of resources. Infact every economy in the real world makes use of both market and government and therefore is mixed economy in its nature.

[83] Which factor is included in business Economics?

- (a) Business Economics is an art
- (b) Interdisciplinary in nature

- (c) Normative in nature
- (d) All of the above (1 mark)

Answer:

(d) Factors of business economics are

1. It is a science
2. It is normative in nature
3. It is Interdisciplinary in nature
4. It is pragmatic in approach

Therefore answer will be all of the above.

[84] Which out of these are the features of capitalism?

- (i) Profit motive
- (ii) Human welfare
- (iii) Work through price mechanism
- (a) (i) and (ii)
- (b) (ii) and (iii)
- (c) (i) and (iii)
- (d) All of these. (1 mark)

Answer:

(c) Features of a capitalist economy

1. Profit motive
2. Work through the price mechanism
3. A high degree of operative efficiency

Therefore, human welfare is not a feature of capitalist economy.

2019 - MAY

[85] Business Economics is

- (a) Normative in nature
- (b) Interdisciplinary in nature
- (c) Both
- (d) None (1 mark)

Answer:

(c) The nature of business economics can be explained by the following

points:

- (i) Business Economics is a science
- (ii) It is based on microeconomics and also incorporates the elements of macroeconomics.
- (iii) It is normative in nature, i.e. it involves value judgements i.e. it, also deals with 'what should be'.
- (iv) Interdisciplinary in nature i.e. it incorporates tools from other disciplines including Mathematics, Operational Research, Finance, Marketing, etc.

[86] Socialism ensures

- (a) Rapid growth and balanced development
- (b) Right to work
- (c) Incentives for efficient economic decisions
- (d) Both (a) and (b) (1 mark)

Answer :

- (d)** In a socialist economy, production and distribution of goods are aimed at maximising the welfare of the community as a whole. It ensures rapid and balanced economic development as the central planning authority coordinates all resources in an efficient manner according to predetermined priorities. It also ensures the right to work and a minimum standard of living to all people. However, no importance is given to personal efficiency and productivity. Thus, **option (d)** is correct.

[87] Macroeconomics includes

- (a) Product pricing
- (b) Consumer behavior
- (c) External value of money
- (d) Location of industry (1 mark)

Answer :

- (c)** Macroeconomics is the study of the overall phenomena or the economy as a whole, rather than its individual parts. It includes:
- (i) National income and national output
 - (ii) General price level and interest rates

- (iii) Balance of trade and balance of payment
- (iv) The overall level of savings and investment
- (v) The level of employment and rate of economic growth
- (vi) The external value of currency.

[88] Exploitation and inequality will be more in _____

- (a) Socialism
- (b) Capitalism
- (c) Mixed
- (d) All of the above (1 mark)

Answer :

(b) In a capitalist economy, all means of production are owned and controlled by private individuals for profit.

There is vast economic inequality and social injustice which reduces aggregate economic welfare of the society as a whole.

In a socialist economy, there is an equitable distribution of wealth and equal opportunities for maintaining economic and social justice.

In a mixed economy, there is co-existence of both the public and private sectors which prevents exploitation and inequality. Thus, among the three inequalities and exploitations are the characteristics of capitalism.

[89] **Shyam:** This year due to heavy rainfall my onion crop was damaged

Krishna : Climates affect crop yields. Some years are bad, others are good

Hari : Don't worry - Price increase will compensate for the fall in quantity supplied

Radhe: The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by

- (a) Shyam
- (b) Krishna
- (c) Hari
- (d) Radhe (1 mark)

Answer :

(d) A normative statement is one which involves value judgements and suggests what ought to be or what should be a particular course of action under given circumstances. Statements made by Shyam,

Krishna and Hari are positive as they merely show cause and effect relationships and do not involve value judgement. However, Radhe's statement shows a particular course of action should be taken by stating that the government ought to guarantee that income will not fall.

[90] Which of the following is correct?

- (a) 49% FDI is allowed in defence production
- (b) 49% FDI is allowed in private sector banking
- (c) 74% FDI is now allowed in multibrand retails
- (d) 100% FDI is allowed in insurance (1 mark)

Answer :

- (b)** 49% FDI is allowed in private sector banking

[91] A capitalist economy consists of

- (a) Central planning authority
- (b) A mechanism to decide as to what, how and for whom to produce
- (c) Both (a) and (b)
- (d) None of the above (1 mark)

Answer :

- (b)** A capitalist economy does not have a central planning authority to decide what, how and for whom to produce. It uses the impersonal forces of market demand and supply or the price mechanism to solve its central problems.

Thus, **option (b)** is correct.

[92] As per the World Bank's International Debt Statistics 2017, India continues to be amongst the _____ countries.

- (a) more debt
- (b) less debt
- (c) more vulnerable
- (d) less vulnerable (1 mark)

Answer :

- (d)** As per country comparison based on "International Debt Statistics 2017" of the World Bank, India continues to be among the less vulnerable countries comparing well with other indebted developing

countries.

[93] Applied economics includes

- (a) Regression analysis and mathematical linear programming
 - (b) Capital budgeting
 - (c) Both (a) and (b)
 - (d) None
- (1 mark)

Answer:

- (c)** Business Economics has a close connection with Economic theory, Operation Research, Statistics, Mathematics, and the theory of Decision Making. It is essentially a component of applied economics as it includes the application of selected quantitative techniques such as linear programming, regression analysis, capital budgeting, cost analysis and breakeven analysis.

[94] Economic goods are considered as scarce resources because _____

- (a) Inadequate quantity to satisfy the needs of the society
 - (b) Not possible to increase the quantity
 - (c) Limited hands to make goods
 - (d) Primary importance in satisfying social requirements
- (1 mark)

Answer:

- (a)** An economy exists because of two facts i.e. human wants are unlimited and the resources are scarce, i.e. there is an inadequate quantity to satisfy the needs of the entire society.

[95] Due to recession, employment rate and output _____

- (a) Rises ; rises
 - (b) Falls ; falls
 - (c) Rises ; falls
 - (d) Falls ; rises
- (1 mark)

Answer:

- (b)** During the contraction or recession phase of the business cycle, there is a fall in levels of investment and employment. The decrease in demand pulls down prices, investors confidence is at it's lowest. Employment rate falls and so is the output.

[96] Freedom of choice is the advantage of _____.

- (a) Socialism

- (b) Capitalist
- (c) Mixed economy
- (d) None of the above (1 mark)

Answer:

(b) In a Capitalist economy, consumers are benefitted due to competitive forces, a variety of good quality products, and affordable prices. This, not only ensures freedom of choice but also the maximum satisfaction to the consumers.

[97] _____ refers to the work area where surplus manpower is employed out of which some individuals have zero or almost zero marginal productivity, such that if they are removed the total level of output remains unchanged.

- (a) Voluntary
- (b) Disguised
- (c) Structural
- (d) Technological (1 mark)

Answer:

(b) Disguised unemployment: A kind of unemployment where more people are engaged in a work than required. Disguised refers to the work area where surplus manpower is employed out of which some individuals have zero or almost zero marginal productivity, such that if they are removed the total level of output remains unchanged.

[98] Socialist economy is _____

- (a) Self- regulation
- (b) Profit Oriented
- (c) Command economy
- (d) Allocation of resources as per market requirements (1 mark)

Answer:

(c) A socialist economy is also called as “Command Economy” or “Centrally Planned Economy”. This economy will not provide incentives to hard work in the form of profit. Here, resources are allocated according to the commands of the central planning authority rather than market requirements.

2019 - November

- [99] A study of have increase in the corporate tax rate will affect national unemployment rate is
- (a) Macroeconomics
 - (b) Descriptive economics
 - (c) Microeconomics
 - (d) Normative economics
- (1 mark)

Answer:

- (a)** Macroeconomics is the study of the overall economic phenomena or the economy as a whole, rather than its individual parts. Therefore, a study of have increase in the corporate tax rate will affect national unemployment rate is of Macro environment.

- [100] A capitalist economy uses _____ as a principal means of allocating resources.
- (a) Demand
 - (b) Supply
 - (c) Efficiency
 - (d) Price
- (1 mark)

Answer:

- (d)** A capitalistic economy uses price as a principal means of allocating resources. It is the economy system in which all the resources are owned and controlled by private individuals for profit.

- [101] In a market economy all assets are held by:
- (a) Investors
 - (b) Privately
 - (c) Government
 - (d) Jointly by government
- (1 mark)

Answer:

- (b)** In market all assets are held by private owners as they fix their own prices and sell the goods at their own fixed price. So all the assets are held by private owners in the market.

- [102] The branch of economic theory that deals with problem of allocating resources.

- (a) Microeconomics
- (b) Macroeconomics
- (c) Econometrics
- (d) None

(1 mark)

Answer:

(a) The branch of economic theory that deals with problem of allocation of resources is MICRO ECONOMICS.

As microeconomics involves behaviour of different individuals and organisation within an economic system.

- (i) Product pricing
- (ii) Consumer behaviour
- (iii) Factor pricing
- (iv) The economic conditions of section of people
- (v) Behaviour of firms
- (vi) Location of industry.

[103] Larger production of _____ goods would lead to higher production in future.

- (a) consumer goods
- (b) capital goods
- (c) agricultural goods
- (d) public goods

(1 mark)

Answer:

(b) Larger production of capital goods would lead to higher production in future. Since the resources are limited, every society has to decide which goods and services should be produced and how many units of each goods should be produced. Therefore, company should produce more of capital goods like machines, equipments, dam etc. as these goods makes the economy strong for the higher production in future.

[104] Which of the following is not within the scope of business economics?

- (a) Capital budgeting
- (b) Risk analysis
- (c) Business cycle
- (d) Accounting Standards

(1 mark)

Answer:

(d) Business economics may be defined as the use of economic analysis to make business decision involving the best use of an organisations scarce resources. It involves linear programming, regression analysis, capital budgeting, break even analysis and cost analysis.

∴ Accounting Standards is not within the scope of business economics.

[105] Which is the first book of Economics named as _____

- (a) The Wealth of Nations
- (b) Economics
- (c) Nations of Wealth
- (d) Political Economy (1 mark)

Answer:

(a) The term Economics owes its origin to the Greek word 'Oikonomia' which means household'. Till 19th century, economics was known as 'Political Economy'. The book named 'An inquiry into the Nature and Causes of the Wealth of Nations' (1776) usually abbreviated as 'The Wealth of Nations' by Adam Smith is considered as the first modern work of Economics.

[106] Which type of scarcity is referred to in economics

- (a) Relative scarcity
- (b) Absolute scarcity
- (c) Both (a) and (b)
- (d) None (1 mark)

Answer:

(a) The scarcity in economics referred as relative scarcity. As the resources are limited and these resources have alternative uses and wants of people are unlimited. Therefore, all wants cannot be satisfied.

As financial resources can be used for many purposes. If the resources were unlimited, people would be able to satisfy all their wants and there would be no economic problem. Alternatively if a resource has only single use, then all economic problem would not arise.

[107] Consumer sovereignty is which of the following characteristics?

- (a) Capitalist economy
- (b) Mixed economy
- (c) Socialist economy
- (d) Democracy (1 mark)

Answer:

- (a)** 'Consumer Sovereignty' is the characteristics of capitalist economy which states that consumer is the king under capitalism. Consumer sovereignty means that buyers ultimately determine which goods and services will be produced and in what quantities. Consumer have unbridled freedom to choose the goods and services which they would consume. In other words based on the purchases they make, consumers decide how the economy's limited resources are allocated.

2020 - November

[108] Who defines Economics in terms of Dynamic growth and development?

- (a) Robbins
- (b) Paul A Samuelson
- (c) Adam Smith
- (d) None (1 mark)

Answer:

- (b)** Economics in terms of Dynamic Growth and Development was given by Paul A. Samuelson. Who states that "Economics is the study of how men and society choose, with or without the use of money to enjoy scarce productive resources which could have

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alternative uses, to produce various commodities over time and to distribute them for consumption now and in the future of amongst various people and groups of society.

[109] _____ economics explain economic phenomenon according to their cause and effects.

- (a) Normative
- (b) Empirical
- (c) Positive
- (d) Applied (1 mark)

Answer:

(c) A positive or pure science analyses cause and effect relationship between variables but it does not pass value judgements.

[110] The study of behaviour of different individuals organisations within an economic system is known as:

- (a) Micro Economics
- (b) Macro Economics
- (c) Welfare Economics
- (d) None (1 mark)

Answer:

(a) Micro economics is the study of economic behaviour of an individual, firm or industry in the national economy it is the study of a particular unit.

[111] The nature of Business economics is:

- (a) Positive in nature
- (b) Pragmatic
- (c) Pure science
- (d) Independent (1 mark)

Answer:

(b) Micro - Economics is abstract and purely theoretical and analyses economic phenomena under unrealistic assumptions. In contrast, Business Economics is pragmatic in its approach as it tackles

practical problems which the firms face in the real world.

[112] Economics is term of Dynamic Growth and development defined by :

- (a) Alfred Marshall
- (b) Adam Smith
- (c) Robbins
- (d) Paul A Samuelson (1 mark)

Answer:

(d) The term Dynamic Growth and development is defined by the famous author Mr. Paul A Samuelson.

[113] A socialistic economy is also called as:

- (a) Profit oriented economy
- (b) Self regulatory economy
- (c) Centrally planned economy
- (d) Unorganized economy (1 mark)

Answer:

(c) A socialist economy is also called as “Command Economy” or a “Centrally Planned Economy”. Here, the resources are allocated according to the commands of a central planning authority and therefore, market forces have no role in the allocation of resources.

[114] In capitalistic economy _____ and _____ will be more.

- (a) Inequalities, exploitation
- (b) Exploitation, equalities
- (c) Equalities, Non exploitation
- (d) Non exploitation, inequalities (1 mark)

Answer:

(a) Capitalism can also lead to inequality which may be seen as unfair. For example, a firm may develop monopoly power. Therefore, capitalists with access to private property can ‘exploit’ their monopoly power to make a much higher profit than other people in society inheritance.

[115] In which economy, cost benefit analysis is used to answer the fundamental questions of economy?

- (a) Mixed economy

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- (b) Socialistic economy
- (c) Capitalistic economy
- (d) Regulatory economy (1 mark)

Answer:

(a) In a mixed economy, all the central problems of an economy is solved keeping in mind the cost of the factors of production with economic gains and social welfare.

[116] A system of economy in which all the means of production are owned controlled by the private individuals for the purpose of profits is called:

- (a) Socialist economy
- (b) Capitalist economy
- (c) Mixed economy
- (d) All of these (1 mark)

Answer:

(b) Capitalistic is an economic system in which all the means of production are owned and controlled by private individuals for profit. The government do not interfere in the management of economic affairs under this system.

[117] In which economic system production and distribution of goods and services aim at maximizing the welfare of community as a whole?

- (a) Capitalistic economy
- (b) Normative
- (c) Mixed
- (d) Socialist economy (1 mark)

Answer:

(d) In socialist economy, production and distribution, of goods are aimed at maximising the welfare of the community as a whole. It also ensures right to work and minimum standard of living to all people. However, no importance is given to personal efficiency and productivity.

[118] _____ are responsible for all economic problems.

- (a) Unlimited wants
- (b) Alternative resource

- (c) Scarcity of resource
- (d) Others (1 mark)

Answer:

- (c) Scarcity of resources responsible of all economic problems because if sufficient economic resources are available than all problems will be automatically solve.

2021 - January

[119] Capitalist system offer incentives for:

- (a) Efficient business decisions
- (b) Efficient government decisions
- (c) Efficient non-government decisions
- (d) Efficient economic decisions (1 mark)

Answer:

- (d) Efficient economic decisions
Capitalist system offers incentives for efficient economic decisions.

[120] Macro-economic is also called _____ economics:

- (a) Applied
- (b) Aggregate
- (c) Micro
- (d) Experimental (1 mark)

Answer:

- (b) Aggregate
Macro economy is also called as Aggregate economy.

[121] The book “Wealth of Nations” was written by _____:

- (a) Alfred Marshall
- (b) Join Robinson
- (c) Adam Smith
- (d) Robert Malthus (1 mark)

Answer:

- (c) Adam Smith

The book wealth of Nations was written by 'Adam Smith'.

[122] Rama : My corn harvest this year is poor.

Manoj : Don't worry. Price increase will compensate for the fall in quantity supplied.

Meera : Climate affects crop yield. Some years are bad, others are good.

Bharti : The Government ought to guarantee that our income will not fall. In this conversation, the normative statement is made by:

- (a) Rama
- (b) Manoj
- (c) Meera
- (d) Bharti

(1 mark)

Answer:

(d) Bharti

The normative statement is made by Bharti which means what ought to be.

[123] In a mixed economy, there are _____ sectors of industries.

- (a) Two
- (b) Three
- (c) Four
- (d) Five

(1 mark)

Answer:

(b) Three

In mixed economy there are three sectors of industries.

[124] An economy exists because of two basic facts., i.e. _____.

- (a) Human wants are limited and resources are unlimited
- (b) Human wants are unlimited and resources are unlimited
- (c) Human wants are unlimited and resources are scarce
- (d) Human wants are limited and resources are abundant

(1 mark)

Answer:

(c) Human wants are unlimited and resources are scarce.

Two basic facts of economy are:-

- (a) Human wants are unlimited
- (b) Resources are scarce.

[125] An economy is called capitalist economy, when _____ is given.

- (a) Right to private property
- (b) Freedom of government interference
- (c) Freedom of business choices
- (d) Discrimination

(1 mark)

Answer:

- (a) Right to private property

An economy is called as capitalist economy when right to private property is given.

[126] Coexistence of public and private sector is the feature of _____.

- (a) Capitalist Economy
- (b) Mixed Economy
- (c) Socialist Economy
- (d) Federal Economy

(1 mark)

Answer:

- (b) Mixed economy

Coexistence of public and private sector is feature of mixed economy.

[127] Which one of the area comes under macro-economics?

- (a) Product pricing
- (b) Consumer behaviour
- (c) The general price level and interest rates
- (d) Economics conditions of a Section of people

(1 mark)

Answer:

- (c) The general price level of interest rates

The general price level of interest rate comes under macro economics.

[128] Laissez-Faire economy is also known as :

- (a) Capitalist economy
- (b) Socialist economy
- (c) Mixed economy
- (d) Communist economy

(1 mark)

Answer:

- (a) Capitalist economy

Laissez- faire economy is also called as capitalist economy.

[129] In economics, we use the term scarcity to mean :

- (a) Absolute scarcity and lack of resources in less developed countries.
 - (b) Relative scarcity i.e. scarcity in relation to the wants of the society.
 - (c) Scarcity during times of business failure and natural calamities.
 - (d) Scarcity caused on account of excessive consumption by the rich
- (1 mark)

Answer:

- (b) Relative scarcity, i.e., scarcity in relation to wants of the society.
In economics we use the term, scarcity to mean relative scarcity, which is the scarcity in relation to wants of the society.

[130] Micro economics is also known as:

- (a) public economics
 - (b) price theory
 - (c) income theory
 - (d) demand theory
- (1 mark)

Answer:

- (b) Price theory
Micro economics is also known as price theory (self explanatory)

2021 - JULY

[131] The Famous book abbreviated as “The Wealth of Nations”, which is also considered as the first modern work of Economics, was written by:

- (a) Frederic Engels
 - (b) Karl Marx
 - (c) David Ricardo
 - (d) Adam Smith
- (1 mark)

Answer:

- (d) ‘The Wealth of Nations’ given by Adam Smith is considered as the first modern work of economics.

[132] The economic system in which production and distribution of goods

are aimed at maximizing the welfare of the community as whole known as:

- | | |
|-------------------|-----------------------|
| (a) Capitalism | (b) Socialism |
| (c) Mixed economy | (d) Communist economy |
- (1 mark)

Answer:

(b) In a socialistic economy, there will be better utilization of resource and it ensure maximum production. Equitable distribution of goods or wealth for all help to maintain economic and Social Welfare.

[133] The Central Economics Problem does not deal with which of the following economic problems?

- (a) What to produce?
 - (b) How to produce?
 - (c) For whom to produce?
 - (d) Where to produce?
- (1 mark)

Answer:

(d) The Central economic problem is further divided into four basic economic problems. These are:

- What to produce?
- How to produce?
- For whom to produce?
- What provision are to be made for economic growth?

[134] Study of behaviour of different individual and organizations within an economic system is called:

- | | |
|--------------------------|-----------------------|
| (a) Industrial Economics | (b) Macro Economics |
| (c) Micro Economics | (d) Welfare Economics |
- (1 mark)

Answer:

(c) Micro economics is basically study of the behaviour of different individuals and organizations with in the economic system. In other words micro economics examines how the individuals units make decisions as to how efficiency allocate their scarce resources.

[135] The concept of socialist economy was propounded by _____.

- (a) Karl Marx and Adam Smith
- (b) Frederic Engels and Adam Smith
- (c) Frederic Engels
- (d) Karl Marx and Frederic Engels (1 mark)

Answer:

- (d) The concept of socialist economy was propounded by Karl Marx and Frederic Engels. In this economy material means of production i.e. Factories mines, capital etc. are owned by the whole community represented by the state. A socialist economy is also called as “Command economy” or centrally Planned Economy”.

[136] Which of the following is not a study of Macro economics?

- (a) Consumer behaviour
- (b) National Income
- (c) General Price Level
- (d) Level of Employment (1 mark)

Answer:

- (a) Consumer behaviour is not a study of macro economics. Macro economics is the study of overall economic phenomena or economy as the whole, rather than its individual parts. In macro economics we study behaviour of large economic aggregates such as overall levels of output.

[137] Which one of the following is not the scope of business economics?

- (a) Cost Standard
- (b) Cost Analysis
- (c) Demand Analysis
- (d) Inventory Management (1 mark)

Answer:

- (a) Scope of Business Economics are:
 - Demand analysis
 - Cost analysis
 - Inventory management
 - Market structure and pricing policies
 - Resource allocation
 - Profit analysis
 - Risk and uncertainty analysis

[138] Which of the following statement is correct?

- (a) Mixed economy is not always a golden path between capitalism and socialism.
- (b) Socialistic economy is not always a golden path between mixed and capitalism.
- (c) Capitalism economy is not always a golden path between mixed and socialism.
- (d) Mixed economy is always a golden path between capitalism and socialism. (1 mark)

Answer:

- (a) Mixed economy is not always a 'golden path' between capitalism and socialism. It suffer substantial uncertainty mixed economy is characterised by excessive control by the state resulting in reduced intensive constrained growth of the private sector, poor implementation, lack of efficiency.

[139] The central economic problem of an economy arises due to:

- (a) Scarcity of resources relatives to their wants
- (b) Co-existence of private and public sector
- (c) Govt. interference in economic activities
- (d) Federal structure of constitution (1 mark)

Answer:

- (a) Central economic problem of an economy arises due to scarcity of resources relatives to their wants.

[140] Business Economics is essentially a component of Applied Economics as it includes application of selected quantitatives techniques which technique is not included in it?

- (a) Regression analysis
- (b) Economic analysis
- (c) Capital budgeting
- (d) Linear programming (1 mark)

Answer:

- (b) Business Economics is essentially a component of Applied Economics as it include, application of selected quantitative technique such as linear programming regression analysis, capital budgeting, break even analysis and cost analysis.

[141] Business economics is pragmatic in its approach because?

- (a) It tackles practical problem which the firm faces in real world.
- (b) It tackles practical problem which the firm faces due to WTO policies
- (c) It tackles practical problem which the firms faces due to lack of directors.
- (d) Business economics is abstracts and purely theoretical.

(1 mark)

Answer:

- (a) Business economics is pragmatic in its approach because Micro Economics is abstract and purely theoretical and analysis economics phenomena under unrealistic assumption and it tackle practical problem which the firm faces in real world.

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[142] Socialist Economy is also known as _____

- (a) Private Economy
- (b) Consumer Economy
- (c) Centrally Planned Economy
- (d) Mixed Economy

(1 mark)

Answer:

- (c) A socialist economic system can also be called as command economy, centrally planned economy or controlled economy because the means of production and distribution are owned, controlled and regulated by the public, either through the state or through cooperatives.

[143] The term socialist economy was coined by

- (a) Alfred Marshall
- (b) Albert Einstein
- (c) Joel Dean
- (d) Karl Marx and Friedrich Engels

(1 mark)

Answer:

(d) By the late 19th century, after the work of Karl Marx and his collaborator Friedrich Engels, socialism had come to signify opposition to capitalism and advocacy for a post-capitalist system based on some form of social ownership of the means of production.

[144] Most important feature of capitalist economy is _____?

- (a) State-run economy
- (b) Competition
- (c) Inefficient allocation of resources
- (d) Socialism

(1 mark)

Answer:

(b) **Competition:** Competition is the most important feature of the capitalist economy. Competition brings out the best among buyers and sellers and results in efficient use of resources.

[145] Mr. Rohit invited a consultant for knowing staff requirement, consumer behaviour and product pricing. The approach consultant is looking–

- (a) Micro Economics
- (b) Applied Economics
- (c) Macro Economics
- (d) Econometrics

(1 mark)

Answer:

(a) Microeconomics is the study of what is likely to happen (tendencies) when individuals make choices in response to changes in incentives, prices, resources, and/or methods of production. These groups create the supply and demand for resources, using money and interest rates as a pricing mechanism for coordination.

[146] Which of the following is not included in Micro economics?

- (a) Wages of workers in steel industry
- (b) Location of a particular firm
- (c) General pricing level in the market
- (d) Price of a product

(1 mark)

Answer:

(c) General pricing level in the market is not included in microeconomics. Business Economics makes use of microeconomic analysis such as, demand analysis and forecasting, production and cost Analysis, inventory management, market structure and pricing policies, resource allocation, theory of capital and investment decisions, profit analysis and risk and uncertainty analysis.

[147] A mixed economy refers to _____

- (a) all economic decisions are taken by the central authority
- (b) all economic decisions are taken by private entrepreneurs
- (c) co-existence of both private and public sector
- (d) none of these. (1 mark)

Answer:

(c) A mixed economy refers to co-existence of both private and public sectors. The mixed economic system depends on both markets and governments for allocation of resources. In fact, every economy in the real world makes use of both markets and governments and therefore is mixed economy in its nature.

[148] Which of the following is not within the scope of Business Economics?

- (a) Capital Budgeting
- (b) Risk Analysis
- (c) Business cycle
- (d) Accounting Standards (1 mark)

Answer:

(d) Accounting standards is not within the scope of business economics. The scope of Business Economics is quite wide. It covers most of the practical problems a manager or a firm faces. There are two categories of business issues to which economic theories can be directly applied, namely:

1. Internal issues or operational issues (this can be solved using Micro Economics)
2. External issues or environmental issues (this can be solved using Macro Economics)

[149] Which are the areas that come under, Macro-economics?

- (a) Demand for a firm's product
- (b) General price level and interest rates
- (c) Location of Industry
- (d) Price of a product.

(1 mark)

Answer:

(b) A few areas that come under Macro Economics are:

- (i) National Income and National Output
- (ii) The general price level and interest rates
- (iii) Balance of trade and balance of payments
- (iv) External value of currency
- (v) The overall level of savings and investment; and
- (vi) The level of employment and rate of economic growth.

[150] Economics is _____

- (a) Driven by profit
- (b) Driven by sentiments
- (c) Driven by emotions
- (d) Driven by Altruism

(1 mark)

Answer:

(a) In turn, production tends to increase to satisfy the demand since producers are driven by profit. Hence, economics is driven by profits.

[151] Which of the following is demerit of capitalism:

- (a) There is precedence of property rights over human rights
- (b) It functions in domestic frame work
- (c) High degree of operative efficiency
- (d) None of these

(1 mark)

Answer:

(a) Private property rights are central to a capitalist economy, its execution, and its legal defenses. Capitalism is built on the free exchange of goods and services between different parties, and nobody can rightfully trade property they do not own. Conversely, property rights provide a legal framework for prosecuting aggression against non-voluntary means of acquiring resources; there is no need for capitalist trade in a society where people could simply take from others what they want by force or the threat

of force.

[152] Scarcity definition in economics is given by

- (a) Lipsey
- (b) Adam Smith
- (c) J.B. Say
- (d) Robbins (1 mark)

Answer:

- (d) The scarcity definition was given by Prof. Lionel Robbins in his book, 'An Essay on the Nature and Significance of Economic Science', published in 1932. He stated, "Economics as the science which studies human behaviour as a relationship between ends and scarce means, which have alternate uses."

[153] Normative economics can be explained through:

- (a) fairness to tax
- (b) incidence to tax
- (c) effect of tax on incentive to work
- (d) none of these. (1 mark)

Answer:

- (a) Normative economics can be explained through fairness to tax. Normative economics (as opposed to positive economics) is a part of economics whose objective is fairness or what the outcome of the economy or goals of public policy ought to be. Economists commonly prefer to distinguish normative economics ("what ought to be" in economic matters) from positive economics ("what is").

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[154] Socialist Economy is also known as _____.

- (a) Private Economy
- (b) Consumer Economy
- (c) Command Economy
- (d) Mixed Economy (1 mark)

Answer:

- (c) Socialist economy is also known as "command economy" or

“centrally planned economy”.

[155] Predominance of bureaucracy under which system?

- (a) Mixed Economy
- (b) Socialist Economy
- (c) Capital Economy
- (d) None of the above (1 mark)

Answer:

- (b) Socialist economy involves the predominance of bureaucracy and resulting inefficiency and delays.

[156] Find the correct statement:

- (a) Mixed economy is not a golden path between socialist & capitalist economy
- (b) Socialist economy is not a golden path between mixed & capitalist economy
- (c) Capitalist economy is not a golden path between socialist economy & mixed economy
- (d) None of the above (1 mark)

Answer:

- (a) Mixed economy is not always a golden path between socialist and capitalist economy. Sometimes, it is very difficult to maintain a proper balance between public and private sectors.

[157] Micro economics is also known as:

- (a) public economics
- (b) price theory
- (c) income theory
- (d) demand theory (1 mark)

Answer:

- (b) Price theory
Micro economics is also known as price theory (self explanatory)

[158] Normative science refers to:

- (a) What to Produce
- (b) How to Produce
- (c) Whom to Produce
- (d) What should be (1 mark)

Answer:

- (d) Normative science is prescriptive in nature. It involves value judgements. It is prescriptive in nature and suggests 'what should be' a particular course of action in different circumstances.

[159] Business is Pragmatic in approach:

- (a) True
- (b) False
- (c) None of the above
- (d) Uncertain (1 mark)

Answer:

- (a) Business economics is pragmatic in its approach as it tackles practical problems which the firms face in the real world.

[160] Central problems of economics -

- (a) Scarcity of resources
- (b) Poverty
- (c) Unemployment
- (d) All of the above (1 mark)

Answer:

- (a) The Central problem of economy is the scarcity of resources. The resources are limited, society has to decide the central problem of scarcity of resources.

[161] Business economics being_____in approach tackles practical problems.

- (a) Interdisciplinary
- (b) Normative
- (c) Positive
- (d) Pragmatic (1 mark)

Answer:

- (d) Business economics being pragmatic in approach, tackles practical problems and deals with them on practical and theory basis.

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[162] _____ economic system is self-regulating and run by invisible hands.

- (a) Mixed
- (b) Socialistic
- (c) Capitalistic
- (d) Planned (1 mark)

Answer:

(c) Capitalism is self-regulating economy and works automatically through price mechanism. The “invisible hands” is a metaphor for how, in a free market economy self-interested individuals operate through a system of mutual interdependence.

[163] Indian economy is classified as:

- (a) Mixed economy
- (b) Capitalist economy
- (c) Socialist economy
- (d) Free market economy (1 mark)

Answer:

(a) India has a mixed economy, therefore, public as well as private entities, co-exist.

[164] The basic problem of scarcity gives rise to:

- (a) technological problems
- (b) social problems
- (c) cultural problems
- (d) economic problems (1 mark)

Answer:

(d) The basic problem of scarcity gives rise to economic problems. The basic problems of an economy are that resources available are scarce and our wants are unlimited. Hence, choice is made to

allocate resources to alternative uses in such a way that maximum satisfaction can be achieved.

[165] Which of the following is NOT a basic problem of all economy?

- (a) Whether to produce more of consumer goods or capital goods
- (b) Whether to lay emphasis on labour intensive techniques or no capital intensive techniques
- (c) Whether to produce for rich people or for poor people
- (d) Whether to accept foreign direct investment in the economy.

(1 mark)

Answer:

(d) The basic problems of all economy are:

1. What to produce-whether to produce more of consumer goods or capital goods.
2. How to produce-whether to employ more of labour intensive or capital intensive techniques
3. For whom to produce - How the goods and services should be distributed among the members of society, i.e., decision about shares of different people in the national cake of goods and services.
4. What provision should be made for economic growth - How much saving and investment would be made for future progress.

[166] _____ involves the predominance of bureaucracy and resulting in inefficiencies and delays.

- (a) Socialistic economy
- (b) Capitalist economy
- (c) Mixed economy
- (d) Free market economy

(1 mark)

Answer:

(a) Socialist economy involves the predominance of bureaucracy resulting in inefficiencies and delays.

[167] Capitalist system offers incentives for:

- (a) Efficient business decisions

- (b) Efficient government decisions
- (c) Efficient non-governmental decisions
- (d) Efficient economic decisions (1 mark)

Answer:

- (d) One of the merits of capitalist system is that it offers incentives for efficient economic decisions and their implementation.

- [168] 'Analysis of impact of COVID-19 on the Indian Economy' is a part of:
- (a) Macro economics
 - (b) Micro economics
 - (c) Economics slicing
 - (d) Normative economics (1 mark)

Answer:

- (a) Macroeconomics focuses on the performance of economies-changes in economic output, inflation, interest and foreign exchange rates, and the balance of payments. Poverty reduction, social equity, and sustainable growth are only possible with sound monetary and fiscal policies.

The Covid-19 pandemic has caused direct impacts on income due to premature deaths, workplace absenteeism and reduction in productivity and has created a negative supply shock, with manufacturing productive activity slowing down due to global supply chain disruptions and closures of factories. These consequence have impacted the Indian economy on a macro level.

- [169] The 'communist manifesto' related to socialist economy propounded by Karl Marx and Frederic Engels was published in:
- (a) 1950
 - (b) 1848
 - (c) 1849
 - (d) 1951 (1 mark)

Answer:

- (b) Karl Marx in 1848 and Frederic Engels published the 'Communist Manifesto' related to socialist economy.

- [170] 'Consumer sovereignty' is a feature of:
- (a) Capitalist

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- (b) Socialist
 - (c) Mixed
 - (d) Command
- (1 mark)

Answer:

- (a) 'Consumer Sovereignty' is the characteristics of capitalist economy which states of that consumer is the king under capitalism. Consumer sovereignty means that buyers ultimately determine which goods and services will be produced and in what quantities. Consumer have unbridled freedom to choose the goods and services which they would consume. In other words, based on the purchases they makes. Consumers decide how they economy's limited resources are allocated.

[171] Which one of the following is not a central problem of an economy?

- (a) What to produce?
 - (b) How to produce?
 - (c) When to produce?
 - (d) For whom to produce?
- (1 mark)

Answer:

- (c) Every economic system, be it capitalist, socialist or mixed, has to deal with this Central problem of scarcity of resources relative to the wants for them. This is generally called 'the Central economic problem'. These economic problem are further divided into four basic economic problem. These are:

- What to produce?
- How to produce?
- For whom to produce?
- What provision (if any) are to be made for economic growth?

[172] The price of hot dogs increases by 22% and the quantity demanded falls by 25%. This indicates that demand for hot dogs is:

- (a) Elastic
 - (b) Inelastic
 - (c) Unitarily elastic
 - (d) Perfectly elastic
- (1 mark)

Answer:

- (a) Price elasticity of demand expresses the responsiveness of quality

of a good to a change in its price, given the consumer's income, his taste and prices of all other goods.

Price elasticity = $E_p = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$

$$E_p = \frac{25}{22} = 1.13636$$

i.e. = elastic

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[173] Which of the following is the central problem of economy?

- (a) Scarcity of resources (b) Unemployment
(c) Poverty (d) Inflation (1 mark)

Answer:

- (a) **Scarcity of Resources**

The Central Problem of Economy is scarcity of resources and unlimited wants.

[174] Economics is classified into:

- (a) Normative and Positive
(b) Micro and Macro
(c) Internal and External
(d) None of the above (1 mark)

Answer:

- (b) **Micro and Macro**

Economics as a whole is classified into Micro and Macro Economics.

[175] Under which of the following economy the consumer have limited freedom of choice?

- (a) Socialist (b) Mixed
(c) Capitalist (d) Restricted (1 mark)

Answer:

- (a) **Socialist**

Since, Socialist Economy is planned and enrolled economy so

consumer have limited freedom of choice.

[176] Which of the following is not the Subject matter of Micro Economies?

- (a) Consumer Behaviour
 - (b) Foreign Exchange Rate
 - (c) Behaviour of Firms
 - (d) Location of Industry
- (1 mark)

Answer:

- (b) **Foreign Exchange Rate**

Foreign Exchange Rate is based on Macro Economics.

[177] Which of the following is one of the merits of socialism?

- (a) Importance given to productivity
 - (b) Importance given to personal efficiency
 - (c) Rapid Growth and Balanced Economic Development
 - (d) Incentive for Economic Decision
- (1 mark)

Answer:

- (c) **Rapid Growth and Balanced Economic Development**

Socialist Economy is concerned with social welfare and equitable distribution of income which leads to rapid growth and balanced economic development.

[178] Capitalist Economy solve their economic problems through which of the following?

- (a) Central Planning Authority
 - (b) Price Mechanism
 - (c) Administered Prices
 - (d) Voting by Consumers
- (1 mark)

Answer:

- (b) **Price Mechanism**

Price Mechanism helps in allocation of resources under Capitalist Economy.

[179] An Economic system in which all means of production are owned and controlled by Private Individuals is called as?

- (a) Free Economy
- (b) Capitalist Economy
- (c) Normative Economy

(d) Both (a) and (b)

(1 mark)

Answer:

(d) An economy is called capitalist or a free market economy or laissez faire economy in which all means of production are owned and controlled by private individuals for profit, since private property is the mainstay of capitalism and profit motive is its observing force.