

Professional Online Academy Vu Topper RM



ECO-401 Introduction to Economics

Update MCQ'S Mid Term

By Vu Topper RM



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Question No:1

(Marks:1)

Vu-Topper RM

Giffen goods are the sub category of:

Inferior goods

Page 10

Question No:2

(Marks:1)

Vu-Topper RM

In case of increasing returns to scale isoquants:

A. Undergo no change

B. Are equally spaced

C. Become closer and closer to each other

D. Become further and further apart from each other

Question No:3

(Marks:1)

Vu-Topper RM

If a firm produces 20 units of outputs, its average variable cost is Rs. 10 and average total cost is Rs. 15. So, its Average fixed cost will be:

A. Rs. 20

B. Rs. 25

C. Rs. 10

D. Rs. 5

Question No:4

(Marks:1)

Vu-Topper RM

Assume that land used for growing wheat is fixed in quantity and numbers of workers employed are variable. If the marginal physical product of wheat is greater than the average wheat production, then:

A. Marginal physical product of wheat will increase.

B. Average physical product of wheat will be maximized.

C. Average physical product of wheat will increase.

D. Average physical product of wheat will decrease.

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Question No:5

(Marks:1)

Vu-Topper RM

When the price of one good changes, the purchasing power of consumer changes, which effect consumer's;

- A. Philip Curve
- B. Engel Curve
- C. Supply Curve
- D. Budget Line**

Question No:6

(Marks:1)

Vu-Topper RM

Suppose that 24 units of output are produced by using 6 units of labor. Which of the following is TRUE in this context?

- A. None of the given options.
- B. The marginal product of labor is 4.
- C. The average product of labor is 4.**
- D. The total product of labor is 1/4.

Question No:7

(Marks:1)

Vu-Topper RM

Suppose that thirty units of output are produced by using five units of labour. The average product of labour is:

- A. 5
- B. 6**
- C. 1/6
- D. 30

Question No:8

(Marks:1)

Vu-Topper RM

If inputs used in the production of wheat are increased by 30 percent and wheat production increases by 20 percent, then there must be:

- A. Constant returns to scale.
- B. Increasing returns to factor.
- C. Increasing returns to scale.
- D. Decreasing returns to scale.**

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Question No:9

(Marks:1)

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If the firm's Average revenue (AR) curve is below its Average variable cost (AVC) curve, then;

- A. New firms will enter.
- B. Firms will exit.
- C. Firm is making profit.

D. The firm will shut down.

Question No:10

(Marks:1)

Vu-Topper RM

How output of a business responds to a change in factor inputs is called;

- A. Economies of scale
- B. Returns to scale
- C. Diseconomies of scale

D. Returns to factor

Question No:11

(Marks:1)

Vu-Topper RM

Suppose Ali is spending all his income (M) on buying X1 units of clothes and X2 units of food. Market price of clothes is Rs. 100 per unit and food price is Rs. 30 per unit. The budget line equation in this case would be:

- A. $30X1+100X2 = M$
- B. $100X1+100X2 = M$
- C. $30X1+30X2 = M$

D. $100X1+30X2 = M$

Question No:12

(Marks:1)

Vu-Topper RM

The law of diminishing marginal utility refers to the:

A. Units of a good.

B. Fall in additional satisfaction created by consumption of more and more units of a good.

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- C. Idea that total utility is negative.
D. Decrease in total satisfaction as more units of a good are consumed.

Question No:13 (Marks:1) **Vu-Topper RM**
When the price of CD players increases, its total revenue decreases. This shows that demand for CD players is:

- A. Price elastic**
B. Price inelastic
C. Perfectly price inelastic
D. Unit price elastic

Question No:14 (Marks:1) **Vu-Topper RM**
The Engel curve is positively sloped for the:

- A. Normal good**
B. Expensive good
C. Normal Good and inferior good
D. Inferior good

Question No:15 (Marks:1) **Vu-Topper RM**

Suppose firm is producing 800 units of a product by employing 40 units of labor and 20 units of capital. If the marginal physical product of labor (MPPL) and the marginal physical product of capital (MPPK) are 20 units and 25 units respectively, then marginal rate of technical substitution is:

- A. 0.25
B. 0.9
C. 0.8
D. 0.16

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Question No:16

(Marks:1)

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A line which charts out all the different combinations of two goods which a consumer can purchase, is called;

- A. Demand Curve
- B. Supply Curve
- C. Budget Line**
- D. Indifference Curve

Question No:17

(Marks:1)

Vu-Topper RM

When railways authority raises its fares, it may experience an increase in total revenue. This suggests that demand is:

- A. Perfectly price elastic
- B. Price inelastic**
- C. Unit price elastic
- D. Price elastic

Question No:18

(Marks:1)

Vu-Topper RM

Following table shows the data of output and total revenue. What will be the marginal revenue at 2nd output level? Output (Q) Total revenue(TR)

1 200 2 400 3 550

- A. 100
- B. 150
- C. 250
- D. 200**

Question No:19

(Marks:1)

Vu-Topper RM

What is the formula for calculating the cross price elasticity of demand?

- A. Percentage change in quantity supplied / Percentage change in price
- B. Percentage change in consumer's taste / Percentage change in price

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C. Percentage change in quantity demanded of one good/ Percentage change in price of another good

D. Percentage change in quantity demanded / Percentage change in price

Question No:20

(Marks:1)

Vu-Topper RM

An individual who prefers a risky income over a certain income is known as:

A. Risk Free.

B. Risk averse.

C. Risk loving.

D. Risk neutral.

Question No:21

(Marks:1)

Vu-Topper RM

Which of the following statements describes the presence of diminishing returns?

A. The marginal product of a factor is constant.

B. The marginal product of a factor is positive and rising.

C. The marginal product of a factor is falling and negative.

D. The marginal product of a factor is positive but falling.

Question No:22

(Marks:1)

Vu-Topper RM

The branch of economics that studies the entire economy, such topics as aggregate production, unemployment and inflation is called:

Macro economics

Question No:23

(Marks:1)

Vu-Topper RM

Which of the following is a positive statement?

A. Taxes should be lower to promote business activity.

B. The government should impose more direct taxes than indirect taxes.

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C. When the price of a good goes up, consumers buy less of it.

D. Women should earn the same salary as men.

Question No:24

(Marks:1)

Vu-Topper RM

The minimum wage set by the government is an example of:

A. Free market equilibrium

B. Price ceiling

C. Economic efficiency

D. Price floor

Question No:25

(Marks:1)

Vu-Topper RM

Which policy moves the economy from equilibrium to a state of surplus?

A. Price floor

B. Price ceiling

C. Subsidy given by the government

D. Per unit tax imposed by the government

Question No:26

(Marks:1)

Vu-Topper RM

What will happen to the demand for a good A when the price of its substitute increases?

A. Demand will not change for good A

B. Demand will first decrease for good A, then start increasing

C. Demand will decrease for good A

D. Demand will increase for good A

Question No:27

(Marks:1)

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If there is a decrease in consumer's income from Rs.12, 000 to Rs.10, 000, the change in the quantity demanded of inferior goods can be shown by:

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- A. Shifting the demand curve leftward.**
B. Moving down along the same demand curve.
C. Moving up along the same demand curve.
D. Shifting the demand curve rightward.

Question No:28

(Marks:1)

Vu-Topper RM

When market demand for the product is less than market supply of product, this results as:

- A. Economic inefficiency
B. Shortage of the product.
C. Market failure.
D. Surplus of the product.

Question No:29

(Marks:1)

Vu-Topper RM

If income elasticity of demand for butter is -1.5 as compare to cream, it means that:

- A. Butter is complementary good
B. Butter is an inferior good
C. Butter is substitute good
D. Butter is normal good

Question No:30

(Marks:1)

Vu-Topper RM

Points on the production possibility frontier (PPF) show that:

- A. Overutilization of resources
B. Resources are not utilized
C. Efficient use of resources
D. Inefficient use of resources

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Question No:31

(Marks:1)

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Ehsan Chappal Store (ECS) is a leading shoes manufacturing company. If quantity supplied of ECS shoes increases more than the increase in price, then one can conclude that the supply curve for shoes is:

- A. Price elastic.**
- B. Price inelastic.
- C. Perfectly price inelastic.
- D. Perfectly price elastic.

Question No:32

(Marks:1)

Vu-Topper RM

Ehsan Chappal Store (ECS) is a leading shoes manufacturing company. If quantity supplied of ECS shoes increases more than the increase in price, then one can conclude that the supply curve for shoes is:

- A. Elastic.**
- B. Inelastic.
- C. Perfectly elastic.
- D. Perfectly inelastic.

Question No:33

(Marks:1)

Vu-Topper RM

If the current market price is above the market clearing level, We will expect a:

- A. Shortage to accumulate.
- B. Shift in the demand curve
- C. Surplus to accumulate.**
- D. Shift in the supply curve

Question No:34

(Marks:1)

Vu-Topper RM

Income elasticity of demand for the inferior goods is usually:

- A. Equal to one
- B. Greater than one

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C. Less than zero

D. Greater than zero

Question No:35

(Marks:1)

Vu-Topper RM

If the price of a good X is increased by 15% and its quantity demanded falls by 25%, the price elasticity of demand is:

A. Inelastic.

B. Unit elastic.

C. Perfectly Inelastic.

D. elastic.

Question No:36

(Marks:1)

Vu-Topper RM

The quantity of a good that sellers wish to sell at each price level is called:

A. Shortage

B. Demand

C. Surplus.

D. Supply

Question No:37

(Marks:1)

Vu-Topper RM

What does the economic term scarcity refer to?

A. Unlimited wants and unlimited resources

B. Limited wants and unlimited resources

C. Unlimited wants and limited resources

Question No:38

(Marks:1)

Vu-Topper RM

If the cost of computer components increases, then:?

A. The demand curve for computers shifts to the right.

B. The demand curve for computers shifts to the left.

C. The supply curve for computers shifts to the right.

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D. The supply curve for computers shifts to the left.

Question No:39

(Marks:1)

Vu-Topper RM

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”

Question No:40

(Marks:1)

Vu-Topper RM

Points inside the production possibility frontier (PPF) show that:

- A. Efficient use of resources
- B. Overutilization of resources
- C. No economic growth
- D. Inefficient use of resources**

Question No:41

(Marks:1)

Vu-Topper RM

The demand for oranges is expressed as $Q_d = 100 - P$ and the supply of oranges is expressed as $Q_s = 4P$. If the equilibrium price of oranges is Rs. 20, the equilibrium quantity of oranges is:

- A. 55
- B. 100
- C. 60**
- D. 80

Question No:42

(Marks:1)

Vu-Topper RM

Sugar can be produced from sugar beets. If the price of sugar beets falls, then:

A. The supply curve for sugar would shift right.

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- B. The demand curve for sugar would shift left.
- C. The demand curve for sugar would shift right.
- D. The supply curve for sugar would shift left.

Question No:43

(Marks:1)

Vu-Topper RM

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

Question No:44

(Marks:1)

Vu-Topper RM

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

Question No:45

(Marks:1)

Vu-Topper RM

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

- A. Elastic
- B. Inelastic**
- C. Unit Elastic
- D. Perfectly Inelastic

Question No:46

(Marks:1)

Vu-Topper RM

Which of the following is a normative statement?

- A. When the price of a good goes up, consumers buy less of it.

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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.

Question No:47

(Marks:1)

Vu-Topper RM

Price floor results in:

A. Undetermined

B. Excess supply.

C. Excess demand.

D. Equilibrium.

Question No:48

(Marks:1)

Vu-Topper RM

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.

Question No:49

(Marks:1)

Vu-Topper RM

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

D. Prices are determined by the government

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Question No:50

(Marks:1)

Vu-Topper RM

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**

Question No:51

(Marks:1)

Vu-Topper RM

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**

Question No:52

(Marks:1)

Vu-Topper RM

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

Question No:53

(Marks:1)

Vu-Topper RM

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

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Question No:54

(Marks:1)

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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

D. Entrepreneurship

Question No:55

(Marks:1)

Vu-Topper RM

Which of the following measures the responsiveness of demand for one good to a change in the price of another good?

- A. Price elasticity of demand
- B. Price elasticity of supply
- C. Income elasticity of demand

D. Cross price elasticity of demand

Question No:56

(Marks:1)

Vu-Topper RM

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

Question No:57

(Marks:1)

Vu-Topper RM

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

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Question No:58

(Marks:1)

Vu-Topper RM

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

Question No:59

(Marks:1)

Vu-Topper RM

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.**

Question No:60

(Marks:1)

Vu-Topper RM

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

Question No:61

(Marks:1)

Vu-Topper RM

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

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Question No:62

(Marks:1)

Vu-Topper RM

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

Question No:63

(Marks:1)

Vu-Topper RM

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

Question No:64

(Marks:1)

Vu-Topper RM

..... 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

Question No:65

(Marks:1)

Vu-Topper RM

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

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D. Marginal analysis

Question No:66

(Marks:1)

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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

Question No:67

(Marks:1)

Vu-Topper RM

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

Question No:68

(Marks:1)

Vu-Topper RM

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

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Question No:69

(Marks:1)

Vu-Topper RM

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
- D. Elastic

Question No:70

(Marks:1)

Vu-Topper RM

Why is price mechanism important in Economics?

- A. Circulates money
- B. Regulates demand and supply**
- C. Provides consumer discounts
- D. Controls government expenditures

Question No:71

(Marks:1)

Vu-Topper RM

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.

Question No:72

(Marks:1)

Vu-Topper RM

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**

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Question No:73

(Marks:1)

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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

Question No:74

(Marks:1)

Vu-Topper RM

“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

D. Bundling

Question No:75

(Marks:1)

Vu-Topper RM

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

Question No:76

(Marks:1)

Vu-Topper RM

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 then decrease

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D. Increase and than decrease

Question No:77

(Marks:1)

Vu-Topper RM

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

Question No:78

(Marks:1)

Vu-Topper RM

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

Question No:79

(Marks:1)

Vu-Topper RM

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

- A. Output.
- B. Price.**
- C. Income
- D. Total revenue.

Question No:80

(Marks:1)

Vu-Topper RM

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:

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- 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

Question No:81

(Marks:1)

Vu-Topper RM

Normally the shape of production possibility frontier is:

- A. Positive.
B. Linear.
C. Concave.
D. Convex.

Question No:82

(Marks:1)

Vu-Topper RM

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

Question No:83

(Marks:1)

Vu-Topper RM

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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Question No:84

(Marks:1)

Vu-Topper RM

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

- A. Advertise its product on television.
- B. Have difficult time obtaining information about the market price.
- C. Settle for whatever price is offered.
- D. Have an easy time keeping other firms out of the market.**

Question No:85

(Marks:1)

Vu-Topper RM

Which of the following is TRUE about the production function?

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

Question No:86

(Marks:1)

Vu-Topper RM

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

- A. The demand for both Y and Z will increase
- B. The demand for Y will increase while the demand for Z will decrease**
- C. The demand for Y will decrease while the demand for Z will increase
- D. The demand for both Y and Z will decrease

Question No:87

(Marks:1)

Vu-Topper RM

Which of the following best describes an inferior good?

- A. A good for which price and quantity demanded are directly related.

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- B. A good for which price and quantity demanded are inversely related.
- C. A good for which income and quantity demanded are directly related.**
- D. A good for which income and quantity demanded are inversely related.

Question No:88 (Marks:1) **Vu-Topper RM**

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

- A. The two goods are normal goods.**
- B. The two goods are inferior goods.
- C. The two goods are substitutes.
- D. The two goods are complements

Question No:89 (Marks:1) **Vu-Topper RM**

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

- A. More bread will be produced to meet the increased demand.
- B. There will be a shortage of bread.**
- C. The demand for bread will decrease because suppliers will reduce their supply.
- D. A surplus of bread will emerge.

Question No:90 (Marks:1) **Vu-Topper RM**

If the cost of computer components falls, then

- A. The demand curve for computers shifts to the right.
- B. The demand curve for computers shifts to the left.
- C. The supply curve for computers shifts to the right.**
- D. The supply curve for computers shifts to the left.

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Question No:91

(Marks:1)

Vu-Topper RM

More output could be produced with available resources if:

- A. Resources are allocated efficiently.**
- B. Resources are imperfectly shiftable among alternative uses.
- C. Prices are reduced.
- D. The economy is operating at a point inside the production possibilities curve.

Question No:92

(Marks:1)

Vu-Topper RM

The law of diminishing returns assumes:

- A. There are no fixed factors of production.**
- B. There are no variable factors of production.
- C. Utility is maximised when marginal product falls.
- D. Some factors of production are fixed.

Question No:93

(Marks:1)

Vu-Topper RM

Production possibilities analysis assumes that:

- A. Resources and technology increase with production.
- B. Resources are used to produce thousands of goods.
- C. Extra resources are saved for emergency use.
- D. Resources are used in a technically efficient way**

Question No:94

(Marks:1)

Vu-Topper RM

Average physical product is equal to:

- A. TPPF
- B. TPPF/QF**
- C. QF / TPPF
- D. TPPF * QF

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Question No:95

(Marks:1)

Vu-Topper RM

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

- A. Straight lines
- B. L-shaped**
- C. Rectangular hyperbolas
- D. Parabolic

Question No:96

(Marks:1)

Vu-Topper RM

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

- A. The number of firms in the market.
- B. The extent to which any firm can influence the price of the product.**
- C. The size of the firms in the market.
- D. The annual sales made by the largest firms in the market.

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