UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

BA ECONOMICS

(2011 Admission Onwards)

VI Semester

Elective Course

ECONOMICS OF BUSINESS AND FINANCE

QUESTION BANK

1. Business economics is the application of ------- to business management

A. Commerce
B. Management
C. Economics
D. Finance

Answer C Economics

2. Risks that cannot be insured is called -----

A. Uncertainty
B. Injury
C. Capital
D. None of the above

Answer A Uncertainty

3. Market in which securities are issued for the first time is ---------

A. Secondary market
B. Primary market
C. Tertiary market
D. Money market

Answer B Primary market

4. Market in which prices of shares are going up is called-------

A. Bull market
B. Bear market
C. Stock market
D. Capital market

Answer A Bull market

5. Market in which prices of shares are going down is called-------
A. Bull market
B. Bear market
C. Stock market
D. Capital market
Answer B Bear market

6. For substitutes, cross elasticity is --------
A. Positive
B. Negative
C. Zero
D. Infinity
Answer A Positive

7. For complementary goods, cross elasticity is --------
A. Positive
B. Negative
C. Zero
D. Infinity
Answer B Negative

8. Entry preventing price is called --------
A. Limit price
B. Full cost price
C. Penetration price
D. Psychological price
Answer A Limit Price

9. Long run theory of production is known as ----
A. Law of variable proportion
B. Law of diminishing returns
C. Law of returns to Scale
D. None of the above
Answer C Law of returns to Scale

10. An example of cartel is-------
A. OPEC
B. OECD
C. SAARC
D. EU
Answer A OPEC

11. Other things remaining the same, the quantity of a product demanded increases with ------------ in price
A. Increase
B. Decrease
C. Variation
D. None of the above
Answer: B. Decrease

12. For necessary goods, the income elasticity of demand
A. More than 1
B. Less than 1
C. zero
D. none
Answer: B less than 1

13. Relation between price of a commodity and demand for another commodity is measured by
A. price elasticity
B. income elasticity
C. cross elasticity
D. elasticity of substitution
Answer: C cross elasticity

14. When Q = f (P), the elasticity coefficient is measured by
A. $\Delta Q/\Delta P$ / P/Q
B. $\Delta P/\Delta Q$ * Q/P
C. $\Delta Q/\Delta P$ * P/Q
D. $\Delta P/\Delta Q$ / Q/P
Answer: C. $\Delta Q/\Delta P$ * P/Q

15. Income elasticity of demand for inferior goods is
A. Negative
B. Positive
C. Zero
D. Unity
Answer: A. Negative

16. In the case of luxury goods, the income elasticity of demand will be
A. Less than unity
B. Unity
C. More than unity
D. All the above
Answer: C. More than unity

17. Income elasticity is positive, but less than unity in the case of
A. Necessity
B. Luxury
C. Inferior
D. Substitutes
Answer: A. Necessity

18. The change in demand is due to the change in
A. Income
B. Own price
C. Prices of related products
D. Expectations
Answer: B. Own price

19. The price is kept artificially low in
A. Price skimmimg
B. Limit pricing
C. Full cost pricing
D. Psychological pricing
Answer D Psychological Pricing

20. In drawing an individual demand curve for a commodity, all but which of the following are kept constant
A. Individual's money income
B. The prices of the related commodity
C. Price of the commodity under consideration
D. Tastes of the consumer
Answer C. Price of the commodity under consideration

21. A fall in the price of the commodity holding everything else constant results in
A. Increase in demand
B. Decrease in demand
C. Increase in quantity demanded
D. Decrease in quantity demanded
Answer: C: Increase in quantity demanded

22. When an individual's income rises, when everything else remains the same, his demand for normal goods
A. Rises
B. Falls
C. Remains the same
D. Any of the above is possible
Answer : Rises

23. When an individual's income falls, when everything else remains the same, his demand for inferior goods

A. Increases
B. Decreases
C. Remains unchanged
D. Cannot say

Answer: A: Increases

24. When the price of the substitute commodity of X falls, the demand for X

A. Rises
B. Falls
C. Remains unchanged
D. All of the above is possible

Answer: B. Falls

25. When both the price of a substitute and the price of complement of X rises, the demand for X

A. Rises
B. Falls
C. Remains unchanged
D. All of the above is possible

Answer: D. All of the above is possible

26. Most rare type of price discrimination is

A. First degree
B. Second degree
C. Third degree
D. Fourth degree

Answer A First Degree

27. If the percentage increase in the quantity demanded of a commodity is smaller than the percentage fall in its price, the coefficient of price elasticity

A. Greater than one
B. Equal to one
C. Smaller than one
D. Zero

Answer: C. Smaller than one

28. The price which is initially low is called --------

A. Limit price
B. Full cost price
C. Penetration price
D. Psychological price

Answer C Penetration Price

29. A fall in the price of the commodity whose demand curve is a rectangular hyperbola causes total expenditure on the commodity

A. Increases
B. Decreases
C. Remains unchanged
D. None of the above

Answer: C. Remains unchanged

30. If the quantity demanded remains unchanged as the price of the commodity falls, the coefficient of price elasticity of demand is

A. Greater than
B. one Equal to one
C. Smaller than one
D. Zero

Answer: D. Zero

31. An increase in the price of the commodity when demand is inelastic causes the total expenditure of consumers of the commodity to

A. Increase
B. Decrease
C. Remains unchanged
D. Any of the above

Answer: C. Remains unchanged

32. A negative income elasticity of demand for a commodity indicates that as income falls, the amount of the commodity purchased
A. Rises
B. Falls
C. Remains unchanged
D. None of the above
Answer: A. Rises

33. Most common form of price discrimination is
A. First degree price discrimination
B. Second degree price discrimination
C. Third degree price discrimination
D. Fourth degree price discrimination
Answer A First degree price discrimination

34. If the income elasticity of demand is greater than one, then the commodity is
A. Necessity
B. Luxury
C. Inferior
D. Non-related commodity
Answer: A. Luxury

35. If the amount of the commodity purchased remains unchanged when the price of another commodity changes, the cross elasticity of demand between them will be
A. Positive
B. Negative
C. Zero
D. One
Answer: C. Zero

36. If the income elasticity of demand for a commodity is found to be 0.4, then the commodity concerned is
A. Luxury
B. Necessity
C. Giffen's goods
D. Independent good
Answer: B. Necessity

37. A fall in income of the consumer, other things being equal, causes
A. Increase in demand
B. Decrease in demand
C. Increase in quantity demanded
D. Decease in quantity demanded
Answer: Increase in Demand

38. Which of the following Elasticities measure movement along a curve, rather than a shift in the curve
A. Price elasticity of demand
B. Income elasticity of demand
C. Cross elasticity of demand
D. None of the above
Answer: A. price elasticity of demand

39. Cross elasticity of demand in the case of substitutes
A. Zero
B. Negative
C. Positive
D. Infinity
Answer: C. Positive

40. A movement down the given demand curve shows
A. Increase in demand
B. Decrease in demand
C. Extension in demand
D. Contraction in demand
Answer: C. Extension in demand

41. Which of the following results in an increase in an increase in demand
A. Fall in prices of substitutes
B. Increase in price of complementary goods
C. Fall in consumer's income
D. None of the above
Answer: D. None of the above

42. When total product is maximum, marginal product is
A. Maximum
B. Positive
C. Zero
D. negative
Answer C Zero

43. Who popularized the degrees of price discrimination
A. Alfred Marshall
B. Pigou
C. Keynes
D. Jevons
Answer B Pigou

44. As a result of a fall in the price total expenditure on the commodity decreases, the coefficient of elasticity will be
A. Equal to one
B. Greater than one
C. Less than one
D. Cannot sa
Answer: C. Less than one

45. If a small change in price leads to infinitely large change in quantity demanded, then the demand is
A. Perfectly elastic
B. Perfectly inelastic
C. Elastic
D. Inelastic
Answer: A. Perfectly elastic

46. When demand curve is rectangular hyperbola, the value of price elasticity of demand will be
A. Zero
B. One
C. Greater than one
D. Infinity
Answer: B. One

47. Consumers are denied of any consumer surplus in ------- degree of price discrimination
A. First
B. Second
C. Third
D. Fourth degree price discrimination
Answer A First

48. On a linear demand curve, the coefficient of price elasticity is unity, then the value of MR will be
A. Positive
B. Zero
C. Negative
D. One
Answer: B. Zero.

49. Business economics lie at the borderline between economics and ------
A. political science
B. Commerce
C. Management
D. Statistics
Answer C management

50. Planning for future is also called
A. Logistic planning
B. Capital planning
C. Forward planning
D. None of the above
Answer C. Forward planning

51. Economics is concerned with allocation of --------- resources
A. Abundant
B. Unlimited
C. Scarce
D. Redundant
Answer C. Scarce

52 The cost of next best alternative is called ---------
A. Opportunity cost
B. Marginal cost
C. Total cost
D. Sink cost
Answer A. Opportunity cost

53. The most important objective of the producer is -----
A. Maximum sales
B. Maximum profit
C. Maximum revenue
D. Maximum cost
Answer B Maximum profit

54. Who is the author Principles of Economics
A. Adam Smith
B. Alfred Marshall
C. J M Keynes
D. Friedman
Answer B Alfred Marshall

55. The addition to the total cost is called
A. AC
B. FC
C. MC
D. AVC
Answer C MC

56. Production function shows -------- relation between input and output
A. Technical
B. Functional
C. All of the above
D. None of the above
Answer C All of the above

57. Value of money --------- when there is inflation
A. Increase
B. Stagnant
C. Decrease
D. Zero
Answer C Decrease

58. The operating period in which at least one factor of production is fixed is called
A. Short run
B. Long run
C. Medium run
D. None of the above
Answer A Short run

59. The operating period in which all factors of production are variable is called
A. Short run
B. Long run
C. Medium run
D. None of the above
Answer B Long run

60. Uninsured risk are called
A. Uncertainty
B. Choice
C. Inter temporal choice
D. Optimum risk
Answer A Uncertainty

61. An example of negative externality is
A. Output
B. Sales
C. Pollution
D. Profit
Answer C. Pollution

62. Computation of present value is called
A. Discounting
B. Compounding
C. Adding up
D. Forecasting
Answer A Discounting

63. Computation of future value of money is called
A. Discounting
B. Compounding
C. Adding up
D. Forecasting
Answer A Compounding

64. In financial sense, investment is
A. Net addition to capital stock
B. Savings
C. Allocation of monetary resources on assets
D. Increased output
Answer C Allocation of monetary resources on assets

65. The assets known as gilt edged securities
A. Debenture
B. Government securities
C. Bonds
D. Gold
Answer B Government securities

66. The privilege of issuing company to call back bonds is known as
A. Call
B. Hedging
C. Speculation
D. Arbitrage
Answer A Call

67. ------ is also called after market
A. Primary market
B. Secondary market
C. Tertiary market
D. Money market
Answer B Secondary market

68. Which of the following is a non-negotiable instrument?
A. Treasury bills
B. Shares
C. Debentures
D. Bank deposit
Answer D Bank deposit