

CPT Eco Test: Law of demand, theory of consumer, Law of Supply

Marks: 60

Timing: 1 hrs.

1. **When is less elastic, demand curve**
 - a) Slopes down gradually
 - b) Slopes down steeply
 - c) Slopes horizontally
 - d) Slopes down in a linear fashion
2. **When price and outlay move in opposite direction, it is case of:**
 - a) perfectly elastic demand
 - b) elastic demand
 - c) inelastic demand
 - d) perfectly inelastic demand
3. **Movement along the same demand curve shows**
 - a) Increase in demand
 - b) Decrease in demand
 - c) Expansion and contraction of demand
 - d) Expansion of supply
4. **If two commodities are perfect substitutes, cross elasticity of demand is**
 - a) Zero
 - b) Less than one
 - c) More than one
 - d) Infinite
5. **When price of Z rises, then the quantity demanded of X reduces. What is the relationship between X and Z ?**
 - a) complementary goods
 - b) substitute goods
 - c) inferior goods
 - d) luxuries
6. **Which of the following are the determinants of demand?**
 - a) Price of the commodity
 - b) Price of related commodity
 - c) Level of income of the household
 - d) All the above
7. **Change in consumer's tastes and preference causes- of the particular goods**
 - a) Change in quantity demanded
 - b) Shift in demand curve
 - c) Change in price
 - d) No effect on quantity demanded
8. **Individual demand schedule represents**
 - a) Set of prices and quantities demanded by individual
 - b) Set of prices and quantities supplied at a particular time
 - c) Table of price with reference to its utility
 - d) None of the above
9. **A decrease in price will result in an increase in total revenue if**
 - a) Percentage change in quantity demanded is greater than the percentage change in price
 - b) Percentage change in quantity demanded is less than the percentage change in price
 - c) Percentage change in quantity demanded is equal to the percentage change in price
 - d) None
10. **If the cross elasticity between two products is +2.29, then we can say that**
 - a) The products are perfectly substitute of each other
 - b) The products are complementary to each other
 - c) Both the products are unrelated
 - d) Both are luxury items
11. **Price elasticity demand of product will be more elastic if it**
 - a) Has no substitutes
 - b) Has number of substitutes
 - c) Is an item of necessity
 - d) Is life saving product
12. **Shift in Demand curve or change in Demand curve occurs due to**
 - a) Increase in cost of production
 - b) Decrease in cost of production
 - c) Change in Ceteris paribus conditions
 - d) All the three
13. **the demand function of a product x is as $dx = 12 - 2Px$, where Px stand for price. The quantity demanded corresponding to price of Rs. 5 will be.....**
 - a) 8
 - b) 2
 - c) 5
 - d) 10
14. **Local Pizza shop raises the price of popular size Pizza from Rs.50 to Rs.75, the demand for Pizza falls from 600 to 300. Calculate price elasticity of demand using proportional method.**
 - a) 2

- b) 2.5
c) 1
d) 1.5
15. **Price elasticity of demand of a product will be more inelastic if**
a) It forms a major part of consumer household budget
b) It forms a very small part of consumer's household budget
c) It is inferior
d) It is for mass consumption
16. **Bread and butter have.....**
a) Negative cross price elasticity of demand
b) Positive cross elasticity of demand
c) Positive income elasticity of demand
d) Negative income elasticity of demand
17. **Which of the following goods is likely to have perfectly inelastic demand?**
a) Car
b) Salt
c) Cabbage
d) Sugar
18. **If price of Tea increases the demand of coffee will**
a) Increase
b) Decrease
c) Remain same
d) Cannot say
19. **If price of coffee falls leading to increase in total outlay on coffee, the demand of coffee is**
a) Elastic
b) Inelastic
c) Unitary elastic
d) Less than unit elastic
20. **An imposition of excise duty would effect the demand of a product due to.....**
a) Income effect
b) Substitution effect
c) Both
d) None
21. **For what type of goods does demand fall with rise in income of the consumer?**
a) Substitutes
b) Luxuries
c) Necessaries
d) Inferior goods
22. **When the government imposes taxes, supply will:**
a) expand
b) contract
c) increase
d) decrease
23. **Equilibrium means**
a) stability
b) equality
c) balance
d)
24. **Slope of budget line is**
a) MRS
b) MUx
c) Px
d) PY
25. **Cross elasticity of unrelated products will be**
a) Infinite
b) Zero
c) ≥ 1
d) <1
26. **What shows all possible combinations of two goods that can be bought by the consumer ?**
a) Marginal utility curve
b) Indifference curve
c) Budget line
d) None of above
27. **Consumer surplus is more in case of:**
a) luxuries
b) necessities
c) semi luxurious goods
d) all of the above
28. **Cardinality means utility can be:**
a) measured
b) ranked
c) not measured
d) none of the above
29. **When a firm has unique relation between price and output demanded and supplied it is called**
a) multiple equilibrium
b) single equilibrium
c) perfect equilibrium
d) None of these
30. **A series of indifference curves is called:**

- a) Indifference structure
 b) Indifference map
 c) Indifference gap
 d) All of above
31. **The way in which rational consumers allocate their expenditure on goods and services is best described by _____**
- a) the law of diminishing marginal utility
 b) the law of demand the theory of value
 c) the marginal rate of substitution
32. **Constraints on which budget line is made are:**
- a) given income and prices
 b) given prices and tastes
 c) given income and tastes
 d) given prices and government policy
33. **Assumption of constant marginal utility of money means importance of money to the consumer is:**
- a) rising
 b) falling
 c) unchanged
 d) none of above
34. **Budget line is also called:**
- a) consumption possibility line
 b) production possibility line
 c) distribution possibility line
 d) saving possibility line
35. **At the point of consumer's equilibrium indifference curve and budget curve are**
- a) passing through each other
 b) intersecting
 c) tangent
 d) not tangent to each other
36. **When state of technology improves, supply will:**
- a) fall
 b) contract
 c) increase
 d) not change
37. **If the consumer prefers A to B and B to C, then he prefers A to C. It is called property of:**
- a) transitivity
 b) consistency
 c) both consistency and transitivity
 d) all of above
38. **Convex indifference curve is explained by:**
- a) diminishing MRS
 b) increasing MRS
 c) constant MRS
 d) none of these
39. **L-shaped indifference curve exists in case two goods are**
- a) perfect complements
 b) perfect substitutes
 c) substitutes
 d) complements
40. **Law of diminishing marginal utility states that as the consumer buys more units of a commodity:**
- a) total utility falls
 b) marginal utility falls
 c) average utility falls
 d) both total and marginal utility falls
41. **Which of these will have highly inelastic supply curve**
- a) Perishable goods
 b) Consumer durables goods
 c) Items of elite class consumption
 d) All the three
42. **In a market economy equilibrium price is reached at**
- a) Point of interaction of aggregate demand and aggregate supply curve
 b) At the top of demand curve
 c) Mid point of demand curve
 d) Mid point of supply curve
43. **The Supply function of a product x is as $S_x = 5P_x + 3$. Where P_x stand for price. The quantity supplied corresponding to price of Rs. 4 will be.....".**
- a) 18
 b) 13
 c) 15
 d) 23
44. **The supply of goods means.....**
- a) Quantity offered for sale at a given price and time
 b) Quantity produced by the manufacturer
 c) Quantity available with the supplier
 d) Quantity likely to be produced
45. **Which of the following will have a relatively flat supply curve ?**
- a) Land

- b) Labour
c) Capital
d) Raw material
46. **If the quantity supplied is exactly equal to the relative change in price then the elasticity of supply is**
a) less than one
b) greater than one
c) one
d) none of the above
47. **The Supply function of a product x is as $S_x = 5P_x + 3$. Where P_x stand for price. The quantity supplied corresponding to price of Rs. 2 will be.....".**
a) 18
b) 13
c) 15
d) 10
48. **The supply curve shifts to the right because of_____**
a) improved technology
b) increased price of factors of production
c) increased excise duty
d) all of the above
49. **An increase in the number of sellers of bikes will increase the**
a) the price of a bike
b) demand for bikes
c) the supply of bikes
d) demand for helmets
50. **If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought**
a) increases and the price might rise, fall or not change
b) doesn't change but the price rises
c) doesn't change but the price falls
d) increases and the price rises.
51. **Exception to law of supply is**
a) agricultural product
b) scarce goods
c) labour market
d) All of these
52. **Goods which are perfect substitute of each other will have elasticity of substitution.....**
a) Unity
b) Less than 1
c) More than 1
d) Infinite
53. **If the supply of a product remains same with the increase in price, the possible reasons can be**
a) Apprehension of further price hike
b) Limited production facility
c) Commodity being a rare commodity
d) All the three
54. **When supply curve moves to the left it means**
a) Smaller supply
b) larger supply
c) constant supply
d) none of the above
55. **In case of perfectly elastic supply the supply curve is:**
a) rising
b) horizontal
c) falling
d) vertical
56. **Change in factors either than the prices of the good cause:**
a) movement
b) change in quantity supplied
c) increase in supply
d) change in supply
57. **When supply curve moves to right it means**
a) supply increases
b) supply decreases
c) supply remains constant
d) none of the above
58. **Which of the following statements is correct?**
a) When the price falls the quantity demanded falls
b) Seasonal changes do not affect the supply of a commodity
c) Taxes and subsidies do not influence the supply of the commodity
d) With lower cost, it is profitable to supply more of the commodity.
59. **Which of the following is not a factor in market supply of a product**
a) Cost of production
b) Number of buyers
c) Market price of the product
d) Price of related products

60. If the producer expects an increase in price of goods in the near future, then current supply will:

- a) fall
- b) rise
- c) not change
- d) become zero