

BA ECO 3rd SEM

INTERMEDIATE MICRO ECONOMICS-I (201)

| S.No | Question | A | B | C | D | Answer |
|------|--|---|---|---|--|--------|
| 1 | A consumer reaches the point of equilibrium when; | $MRS_{xy} > P_x/P_y$ | $MRS_{xy} < P_x/P_y$ | $MRS_{xy} = P_x/P_y$ | $MRS_{xy} = P_x/P_y = MU/TU$ | C |
| 2 | A consumer will start buying less of good-X and more of Good-Y, when | $MU_x/P_x = MU_m$ | $MU_x/P_x < MU_y/P_y$ | $MU_y/P_y = MU_m$ | $MU_x/P_x > MU_y/P_y$ | B |
| 3 | The slope of indifference curve is equal to: | One | marginal rate of substitution | Marginal utility | zero | B |
| 4 | Why is indifference curve convex to origin? | Due to law of diminishing marginal utility | Due to monotonic preferences | Due to continuous decline of | Both a and b | C |
| 5 | Which of the following is not the property of indifference curve: | Higher the indifference curves higher the level of satisfaction | Two indifference curves cannot intersect each other | Indifference curve is concave to origin | Indifference curve is downward sloping | C |
| 6 | Hicks and Allen believed that utility: | Cannot be measured | Cannot be expressed | Can be measured in cardinal | Can be measured in ordinal numbers | D |
| 7 | An indifference curve is related to: | Consumer's income | prices of goods X and Y | Total utility from goods X and Y | choices and preferences of consumer | D |
| 8 | A shift in budget line, when prices are constant, is due to: | change in demand | change in income | change in preferences | change in utility | B |
| 9 | In case of normal goods, demand curve shows: | a negative slope | a positive slope | zero slope | none of these | A |
| 10 | Law of demand must fail in case of: | normal good | giffen goods | inferior goods | none of these | B |
| 11 | Inferior goods are those whose income effect is: | negative | positive | zero | none of these | A |
| 12 | Which of the following pairs represents substitute goods? | car and petrol | juice and cold drink | bread and butter | all of these | B |
| 13 | Substitution effect takes place when price of the commodity becomes: | relatively cheaper | relatively dearer | stable | both (a) and (b) | D |
| 14 | Total utility is | The sum total of marginal utilities | total level of satisfaction | Increases at a diminishing rate | All the above | D |
| 15 | Which of the following is called gossans first law | Law of substitution | Law of equi marginal utility | Law of diminishing | None of the above | C |

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| 16 | Other things being equal a decrease in demand can be caused by | A fall in price of the commodity | A fall in income of the consumer | A rise in price of the substitute | None of these | B |
| 17 | “Utility or satisfaction is a subjective concept; therefore it could only be ranked”. The statement supports | Cardinal utility theorist | Ordinal utility theorist | Behavioral theorist of the firm | None of the above | B |
| 18 | The basic doctrine of consumers surplus is based on | Indifference curve analysis | Revealed preference theory | Law of substitution | Law of diminishing marginal utility | D |
| 19 | Indifference curve is always | Concave to the origin | Convex to the | L shaped | A straight line | B |
| 20 | Engel curve for giffen good is | Positively sloped | Negatively sloped | Horizontal straight line | Vertical straight line | B |
| 21 | Price effect is | Income effect – substitution effect | Substitution effect – income effect | Income effect + substitution | Income effect + substitution effect- | C |
| 22 | For a giffen good, when price falls | Demand increases at a faster rate | Demand decreases | Demand remains constant | Demand curve has a negative slope | B |
| 23 | Revealed preference theory assumes | SARP | WARP | Both A and B | None of the above | B |
| 24 | Income consumption curve of an inferior commodity is | Positively sloped | Backward bending | Downward sloping straight | Showing constant income effect | B |
| 25 | In case of a convex indifference curve | MRS xy is constant | MRS xy is increasing | MRS xy is negligible | MRS xy is diminishing | D |
| 26 | ‘Higher the indifference curve higher will be level of satisfaction’. The statement is | Always true | Always false | Sometimes true and sometimes | True only if price effect is positive | A |
| 27 | Strong ordering means | Absence of indifference | Presence of indifference | No difference between different combinations | None of the above | A |
| 28 | If negative income effect is greater than positive substitution effect : the product will be | A normal good | An inferior good | A giffen good | A complementary good | C |
| 29 | Suppose a rise in the price of peaches from Rs.5.50 to Rs. 6.50 per bushel decreases the quantity demanded from 12,500 to 11,500 bushels. The price elasticity of demand is | 0.5 | 1000 | 2 | 1 | A |

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| 30 | The price elasticity of demand can range between | Negative one and one | zero and infinity | zero and one | negative infinity and infinity | B |
| 31 | If the price elasticity is between 0 and 1, demand is | Inelastic | elastic | perfectly elastic | unit elastic | A |
| 32 | A good with a vertical demand curve has a demand with | Infinite elasticity | unit elasticity | Zero elasticity | varying elasticity | C |
| 33 | Marginal utility for money is positive in case of | Risk aversion | Risk lover | Risk neutral | all of these | B |
| 34 | When the expected utility is greater than utility of the certail income | person is risk averse | person is risk lover | person is risk neutral | None of the above | B |
| 35 | The marginal utility curve of income curve is a straight line for | risk aversion | risk lover | Risk neutral | all of these | C |

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|---|---|
| 1 | Write short note on Risk aversion and risk lover. |
| 2 | Describe the features of indifference curve. |
| 3 | Explain the characterstics of perfect competetion. |
| 4 | Briefly describe the income, price and substitution effect. |
| 5 | What is Elasticity of Substitution? |