

**SHRI BHAUSAHEB VARTAK ARTS, COMMERCE AND SCIENCE COLLEGE
BORIVALI (WEST), MUMBAI**

**SEM-II ATKT EXAMINATION
SUBJECT:- BUSINESS ECONOMICS-II
CLASS:- F.Y.B.Com**

(DARK/ BOLD OPTION IS THE CORRECT ANSWER IN THE FOLLOWING MCQ)

Q.1) Select the best answer from the given option

- 1) Which of the following is a feature of oligopoly?
 - a) Products are always identical
 - b) Product may be differentiated**
 - c) Product do not have any substitute
 - d) Single seller
- 2) Demand curve faced by individual seller under perfect competition is _____
 - a) Downward and gradual
 - b) Downward and steep
 - c) Vertical
 - d) Horizontal**
- 3) A firm's short-run supply curve under perfect competition is equal to _____
 - a) MC curve above the lowest point of SAC
 - b) MC curve above the lowest point of SAVC**
 - c) The entire MC curve
 - d) MR curve
- 4) The long-run supply curve of a firm under perfect competition is equal to _____
 - a) Upward sloping AC curve**
 - b) Entire MC curve
 - c) MC curve above the lowest price of AC curve
 - d) Downward sloping AC curve
- 5) A firm in perfect competition, might decide to set its price below the market price, because
 - a) This would result in higher total revenue
 - b) This would result in higher profits
 - c) This would result in lower marginal cost
 - d) None of the above is correct**
- 6) In perfect competition, the action of an individual buyer or seller will _____
 - a) Have no impact on the market price**
 - b) Have some impact on production
 - c) Have a significant impact on market supply
 - d) Have a significant impact on market demand

- 7) Changes in the output of a perfectly competitive firm, without any change in the price of the product, will change the firm's
- Total revenue**
 - Marginal revenue
 - Average revenue
 - All of the above are correct
- 8) A firm in perfect competition selling commodity X, maximizes profit. If the market price for X falls below the firm's average total cost, but still lies above average variable cost, the firm _____
- Will shut down
 - Should raise the price
 - Will incur losses but will continue to produce**
 - All the above
- 9) Which of the following statement is true about the decision of a profit maximizing firm in a competitive market when price falls below the minimum of average variable cost?
- The firm will continue to produce to meet its fixed costs
 - The firm will stop production as soon as it is able to pay its sunk costs
 - The firm will immediately stop production to minimize its losses**
 - The firm will continue to produce in the short run but will likely exit the market in the long run
- 10) A profit maximizing firm will shut down in the short run when _____
- Average revenue is greater than average fixed cost
 - Price is less than average total cost
 - Average revenue is greater than marginal cost
 - Price is less than average variable cost**
- 11) Which of the following factors determine the structure of a market?
- Nature of commodity
 - Number of sellers
 - Use of selling cost
 - All the above**
- 12) Average revenue curve under monopoly is _____
- Horizontal parallel to X axis
 - Vertical parallel to Y axis
 - Downward sloping**
 - Upward sloping
- 13) Which of the following is an example of source of monopoly power
- A key resource is owned by a single firm
 - Technology
 - Legal protection
 - All the above**

- 14) In the long run a monopolist usually earns _____
- Constant profit
 - Normal profit
 - Subnormal profit
 - Excess profit**
- 15) Due to product differentiation, a firm's demand curve takes the following shapes _____
- Horizontal
 - Vertical
 - Downward sloping**
 - None of the above
- 16) Since a firm in a monopolistically competitive market faces a _____
- Downward-sloping demand curve, it will always operate with excess capacity**
 - Downward-sloping demand curve, it will always operate at its efficient scale
 - Perfectly elastic demand curve, it will always operate with excess capacity
 - Perfectly elastic demand curve, it will always operate at its efficient scale
- 17) In the long run, a firm in monopolistic competition, will earn
- Excess profit
 - Loss
 - Normal profit**
 - May earn any of the above
- 18) A similarity between monopoly and monopolistic competition is that in both market structures
- Sellers are price makers and not price takers**
 - Firms are interdependent
 - There are a few sellers
 - Product differentiation is done
- 19) In the case of dumping, average revenue curve for world market is _____
- Downward sloping
 - Upward sloping
 - Horizontal, parallel X axis**
 - Vertical, parallel Y axis
- 20) Nature of demand curve of monopolistic firm is
- More elastic**
 - Less elastic
 - Perfectly inelastic
 - Perfectly elastic
- 21) Suppose a firm in a competitive market produces and sells 100 units of output and has a marginal revenue of Rs. 8.00. What would be the firm's total revenue if it instead produces and sold 200 units of output?
- Rs. 1000
 - Rs. 1600**

- c) Rs. 800
 - d) Rs. 2000
- 22) The shape of MR curve under monopoly is _____
- a) Horizontal parallel to X axis
 - b) Vertical parallel to Y axis
 - c) Downward sloping**
 - d) Upward sloping
- 23) A firm in a monopolistic market requires to incur _____
- a) Production cost
 - b) Selling cost
 - c) Both of the above**
 - d) None of the above
- 24) Collusive oligopoly takes the form of _____
- a) Isolated cartel
 - b) Collected cartel
 - c) Centralized cartel**
 - d) Product cartel
- 25) According to the IRR method of capital budgeting, a project will accepted if
- a) IRR less than market rate of interest
 - b) IRR is equal to market rate of interest
 - c) IRR greater than market rate of interest**
 - d) IRR is greater than market rate of interest
- 26) Which of the following is not a characteristic of capital expenditure
- a) It is a current outlay of funds with future expenditure
 - b) It is incurred only by private sector**
 - c) It is scarce
 - d) It may be sourced through borrowed funds
- 27) Due to product differentiation, a firm's demand curve takes the following shape _____
- a) Downward sloping**
 - b) Horizontal
 - c) Vertical
 - d) None of the above
- 28) Since a firm in a monopolistically competitive market faces a _____
- a) Downward sloping demand curve, it will always operate with excess capacity**
 - b) Downward sloping demand curve, it will always operate at its efficient level
 - c) Perfectly elastic demand curve, it will always operate at its efficient level
 - d) Perfectly elastic demand curve, it will always operate with excess capacity
- 29) Capital budgeting pertains to investment decision _____
- a) Regarding acquiring capital assets
 - b) Balancing sources of funds and use of funds
 - c) To help choose between alternatives
 - d) All the above**

- 30) In the case of dumping, marginal revenue curve for home market is _____
- a) **Downward sloping**
 - b) Upward sloping
 - c) Horizontal, parallel X axis
 - d) Vertical, parallel Y axis
- 31) Under perfect competition AR curve and _____ curve are same
- a) AC
 - b) MC
 - c) TC
 - d) **MR**
- 32) If by selling 200 quantities of product, the total revenue of the firm is Rs.2000. calculate the price of the firm
- a) **Rs. 10**
 - b) Rs. 20
 - c) Rs. 30
 - d) Rs. 40
- 33) A project is profitable if NPV is _____
- a) **Positive**
 - b) Zero
 - c) One
 - d) Negative
- 34) Present value may be defined as
- a) **The discounted value of future cash flows**
 - b) The interest rate earned on future cash flows
 - c) The opportunity costs of future cash flows
 - d) The compounded value of future cash flows
- 35) Under dumping a monopolist's demand curve in the world market is
- a) **Perfectly elastic**
 - b) Downward sloping and less elastic
 - c) A kinky demand curve
 - d) Perfectly inelastic
- 36) Marginal cost pricing is generally followed by _____
- a) Private enterprises
 - b) Small and medium enterprises
 - c) **Public Sector Enterprises**
 - d) Large private MNCs
- 37) Which of the following is not a feature of full cost pricing method
- a) Avoids frequent prices
 - b) Based on marginal cost

- c) **Most popular method**
- d) An ideal which most firms aim at

38) While determining the full cost price, the firm uses _____

- a) **Fully allocated average cost**
- b) Only average variable cost
- c) Only overhead costs
- d) Marginal cost

39) In the case of dumping , marginal revenue curve for world market is _____

- e) Downward sloping
- f) Upward sloping
- g) **Horizontal, parallel X axis**
- h) Vertical, parallel Y axis

40) Transfer prices usually _____

- a) **Do not differ much from the market prices of the products**
- b) Are much differ from the market prices of the products
- c) Higher than market prices of the products
- d) Lower than market prices of the products

41) When dumping is of a temporary nature it is called as _____

- a) Persistent dumping
- b) **Sporadic dumping**
- c) Barometric dumping
- d) Predatory dumping

42) If the total revenue of commodity 'X' decreases due to an increase in sale of commodity 'Y' then the two commodities are _____

- a) Complementary
- b) **Substitutes**
- c) Superior
- d) Inferior

43) Direct as well as cross marginal effect is taken into consideration for optimum output and pricing decision under _____ method

- a) Mark-up pricing
- b) Marginal cost pricing
- c) **Multiproduct pricing**
- d) Average cost pricing

44) Internal rate of return method also known as _____

- a) Full cost method
- b) Transfer method
- c) **Marginal efficiency of capital method**
- d) Multiproduct pricing method

45) Which of the following is not a characteristic of capital expenditure?

- a) It is a current outlay of funds with future expectations
- b) It may be sourced through borrowed funds
- c) It is scarce
- d) It is incurred only by private sector**

46) Under multiple product pricing method for optimum output and pricing decision the firm requires to take into consideration _____

- a) Direct as well as cross effect**
- b) Direct effect
- c) Cross effect
- d) None of these

47) Firms may use transfer pricing to _____

- a) Avoid taxes**
- b) Avoid loss
- c) Avoid competition
- d) None of the above

48) The example of cartel is _____

- a) OPEC**
- b) HDFC
- c) LIC
- d) IMF

49) Investment to replace working but obsolete equipment with more efficient ones is generally done for _____

- a) Expansion of existing production capacity
- b) Cost reduction**
- c) Expansion into new market
- d) None of the above

50) Future value may be defined as _____

- a) The discounted value of future flows
- b) The interest rate earned on future cash flows
- c) The compounded value of future cash flows**
- d) The opportunity costs of future cash flows