

G L Bajaj Institute of Management and Research.PGDM Institute
PGDM Batch 2021 - 2023
Academic Session 2021-22
Mid Term Quiz
Batch 2021 - 2023

Subject Name **Managerial Economics**

Subject Code PG24

Name of Student

Maximum Marks: 40

Marks Obtained

Note:

1. Writing anything except Roll Number on Quiz paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. There is no negative marking for wrong answer.
3. Tick mark the correct answer.

Q1. Managerial economics generally refers to the integration of economic theory with business

- a. Ethics
- b. Management
- c. Practice
- d. All of the above

Answer: C

Q2 Demand is determined by

- a. Price of the product
- b. Relative prices of other goods
- c. Tastes and habits
- d. All of the above

Answer: D

Q3. The demand curve has a ____ slope.

- a. Undefined
- b. Zero
- c. Negative
- d. Positive

Answer: C

Q4 Opportunity cost is best defined as

- a. the amount given up when choosing one activity over all other alternatives.
- b. the amount given up when choosing one activity over the next best alternative.
- c. the opportunity to earn a profit that is greater than the one currently being made.
- d. the amount that is given up when choosing an activity that is not as good as the next best alternative

Answer: B

Q5 The study of inflation is part of

- a. Macroeconomics
- b. Microeconomics
- c. Descriptive economics
- d. Normative economics

Answer: A

Q6 When income of the consumer increases the demand for Giffen or Inferior good:

- A. Goes up

- B. Goes down
- C. Depends up on the price of the good
- D. Constant

Answer: B

Q7 Which of the following are not determinants of supply?

- A. Income of the consumer
- B. Price of substitutes
- C. Infrastructure
- D. Cost of inputs

Answer: C

Q8 What is the effect of cheaper substitutes on the demand of a commodity?

- A. Rises
- B. Becomes double
- C. Remains unaffected
- D. Becomes less

Answer: D

Q9 Which of the following are the drawbacks of "Marginal cost pricing policy"?

- i] Frequent changes in price
- ii] Practical difficulties arise in computation of marginal cost
- iii] Profit/ unit
- iv] It causes problems in credit sales

- A. Only i
- B. i, ii and iii
- C. i, ii and iv
- D. All the above

Answer: C

Q10 Variable costs vary with _____

- A. Size
- B. Scale
- C. Input
- D. Output

Answer: D



Q11 If the price of DVRs fell and as a result the demand for VHS recorders fell we could conclude that VHS recorders DVRs are

- A. normal goods
- B. substitutes
- C. elastic goods
- D. Compliment

Answer: B

Q12 If the price of Product -A fall and as a result the demand for Product-B increase we could conclude that Product -A and product-B are

- A. normal goods
- B. substitutes
- C. Compliment
- D. unrelated

Answer: C

Q13 If the price of a slice of pizza were to drop from \$4 to \$3, then the demand for pizza would:

- A. Go up

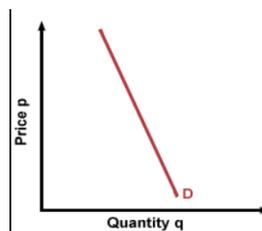
- B. Go Down
- C. Stay the same
- D. No exist

Answer: A

Q14 The graph here is an example of _____ demand.

- A. Elastic
- B. Inelastic
- C. Neutral
- D. Negative

Answer: B



Q15 If a demand curve has an elasticity of 0.3, we would say that the demand is:

- A. Elastic
- B. Inelastic
- C. Neutral
- D. Negative

Answer: B

Q16 Dennis sells prank kits to the local kids for \$5. At that price, he's able to sell 20 kits. But he gets greedy and raises his price to \$10, and the amount of prank kits he sells falls to 8. What is the elasticity of Dennis's prank kits? Your answer should be in the form of a number

- A. -0.6
- B. 0.8
- C. 1.2
- D. -1.4

Answer: A

Q17 When the local grocery store puts peanut butter on sale, reducing its price from \$4.50 per item to \$3.50 per item, the quantity sold increases from 200 per week to 270 per week. What is the price elasticity of the peanut butter? Your answer should be in the form of a number

- A. -1.57
- B. 1.65
- C. 1.75
- D. -1.75

Answer: A

Q18 At a price of \$24, Octavia sells 30 home-grown orchids. If she raises the price to \$30, she only sells 18 home-grown orchids. Calculate the elasticity of the orchids and answer if these are elastic or inelastic.

- A. elastic
- B. Inelastic
- C. Neutral
- D. zero

Answer: A

Q19 A rational consumer always tries to

- A. Maximise his/her utility
- B. Minimise his/her utility
- C. Optimize his/her utility
- D. None of the above

Answer: A

Q 20 The field of economics that deals with the economic concepts and analysis of problems that are required to formulate rational managerial decisions

- A. Positive Economics
- B. Normative Economics
- C. Macro Economics
- D. Managerial Economics

Answer: D

Q 21 Want satisfying power of commodity is called

- A. Demand
- B. Utility
- C. Satisfaction
- D. Consumption

Answer: B

Q 22 In economics, desire backed by purchasing power is known as

- A. Utility
- B. Demand
- C. Consumption
- D. Scarcity

Answer: B

Q 23 Managerial economics helps in decision making through application of

- A. Economic theory only
- B. Economic theory and methods of science
- C. Economic theory and methods of decision science
- D. None of the above

Answer: C

Q 24 Managerial economics uses

- A. Micro Economics only
- B. Macro Economics only
- C. Both Micro & Macro Economics
- D. None of the above

Answer: C

Q 25 Economic Profit =

- A. Sales Revenue - (Implicit Costs + Explicit Costs)
- B. Sales Revenue - Explicit Costs
- C. Sales Revenue - Implicit Costs
- D. None of the above

Answer: A

Q 26 The basic economic problem is the problem of

- A. Abundance of resources
- B. Scarcity of resources
- C. Human Resources
- D. None of the above

Answer: B

Q 27 Change in the demand of smartphones due to increase in its price is

- A. Increase of its demand
- B. Decrease of its demand
- C. Contraction of its demand
- D. None of the above

Answer: C

Q 28 In case of.....demand, a slight change in the price will make greater change in demand.

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

Answer: C

Q 29 Normal demand curve of a commodity has:

- A. has positive slope
- B. has negative slope
- C. Is parallel to the base line
- D. Perfectly Inelastic

Answer: B

Q 30 Which of the followings can be regarded as an exception to law of demand

- A. Cases of snob appeal (e.g. jewels)
- B. Cases in which consumer judges quality by price
- C. Cases of Giffen goods
- D. All of the above

Answer: D

Q 31 Consumer surplus is the state where a consumer willing to pay higher price actually pays

- A. Higher price
- B. Lower price
- C. Sometimes higher & sometimes lower price
- D. All of the above

Answer: B

Q 32 "Law of variable proportions" is also known as

- A. Law of Diminishing Returns
- B. Law of Increasing Returns
- C. Law of Constant Returns
- D. All of the above

Answer: A

Q 33 Which of the following is the best definition of managerial economics? Managerial economics is

- A. a distinct field of economic theory.
- B. a field that applies economic theory and the tools of decision science.
- C. a field that combines economic theory and mathematics.
- D. none of the above.

Answer: B

Q 34 Disclaimer of options due to a decision is called_____

- A. Marginal cost
- B. Opportunity cost
- C. Actual cost
- D. none of the above.

Answer: B

Q 35 The managerial economist has duties towards society and the nation_____

- A. To assist the government in curbing black market
- B. Assist in the implementation of incentive wage practices
- C. To assist the government in preventing tax evasion
- D. All of the above

Answer: D

Q 36 What effect is working when the price of a good falls and consumers tend to buy it instead of other goods

- A. Income effect
- B. Substitution effect
- C. Price effect
- D. None of these

Answer: C

Q 37 Higher the price of certain luxurious articles, higher will be the demand, this concept is called

- A. Giffen effects
- B. Veblen effects
- C. Demonstration effects
- D. Both b&c

Answer: B

Q 38 In the case of perfect elasticity, the demand curve is

- A. Vertical
- B. Horizontal
- C. Flat
- D. Steep

Answer: B

Q 39 Outlay method of measurement of elasticity is also called as

- A. Percentage method
- B. Expenditure method
- C. Point method
- D. Geometric method

Answer: B

Q 40 Basic assumptions of law of demand include

- A. Prices of other goods should change.
- B. There should be substitute for the commodity.
- C. The commodity should not confer any distinction.
- D. The demand for the commodity should not be continuous

Answer: C