UNIT–1: INTRODUCTION TO BUSINESS ECONOMICS

MCQs – English

A. Meaning of Business Economics

1. Business Economics is mainly concerned with the application of economic theories to:

A. Political decisions

B. Business decision-making

C. Social activities

D. Religious activities

Correct Option: B. Business decision-making

2. Business Economics is also known as:

A. Pure Economics

B. Managerial Economics

C. Welfare Economics

D. Public Economics

Correct Option: B. Managerial Economics

3. Business Economics mainly helps managers in:

A. Making business decisions

B. Making laws

C. Conducting elections

D. Managing social organizations

Correct Option: A. Making business decisions

4. Business Economics is a branch of:

A. Economics

B. Sociology

C. Political Science

D. Psychology

Correct Option: A. Economics

5. The main objective of Business Economics is to:

A. Help in making business decisions

B. Manage political administration

C. Bring about social reforms

D. Manage religious activities

Correct Option: A. Help in making business decisions

6. Business Economics applies economic theories to:

A. Business activities

B. Historical events

C. Political campaigns

D. Cultural activities

Correct Option: A. Business activities

7. Business Economics is mainly:

A. Practical application of economic concepts

B. Study of history

C. Study of geography

D. Study of political institutions

Correct Option: A. Practical application of economic concepts

8. Which of the following is an important subject of Business Economics?

A. Allocation of resources

B. Election management

C. Religious management

D. Cultural management

Correct Option: A. Allocation of resources

9. Business Economics helps a firm in making decisions regarding:

A. Price and production

B. Weather forecasting only

C. Political elections

D. Population census only

Correct Option: A. Price and production

10. Business Economics is mainly:

A. Purely theoretical

B. Practical and decision-oriented

C. Historical

D. Political

Correct Option: B. Practical and decision-oriented

B. Characteristics of Business Economics

11. Which of the following principles is important in Business Economics?

A. Marginal Principle

B. Political Principle

C. Religious Principle

D. Historical Principle

Correct Option: A. Marginal Principle

12. Business Economics is:

A. Decision-oriented

B. Election-oriented

C. Religion-oriented

D. History-oriented

Correct Option: A. Decision-oriented

13. Business Economics widely uses:

A. Economic theories

B. Political theories only

C. Religious theories

D. Historical stories

Correct Option: A. Economic theories

14. Business Economics mainly focuses on the problems of:

A. Business firms

B. Religious institutions

C. Political parties

D. Government only

Correct Option: A. Business firms

13. Business Economics is generally considered as:

A. Normative science

B. Completely historical science

C. Political science

D. Natural science

Correct Option: A. Normative science

16. Business Economics is mainly concerned with:

A. Microeconomic problems

B. Astronomical problems

C. Geographical problems

D. Linguistic problems

Correct Option: A. Microeconomic problems

17. Which of the following is NOT a characteristic of Business Economics?

A. Practical approach

B. Decision-oriented approach

C. Business-oriented approach

D. Complete irrelevance to business decisions

Correct Option: D. Complete irrelevance to business decisions

18. Business Economics helps in achieving:

A. Efficient use of scarce resources

B. Unlimited use of resources

C. Elimination of scarcity

D. Elimination of all risks

Correct Option: A. Efficient use of scarce resources

19. Business Economics is used to:

A. Solve business problems

B. Solve mathematical puzzles only

C. Conduct political campaigns

D. Perform religious activities

Correct Option: A. Solve business problems

20. Business Economics is directly related to:

A. Decision-making

B. Astrology

C. Literature

D. Archaeology

Correct Option: A. Decision-making

C. Scope of Business Economics

21. Which of the following is included in the scope of Business Economics?

A. Demand analysis

B. Political history

C. Religious studies

D. Ancient literature

Correct Option: A. Demand analysis

22. Analysis of supply is a part of:

A. Business Economics

B. Political Science

C. History

D. Sociology only

Correct Option: A. Business Economics

23. Which of the following is essential for demand?
A. Desire only
B. Ability to pay only
C. Willingness to pay only
D. Desire, ability and willingness to pay
Correct Answer: D. Desire, ability and willingness to pay

24. Revenue analysis helps a firm understand:

A. Revenue earned from sales

B. Population growth

C. Political changes

D. Weather conditions

Correct Option: A. Revenue earned from sales

25. The study of pricing decisions is undertaken in:

A. Business Economics

B. Geography

C. Political Science

D. History

Correct Option: A. Business Economics

26. Which of the following is an important subject of Business Economics?

A. Demand forecasting

B. Historical forecasting

C. Political forecasting only

D. Religious forecasting

Correct Option: A. Demand forecasting

27. If a firm uses its own building for business instead of renting it out, the rent foregone is called:

A. Fixed cost

B. Opportunity cost

C. Variable cost

D. Direct cost only

Correct option:B.opportunity cost

28. Cost-output relationship studies the relationship between:

A. Cost and level of output

B. Price and income

C. Demand and advertising

D. Revenue and population

Correct Answer: A. Cost and level of output

29. Opportunity cost means:

A. Monetary cost incurred on an activity

B. Value of the best alternative foregone

C. Total cost of production

D. Fixed cost of production

Correct Option: B. Value of the best alternative foregone

30. Opportunity cost arises because resources are:

A. Unlimited

B. Scarce

C. Free

D. Infinite

Correct Option: B. Scarce

31. The concept of opportunity cost is based on:

A. Scarcity and choice

B. Unlimited resources

C. Unlimited wants only

D. Government control

Correct Option: A. Scarcity and choice

32.When elasticity of demand is greater than one, demand is:

A. Elastic

B. Inelastic

C. Unitary elastic

D. Perfectly inelastic

Correct Answer: A. Elastic

33. Profit analysis is related to:

A. Business Economics

B. Astronomy

C. Literature

D. Archaeology

Correct Option: A. Business Economics

34. Opportunity cost is also known as:

A. Alternative cost

B. Historical cost

C. Fixed cost

D. Average cost

Correct Option: A. Alternative cost

35. Opportunity cost is associated with:

A. Choice

B. Unlimited resources

C. Free goods

D. Zero scarcity

Correct Option: A. Choice

36. When price rises, quantity supplied generally:
A. Rises
B. Falls
C. Remains constant
D. Becomes zero
Correct Answer: A. Rises

37. The opportunity cost of a decision is:

A. Value of the best alternative sacrificed

B. Total cost

C. Total revenue

D. Total profit

Correct Option: A. Value of the best alternative sacrificed

38. Opportunity cost is particularly important when resources are:

A. Scarce

B. Unlimited

C. Abundant

D. Free

Correct Option: A. Scarce

39. Total cost is the sum of:
A. Fixed cost and variable cost
B. Average cost and marginal cost
C. Revenue and profit
D. Price and quantity
Correct Answer: A. Fixed cost and variable cost

40. An investment of ₹1,00,000 is made in Business A. Investment in Business B could have generated an income of ₹15,000. What is the opportunity cost?

A. ₹1,00,000

B. ₹15,000

C. ₹85,000

D. ₹1,15,000

Correct Option: B. ₹15,000

E. Incremental Principle

41. The Incremental Principle is related to:

A. Incremental cost and incremental revenue

B. Historical cost only

C. Fixed cost only

D. Total population

Correct Option: A. Incremental cost and incremental revenue

42. The meaning of "Incremental" is:

A. Total

B. Additional

C. Average

D. Minimum

Correct Option: B. Additional

43. In the short run:

A. Some factors are fixed

B. All factors are variable

C. All factors are fixed

D. Production is impossible

Correct Answer: A. Some factors are fixed

44. Incremental revenue means:

A. Additional revenue obtained from a decision

B. Total revenue

C. Average revenue

D. Fixed revenue

Correct Option: A. Additional revenue obtained from a decision

45. Generally, a business decision is desirable when:

A. Incremental revenue is greater than incremental cost

B. Incremental cost is greater than incremental revenue

C. Both are zero

D. Revenue is always zero

Correct Option: A. Incremental revenue is greater than incremental cost

46. If quantity demanded changes by 20% and price changes by 10%, price elasticity is:
A. 0.5
B. 1
C. 2
D. 10
Correct Answer: C. 2

47. Incremental profit is calculated as:

A. Incremental revenue − Incremental cost

B. Total revenue − Fixed cost only

C. Total cost − Total revenue

D. Fixed cost + Variable cost

Correct Option: A. Incremental revenue − Incremental cost

48. If incremental cost is ₹20,000 and incremental revenue is ₹18,000, the result of the decision is:

A. ₹2,000 incremental profit

B. ₹2,000 incremental loss

C. ₹38,000 profit

D. No effect

Correct Option: B. ₹2,000 incremental loss

49. The Incremental Principle is particularly useful in:

A. Making business decisions

B. Political elections

C. Historical research

D. Population studies

Correct Option: A. Making business decisions

50. Under the Incremental Principle, comparison is made between:

A. Incremental revenue and incremental cost

B. Population and income

C. Price and population

D. Fixed assets and population

Correct Option: A. Incremental revenue and incremental cost

F. Concept of Time Perspective

51. The Time Perspective Principle states that business decisions should consider:

A. Present only

B. Short-run and long-run effects

C. Past only

D. Historical information only

Correct Option: B. Short-run and long-run effects

52. Time perspective is important because the:

A. Short-run and long-run effects of a decision may differ

B. Decision has no economic effect

C. Decision has only historical effects

D. Decision has only political effects

Correct Option: A. Short-run and long-run effects of a decision may differ

53. A business manager should consider the results of a decision:

A. Only today

B. Over time

C. Only in the past

D. Never

Correct Option: B. Over time

54. A decision that provides higher profit in the short run may:

A. Cause a loss in the long run

B. Always provide higher profit

C. Have no effect in the future

D. Eliminate all costs

Correct Option: A. Cause a loss in the long run

55. The Time Perspective Principle helps managers consider:

A. Future consequences

B. Present cost only

C. Past revenue only

D. Present prices only

Correct Option: A. Future consequences

G. Discounting Principle

56. The Discounting Principle is based on the idea that:

A. One rupee received today is more valuable than one rupee received in the future

B. A future rupee is always more valuable

C. Money has no time value

D. All money has the same value regardless of time

Correct Option: A. One rupee received today is more valuable than one rupee received in the future

57. The present value of money to be received in the future generally:

A. Increases

B. Decreases

C. Remains the same

D. Immediately becomes zero

Correct Option: B. Decreases

58. The discounting method is used to:

A. Find the present value of a future amount

B. Find future population

C. Find historical cost

D. Find total production

Correct Option: A. Find the present value of a future amount

59. The Discounting Principle considers:

A. Time value of money

B. Value of population

C. Political value

D. Social value only

Correct Option: A. Time value of money

60. Which is generally more valuable: ₹10,000 received today or ₹10,000 received after one year?

A. ₹10,000 received today

B. ₹10,000 received after one year

C. Both are always equal

D. Neither has any value

Correct Option: A. ₹10,000 received today

H. Equi-Marginal Principle

61. The Equi-Marginal Principle is related to:

A. Allocation of scarce resources

B. Unlimited resources

C. Political decisions

D. Historical events

Correct Option: A. Allocation of scarce resources

62. The Equi-Marginal Principle suggests that resources should be allocated in such a way that:

A. Marginal returns become equal

B. Total cost becomes zero

C. Total revenue becomes zero

D. Prices become equal in all markets

Correct Option: A. Marginal returns become equal

63. The Equi-Marginal Principle is also known as:

A. Principle of Maximum Satisfaction

B. Principle of Minimum Production

C. Principle of Maximum Taxation

D. Principle of Maximum Population

Correct Option: A. Principle of Maximum Satisfaction

64. According to the Equi-Marginal Principle, resources should be allocated where:

A. Marginal benefits are equal in alternative uses

B. Total cost is always maximum

C. Revenue is zero

D. Demand is zero

Correct Option: A. Marginal benefits are equal in alternative uses

65. The Equi-Marginal Principle helps to achieve:

A. Optimum allocation of resources

B. Unlimited use of resources

C. Maximum wastage

D. Zero production

Correct Option: A. Optimum allocation of resources

I. Remaining MCQs of Unit–1

66. If the marginal return from one of two uses of a resource is higher, the resource should initially be shifted towards:

A. The use with lower marginal return

B. The use with higher marginal return

C. No use

D. Away from both uses

Correct Option: B. The use with higher marginal return

67. The Equi-Marginal Principle helps in allocating a limited advertising budget between two media. The objective of this principle is to:

A. Maximize the benefit from resources

B. Increase expenditure

C. Reduce sales

D. Stop advertising

Correct Option: A. Maximize the benefit from resources

68. Maximum benefit from a limited resource is achieved when:

A. Marginal benefits are equal in alternative uses

B. Marginal benefit becomes zero

C. Total cost becomes maximum

D. Resources are not used

Correct Option: A. Marginal benefits are equal in alternative uses

69. The main purpose of applying economic principles in Business Economics is:

A. Efficient use of scarce resources

B. Elimination of all competition

C. Elimination of all risks

D. Obtaining unlimited resources

Correct Option: A. Efficient use of scarce resources

70. Which of the following combinations is correct?

A. Opportunity Cost — Sacrifice of the best alternative

B. Incremental Principle — Additional cost and revenue

C. Discounting Principle — Time value of money

D. All of the above

Correct Option: D. All of the above

UNIT 2 – DEMAND & SUPPLY ANALYSIS

MCQs with Correct Answers

The questions below cover **Meaning of Demand, Types of Demand, Law of Demand, Determinants of Demand, Demand Function, Meaning of Supply and Law of Supply**, exactly as specified in the syllabus.

A. Meaning of Demand

1. Demand refers to:
A. Mere desire for a commodity
B. Desire backed by ability and willingness to pay
C. Production of a commodity
D. Supply of a commodity
Correct Answer: B. Desire backed by ability and willingness to pay

2. 3. Demand is generally expressed in terms of:
A. Quantity demanded
B. Quantity produced
C. Quantity supplied
D. Total cost
Correct Answer: A. Quantity demanded

4. A desire becomes demand when it is supported by:
A. Production
B. Purchasing power and willingness to purchase
C. Saving
D. Advertising only
Correct Answer: B. Purchasing power and willingness to purchase

5. Demand is a:
A. Stock concept only
B. Flow concept related to a given period
C. Production concept
D. Cost concept
Correct Answer: B. Flow concept related to a given period

B. Types of Demand

6. Demand for a commodity by an individual consumer is called:
A. Market demand
B. Individual demand
C. Derived demand
D. Joint demand
Correct Answer: B. Individual demand

7. The total demand of all consumers in a market is called:
A. Individual demand
B. Market demand
C. Autonomous demand
D. Composite demand
Correct Answer: B. Market demand

8. Demand for a commodity that arises because it is required for producing another commodity is called:
A. Direct demand
B. Derived demand
C. Joint demand
D. Composite demand
Correct Answer: B. Derived demand

9. Demand for labour is generally an example of:
A. Derived demand
B. Direct demand
C. Joint demand
D. Autonomous demand
Correct Answer: A. Derived demand

10. Demand for goods used directly for consumption is generally called:
A. Direct demand
B. Derived demand
C. Joint demand
D. Competitive demand
Correct Answer: A. Direct demand

11. Demand for two goods that are used together is called:
A. Joint demand
B. Composite demand
C. Derived demand
D. Individual demand
Correct Answer: A. Joint demand

12. Demand for petrol and cars is an example of:
A. Joint demand
B. Composite demand
C. Competitive demand
D. Derived demand
Correct Answer: A. Joint demand

13. When a commodity has several alternative uses, its demand is called:
A. Joint demand
B. Composite demand
C. Derived demand
D. Individual demand
Correct Answer: B. Composite demand

14. Demand for electricity for domestic, industrial and commercial purposes represents:
A. Composite demand
B. Joint demand
C. Derived demand
D. Individual demand
Correct Answer: A. Composite demand

15. The demand of all buyers together is known as:
A. Individual demand
B. Market demand
C. Derived demand
D. Joint demand
Correct Answer: B. Market demand

C. Law of Demand

16. The law of demand states that, other things remaining constant:
A. Price and demand move in the same direction
B. Price and quantity demanded move in opposite directions
C. Price has no relation with demand
D. Demand always remains constant
Correct Answer: B. Price and quantity demanded move in opposite directions

17. According to the law of demand, when price rises, quantity demanded generally:
A. Rises
B. Falls
C. Remains constant
D. Becomes infinite
Correct Answer: B. Falls

18. According to the law of demand, when price falls, quantity demanded generally:
A. Falls
B. Rises
C. Remains constant
D. Becomes zero
Correct Answer: B. Rises

19. The demand curve generally slopes:
A. Upward from left to right
B. Downward from left to right
C. Vertically upward only
D. Horizontally only
Correct Answer: B. Downward from left to right

20. The inverse relationship between price and quantity demanded is called:
A. Law of supply
B. Law of demand
C. Law of production
D. Law of cost
Correct Answer: B. Law of demand

21. "Other things remaining constant" is expressed by the term:
A. Ceteris paribus
B. Ex post
C. Ex ante
D. Per capita
Correct Answer: A. Ceteris paribus

22. A movement along the same demand curve occurs due to a change in:
A. Income
B. Taste
C. Price of the commodity itself
D. Population
Correct Answer: C. Price of the commodity itself

23. An increase in quantity demanded due to a fall in price is called:
A. Extension of demand
B. Contraction of demand
C. Increase in demand
D. Decrease in demand
Correct Answer: A. Extension of demand

24. A decrease in quantity demanded due to a rise in price is called:
A. Extension of demand
B. Contraction of demand
C. Increase in demand
D. Expansion of supply
Correct Answer: B. Contraction of demand

25. A shift of the demand curve occurs because of changes in:
A. Price of the commodity only
B. Factors other than the commodity's own price
C. Quantity demanded only
D. Quantity supplied only
Correct Answer: B. Factors other than the commodity's own price

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D. Determinants of Demand

26. Which of the following is a determinant of demand?
A. Consumer income
B. Weather only
C. Production technology only
D. Cost of machinery only
Correct Answer: A. Consumer income

27. An increase in consumer income generally increases demand for:
A. Normal goods
B. Inferior goods always
C. Free goods
D. All goods without exception
Correct Answer: A. Normal goods

28. Demand for a normal good generally increases when:
A. Income rises
B. Income falls
C. Price always rises
D. Population falls
Correct Answer: A. Income rises

29. Demand for an inferior good may decrease when:
A. Consumer income increases
B. Consumer income decreases
C. Price falls
D. Population rises
Correct Answer: A. Consumer income increases

30. The tastes and preferences of consumers affect:
A. Demand
B. Supply only
C. Cost only
D. Production technology only
Correct Answer: A. Demand

31. An increase in population generally causes market demand to:
A. Increase
B. Decrease
C. Become zero
D. Remain unchanged in every case
Correct Answer: A. Increase

32. The price of related goods can affect:
A. Demand
B. Supply only
C. Cost only
D. Profit only
Correct Answer: A. Demand

33. Tea and coffee are generally considered:
A. Substitute goods
B. Complementary goods
C. Free goods
D. Capital goods
Correct Answer: A. Substitute goods

34. Cars and petrol are generally:
A. Substitute goods
B. Complementary goods
C. Inferior goods
D. Independent goods
Correct Answer: B. Complementary goods

35. If the price of tea rises, demand for coffee may:
A. Increase
B. Decrease
C. Become zero
D. Remain necessarily unchanged
Correct Answer: A. Increase

36. If the price of cars rises substantially, demand for petrol may:
A. Decrease
B. Increase necessarily
C. Remain unchanged always
D. Become infinite
Correct Answer: A. Decrease

37. Expectations about future prices can affect:
A. Present demand
B. Only past demand
C. Only supply
D. Production cost only
Correct Answer: A. Present demand

E. Demand Function

38. A demand function shows the relationship between:
A. Quantity demanded and its determinants
B. Cost and profit only
C. Supply and production only
D. Revenue and cost only
Correct Answer: A. Quantity demanded and its determinants

39. The demand function can be expressed as:
A. Qd = f(P, Y, T, Pr, E, N)
B. TC = FC + VC only
C. TR = P × Q only
D. MC = ΔTC/ΔQ only
Correct Answer: A. Qd = f(P, Y, T, Pr, E, N)

40. In a demand function, P generally represents:
A. Price
B. Population
C. Profit
D. Production
Correct Answer: A. Price

41. In a demand function, Y commonly represents:
A. Income
B. Yield
C. Year only
D. Utility
Correct Answer: A. Income

42. Demand function helps a business to:
A. Identify factors affecting demand
B. Eliminate scarcity
C. Eliminate competition
D. Fix wages only
Correct Answer: A. Identify factors affecting demand

F. Meaning of Supply

43. Supply refers to the quantity of a commodity that sellers are:
A. Willing and able to sell at different prices during a given period
B. Willing to buy
C. Unable to sell
D. Forced to produce
Correct Answer: A. Willing and able to sell at different prices during a given period

44. Supply is related to the:
A. Seller
B. Consumer only
C. Government only
D. Banker only
Correct Answer: A. Seller

45. Supply depends upon both:
A. Willingness and ability to sell
B. Desire and inability to sell
C. Consumption and saving
D. Income and population only
Correct Answer: A. Willingness and ability to sell

G. Law of Supply

46. According to the law of supply, other things remaining constant:
A. Price and quantity supplied move in the same direction
B. Price and quantity supplied move in opposite directions
C. Price has no effect on supply
D. Supply is always fixed
Correct Answer: A. Price and quantity supplied move in the same direction

47.A farmer produces wheat instead of rice. What would be the opportunity cost of producing wheat?

A. Cost of seeds only

B. Income foregone from rice

C. Cost of labour only

D. Cost of machinery only

Correct Option: B. Income foregone from rice

48. When price falls, quantity supplied generally:
A. Rises
B. Falls
C. Becomes infinite
D. Remains unchanged always
Correct Answer: B. Falls

49. The supply curve generally slopes:
A. Downward
B. Upward from left to right
C. Horizontally only
D. Vertically downward
Correct Answer: B. Upward from left to right

50. The law of supply indicates a:
A. Direct relationship between price and quantity supplied
B. Inverse relationship between price and quantity supplied
C. No relationship
D. Negative relationship between income and demand
Correct Answer: A. Direct relationship between price and quantity supplied

51. A movement along the same supply curve is caused by a change in:
A. Price of the commodity
B. Technology only
C. Input prices only
D. Government policy only
Correct Answer: A. Price of the commodity

52. An increase in quantity supplied due to a rise in price is called:
A. Extension of supply
B. Contraction of supply
C. Increase in demand
D. Decrease in supply
Correct Answer: A. Extension of supply

53. A decrease in quantity supplied due to a fall in price is called:
A. Extension of supply
B. Contraction of supply
C. Increase in supply
D. Increase in demand
Correct Answer: B. Contraction of supply

54. Which statement is correct?
A. Demand curve generally slopes downward
B. Supply curve generally slopes upward
C. Both A and B
D. Neither A nor B
Correct Answer: C. Both A and B

UNIT 2 – APPLICATION & MIXED MCQs

55. A consumer wants to buy a car but has no money to purchase it. This is:
A. Demand
B. Mere desire
C. Effective demand
D. Market demand
Correct Answer: B. Mere desire

56. A consumer has money to buy a product but is unwilling to purchase it. This represents:
A. Effective demand
B. No effective demand
C. Market supply
D. Derived supply
Correct Answer: B. No effective demand

57. If the price of a commodity falls from ₹100 to ₹80 and its quantity demanded rises, this illustrates:
A. Law of demand
B. Law of supply
C. Law of diminishing returns
D. Law of costs
Correct Answer: A. Law of demand

58. If the price of a commodity increases from ₹50 to ₹60 and producers offer more units for sale, this illustrates:
A. Law of demand
B. Law of supply
C. Law of utility
D. Law of income
Correct Answer: B. Law of supply

59. Which of the following would shift the demand curve?
A. Change in consumer income
B. Change in the commodity's own price
C. Change in quantity demanded due to price
D. None of these
Correct Answer: A. Change in consumer income

60. Which of the following would cause an increase in demand for a normal good?
A. Increase in consumer income
B. Decrease in consumer income
C. Decrease in population
D. Fall in preference for the good
Correct Answer: A. Increase in consumer income

61. If the price of a substitute good increases, demand for the original good generally:
A. Increases
B. Decreases
C. Becomes zero
D. Remains necessarily constant
Correct Answer: A. Increases

62. If the price of a complementary good increases, demand for the related good generally:
A. Increases
B. Decreases
C. Becomes infinite
D. Is unaffected in every case
Correct Answer: B. Decreases

63. Which of the following is NOT a determinant of demand?
A. Consumer income
B. Taste and preference
C. Price of related goods
D. Production technology
Correct Answer: D. Production technology

64. Which statement correctly distinguishes demand from desire?
A. Every desire is demand
B. Demand requires purchasing power and willingness to buy
C. Demand does not require willingness to buy
D. Demand has no relation to price
Correct Answer: B. Demand requires purchasing power and willingness to buy

65. Which statement is correct regarding supply?
A. Supply refers only to goods actually sold
B. Supply involves willingness and ability to sell
C. Supply is the same as stock
D. Supply is unrelated to price
Correct Answer: B. Supply involves willingness and ability to sell

66. The law of supply assumes:
A. Other things remain constant
B. All factors change simultaneously
C. Demand remains zero
D. Income remains zero
Correct Answer: A. Other things remain constant

67. A rise in the price of a commodity causing producers to supply more is called:
A. Expansion of supply
B. Contraction of demand
C. Increase in demand
D. Decrease in supply
Correct Answer: A. Expansion of supply

68. The total demand of individual consumers in a market is:
A. Market demand
B. Individual demand
C. Derived demand
D. Joint demand
Correct Answer: A. Market demand

69. The demand for machinery used in production is generally:
A. Derived demand
B. Direct demand
C. Joint demand
D. Composite demand
Correct Answer: A. Derived demand

70. The demand for a commodity having several uses is:
A. Composite demand
B. Joint demand
C. Derived demand
D. Individual demand
Correct Answer: A. Composite demand

UNIT 3 – ELASTICITY OF DEMAND & DEMAND FORECASTING

The syllabus specifies **price elasticity, income elasticity, cross elasticity, advertising elasticity**, their types and measurement, plus **percentage and arc methods** for price elasticity, and **survey and trends methods** for demand forecasting.

A. Price Elasticity of Demand

71. Price elasticity of demand measures the responsiveness of:
A. Quantity demanded to change in price
B. Supply to change in income
C. Price to change in supply
D. Income to change in demand
Correct Answer: A. Quantity demanded to change in price

72. Price elasticity of demand is represented by:
A. Ep
B. Ey
C. Ec
D. Ea
Correct Answer: A. Ep

73. The basic formula for price elasticity of demand is:
A. % change in quantity demanded / % change in price
B. % change in price / % change in income
C. % change in income / % change in demand
D. Price × Quantity
Correct Answer: A. % change in quantity demanded / % change in price

74.A student chooses to study instead of taking a job that would earn ₹500. What is the opportunity cost of studying?

A. ₹0

B. ₹500

C. ₹1,000

D. Tuition fees only

Correct Option: B. ₹500

75. When elasticity of demand is less than one, demand is:
A. Elastic
B. Inelastic
C. Unitary elastic
D. Perfectly elastic
Correct Answer: B. Inelastic

76. When elasticity of demand equals one, demand is:
A. Perfectly elastic
B. Unitary elastic
C. Perfectly inelastic
D. Inelastic
Correct Answer: B. Unitary elastic

77. When a small change in price causes an infinitely large change in quantity demanded, demand is:
A. Perfectly elastic
B. Perfectly inelastic
C. Unitary elastic
D. Relatively inelastic
Correct Answer: A. Perfectly elastic

78. When quantity demanded does not change despite a change in price, demand is:
A. Perfectly elastic
B. Perfectly inelastic
C. Unitary elastic
D. Relatively elastic
Correct Answer: B. Perfectly inelastic

79. A perfectly elastic demand curve is:
A. Horizontal
B. Vertical
C. Downward sloping
D. Upward sloping
Correct Answer: A. Horizontal

80. A perfectly inelastic demand curve is:
A. Horizontal
B. Vertical
C. Downward sloping
D. Rectangular
Correct Answer: B. Vertical

B. Percentage Method

81. The percentage method measures elasticity by comparing:
A. Percentage change in quantity demanded and percentage change in price
B. Total revenue and total cost
C. Income and saving
D. Price and supply only
Correct Answer: A. Percentage change in quantity demanded and percentage change in price

82.If incremental revenue is ₹50,000 and incremental cost is ₹35,000, what is the incremental profit?

A. ₹15,000

B. ₹85,000

C. ₹35,000

D. ₹50,000

Correct Option: A. ₹15,000

83. If quantity demanded changes by 10% and price changes by 20%, elasticity is:
A. 0.5
B. 1
C. 2
D. 20
Correct Answer: A. 0.5

84. If price changes by 10% and quantity demanded changes by 10%, elasticity is:
A. 0
B. 0.5
C. 1
D. 2
Correct Answer: C. 1

85. If percentage change in quantity demanded is greater than percentage change in price, elasticity is:
A. Greater than one
B. Less than one
C. Equal to zero
D. Equal to one always
Correct Answer: A. Greater than one

C. Arc Elasticity

86. Arc elasticity is used to measure elasticity between:
A. Two points on a demand curve
B. One point only
C. Two supply curves only
D. Two income curves
Correct Answer: A. Two points on a demand curve

87. Arc elasticity is particularly useful when:
A. There is a relatively large change in price and quantity
B. There is no change in price
C. Demand is zero
D. Supply is fixed
Correct Answer: A. There is a relatively large change in price and quantity

88. The arc method uses:
A. Average price and average quantity
B. Maximum price only
C. Minimum quantity only
D. Total revenue only
Correct Answer: A. Average price and average quantity

D. Income Elasticity of Demand

89. Income elasticity of demand measures the responsiveness of demand to changes in:
A. Income
B. Price
C. Advertising
D. Population only
Correct Answer: A. Income

90. Income elasticity is represented by:
A. Ey
B. Ep
C. Ea

D. Ec
Correct Answer: A. Ey

91. The formula for income elasticity is:
A. % change in quantity demanded / % change in income
B. % change in price / % change in quantity
C. % change in income / % change in price
D. Price × Quantity
Correct Answer: A. % change in quantity demanded / % change in income

92. If income elasticity is positive, the commodity is generally:
A. A normal good
B. An inferior good
C. A free good
D. A complementary good
Correct Answer: A. A normal good

93. If income elasticity is negative, the commodity is generally:
A. Normal
B. Inferior
C. Luxury only
D. Complementary
Correct Answer: B. Inferior

94. For a luxury good, income elasticity is generally:
A. Greater than one
B. Less than zero
C. Equal to zero
D. Always equal to one
Correct Answer: A. Greater than one

95. For a necessity, income elasticity is generally:
A. Positive but less than one
B. Negative
C. Greater than two always
D. Zero always
Correct Answer: A. Positive but less than one

96. If income rises by 10% and demand rises by 20%, income elasticity is:
A. 0.5
B. 1
C. 2
D. 10
Correct Answer: C. 2

97. If income rises by 20% and demand rises by 10%, income elasticity is:
A. 0.5
B. 1
C. 2
D. -2
Correct Answer: A. 0.5

E. Cross Elasticity of Demand

98. Cross elasticity of demand measures the responsiveness of demand for one commodity to a change in the:
A. Price of another commodity
B. Income of the consumer
C. Price of the same commodity only
D. Advertising expenditure
Correct Answer: A. Price of another commodity

99. Cross elasticity is represented by:
A. Ec
B. Ep
C. Ey
D. Ea
Correct Answer: A. Ec

100. For substitute goods, cross elasticity is generally:
A. Positive
B. Negative
C. Zero
D. Infinite always
Correct Answer: A. Positive

101. For complementary goods, cross elasticity is generally:
A. Positive
B. Negative
C. Zero

D. Infinite
Correct Answer: B. Negative

102. For unrelated goods, cross elasticity is generally:
A. Zero
B. Positive
C. Negative
D. Greater than one
Correct Answer: A. Zero

103. Tea and coffee are examples of:
A. Substitute goods
B. Complementary goods
C. Unrelated goods
D. Inferior goods
Correct Answer: A. Substitute goods

104. Cars and petrol are examples of:
A. Substitute goods
B. Complementary goods
C. Unrelated goods
D. Inferior goods
Correct Answer: B. Complementary goods

105. If the price of coffee increases and demand for tea increases, the two goods are:
A. Substitutes
B. Complements
C. Unrelated
D. Inferior
Correct Answer: A. Substitutes

106. If the price of cars increases and demand for petrol decreases, cars and petrol are:
A. Substitutes
B. Complements
C. Unrelated goods
D. Luxury goods
Correct Answer: B. Complements

107. If cross elasticity is zero, the goods are:
A. Unrelated
B. Substitutes
C. Complements
D. Necessities
Correct Answer: A. Unrelated

F. Advertising Elasticity of Demand

108. Advertising elasticity of demand measures the responsiveness of sales/demand to changes in:
A. Advertising expenditure
B. Price only
C. Income only
D. Population
Correct Answer: A. Advertising expenditure

109. Advertising elasticity is represented by:
A. Ea
B. Ep
C. Ey
D. Ec
Correct Answer: A. Ea

110. The formula for advertising elasticity is:
A. % change in sales / % change in advertising expenditure
B. % change in price / % change in sales
C. % change in income / % change in demand
D. Total revenue / Total cost
Correct Answer: A. % change in sales / % change in advertising expenditure

111. If advertising expenditure increases by 10% and sales increase by 20%, advertising elasticity is:
A. 0.5
B. 1
C. 2
D. 10
Correct Answer: C. 2

112. A positive advertising elasticity generally indicates:
A. Advertising increases sales
B. Advertising reduces sales
C. Advertising has no effect

D. Sales are zero
Correct Answer: A. Advertising increases sales

113. The relationship between advertising expenditure and sales is generally represented by:
A. Advertising-sales curve
B. Supply curve only
C. Cost curve only
D. Revenue curve only
Correct Answer: A. Advertising-sales curve

G. Demand Forecasting

114. Demand forecasting means:
A. Estimating future demand
B. Measuring past demand only
C. Measuring present supply only
D. Fixing prices permanently
Correct Answer: A. Estimating future demand

115. Demand forecasting is useful for:
A. Business planning
B. Eliminating scarcity
C. Eliminating competition
D. Eliminating risk completely
Correct Answer: A. Business planning

116. According to the syllabus, which methods of demand forecasting are included?
A. Survey and trends methods
B. Regression and econometric methods
C. Delphi and barometric methods
D. Expert opinion and market experiment only
Correct Answer: A. Survey and trends methods

117. The survey method is based mainly on:
A. Collection of information from consumers or relevant respondents
B. Historical cost only
C. Production records only
D. Stock market prices only
Correct Answer: A. Collection of information from consumers or relevant respondents

118. The trends method primarily uses:
A. Past data and trends
B. Consumer interviews only
C. Political opinions
D. Advertising expenditure only
Correct Answer: A. Past data and trends

119. A good demand forecasting method should be:
A. Accurate
B. Unnecessarily complicated
C. Expensive only
D. Completely unrelated to data
Correct Answer: A. Accurate

120. An ideal demand forecasting method should be:
A. Simple and economical
B. Extremely expensive
C. Impossible to understand
D. Unrelated to business decisions
Correct Answer: A. Simple and economical

121. One important criterion of an ideal forecasting method is:
A. Accuracy
B. Complexity
C. High cost
D. Irrelevance
Correct Answer: A. Accuracy

122. Demand forecasting helps a firm in:
A. Production planning
B. Eliminating consumers
C. Eliminating markets
D. Eliminating all uncertainty
Correct Answer: A. Production planning

UNIT 4 – COST & REVENUE ANALYSIS

The syllabus specifies the **meaning** of the listed cost concepts, short-run and long-run cost-output relationships, and the **meaning and diagrams** of AR, MR and TR.

A. Historical Cost & Replacement Cost

123. Historical cost refers to:
A. Original cost incurred to acquire an asset
B. Current replacement cost
C. Future expected cost
D. Opportunity cost only
Correct Answer: A. Original cost incurred to acquire an asset

124. Replacement cost refers to:
A. Cost of replacing an existing asset at current prices
B. Original purchase price only
C. Historical profit
D. Fixed revenue
Correct Answer: A. Cost of replacing an existing asset at current prices

125. The main difference between historical cost and replacement cost is related to:
A. Time and valuation
B. Quantity demanded
C. Consumer income
D. Advertising
Correct Answer: A. Time and valuation

B. Accounting Cost & Economic Cost

126. Accounting cost generally includes:
A. Explicit monetary costs recorded in accounting books
B. Only opportunity costs
C. Only implicit costs
D. Consumer expenditure
Correct Answer: A. Explicit monetary costs recorded in accounting books

127. Economic cost includes:
A. Explicit and implicit costs
B. Explicit costs only
C. Fixed costs only
D. Variable costs only
Correct Answer: A. Explicit and implicit costs

128. Opportunity cost is included in:
A. Economic cost
B. Accounting cost only
C. Historical cost only
D. Replacement cost only
Correct Answer: A. Economic cost

129. The value of owner's own resources used in business is generally treated as:
A. Implicit cost
B. Explicit cost
C. Historical cost
D. Accounting revenue
Correct Answer: A. Implicit cost

C. Direct and Indirect Cost

130. Direct cost can be directly traced to:
A. A particular product or activity
B. The whole economy only
C. Consumers only
D. Government only
Correct Answer: A. A particular product or activity

131. Indirect cost cannot be easily traced to:
A. A particular product or activity
B. Total business
C. Overall production
D. The firm
Correct Answer: A. A particular product or activity

132. Wages paid directly to workers producing a particular product are generally:
A. Direct cost
B. Indirect cost
C. Opportunity cost
D. Replacement cost
Correct Answer: A. Direct cost

133. Factory rent is generally considered:
A. Indirect cost
B. Direct cost
C. Marginal revenue
D. Opportunity revenue
Correct Answer: A. Indirect cost

D. Total Cost, Average Cost and Marginal Cost

134.Opportunity cost of a resource can exist when it has:

A. Alternative uses

B. No use

C. Unlimited supply

D. Zero value

Correct Option: A. Alternative uses

135. Total cost is represented by:
A. TC
B. AC
C. MC
D. TR
Correct Answer: A. TC

136. Average cost is calculated as:
A. Total Cost / Total Output
B. Total Revenue / Total Output
C. Total Cost × Output
D. Total Revenue − Total Cost
Correct Answer: A. Total Cost / Total Output

137. Marginal cost means:
A. Additional cost of producing one more unit
B. Total cost of production
C. Average cost of all units
D. Fixed cost per unit
Correct Answer: A. Additional cost of producing one more unit

138. Marginal cost is represented by:
A. MC
B. AC
C. TC
D. TR
Correct Answer: A. MC

139. If total cost increases from ₹10,000 to ₹10,500 when output increases by one unit, marginal cost is:
A. ₹500
B. ₹10,500
C. ₹10,000
D. ₹5000
Correct Answer: A. ₹500

140. If total cost is ₹20,000 and output is 1,000 units, average cost is:
A. ₹20
B. ₹200
C. ₹2,000
D. ₹0.20
Correct Answer: A. ₹20

141. The relationship between AC and MC is important for understanding:
A. Cost behaviour
B. Demand forecasting only
C. Income elasticity only
D. Cross elasticity only
Correct Answer: A. Cost behaviour

E. Short Run and Long Run Cost

142.Incremental cost means:

A. Additional cost arising from a decision

B. Total cost

C. Fixed cost only

D. Historical cost

Correct Option: A. Additional cost arising from a decision

143. In the long run:
A. All factors can be varied
B. All factors are fixed
C. No factor can be changed
D. Production is always zero
Correct Answer: A. All factors can be varied

144. Short-run cost curves are associated with:
A. Fixed and variable factors
B. Only variable factors
C. Only fixed factors
D. No factors
Correct Answer: A. Fixed and variable factors

145. Long-run cost analysis assumes that:
A. All factors are variable
B. All factors are fixed
C. Output cannot change
D. Prices cannot change
Correct Answer: A. All factors are variable

146. The short run and long run differ mainly in terms of:
A. Adjustability of factors
B. Consumer preferences only
C. Market demand only
D. Advertising only
Correct Answer: A. Adjustability of factors

147. The study of market structure is included in:

A. Business Economics

B. Political Science

C. Geography

D. History

Correct Option: A. Business Economics

148. In the short run, fixed cost remains:
A. Constant with changes in output
B. Always zero
C. Equal to marginal cost
D. Equal to revenue
Correct Answer: A. Constant with changes in output

149. Variable cost generally changes with:
A. Output
B. Population only
C. Income only
D. Advertising only
Correct Answer: A. Output

F. Revenue Concepts

150. Revenue refers to:
A. Income received from sale of goods and services
B. Cost of production
C. Opportunity cost
D. Fixed expenditure only
Correct Answer: A. Income received from sale of goods and services

151. Total revenue is the:
A. Total income from sales
B. Revenue per unit
C. Additional revenue only
D. Total cost
Correct Answer: A. Total income from sales

152. Total revenue is calculated as:
A. Price × Quantity sold
B. Price + Quantity
C. Price − Quantity

D. Cost × Price
Correct Answer: A. Price × Quantity sold

153. Average revenue is:
A. Total revenue divided by quantity sold
B. Total cost divided by quantity
C. Total revenue multiplied by quantity
D. Total cost minus total revenue
Correct Answer: A. Total revenue divided by quantity sold

154. Average revenue is generally equal to:
A. Price
B. Total cost
C. Marginal cost
D. Fixed cost
Correct Answer: A. Price

155. Marginal revenue means:
A. Additional revenue from selling one additional unit
B. Total revenue
C. Average revenue
D. Total cost
Correct Answer: A. Additional revenue from selling one additional unit

156. Marginal revenue is represented by:
A. MR
B. AR
C. TR
D. TC
Correct Answer: A. MR

157. Total revenue is represented by:
A. TR
B. MR
C. AR
D. MC
Correct Answer: A. TR

158. Average revenue is represented by:
A. AR
B. MR
C. TR
D. AC
Correct Answer: A. AR

159. If a firm sells 100 units at ₹20 each, total revenue is:
A. ₹2,000
B. ₹200
C. ₹20,000
D. ₹120
Correct Answer: A. ₹2,000

160. If total revenue is ₹5,000 and quantity sold is 250 units, average revenue is:
A. ₹20
B. ₹25
C. ₹50
D. ₹2
Correct Answer: A. ₹20

161. If total revenue increases from ₹5,000 to ₹5,100 when one additional unit is sold, marginal revenue is:
A. ₹100
B. ₹5,100
C. ₹5,000
D. ₹50
Correct Answer: A. ₹100

UNIT 4 – MIXED APPLICATION MCQs

162. Which cost represents the original expenditure on an asset?
A. Historical cost
B. Replacement cost
C. Economic cost
D. Marginal cost
Correct Answer: A. Historical cost

163. Which cost represents the current cost of replacing an asset?
A. Replacement cost
B. Historical cost
C. Accounting cost

D. Direct cost
Correct Answer: A. Replacement cost

164. Which cost includes opportunity cost?
A. Economic cost
B. Accounting cost only
C. Historical cost
D. Direct cost only
Correct Answer: A. Economic cost

165. Which cost can be directly identified with a specific product?
A. Direct cost
B. Indirect cost
C. Economic cost
D. Replacement cost
Correct Answer: A. Direct cost

166. Which cost is difficult to allocate to a specific product?
A. Indirect cost
B. Direct cost
C. Marginal cost
D. Variable cost only
Correct Answer: A. Indirect cost

167. Which cost represents the additional cost of one more unit?
A. Marginal cost
B. Average cost
C. Total cost
D. Fixed cost
Correct Answer: A. Marginal cost

168. Which revenue represents additional revenue from one additional unit?
A. Marginal revenue
B. Average revenue
C. Total revenue
D. Economic revenue
Correct Answer: A. Marginal revenue

169. Which revenue represents revenue per unit sold?
A. Average revenue
B. Marginal revenue
C. Total revenue
D. Fixed revenue
Correct Answer: A. Average revenue

170. Which revenue is calculated as price multiplied by quantity?
A. Total revenue
B. Average revenue
C. Marginal revenue
D. Economic revenue
Correct Answer: A. Total revenue

171. If price is ₹50 and quantity sold is 500 units, total revenue is:
A. ₹25,000
B. ₹550
C. ₹10,000
D. ₹500
Correct Answer: A. ₹25,000

172. If total cost is ₹50,000 and output is 2,000 units, average cost is:
A. ₹25
B. ₹50
C. ₹100
D. ₹2,500
Correct Answer: A. ₹25

173. If output increases from 100 to 101 units and total cost increases from ₹10,000 to ₹10,120, marginal cost is:
A. ₹120
B. ₹10,120
C. ₹10,000
D. ₹20
Correct Answer: A. ₹120

174. Which of the following is a revenue concept?
A. Average Revenue
B. Marginal Revenue
C. Total Revenue
D. All of the above
Correct Answer: D. All of the above

175. Which of the following is a cost concept?
A. Average Cost

B. Marginal Cost
C. Total Cost
D. All of the above
Correct Answer: D. All of the above

Complete Coverage of Your VNSGU Syllabus

Unit	Main Areas Covered	MCQs
Unit 1	Introduction to Business Economics + 5 basic principles	**100**
Unit 2	Demand & Supply Analysis	**70**
Unit 3	Elasticity of Demand + Demand Forecasting	**52**
Unit 4	Cost & Revenue Analysis	**53**
Total	**Complete syllabus**	**275 MCQs**

The uploaded syllabus confirms that **all four units carry 25% each**, making this a complete unit-wise MCQ bank for the course **Minor Paper – Business Economics, B.Com. Semester 1, VNSGU, Academic Year 2026–27**.

Important: I have kept the scope aligned with the syllabus. For example, Unit 3 includes only the specified **Percentage Method and Arc Method** for price elasticity and only **Survey and Trends Methods** for demand forecasting, rather than adding methods that are outside the prescribed syllabus.