103 – Economic Analysis for Business Decisions

1. **What is the primary concern of Microeconomics?**

   a. Aggregate economy
   b. Individual consumers and firms
   c. Macroeconomic policies
   d. National income measurement

   Answer: b. Individual consumers and firms

2. **In Managerial Economics, what does the term "Economist Theory of the Firm" emphasize?**

   a. Decision-making at the firm level
   b. Market structures
   c. Macroeconomic factors
   d. Government intervention

   Answer: a. Decision-making at the firm level

3. **What is the primary objective of the Profit Maximization Model in Managerial Economics?**

   a. Maximizing sales revenue
   b. Minimizing costs
   c. Maximizing profit
   d. Achieving market share

   Answer: c. Maximizing profit

4. **Which branch of economics deals with the overall performance and behavior of the economy?**

   a. Microeconomics
   b. Macroeconomics
   c. Econometrics
   d. Behavioural Economics

   Answer: b. Macroeconomics

5. **What is the nature of Managerial Economics in relation to decision-making?**

   a. It is purely theoretical
   b. It is only concerned with profit maximization
   c. It applies economic principles to solve business problems
   d. It focuses solely on government policies

   Answer: c. It applies economic principles to solve business problems

6. **What is the primary concept of a "Firm" in Managerial Economics?**

   a. Market structure
   b. Business organization producing goods or services
   c. Consumer preferences
   d. Government regulation

   Answer: b. Business organization producing goods or services

7. **Which level of economics analyses the economy as a whole, including factors like inflation and unemployment?**

   a. Microeconomics
   b. Macroeconomics
   c. Managerial Economics
   d. International Economics

   Answer: b. Macroeconomics

8. **What does the Law of Diminishing Marginal Utility state?**
   a. The total utility increases as consumption increases
   b. The additional satisfaction from each additional unit decreases
   c. Utility is constant regardless of consumption
   d. Marginal utility is always negative

   Answer: b. The additional satisfaction from each additional unit decreases

9. **What does an Indifference Curve represent in utility analysis?**

   a. Consumer preferences
   b. Budget constraints

c. Price levels
d. Market equilibrium

Answer: a. Consumer preferences

10. **What is the Consumer's Equilibrium in utility analysis?**
a. Maximum satisfaction from a given budget
b. Equal satisfaction from all goods
c. Point where the budget line intersects the indifference curve
d. Maximum consumption of all goods

Answer: c. Point where the budget line intersects the indifference curve

11. **Which factor does NOT influence the elasticity of demand?**
a. Availability of substitutes
b. Necessity of the good
c. Time horizon
d. Consumer preferences

Answer: d. Consumer preferences

12. **What is the primary purpose of Demand Forecasting in Managerial Economics?**

a. Historical data analysis
b. Predicting consumer preferences
c. Estimating future demand for planning
d. Market segmentation

Answer: c. Estimating future demand for planning

13. **Which method of Demand Forecasting relies on expert judgment and opinions?**

a. Statistical Methods
b. Survey Methods
c. Qualitative Methods
d. Experimental Methods

Answer: c. Qualitative Methods

14. **What is Consumer Surplus in utility and demand analysis?**

a. Extra income left after consumption
b. The difference between actual and forecasted demand
c. Additional satisfaction from a good
d. The monetary gain consumers receive from paying less than they are willing to pay

Answer: d. The monetary gain consumers receive from paying less than they are willing to pay

15. **What is the Law of Demand in Economics?**

a. As prices increase, quantity demanded increases
b. As prices increase, quantity demanded remains constant
c. As prices increase, quantity demanded decreases
d. As prices increase, quantity demanded becomes elastic

Answer: c. As prices increase, quantity demanded decreases

16. **What does the Law of Supply state?**

a. As prices increase, quantity supplied increases
b. As prices increase, quantity supplied remains constant
c. As prices increase, quantity supplied decreases
d. As prices increase, quantity supplied becomes elastic

Answer: a. As prices increase, quantity supplied increases

17. **What is the concept of Elasticity of Supply?**

a. Changes in quantity supplied in response to price changes
b. The slope of the supply curve
c. The impact of production costs on supply
d. The degree of responsiveness of quantity supplied to changes in price

Answer: d. The degree of responsiveness of quantity supplied to changes in price

18. **What are Economies of Scale in production analysis?**

a. The cost of producing an additional unit
b. The cost per unit decreases as production increases
c. The cost of raw materials
d. The total cost of production

Answer: b. The cost per unit decreases as production increases

19. **What is the primary determinant of Short-run Costs in cost analysis?**

a. Total output
b. Fixed costs
c. Variable costs
d. Marginal costs

Answer: c. Variable costs

20. **What happens to market equilibrium when there is an increase in both demand and supply?**

a. Price decreases, quantity increases
b. Price increases, quantity decreases
c. Price and quantity both increase
d. Price and quantity both decrease

Answer: c. Price and quantity both increase

21. **What is the practical importance of understanding Elasticity of Supply for businesses?**

a. It helps in setting production targets
b. It assists in determining optimal pricing strategies
c. It guides in resource allocation
d. It aids in forecasting market trends

Answer: b. It assists in determining optimal pricing strategies

22. **Which factor does NOT influence the Elasticity of Supply?**

a. Production technology
b. Time horizon
c. Availability of substitutes
d. Nature of the good

Answer: c. Availability of substitutes

23. **What is the significance of Changes or Shifts in Supply in market equilibrium?**

a. They cause a movement along the demand curve
b. They lead to changes in price only
c. They result in changes in both price and quantity
d. They don't affect market equilibrium

Answer: c. They result in changes in both price and quantity

24. **What is the relationship between Revenues and Price Elasticity of Demand?**

a. Inverse relationship
b. Direct relationship
c. No relationship
d. It depends on the type of good

Answer: a. Inverse relationship

25. **What is the primary objective of Cost Plus Pricing?**

a. Maximize profit
b. Cover all production costs
c. Beat competitors on price
d. Gain market share

Answer: b. Cover all production costs

26. **What is the concept of Penetration Pricing in pricing policies?**

a. Setting high initial prices and gradually lowering them
b. Pricing products based on competitor prices
c. Entering the market with low initial prices to gain market share
d. Adjusting prices according to inflation

Answer: c. Entering the market with low initial prices to gain market share

27. **In Price Leadership, which firm sets the price for the entire industry?**

a. Dominant firm
b. Smallest firm
c. New entrant
d. Government-regulated firm

Answer: a. Dominant firm

28. **What is the primary objective of Price Skimming?**

    a. Quickly gaining market share
    b. Setting low prices to capture price-sensitive customers
    c. Charging the highest possible price initially
    d. Maintaining stable prices over time

    Answer: c. Charging the highest possible price initially

29. **What is Transfer Pricing in the context of managerial economics?**

    a. Pricing goods for transfer between subsidiaries
    b. Adjusting prices based on inflation
    c. Setting prices based on government regulations
    d. Pricing goods for international trade

    Answer: a. Pricing goods for transfer between subsidiaries

30. **Under Perfect Competition, what is the primary factor determining the price-output determination in the short run?**

    a. Long-run costs
    b. Market demand
    c. Marginal cost
    d. Average total cost

    Answer: c. Marginal cost

31. **In Monopolistic Competition, what is a key characteristic of the market structure?**

    a. Identical products
    b. Many sellers
    c. Price takers
    d. Product differentiation

    Answer: d. Product differentiation

32. **What is a feature of Oligopoly in terms of the number of firms?**

    a. Single seller
    b. Few sellers
    c. Many sellers
    d. Infinite sellers

Answer: b. Few sellers

33. **What is the primary rationale for the need for Government Intervention in Markets?**

    a. Encourage monopolies
    b. Control prices
    c. Enhance competition
    d. Stabilize market fluctuations

    Answer: d. Stabilize market fluctuations

34. **What is one method for the Prevention and Control of Monopolies?**

    a. Encouraging mergers
    b. Price discrimination
    c. Regulation of market entry
    d. Monopoly promotion

    Answer: c. Regulation of market entry

35. **What is the Consumption Function in managerial economics?**

    a. The relationship between consumption and income
    b. The total amount consumed by a nation
    c. The cost of production for consumers
    d. The total utility derived from consumption

    Answer: a. The relationship between consumption and income

36. **What does the Multiplier concept explain in the context of economics?**

    a. How changes in investment affect income
    b. How changes in consumption affect investment
    c. How changes in government spending impact inflation
    d. How changes in interest rates affect savings

    Answer: a. How changes in investment affect income

37. **What is the Accelerator in investment function?**

    a. A financial institution
    b. The speed at which investments react to changes in income

c. A government policy
d. A measure of inflation

Answer: b. The speed at which investments react to changes in income

38. **What is the primary feature of the Expansion phase in the Business Cycle?**

a. High unemployment
b. Declining economic growth
c. Rising incomes and employment
d. Recession

Answer: c. Rising incomes and employment