

NATURE AND SCOPE OF BUSINESS ECONOMICS

The nature and scope of
Managerial Economics.

UNIT – 1

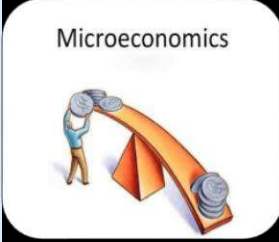

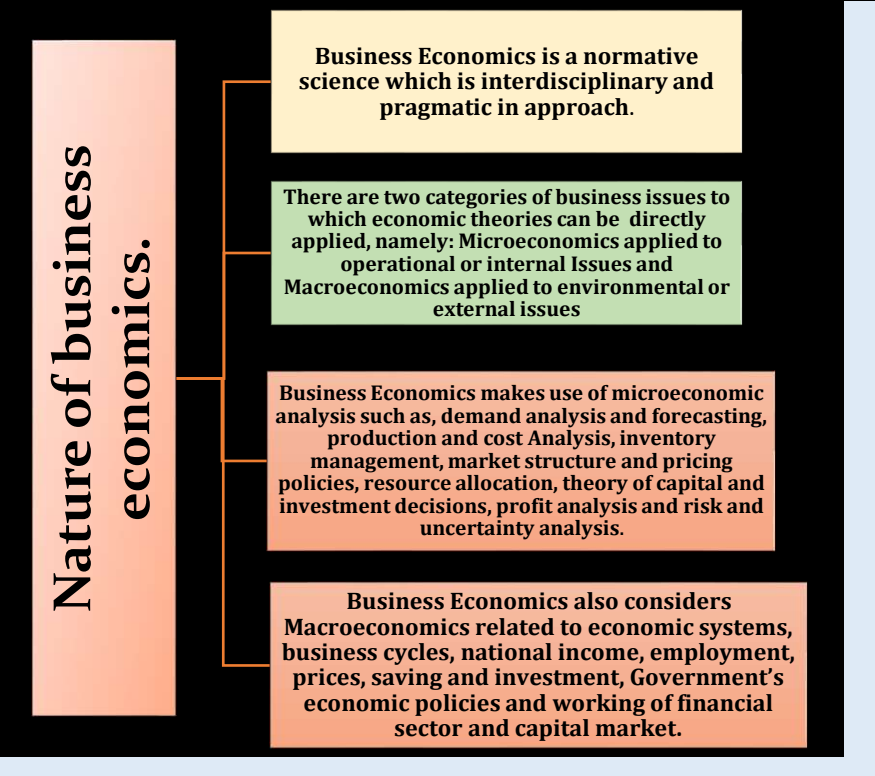
Introduction

Economics is the study process by which the relatively scarce resources are allocated to satisfy the competing unlimited wants of human beings in a society

An economy exists because of two facts i .e. humans wants are unlimited and the resources are scarce

Division of economics

The subject matter of Economics is divided into two parts- Micro and Macro Economics.

<p>Micro economics</p>	 <p>Microeconomics</p> <ul style="list-style-type: none"> • Microeconomics examines how the individual units (consumers or firms) make decisions as to how to efficiently allocate their scarce resources.
<p>Macro economics</p>	 <p>Macroeconomics</p> <ul style="list-style-type: none"> • Macroeconomics study the behavior of the large economic aggregates, such as, the overall levels of output, total consumption, total saving and total investment and how these aggregates shift over time.
<p>Definition of business Economics</p>	<p>Business Economics may be defined as the use of economic analysis to make business decision involving the best use of an organization`s scarce resources.</p>
<p>Scope of business economics</p>	<p>While Business Economics is basically concerned with Micro economic analysis has got an important role to play Macroeconomics analyses the environment in which the business has to function.</p>
<p>Nature of business economics</p>	 <p>Nature of business economics.</p> <ul style="list-style-type: none"> Business Economics is a normative science which is interdisciplinary and pragmatic in approach. There are two categories of business issues to which economic theories can be directly applied, namely: Microeconomics applied to operational or internal Issues and Macroeconomics applied to environmental or external issues Business Economics makes use of microeconomic analysis such as, demand analysis and forecasting, production and cost Analysis, inventory management, market structure and pricing policies, resource allocation, theory of capital and investment decisions, profit analysis and risk and uncertainty analysis. Business Economics also considers Macroeconomics related to economic systems, business cycles, national income, employment, prices, saving and investment, Government`s economic policies and working of financial sector and capital market.

UNIT - 2

BASIC PROBLEM OF AN ECONOMY AND ROLE OF PRICE MECHANISM

BASIC PROBLEMS OF AN ECONOMY	<p>As mentioned in the last unit all countries, without expectation Face the problem of society. Their resources (nature productive resources, man – made Capital goods consumer goods, money and time etc.) Are limited and these resources having alternative uses?</p>
The central economic problem	<p>The central economic problem further divided into four basic Economic problems. These are:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <div style="background-color: #FFD700; padding: 2px; margin-bottom: 2px;">What to produce?</div> <div style="background-color: #90EE90; padding: 2px; margin-bottom: 2px;">How to produce?</div> <div style="background-color: #66B3FF; padding: 2px;">For whom to produce?</div> </div> <p>What provisions (if any) are to be made for economic growth?</p>
CAPITALIST ECONOMY	<p>Capitalism the predominant economic system in the modern global economy is an economic system in which all means of production are owned and controlled by private individuals for profit. In short, private property is the mainstay of capitalism and profit motives is its driving force.</p>
SOCIAL ECONOMY	<p>A socialist economy is also called as “command Economy” or a “Centrally planned Economy” .Here; the resources are allocated according to the command of a central planning authority.</p>

THE MIXED ECONOMY

The mixed economic system depends on both markets and governments for allocation of resources. In fact, every economy in the real world makes use of both markets and government and therefore is mixed economy in its nature

**Question 1**

'Economics is the study of mankind in the ordinary business of life' was given by:-

- (a) Adam Smith (b) Alfred Marshal
(c) Lord Robbins (d) Samuelson

Answer: b

Explanation:

Economics is a study of mankind in the ordinary business of life is the Welfare definition given by Alfred marshal.

Question 2

The branch of economic theory that deals with the problem of allocation of Resources is:

- (a) Micro Economics (b) Econometrics
(c) Macro Economics (d) None of these

Answer: a

Explanation:

The study of micro economics deals with how a producer allocates his resources and fixed a price of his product for the optimum utilization of resources.

Question 3

Capitalistic Economy uses as principal means of allocating resources

- (a) Demand (b) Price
(c) Supply (d) All of the above

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Answer: b

Explanation:

A capitalistic economy is characterized by absence of state intervention this economy uses price mechanism to solve their basic economics.

Question 4

Under a free economy, prices are:

- (a) Regulated
- (b) Depend Upon demand and supply
- (c) Partly regulated
- (d) None of these

Answer: c

Explanation:

Under free economy (capitalist economy) prices are determined by price or market i.e. there is no authority to determine prices _ but they are decided by forces of demand and supply.

Question 5

Which of the following falls under micro economics?

- (a) National income
- (b) General price level
- (c) Factor pricing
- (d) National saving and investment

Answer: c

Explanation:

Micro economics studies economic behavior of individual economics units. Pricing of every factor is micro concept.

Question 6

In a free market economy, when consumers increase their purchase of a goods and the level of __exceeds __then prices

- (a) Demand, supply
- (b) Prices, demand
- (c) Supply, demand
- (d) Profit, supply

Answer: a

Explanation:

In a market (capitalist) economy prices are determined by market forces of Demand and supply. When demand of goods increase, the supply remaining the same, the prices of goods rises.

Question 7

Under inductive method logic proceeds from:

- (a) General to particular
- (b) Positive to normative
- (c) Normative to positive
- (d) Particular to general

Answer: d

Explanation:

Under inductive Method Conclusions are drawn on the basis of collection and analysis of facts relevant to the enquiry. The logic in this case proceeds from the particular to general.

Question 8

The meaning of time element in economics is:

- (a) Calendar time
- (b) Clock time
- (c) Operational time in which supply adjust with the market demand
- (d) None of these

Answer: a

Explanation:

In Economics the time element is taken as per day, per week, per month, per annum etc. Hence time element should be taken as calendar time.

Question 9

Micro economics does not study

- (a) Consumer behavior
- (b) Factor pricing
- (c) General price level
- (d) None of these

Answer: c

Explanation:

Micro Economics is the study of particular firms, particular households' individual price, wage income, individual industries and particular Commodities.

Question 10

All wants of an individual are not of:

- (a) Equal importance
- (b) Immediate importance
- (c) Fixed importance
- (d) All of the above

Answer: a

Explanation:

All wants to individuals are not of equal importance as all cannot be fulfilled.

Question 11

Freedom of economic choices characteristics of:

- (a) Mixed economy (b) Socialistic economy
(c) Capitalistic economy (d) None

Answer: c

Explanation:

Characteristic of capitalistic economy:

- ❖ Right to private property
- ❖ Freedom of enterprise:
- ❖ Freedom of economic choice
- ❖ Profit motive:
- ❖ Absence of Government interference

Question 12

Who is the author of “The Nature and causes of wealth of Nation”?

- (a) Karl Mars (b) J B say
(c) Adam smith (d) C Pigou

Answer: c

Explanation:

Science of wealth: Although the activity of acquiring and increasing material wealth is as old as Civilization, a disciplined study of the wealth producing activities Commenced about 235 years back (in 1776) when Adam Smith : the father of Economics, published “The Nature and causes of wealth of Nation”.

Question 13

When the economy makes technological progress, the production possibility Curve will shift?

- (a) Inward to the left (b) Outward to the right
(c) A movement along the same curve (d) A point inside the curve

Answer: b

Explanation:

PPC points show that goods and services product are at least cost and no resource is wasted. As economy makes progress in technology the PPC will

shift outward and to the right showing that more of both goods can be produced than before.

Question 14

Socialist Economy is also Known as

- (a) Capitalized Economy (b) Mixed Economy
(c) Planned Economy (d) None

Answer: c

Explanation:

Socialist economy is a planned economy. The entire national economy in socialist society develops in a planned and proportionate way. This is the objective law governing socialist economic development and an important feature showing the superiority of the socialist economy over the capitalist economy. A planned economy is a type of economy consisting of a mixture of public ownership of the means of production and the coordination of production and distribution through state planning. In a socialist system, production is geared towards satisfying economic demands and human needs.

Question 15

Who has defined economics as “Science which deals with wealth “

- (a) Adam Smith (b) Canon
(c) J.B. Say (d) A.C. Pigou

Answer: c

Explanation:

Many classical economists defined economics in term of wealth. JB Say is one of them .He said Economics is a “Science which deals with wealth”.

Question 16

Production possibility Curve is also known as:

- (a) Demand curve (b) Transformation Curve
(c) Supply Curve (d) Indifference Curve

Answer: b

Explanation:

In economics, a production possibility curve is also known as transformation curve. It is a graph that shows different rates of production of two goods that an individual or groups can efficiency produce with limited resources.

Question 17**The term "Mixed Economy" denotes.**

- (a) Co- existence of both consumers and Producers good`s industries in the economy
- (b) Co- existence of both private and public sectors in the economy.
- (c) Co- existence of both rural and urban Sectors in the economy
- (d) Co- existence of both large and small industry In the economy

Answer: b**Explanation:**

The term "Mixed Economy "denotes co- existence of both private & public sector in the economy. In fact, in a mixed economy, there are three sectors.

- Private sector
- Public sector
- Combined sector

Question 18**Which of the following is not a feature of a capitalist economy?**

- (a) Right to private property
- (b) Restriction on consumer Right to
- (c) Profit motive
- (d) freedom of enterprise

Answer: b**Explanation:****The feature of a capitalist economy is:**

- ❖ The right of private property.
- ❖ Freedom of enterprise.
- ❖ Freedom to choice by the consumer.
- ❖ Profit motive.
- ❖ Competition.
- ❖ Inequalities of income.
- ❖ Hence, restriction on consumer right to choose is not a feature of a capitalistic.

Question 19**The most important function of an entrepreneur is to –**

- (a) Innovate
- (b) Bear the sense of Responsibilities.
- (c) Finance
- (d) Earn profit

Answer: a

Explanation:

Entrepreneur is one of the factors of production. He is the one who co-ordinate with other factor like land, labor, capital etc. various functions of entrepreneur Are decision – making, managerial, organizational function of an entrepreneur is Innovate.

Question 20

Who does price mechanism exist?

- (a) Capitalist Economy (b) Socialist Economy
(c) Both type of economics (d) None of the above

Answer: a

Explanation:

A capitalistic economy has no central planning to decide what. How and for whom to produce. This economy uses the impersonal forces of the market demand and supply or price mechanism to solve its central problem.

Question 21

Positive science only explains

- (a) What is? (b) What ought to be?
(c) What is right or wrong (d) None of the above

Answer: a

Explanation:

A positive or pure science analyses causes and effect relationship between variables but it does not pass value judgment. It states what is. Thus option (a) is correct.

Question 22

In which among the following system the `right to property' exists

- (a) Mixed economy (b) Socialist economy
(c) Capitalist economy (d) Traditional economy

Answer: c

Explanation:

Capitalism is an economics system in which all the means of production are owned And controlled by private individuals for profit. The right of private property means that productive factors such as land, factories, machinery, mines etc. are under private ownership. The owners of these factors are free to use them in the manner they like. Thus option (c) is correct.

Question 23

Economics which is concerned with welfare propositions is called:-

- (a) Socialistic economics (b) Positive economics
(c) Capitalistic economics (d) Normal economics

Answer: d

Explanation:

Normal aspects is concerned with welfare proposition .it involves value judgments. It is prescriptive in nature and describes ` what should be the thing. For e.g. what should be the wages rate. Thus normative economics is the correct option.

Question 24

A system of economy in which all the means of production re - owned and controlled by the private individual for the purpose of profit is called

- (a) Socialist economy (b) Capitalist Economy
(c) Mixed economy (d) All of the above

Answer: b

Explanation:

Capitalistic is an economic system in which all the means of production are owned and controlled. By private individuals for profit. The government does not interfere in the management of economic Affairs under this system.

Question 25

Economic is the science of choice making. It implies:

- (a) No choice is to be made (b) choice to be made between
Alternative uses
(c) Choice to be made means (d) Net of the Above

Answer: b

Explanation:

Robbins gave the following definition of economics –

“Economics is the science which studies human behavior as a relationship between ends and scare means which have alternative uses”

Thus economics is a science of choice which is to be made between alternative uses.

Question 26

Which of the following is a part of the subject matter of macroeconomics?

- (a) Study of firms (b) Market demand for a product
(c) Aggregate profits of a firm (d) None

Answer: c

Explanation:

In macroeconomics, we study the economic behavior of large aggregates such as Overall condition of economy, total production etc. Out of the option given only NNP studies income which is related with the entire.

Question 27

The usual shape of production possibility is __ towards the origin.

- (a) Convex (b) Straight line
(c) Concave (d) A rectangular hyperbola

Answer: c

Explanation:

PPC show the various combinations of two goods which the economy can produce with the given amount of resources. In this context, since there are only two Goods, therefore the opportunity cost of producing one goods is in terms of sacrificed Thus, opportunity cost goes on increasing. It is this principle of increasing opposite Cost that makes the PPC concave to origin.

Question 28

Deductive and inductive method is complimentary to each other. It is:

- (a) Absolutely correct (b) Absolutely incorrect
(c) Partially incorrect (d) None of the Above

Answer: a

Explanation:

Deductive and inductive methods are not mutually exclusive and are used side by side in any scientific inquiry. Conclusion drawn from the deductive method of reasoning are verified by Inductive method of observing concrete facts of life. Thus it can be said that deductive method are complementary to each other is absolutely correct.

Question 29

What will be the shape of Production Possibility Curve (PPC) when marginal opportunity cost is constant?

- (a) Concave
(c) Backward bending
- (b) Convex
(d) Straight line

Answer: d

Explanation:

The slope of PPC depends upon marginal opportunity cost. A constant OC indicates that given resource are equally suited for the production of two goods. So when the constant, PPC is a straight line.

Question 30

A capitalist economy is by and large

- (a) A closed economy
(c) A centrally controlled economy
collects any taxes nor incurs
- (b) A free market economy
(d) An economy in which a govt.
neither

Answer: b

Explanation:

A capitalist economy also known as free market economy has no central planning authority to decide what how and for whom to produce. Such an economy uses the impersonal force of the market demand and supply or the price mechanism to solve its central problem.

Question 31

In Inductive method, logic proceeds from;

- (a) General to particular
(c) Both (a) and (b)
- (b) Particular to General
(d) None of these

Answer: b

Explanation:

Under inductive method, conclusion is draw on the basis of collection and analysis of facts relevant to the enquiry. Here the logic proceeds from particular to general this mean generalization is made based on facts collects.

Question 32

Collective Ownership is concept of Mixed Economy state this statement with reason.

- (a) True
(c) Partly false
- (b) False
(c) None

Answer: b

Explanation:

Characteristic of SOCIALIST economy are:

Collective Ownership: There is collective ownership of all means of production except small Farms, workshops and trading firms which many remains in private hands. As a result of social ownership profit – motive and self – interest are not the driving forces of economic activity as it is In the case of a market economy. The resources are used to achieve certain socio-economic activity.

Question 33**Normative Economic is based on:**

- (a) Ethical Consideration (b) Facts and Generalization
(c) What is? (d) All of the Above

Answer: a

Explanation:

Normative economic is concerned with welfare proposition. It state “what should be thing “. It does not deal with facts but involves value judgment. The ethical aspect of economic is normative economic for – what should be the wage rate level? This is normative statement.

Question 34**Which of the following is the feature of mixed economy?**

- (a) Planned economy (b) Facts and generalization
(c) Balance regional (d) All of the Above

Answer: d

Explanation:

An economy which incorporates the feature of both capitalist and socialist economics is called A Mixed Economy. It has the following features Mixed Economy is a planned economy i.e. Here the government has. A clear and defined economic plain. In mixed economy the price are the determined both by price mechanism and central planning Authority. Hence dual system of pricing exists. There is a balanced regional development in a mixed economy as the public sector enterprises will be set up in backward areas for balanced development. Hence, the answer will be all of these

Question 35**Which of these is a part of micro economy?**

- (a) Factor pricing (b) National Income
(c) Balance of payment (d) None of the above

Answer: a

Explanation:

Micro economics is his study of economic behavior of an individual firms or industry in the national Economy. It is the study of a particular unit. Factor pricing relates to pricing of individual factor and hence is a subject of micro economics Mixed means.

Question 36

The term, “Mixed Economy” denotes:

- (a) Coexistence of both private and public sector (b) Coexistence of poor and rich people
(c) Both (a) and (b) (d) None of the Above

Answer: a

Explanation:

Mixed economy is an economy which includes the best feature of both controlled economies and market economy the most important feature of mixed economy.

Question 37

Who gave the positive aspect of science?

- (a) Alfred Marshall (b) AC. Pigou
(c) Adam Smith (d) Prof. Robbins

Answer: d

Explanation:

A positive or pure science analyses cause and effect relationship between variables but it does not pass value judgments. This positive aspect of science was emphasized by professor robins.

Question 38

Inequalities of income do not perpetuate in_____

- (a) Socialism (b) Mixed economy
(c) Capitalism (d) None

Answer: a

Explanation:

A relative equally of income is an important feature of socialistic economy. Education and other Facilities more or less equally, thus the basic cause of inequalities are removed.

Question 39**Which of the following statement is incorrect?**

- (a) Alfred Marshall Propagated the wealth definition of economics
- (b) L. Robbins introduced the ``scarcity definition of economics
- (c) Samuelson emphasized upon the growth” aspect of economics
- (d) A.C. Pigou believed in ``welfare” aspect of economics

Answer: a**Explanation:**

The ` wealth 'definition of Economics was given by Adam Smith and JB Say, "An inquiry into the nature and causes of the wealth of the nations – Adam Smith. "Science which deals with wealth "JB Say.

Question 40**In a capitalist economy the allocation of resources is performed by:**

- (a) Producers
- (b) Government.
- (c) Planners
- (d) Price mechanism

Answer: d**Explanation:**

A capitalistic economy has no central planning authority decide what, how and for whom to produce. Thus the allocation of resources is performed by the market forces of demand and Supply known as price mechanism.

Question 41**Location of industries is matter of which economy.**

- (a) Macro Economics
- (b) Micro Economics
- (c) (A) or (B)
- (d) None

Answer: b**Explanation:**

We mainly study the following in Micro- Economics.

- ✚ Product price
- ✚ Consumer behavior;
- ✚ Factor pricing;
- ✚ The economic, condition of a section of people;
- ✚ Behavior of firms; and location of industry.

Question 42**Micro economics applied for External uses.**

- (a) True (b) False
(c) Partly True (d) None

Answer: b

Explanation:

Micro economics applied to operational or internal issues Macroeconomics applied to environmental or external issue. Therefore this statement is false

Question 43

Which of the following is not within the scope of Business Economics?

- (a) Capital Budgeting (b) Risk Analysis
(c) Business cycle (d) Accounting standard

Answer: d

Explanation:

Accounting standard is not within the scope of business economics where all other covered under the scope therefore the correct answer is d.

Question 44

Larger production of goods would lead to higher production in future.

- (a) Consumer goods (b) Capital goods
(c) Agriculture goods (d) Public goods

Answer: b

Explanation:

All the producers have limited amount of money and they to invest this money in both the consumer goods and the capital good. Capital goods are utilized to produce consumer Goods. So, if an economy is investing more in capital goods, it shows signs in near future an increase in GDP.

Question 45

Economics goods are considered scarce resources because they:-

- (a) Cannot be increased in quantity (b) Do not exist adequate quantity to satisfy the requirement of the society
(c) Are of primary importance satisfying social requirement (d) Are limited to man made goods.

Answer: b

Explanation:

Sacrifice is sometimes referred to as the fundamental fact of economics. There are not enough to fulfill all of the wants that people have.

Question 46

Macroeconomics is also called _____ economics

- (a) Applied (b) Aggregate
(c) Experimental (d) None of the above

Answer: b

Explanation:

Macroeconomics is the branch of economic that's studies the behavior and performed of an economy as a whole. It focuses on the aggregate changes in the economy such As unemployment, growth rate, gross domestic product and inflation.

Question 47

Which economic system depends on both markets and government for allocation of resources?

- (a) Mixed Economy (b) Capital Economy
(c) Social Economy (d) None of the above

Answer: a

Explanation:

The mixed economics system depends on both markets and government for allocation of resources in fact; every economy in the real world makes use of both markets and government and therefore is mixed economy in its nature.

Question 48

In a free market economy, the allocation of resources is determined by:-

- (a) Voting done by consumer (b) A central planning authority
(c) Consumer preference (d) No level of profit of firms.

Answer: c

Explanation:

The advantage of resources allocation in a free market economy is resources are allocated according to the needs of consumer. The profit motives forces producers to reduce costs and use the resources more efficiently (avoids wastage).

Question 49

Which theory explains the relation between inputs outputs?

- (a) Demand Theory (b) Production of theory

(c) Inventory Theory

(d) Inventory Theory

Answer: b

Explanation:

Production theory explains the relationship between inputs and outputs. A Business economist has to decide on the optimum size of output. Given the Objectives of the firm.

Question 50

Government Economic policies does not Includes.

(a) Industrial policy

(b) Competition policy

(c) Fiscal policy

(d) None.

Answer: d

Explanation:

Government economics polices like industrial policy, competition policy, monetary and fiscal policy, price policy, foreign trade policy and globalization policies.

Question 51

Business economics is

(a) Abstract and applies tools of micro economics

(b) Involves practical application of economic theory in business decision making

(c) Incorporates tools from multiple Disciplines

(d) Both (b) and (c)

Answer: d

Explanation:

Business Economics Involves practical application of economics theory in business decision making & also incorporates tools from multiple disciplines. Therefore, (d) is correct answer.

Past Examination Question

MAY - 2018

Question 1

Socialist Economy was propounded by :

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- (a) Karl Marx (b) Samuelsson
(c) A.C.PIGOU (d) Adam Smith

Answer: a

Explanation :

Karl Marx gave the theory of socialist economy.

Question 2

Concept of Business Economics was given by :

- (a) Joel Deo (b) Alfred Marshall
(c) Adam Smith (d) L. Robbins

Answer: a

Explanation:

Concept of Business was given by Joel Deo.

Question3

“Features of the book wealth of nation “

- (a) It was the first book user on economic (b) It was created in 1776
(c) It was also known as `wealth of Nation` (d) Both b and c.

Answer: d

Explanation:

Adam Smith was the father of economics. He wrote the books `the nature and cause Of wealth of nation ` . In 1776. This book was also Known as `wealth of the nation`. He defined economics at ` An Inquiry cuts the nature and causes of nations`

Question 4

In India, Mixed Economy exists due to :-

- (a) Coexistence of public sector and private sector (b) Individual forces of demand
(c) Orders by government (d) None of these

Answer: a

Explanation:

There are three types of economy. These are:

- ❖ Capitalist economy (private enterprises)
- ❖ Socialist economy (government by government)
- ❖ Mixed economy (public and private enterprises)

Mixed economy means where a co- existence of public and private sector.

Question 5

Which economy system is described by Schumpeter as capitalism in oxygen tent?

- (a) Laissez – Faire Economy (b) Command Economy
(c) Mixed Economy (d) Agrarian Economy

Answer: c

Explanation:

Mixed Economy is described by Schumpeter as capitalism in oxygen text. According To him it is only a trick of capitalism to cheat the working class by offering them so Temporary advantage like social security, upliftment of depressed classes etc.

Question 6

Capitalistic Economy use__ as principal means of allocating resources

- (a) Demand (b) Supply
(c) Price (d) All of these

Answer: c

Explanation:

Price is principal means of allocating resources in capitalist while “is not in socialist economy. Price mechanism is a characteristic is of capitalist economy.

Question 7

Capitalist economy is characterized by _____.

- (a) Profit Motive (b) Competition among sellers and buyers
(c) Inequalities of income (d) All the above

Answer: d

Explanation:

Characteristics of capitalism include Profit motive, Competition among buyers & sellers, inequalities of income.

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Question 8

Humans have ___ resources in response to satisfy their wants?

- (a) Unlimited (b) Limited

(c) Scarce

(d) Multiple

Answer: c

Explanation:

Human beings have unlimited wants. And resources to satisfy these unlimited wants are relatively scarce from the subject matter of Economics.

Question 9

Price Mechanism is the main feature of which economy?

(a) Capitalistic Economy

(b) Mixed Economy

(c) Social Economy

(d) All the above

Answer: a

Explanation:

Capitalism is self – regulating and work automatically through price mechanism.

Question 10

Business Economics is also known as?

(a) Applied Economics

(b) Managerial Economics

(c) Micro Economics

(d) All the above

Answer: b

Explanation:

Business economics also referred to as managerial economics, generally refers to The Integration of economics theory with business practice.

Question 11

Business economy involves theory of business economics with __

(a) Normative Economics

(b) Business practice

(c) Micro Economics

(d) Macro Economics

Answer: b

Explanation:

Business economy Involves theory of business with business practice, (application of theory).

Question 12

Which is not included in Economics?

(a) Family Structure

(b) Managerial Economics

(c) Micro Economics

(d) Macro economics

Answer: a

Explanation:

Family structure in no sense affects economics therefore is not included in economics.

Question 13

Business Environment involves the element of.

- | | |
|-----------------------|-----------------------|
| (a) Micro Environment | (b) Macro Environment |
| (c) Both (a) and (b) | (d) Macro Economics |

Answer: d

Explanation:

Business economics involves economy as a whole and therefore elements of macro - economics is included in it.

Question 14

In which economy market and government both play an important role?

- | | |
|--------------------------|-------------------------|
| (a) Mixed economy | (b) Socialistic economy |
| (c) Capitalistic economy | (d) None |

Answer: a

Explanation:

The mixed economic system depends on market and government for allocation of resources. In fact every economy in the real world makes use of both market and government and therefore is mixed economy in its nature.

Question 15

Which factor is included in business Economics?

- | | |
|--------------------------------------|---------------------------------|
| (a) Business Economics is an science | (b) Interdisciplinary in nature |
| (c) Normative in nature | (d) All of the Above |

Answer: d

Explanation:

FACTS OF BUSINESS ECONOMICS ARE: -

- ❖ It is science
- ❖ It is normative in nature
- ❖ It is nature disciplinary in nature 4: is pragmatic in approach.
- ❖ Therefore, answer will be all of the above

Question 16

Which out of these is the feature of capitalism?

- I. Profit motive
 II. Human welfare
 III. Work through price mechanism
- (a) (i) and (ii) (b) (ii) and (iii)
 (c) (i) and (ii) (d) All of the above

Answer: c

Explanation:

Feature of capitalist economy: -

- ❖ Profits motive
- ❖ Work through of operative efficiency
- ❖ High degree of operative efficiency
- ❖ Therefore, human's welfare is not a feature of a capitalist economy.

MAY - 2019

Question 17

The economy which makes use of both markets and government:

- (a) Mixed Economy (b) Socialistic economy
 (c) Capitalistic economy (d) None of all the above

Answer: a

Explanation:

An economy or economic system that relies on both market and government to allocate Resources. Every economy in the real world regardless of their common designation (Such as capitalism socialism, or communism) makes use of both markets and government And is technically a mixed economy.

Question 18

The practical application theory in business is called..... ..

- (a) Macro economics (b) Micro economics
 (c) Business economics (d) Socialistic economy

Answer: d

Explanation:

The practical application of economic theory in business decision is called business Economics.

Question 19

Which is not a Type of Economy.....

- (a) Capitalism (b) Socialism
 (c) Mixed economy (d) Political economy

Answer: d

Explanation:

There are three main types of economies: Capitalism (free market), Socialism (command), and mixed.

Question 20

Micro economic theory deals with the issues.

- | | |
|---------------------|-----------------------|
| (a) Producing price | (b) Consumer behavior |
| (c) Factor pricing | (d) All of the above |

Answer: d

Explanation:

As a terms imply. Microeconomics focuses on micro or small segment of economy and its studies the decision making process and economic problems of individuals (household, firms industry etc). In an economy with respect to that how they use Scare means or resources at their disposal for satisfying their unlimited ends.

Question 21

Nature of business economics is:-

- | | |
|---|-------------------------|
| (a) Theory of market and privates enterprises | (b) Normative in nature |
| (c) Incorporates element of macro analysis | (d) All of the above |

Answer: b

Explanation:

Business economics seeks to establish rules which help business firms attain their goals Which indeed are also the essence of the word normative. However, if the firm is to Establish valid decision rules, they must thoroughly understand their environment.

Question 22

Central Economic Problem is?

- | | |
|--------------------------|--------------------|
| (a) What to Produce? | (b) How to Produce |
| (c) For Whom to Produce? | (d) All the above. |

Answer: d

Explanation:

The Central Economic Problems are :-

- What to Produce?

- How to Produce?
- For Whom to Produce?
- What provisions made for growth?

DEC - 2020

Question 23

Economics in terms of Dynamic Growth and development defined by :

- (a) Alfred Marshall (b) Adam smith
(c) Robbins (d) Paul A Samuelson

Answer: d

Economics in terms of Dynamic Growth and development defined by “Paul A Samuelson”.

Question 24

A Socialistic economy is also called as :-

- (a) Profit oriented economy (b) Self-regulatory economy
(c) Centrally planned economy (d) Unorganized economy

Answer: c

Socialist economy is a centrally planned economy.

Question 25

_____ Economics explain economics phenomenon according to their causes and effects.

- (a) Normative (b) Empirical
(c) Positive (d) Applied

Answer: c

Positive economics explain economics phenomenon according to their causes and effects.

Question 26

In capitalistic economy ___ and ___ will be more.

- (a) Inequalities, exploitation (b) Exploitation, equalities
(c) Equalities, non exploitation (d) Non exploitation, inequalities

Answer: a

Major problem in Capitalism is raising inequalities and exploitation by others.

Question 27

In which economy, cost benefit analysis is used to answer the fundamental questions of economy?

- (a) Mixed economy (b) Socialistic economy
(c) Capitalistic economy (d) Regulatory economy

Answer: a

Explanation:

In a mixed economy, all the central problems of an economy is solved keeping in mind the cost of the factors of production with economic gains and social welfare.

Question 28

The study of behavior of different individuals, organizations with in an economic system is known as _____

- (a) Micro economics (b) Macroeconomics
(c) Welfare economics (d) None

Answer: a

Explanation:

Behavioral economics (also, macroeconomics) studies the effects of psychological, cognitive, emotional, cultural and social factors on the decisions of individuals and institutions and how those decisions vary from those implied by classical economic

Question 29

In which economic system production and distribution of goods and services aim at maximizing the welfare of community as a whole :

- (a) Capitalistic economy (b) Normative
(c) Mixed (d) Socialism

Answer: d

Explanation:

Socialists contend that shared ownership of resources and central planning provide a more equal distribution of goods and services and a more equitable society.

Question 30

The nature of business economics is :

- (a) Normative in nature (b) Pragmatic

(c) Pure science

(d) Independent

Answer: a

Explanation:

Usually, Business Economics is normative in nature. It offers suggestions for the application of economic principles while forming policies, making decisions, and planning for the future. However, firms must understand their environment thoroughly to establish decision rules.

Question 31

___ is responsible for all economic problems.

(a) Unlimited wants

(b) Alternative resources

(c) Scarcity of resources

(d) Others

Answer: c

Explanation:

Scarcity of Resources: Resources (i.e. land, labor, capital, etc.) are limited in relation to their demand and economy cannot produce all what people want. It is the basic reason for existence of economic problems in all economies.

JAN - 2021

Question 1

Effective demand depends on

(a) Price

(b) Cost

(c) Desire

(d) Product

Answer: a

Explanation:

Effective demand depends on supply price. Effective demand refers to that point where aggregate demand is equal to aggregate supply. Therefore, supply price and demand price are independent.

Question 2

Why does demand curve slopes downwards?

(a) Law of diminishing marginal
cost

(b) Arrival of old consumers

(c) Cost effect

(d) Different users

Answer: b

Explanation:

When the prices of the goods fall the old buyers tend to buy more goods than

usual thereby increasing its demand. This causes the downward sloping of demand curve.

Question 3

What is not a determinant of demand?

- (a) Consumer's expectations (b) Consumer's tastes and preferences
(c) Income of the consumers (d) Prices of unrelated goods

Answer: d

Explanation:

Determinants of demand:-

- ✚ The price of the good or service.
- ✚ The income of buyers.
- ✚ The prices of related goods or services—either complementary and purchased along with a particular item, or substitutes and bought instead of a product.
- ✚ The tastes or preferences of consumers will drive demand.
- ✚ Consumer expectations

Question 4

What are exceptions to Law of Demand?

- (a) Law of Diminishing Marginal (b) Substitutions effect
(c) Conspicuous goods (d) Different uses

Answer: c

Explanation:

There are two exceptions to the Law of Demand.
Giffen and Conspicuous goods are exceptions to the Law of Demand.

Question 5

Capitalist system offer incentives for

- (a) Efficient business decisions (b) Efficient government decisions
(c) Efficient non-government (d) Efficient economic decisions
decisions

Answer: d

Explanation:

In capitalist economies, people have strong incentives to work hard, increase efficiency, and produce superior products.'

Question 6

Macro-economic is also called _____ economics

- (a) Applied (b) Aggregate
(c) Micro (d) Experimental

Answer: b

Explanation:

The study of macroeconomics involves the study of the factors affecting the economy or society as a whole rather the individual factors. It is also known as aggregate economics.

Question 7

The book "Wealth of Nations" was written by

- (a) Alfred Marshall (b) John Robinson
(c) Adam Smith (d) Robert Malthus

Answer: c

Explanation:

Adam Smith is most famous for his 1776 book, "The Wealth of Nations." he is considered the father of modern economics.

Question 8

Rama: My corn harvest this year is poor Manoj: Don't worry. Price increase will compensate for the fall in quantity supplied Meera: climate affects crop yields. Some years are bad, other are good

Bharti: The Government ought to guarantee that out income will not fall.

In this conversation, the normative statement is made by

- (a) Rama (b) Manoj
(c) Meera (d) Bharti

Answer: d

Explanation:

Normative statements typically present an opinion-based analysis in terms of what is thought to be desirable.

Question 9

In a mixed economy there are _____ sectors of industries

- (a) Two (b) Three
(c) Four (d) Five

Answer: b

Explanation:

It is categorized into three sectors based on ownership of resources: Private sector which is owned by private sector. Public sector which is owned by the government. Joint sector which is owned in partnership between the private agents and the government.

Question 10

An economy exists because of two basic facts i.e.:-

- | | |
|--|---|
| (a) Human wants are limited and resource are unlimited | (b) Human wants are unlimited and resources are unlimited |
| (c) Human wants are unlimited and resources are scarce | (d) Human wants are limited and resources are abundant |

Answer: c

Explanation:

Resources are scarce because we live in a world in which humans' wants are infinite but the land, labor, and capital required to satisfy those wants are limited. This conflict between society's unlimited wants and our limited resources means choices must be made when deciding how to allocate scarce resources.

Question 11

An economy is called capitalist economy when ____ is given

- | | |
|---------------------------------|--|
| (a) Right to private property | (b) Freedom of government interference |
| (c) Freedom of business choices | (d) Discrimination |

Answer: a

Explanation:

Private property rights are central to a capitalist economy, its execution, and its legal defenses. Nobody can rightfully trade property they do not own.

Question 12

Coexistence of public and private sector is the feature of

- | | |
|------------------------|---------------------|
| (a) Capitalist Economy | (b) Mixed Economy |
| (c) Socialist Economy | (d) Federal Economy |

Answer: b

Explanation:

Mixed economy is referred to the economic system in which both public sector and private sector coexist. In this type of economic system, private sector as well as the state direct the economy and the means of production is

shared between them.

Question 13

Which one of the area comes under macro-economic?

- | | |
|--|---|
| (a) Product pricing | (b) Consumer behaviour |
| (c) The general price level and interest rates | (d) Economic condition of a section of people |

Answer: c

Explanation:

Macroeconomics studies economy-wide phenomena such as inflation, price levels, rate of interest, economic growth, national income, gross domestic product (GDP), and changes in unemployment.

Question 14

Laissez-faire economy is also known as:

- | | |
|------------------------|-----------------------|
| (a) Capitalist economy | (b) Socialist economy |
| (c) Mixed economy | (d) Communist economy |

Answer: a

Explanation:

Laissez-faire capitalism is also referred to as free market capitalism or market capitalism.

Question 15

In economics we use the term scarcity to mean:

- | | |
|---|--|
| (a) Absolute scarcity and lack of resources in less developed countries | (b) Relative scarcity i.e. scarcity in relation to the wants of the society. |
| (c) Scarcity during times of business failure and natural calamities | (d) Scarcity caused on account of excessive Consumption by the rich. |

Answer: b

Explanation:

Relative scarcity: Second, there may be physical quantities of a resource present but scarcity exists because of problems about supply or distribution.

JULY- 2021

Question 1

The famous book abbreviated as “The Wealth of Nation”, which is also considered as the 1st modern work of economics, was written by__?

- (a) Frederic Engels (b) Karl Marx
(c) David Ricardo (d) Adam Smith

Answer: b

Explanation:

The latter, often abbreviated as The Wealth of Nations, is considered his magnum opus and the first modern work of economics. In his work, Adam Smith.

Question 2

In which Economic system production and distribution of goods aims in welfare of the society as whole?

- (a) Capitalist economy (b) Mixed economy
(c) Socialist economy (d) Communist economy

Answer: c

Explanation:

Socialism is an economic system in which the means of production are socially owned and used to meet human needs instead of to create profits. The means of production refers to the tools, technology, buildings, and other materials used to make the goods or services in an economy.

Question 3

Study of the behaviour of different individuals and organizations within an economic system is called

- (a) Industrial economics (b) Macro economics
(c) Micro economics (d) Welfare economics

Answer: c

Explanation:

Microeconomics is the study of individuals, households and firms' behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues.

Question 4

Which one of the following is not the scope of business economics?

- (a) Cost standards (b) Cost analysis
(c) Demand analysis (d) Inventory management

Answer: a

Explanation:

Cost standards

Question 5

Which of the following statement is correct?

- | | |
|---|---|
| (a) Mixed economy is not golden path between social and capital economy | (b) Capital economy is not golden path between mixed and social economy |
| (c) Social economy is not golden path between mixed and capital economy | (d) Mixed economy is golden path between social and capital economy |

Answer: a

Explanation:

A mixed economic system is a system that combines aspects of both capitalism and socialism. A mixed economic system protects private property and allows a level of economic freedom in the use of capital, but also allows for governments to interfere in economic activities in order to achieve social aims

Question 6

The concept of socialist economy was propounded by

- | | |
|------------------------------|----------------------------------|
| (a) Karl Marx and Adam smith | (b) Fredrik angels and Karl Marx |
| (c) Fredrik angels | (d) Karl Marx and Fredrik angels |

Answer: a

Explanation:

Karl Marx described a socialist society as such: ... The same amount of labour which he has given to society in one form, he receives back in another. Socialism is a post-commodity economic system and production is carried out to directly produce use-value rather than toward generating profit.

Question 7

Business Economics is pragmatic in its approach because?

- | | |
|--|--|
| (a) It deals with practical problems Which the firm faces in real World. | (b) It deals with practical problems which the firm faces due to WTO Policies. |
| (c) It deals with practical problems which the firm faces due to lack of | (d) Business Economics is abstract And purely theoretical. |

directors

Answer: c

Explanation:

Business economics is pragmatic in its approach. It does not involve itself with the theoretical controversies of economics. Yet it does not relegate the realities of business decision-making to the background by bringing in abstract assumptions.

Question 8

The central economic problem does not deal with which of the following economic problem...?

- (a) What to produce...? (b) How to produce...?
(c) For whom to produce...? (d) Where to produce...?

Answer: d

Explanation:

The central problem of an economy does not deal with the time of production as it is assumed that human wants are unlimited and goods are required.

Question 9

Business Economics is essentially a component of Applied Economics as it includes application of selected quantitative techniques. Which technique is not included in it?

- (a) Regression analysis (b) Capital budgeting
(c) Economic analysis (d) Linear programming

Answer: c

Explanation:

Applied economics is the application of economic theory to determine the likely outcomes associated with various possible courses of action in the real world. By better understanding the likely consequences of choices made by individuals, businesses, and policy makers, we can help them make better choices.

Question 10

Which of the following is not a study of Macro - economics?

- (a) Consumer behaviour (b) National Income
(c) General price level (d) Level of employment

Answer: a

Explanation:

Macroeconomics is the branch of economics that studies the economy as a whole. Macroeconomics focuses on three things: National output, unemployment, and inflation.

Hence, Consumer behavior is Micro Key.

Question 11

The central economic problem of an economy arises due to?

- (a) Scarcity of resources due to relevant wants (b) Co-Existence of public and private Sector.
(c) GOVT. intervention in economy. (d) Federal structure of Constitution

Answer: a

Explanation:

Economic problem arises from scarcity of resource. Every economy faces scarcity of resources because their wants are unlimited and their resources (means) are limited. Therefore, economic problem is the problem of economising scarce resources. It means making the best use of the available resources.



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