Past Paper MCQs based on 2nd and 3rd Chapter – Market Economy

- *Answer all the questions **on this paper itself**.*
- *Select the correct answers for questions no. **1-50** and **write its number on the dotted line given.***

2011 A/ L Economics 1 MCQ number 10,11, 12,13,14,15,16,17, and 18

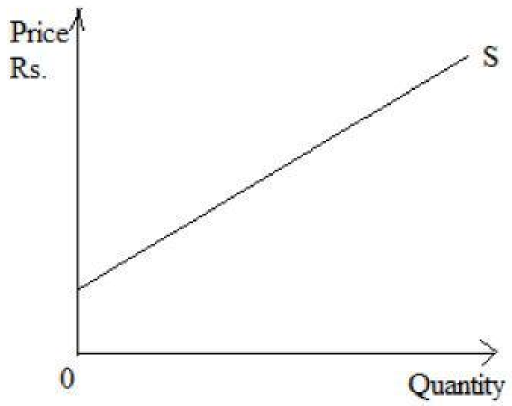
01. A shift of the demand curve for a product to the right could be caused by a
   1) fall in the price of a close substitute.
   2) fall in the price of the good itself.
   3) rise in income
   4) rise in the price of a complementary good.
   5) rise in the cost of production. ***(2011 Econ I MCQ 10)***

02. Which of the following is **not** held constant when a demand curve is drawn?
   1) Consumers' money income
   2) Consumers' taste.
   3) The price of the good itself.
   4) The prices of substitutes.
   5) The prices of complementary goods. ***(2011 Econ I MCQ 11)***

03. The demand for a particular 'normal good' is inversely related to price while its supply is positively related to price. During a given time period, 5000 units are sold at a price of Rs. 50 a unit and during a latter period 8000 units are sold at a price of Rs. 60 per unit. Which of the following could account for this change?
   1) An increase in the price of a complement.
   2) An increase in the price of a substitute.
   3) Imposition of a sales tax on the good.
   4) An increase in the productivity of inputs.
   5) An increase in the cost of raw materials. ***(2011 Econ I MCQ 12)***

04. The price elasticity of demand for a product manufactured by a firm is -0.8. If the firm raises the price of the product, its revenue will
   1) rise
   2) fall
   3) stay the same
   4) fall by more than 8%
   5) fall by less than 8% ***(2011 Econ I MCQ 13)***

05.



Which statement correctly describes the price elasticity of supply along the curve shown in the above diagram?
   1) It is constant and greater than unity at all quantities
   2) It is constant and less than unity at all quantities.
   3) It is unity at all quantities
   4) It diminishes at quantity increases
   5) It increases at quantity increases ***(2011 Econ I MCQ 14)***

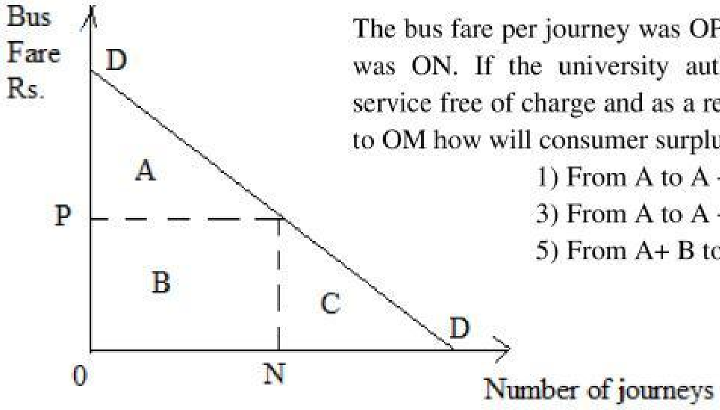
06. A market is defined as being in equilibrium when
   1) there is maximum output at minimum cost.
   2) the producer surplus is maximized.
   3) prices are at their lowest possible level.
   4) consumer satisfaction is maximized.
   5) there is no tendency for the market price to change. ***(2011 Econ I MCQ 15)***

07. Assuming the price elasticity of demand for a product is zero, any tax is imposed on the product will

1) leave the position of supply curve unchanged.
2) shift the supply curve to the right.
3) shift the demand curve to the right.
4) be paid entirely by the producer.
5) raise the price of the product by full amount of the tax.

(2011 Econ I MCQ 16)

08. In the diagram below, DD represents the demand for bus service in a university community.

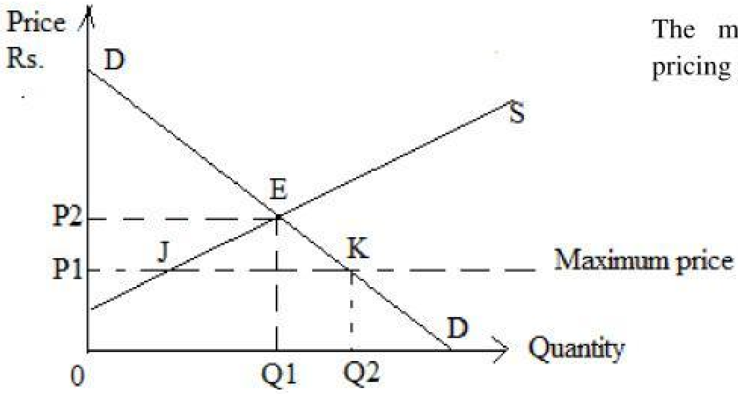


The bus fare per journey was OP and the number of journeys per day was ON. If the university authorities decide to provide the bus service free of charge and as a result the number of journeys increase to OM how will consumer surplus change?

1) From A to A + C
2) From A to B + C
3) From A to A + B + C
4) From B to A
5) From A+ B to A + B + C

(2011 Econ I MCQ 17)

09. The diagram below shows the supply of, and demand for, rice with market equilibrium at E. Assume that government decides to impose a maximum price of P_1 per unit of rice.



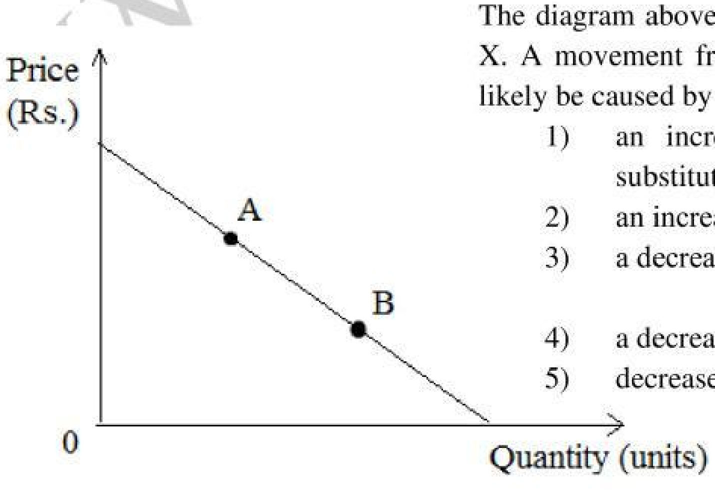
The most likely outcome of maximum pricing policy would be,

1) an excess supply of rice by JK
2) a shortage of rice by $0Q_2$
3) the rising of equilibrium price of rice above $0P_2$
4) a reduction of price from $0P_1$
5) an excess demand for rice by JK

(2011 Econ I MCQ 18)

<u>2012 A/ L Economics 1 MCQ number 07 08, 09,10, 11, 12,13 and 14</u>

10.



The diagram above shows the market demand for good X. A movement from point A to point B would most likely be caused by

1) an increase in the price of good Y, a substitute.
2) an increase in consumers' income.
3) a decrease in consumers' income.
4) a decrease in production costs for good X.
5) decrease in the supply of good X.

(2012 Econ I MCQ 07)

11. Which of the following would shift the supply curve of a good to the left?

1) An increase in the cost of production.
2) A decrease in the cost of production.
3) An increase in the price.
4) A decrease in the price.
5) A decrease in demand. *(2012 Econ I MCQ 08)*

12. A consumer finds that his total expenditure on rice stays the same after the price of rice declines, other things being equal. Which of the following is true for this price change?

1) Rice is an inferior good to this consumer.
2) The consumer's demand for rice increased in response to the price change.
3) The consumer's demand for rice is perfectly price elastic.
4) The consumer's demand for rice is perfectly price inelastic.
5) The consumer's demand for rice is unit price elastic. *(2012 Econ I MCQ 09)*

13. Setting an effective price floor would

1) increase consumer surplus and increase producer surplus.
2) increase consumer surplus and decrease producer surplus.
3) decrease consumer surplus and decrease producer surplus.
4) decrease consumer surplus and increase producer surplus.
5) leave both consumer surplus and producer surplus unaffected. *(2012 Econ I MCQ 10)*

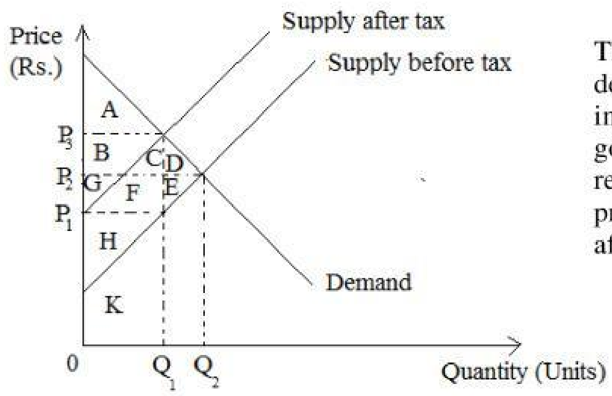
14. If the income elasticity of demand for good X is negative and the cross-price elasticity of demand between good X and good Y is negative, which of the following must be true of good X?

1) X is a normal good and is a substitute for Y.
2) X is a normal good and is a complement to Y.
3) X is an inferior good and is a substitute for Y.
4) X is an inferior good and is a complement to Y.
5) X is a normal good and Y is an inferior good. *(2012 Econ I MCQ 11)*

15. Assume that demand for bottled water is relatively price elastic. An increase in supply of bottled water will result in which of the following?

1) A decrease in price, leading to an increase in total revenue.
2) A decrease in price, leading to a decrease in total revenue.
3) An excess supply of bottled water.
4) An excess demand for bottled water.
5) A relatively small decrease in price and no change in equilibrium quantity. *(2012 Econ I MCQ 12)*

16.

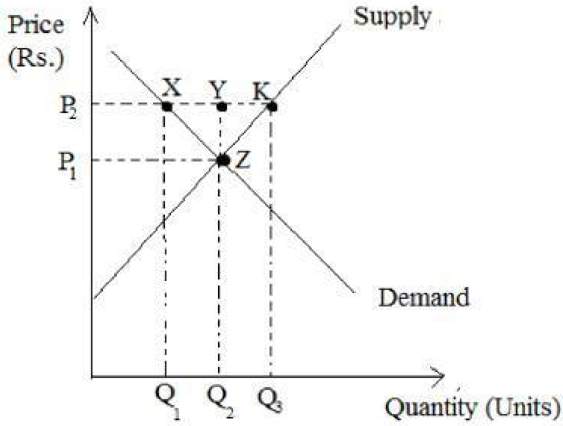


The graph above shows the market demand for good X. If the government imposes specific unit tax on each unit of good X, which of the following represents the consumer surplus, producer surplus, and deadweight loss after the imposition of the tax.

	Consumer Surplus	Producer Surplus	Deadweight loss
1)	A	G + F + E + H	D + E
2)	A	H	D + E
3)	A + B	G + F + E	C + D
4)	A + B + C + D	G + F + E + H	D + E
5)	A + B + C + D	H + F + C	E

(2012 Econ I MCQ 13)

17. The diagram below represents a market for an agricultural product.

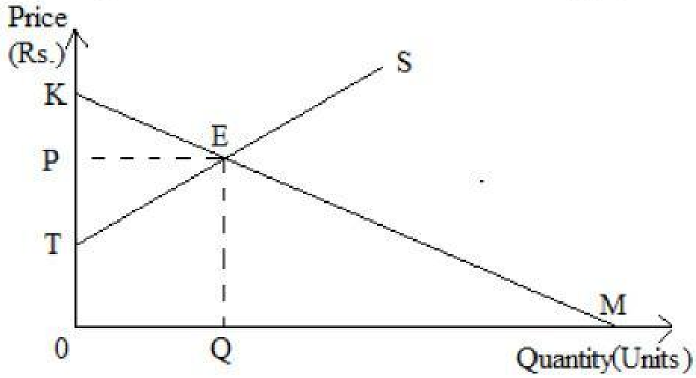


The government sets a minimum price of $0P_2$. Assuming that it buys up all the surplus stocks at the minimum price, farmers total revenue will be,

1) $0P_2KQ_3$ 2) $0P_1ZQ_2$
3) $0P_2XQ_1$ 4) Q_1XYQ_2
5) P_1P_2ZY *(2012 Econ I MCQ 14)*

2013 A/ L Economics 1 MCQ number 05, 07, 08, 09, 10, 11, 12, 13and 14

18. The diagram shows the market demand and supply curves for a product.



Which area measures the total amount of consumers would be willing to pay for the equilibrium level of output?

1) 0QEP 2) 0TEQ
3) PEK 4) 0KM
5) 0KEQ *(2013 Econ I MCQ 05)*

19. The table below shows the cross elasticities of demand for the product of five companies with respect to the prices of their close substitutes.

Company	**Cross elasticity of demand**
Company A	+3.0
Company B	+2.5
Company C	+1.0
Company D	+0.8
Company E	+0.2

According to this information, the company likely to possess the greatest market power would be,

1) Company A 2) Company B 3) Company C 4) Company D 5) Company E
(2013 Econ I MCQ 07)

20. The total revenue of the firm will decline when

1) Price rises and supply is elastic. 2) Price falls and demand is elastic.
3) Price rises and demand is inelastic. 4) Price rises and demand is elastic.
5) Price falls and demand is unitary elastic. *(2013 Econ I MCQ 08)*

21. If X is an inferior good, a decrease in income will,
1) decrease demand, decrease price, and decrease quantity demanded.
2) decrease demand, increase price, and decrease quantity demanded.
3) increase demand, increase price, and decrease quantity demanded.
4) increase supply, decrease price, and increase quantity demanded.
5) increase demand, increase price, and increase quantity demanded. ***(2013 Econ I MCQ 09)***

22. Suppose the market for orange is currently in equilibrium. If supply of oranges decreases, while at the same time the demand for oranges increases, what can you say about the price and quantity of oranges in the market?
1) Price and quantity both rise.
2) Price rises, but the change in quantity is ambiguous.
3) Price and quantity both falls.
4) Quantity rises, but the change in price is ambiguous.
5) Neither price nor quantity change as theses shifts offset one another. ***(2013 Econ I MCQ 10)***

23. Suppose the price elasticity of demand for cigarettes is less than one. When an excise tax is imposed on cigarette production, it changes the price, quantity, and consumer spending in which of the following ways?

	Price	**Quantity**	**Consumer Spending**
1)	decrease	Increase	increase
2)	decrease	decrease	decrease
3)	increase	decrease	decrease
4)	increase	decrease	increase
5)	increase	increase	increase

(2013 Econ I MCQ 11)

24. Suppose the government sends each parent a coupon that can be used to subsidize the cost of sending each child to daycare. What would you expect to occur in the market for daycare services?
1) The demand for daycare falls, lowering the price.
2) The demand for daycare rises, increasing the price
3) The supply of daycare rises, lowering the price.
4) The supply of daycare falls, increasing the price.
5) A permanent shortage of daycare services would exist. ***(2013 Econ I MCQ 12)***

25. What is necessary for consumer surplus to be zero?
1) Demand is perfectly price elastic
2) Demand is perfectly price inelastic
3) Supply is perfectly price elastic
4) Supply is perfectly price inelastic
5) Price elasticity of demand is relatively greater than the price elasticity of supply.
(2013 Econ I MCQ 13)

26. There will be a simultaneous increase in both price and quantity traded in the market for ' a normal good' due to
1) The removal of the effective maximum price on the good.
2) Technological progress in the production of good.
3) The imposition of tax on the good.
4) The granting of a subsidy to produce the good.
5) Decrease in the price of a substitute for this product. ***(2013 Econ I MCQ 14)***

<u>2014 A/ L Economics 1 MCQ number 07, 08, 09,10,11, and 12</u>

27. The demand equation of a particular good is as follows.

$$Qd = 200 - 8P$$

What is the value of the coefficient of price elasticity of demand of the good when the price is Rs. 10?

1) -6.0 2) -0.66 3) -0.06 4) + 0.06 5) + 0.66 ***(2014 Econ I MCQ 07)***

28. The price elasticity of demand measures,
1) the responsiveness of quantity demanded to a change in a determinant of demand for a good.
2) the responsiveness of quantity demanded to a relative change in a price of a good.
3) the responsiveness of quantity demanded of a good to a change in price of another good.
4) the responsiveness of a quantity demanded of a good to a relative change of a factor of production.
5) Increase in quantity demanded to relative change in price of a good. *(2014 Econ I MCQ 08)*

29. A supplier expects to increase the revenue, by increasing the price of his products by 10%. If this objective is to be achieved:
1) Price elasticity of demand should be less than one.
2) Price elasticity of demand should be greater than one.
3) Price elasticity of demand should be equal to one.
4) Price elasticity of supply should be equal to zero.
5) Price elasticity of supply should be perfectly elastic. *(2014 Econ I MCQ 09)*

30. The prices of agricultural products such as potatoes and big unions are high during certain periods of the year while very law in other periods of the year. The main reason for this is,
1) The existence of inelastic demand and elastic supply.
2) The existence of elastic demand and elastic supply.
3) The existence of inelastic demand and inelastic supply.
4) The existence of elastic demand and inelastic supply.
5) The existence of perfectly elastic demand and perfectly inelastic supply. *(2014 Econ I MCQ 10)*

31. The demand and supply data for a particular good is given below.

Price (Rs.)	Demand (units)	Supply (units)
80	400	800
100	200	1000

Assume that the demand and supply curves are liner. What is the correct answer that shows the equilibrium price and quantity?

	Price (Rs.)	Quantity(units)
1)	50	500
2)	60	400
3)	60	600
4)	65	300
5)	70	500

32. Suppose that the supply equation for a particular good is given as Qs = 100 + 10 P. A five-rupee (Rs.5) unit tax was imposed on this good. What is the supply equation after tax?
1) Qs = 50 + 10P 2) Qs = 100 + 5P 3) Qs = 100 + 15P
4) Qs = 100 + 50P 5) Qs = 500 + 50P *(2014 Econ I MCQ 11)*

<u>2015 A/ L Economics 1 MCQ number 08, 09,10,11, 12, 13, 14, 15, 16, and 17</u>

33. If the demand for milk powder increases whenever a person's income increases, then milk powder is an example of
(1) an inferior good (2) a free good (3) a Giffen good
(4) a public good (5) a normal good. *(2015 Econ I MCQ 08)*

34. At a given time, when demand increases and supply decreases in a competitive market for a 'normal good',
(1) equilibrium price will fall and equilibrium quantity will rise.
(2) equilibrium price and quantity will both rise.
(3) equilibrium quantity will rise; equilibrium price will either rise or fall.
(4) equilibrium price will fall; and equilibrium quantity will either rise or fall.
(5) equilibrium price will rise; equilibrium quantity will either rise, fall or remain unchanged.
(2015 Econ I MCQ 09)

35. Sugar and jaggery are considered as substitutes for each other in many consumption activities. Therefore, if the price of sugar rises, we would expect.

(1)the demand for jaggery to increase.

(2) the demand for jaggery to decrease.

(3)the quantity demanded for jaggery to decrease.

(4) the price of jaggery to decrease.

(5) the quantity demanded for jaggery to increase. *(2015 Econ I MCQ 10)*

36. Suppose that the price elasticity of demand for coconut is -1.0. When the price is Rs. 60 per coconut, quantity demand is 500 coconuts. What will be the price of coconut when the quantity demand is 600 coconuts?

Rs. 30 (2) Rs. 40 (3) Rs. 50

(4) Rs. 55 (5) Rs. 60

(2015 Econ I MCQ 11)

37. Which of the following will cause the demand curve for a good to shift to the left?

(1)An increase in the price of the good

(2) A decrease in the price of the good

(3) A decrease in the price of a complementary good

(4) An increase in the price of a substitute good

(5) An expectation of a future price decline *(2015 Econ I MCQ 12)*

38. With a downward sloping market demand curve and upward sloping market supply curve for a product, a decrease in input price will:

(1) increase equilibrium price and quantity.

(2) decrease equilibrium price and quantity.

(3) Shift the supply curve to the left.

(4) decrease equilibrium price and increase equilibrium quantity.

(5) increase equilibrium price and decrease equilibrium quantity. *(2015 Econ I MCQ 13)*

39. A small country's domestic market demand curve and supply curve for sugar are respectively represented by the following equations:

$Q_d = 320 - 3P$ (Demand) $Q_s = -80 + 2P$ (Supply)

Assume that the sugar market is open to international trade and the world market price of sugar is Rs. 60 per unit. What is the quantity of sugar that are domestically supplied when the country is open to international trade.

(1) 40 units (2) 60 units (3) 80 units

(4) 100 units (5) 140 units

(2015 Econ I MCQ 14)

40. Suppose the demand for petrol is very inelastic and the supply is very elastic. An excise tax on petrol will be borne

(1) more heavily by buyers

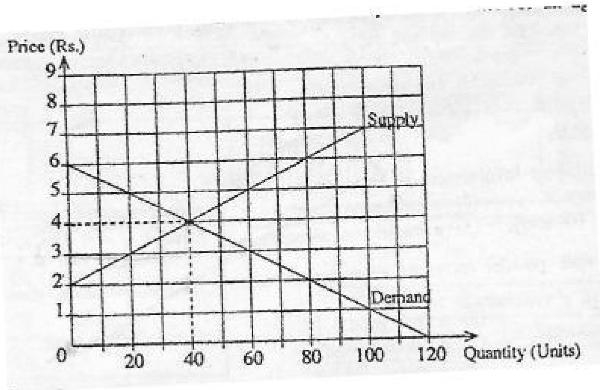
(2) more heavily by sellers

(3)equally by buyers and sellers

(4) entirely by tax payers

(5) by neither buyer nor sellers. *(2015 Econ I MCQ 15)*

41. The graph shows the demand and supply curves in a competitive market for an agricultural commodity.



The government wants to promote the production of this commodity and decides to pay producers a subsidy of Rs. 2 per unit that they produce. The consumers' surplus after subsidy is,

(1) Rs. 20 (2) Rs. 80 (3) Rs. 90 (4) Rs. 160 (5) Rs. 180

(2015 Econ I MCQ 16)

42. A price ceiling set below the market equilibrium price will result in

(1) an excess supply. (2) an excess demand. (3) an equilibrium price.
(4) an increase in supply. (5) a decrease in demand. ***(2015 Econ I MCQ 17)***

<u>2016 A/ L Economics 1 MCQ number 08, 09,10,11,12, 13, 14, 15, 16 and 17</u>

43. Suppose X is an inferior good and sold in a competitive market. Assuming other things remain constant in the market for X, what are the effects of a decrease in income of buyers on the demand, equilibrium price and the equilibrium quantity, in the market for X?

	Demand	**Price**	**Quantity**
1)	decreases	decreases	decreases
2)	increases	increases	increases
3)	decreases	increases	decreases
4)	increases	decreases	decreases
5)	decreases	increases	increases

(2016 Econ I MCQ 08)

44. The table below shows the market demand schedule and the supply schedule for a good before and after the imposition of a specific (per unit) tax on an essential commodity.

Price (Rs.)	**Quantity demanded**	**Quantity supplied before tax**	**Quantity supplied after tax**
12	50	20	0
13	50	30	10
14	50	40	20
15	50	50	30
16	50	60	40

What was the tax per unit of output?

1) Rs. 2 2) Rs. 3 3) Rs. 4 4) Rs. 5 5) Rs. 6 ***(2016 Econ I MCQ 09)***

45. The price elasticity of demand for ballpoint pen is -3.0. When the price of a ballpoint pen is Rs.25, the quantity demanded is 300 pens. How much will be demanded when the price falls to Rs. 20?

1) 900 2) 630 3) 560 4) 480 5) 180 ***(2016 Econ I MCQ 10)***

46. The market supply curve for some good or service would shift to the left when

1) technology improves 2) the prices of inputs fall
3) the prices of inputs increase 4) technology improves and the price of inputs fall
5) more suppliers enter the industry. ***(2016 Econ I MCQ 11)***

47. The supply curve of good X is given by the following equation:

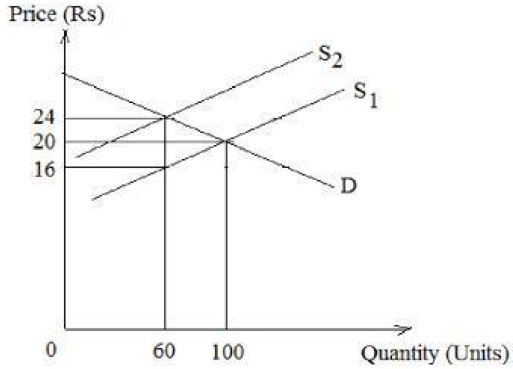
$$Qx = 6Px$$

Where Qx is the quantity supplied and Px is the price of the good X. What can be deduced from this equation regarding the price elasticity of supply of good X?

1) Price elasticity of supply is 6.0
2) Price elasticity of supply is 1.0
3) Price elasticity of supply is 0.1
4) Price elasticity of supply is 0.0
5) Price elasticity of supply is 0.6

(2016 Econ I MCQ 12)

48. The diagram shows an increase in supply from S2 to S1 after the removal of a specific tax imposed on the good X. Supply curve S1 was the pre – tax supply curve as well as the supply curve after removal of the tax.



What effect does the removal of the tax have on the tax revenue and consumer expenditure?

	Tax Revenue	Consumer Expenditure
1)	decrease by 1440	increase by 2000
2)	decrease by 480	decrease by 560
3)	decrease by 480	increase by 560
4)	increase by 960	increase by 1440
5)	decrease by 1440	decrease by 960

(2016 Econ I MCQ 13)

49. The substitution effect is the change in quantity demanded that occurs as a result of

1) a change in relative price, with other things remain constant.
2) a change in absolute prices, with real income held constant.
3) changing relative price, with money income held constant.
4) a change in real income when relative prices are held constant.
5) a change in money income when the relative price remains unchanged. ***(2016 Econ I MCQ 14)***

<u>2017 A/ L Economics 1 MCQ number 07, 08, 09,10,11,12, 13, 14 and 15</u>

50. Which one of the changes in the following factors causes the market demand for a good to remain unchanged?

1) Population
2) Price of that good
3) price of a substitute good
4) price of a complementary good
5) Average income of households.

(2017 Econ I MCQ 07)

51. Which one of the following combinations of income and price elasticities of demand is consistent with normal good which has a downward sloping demand curve?

	Income elasticity of demand	Price elasticity of demand
1)	Negative	Positive
2)	Positive	Negative
3)	Negative	Negative
4)	Positive	Positive
5)	Negative	Zero

(2017 Econ I MCQ 08)

52. Suppose there are only two goods A and B, and other things including consumers money income unchanged. If the price of good A falls and the demand for good B increases, we can conclude that.

1) A is a normal good
2) both A and B are normal goods
3) A is an inferior good
4) B is an inferior good
5) B is a normal good.

(2017 Econ I MCQ 09)

53. An increase in the price of rice has caused the demand for bread to rise by 30%. The cross elasticity of demand between rice and bread is 3.0. Which change in the price of rice has bought this about?

1) From Rs. 80 to Rs. 90 per kilogram.
2) From Rs. 60 to Rs. 72 per kilogram.
3) From Rs. 80 to Rs. 85 per kilogram.
4) From Rs. 70 to Rs. 80 per kilogram.
5) From Rs. 80 to Rs. 88 per kilogram.

(2017 Econ I MCQ 10)

54. Which of the following is there in the market for a certain product, if producers consistently are willing to sell more at the going price than consumers are willing to buy?

1) Demand is highly inelastic
2) Supply is highly inelastic
3) The product is inferior
4) There is price ceiling on the product.
5) There is price floor on the product.

(2017 Econ I MCQ 11)

55. Market demand and supply curves for a certain consumer good is represented by the following equations.

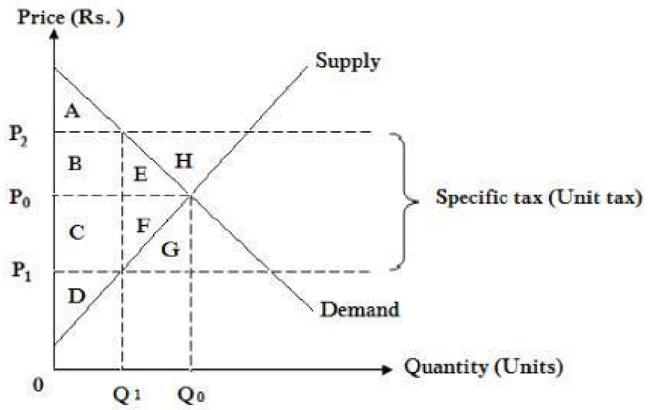
Demand (Q_D) = 80-2P   Supply (Q_S) = -20 + 3P

Then the equilibrium price and quantity would be:

1) 40 units and Rs. 20
2) 56 units and Rs. 12
3) 50 units and Rs. 15
4) 60 units and Rs. 10
5) 40 units and Rs. 120

(2017 Econ I MCQ 12)

56. The diagram below represents a competitive market for a certain consumer good.



If a specific tax (unit tax) is levied on the product in this market by the government, the producer surplus after the tax is the area

1) A + B + F
2) B + E + C + F + D
3) C + F + D
4) D
4) E + F + H

(2017 Econ I MCQ 13)

57. If the price elasticity of supply is less than one, this means the

1. Change in quantity supplied is greater than the change in price.
2. Percentage Change in quantity supplied is greater than the percentage change in price.
3. Change in quantity supplied is less than the change in price.
4. Percentage Change in quantity supplied is less than the percentage change in price.
5. Percentage Change in quantity supplied is less than the change in price.

(2017 Econ I MCQ 14)

58. Suppose the demand and supply curves for a competitive market are represented by the following equations:

Demand (Q_D) = 60-2P Supply (Q_S) = -20 + 3P

In the equations above, Q_D and Q_S are the quantity demanded and quantity supplied and P is the price. Suppose the government imposes minimum price equal to Rs. 20 per unit. Then, this will

1. lead to an excess supply in the market equal to 20 units.
2. lead to an excess supply in the market equal to 28 units.
3. lead to an excess demand in the market equal to 28 units.
4. lead to an excess demand in the market equal to 20 units.
5. Have no effect on the market. *(2017 Econ I MCQ 15)*

2018 A/ L Economics 1 MCQ number 07, 08, 09,10,11,12, 13, 14 and 15

59. Which one of the following will most likely to happen in the market for good X if the price of good X decreases when other things remain unchanged?

(1) The supply of good X will decrease.
(2) The demand for good X will increase.
(3) The demand for good X will decrease.
(4) The quantity demanded for good will increase.
(5) The quantity supplied for good X will increase. *(2018 Econ I MCQ 07)*

60. When a demand curve is drawn, the assumption is that

(1) quantity demanded always increases as piece falls.
(2) quantity demanded always decreases as piece falls.
(3) change in price do not influence supply.
(4) price elasticity of demand does not vary along the demand curve.
(5) factors affecting demand, remain constant, other than price. *(2018 Econ I MCQ 08)*

61. In the market for a good, the quantity sullied (Q_S) and quantity demanded (Q_D) are respectively given by Qs = -30 + P and Qd = 240 – 2P where P is price per unit in rupees. A change in the product tax on the good makes Qs = -36 + P. How will the change in the tax affect the equilibrium price?

(1) It will fall by Rs. 2 (2) It will fall by Rs. 6
(3) It will rise by Rs. 2 (4) It will fall by Rs. 6
(5) It will rise by Rs. 90 *(2018 Econ I MCQ 09)*

62. If both demand and supply of tea increase, what will happen to the equilibrium price and quantity in the tea market?

	Price	**Quantity**
(1)	Increases	Increases
(2)	Decreases	Decreases
(3)	Decreases	Increases
(4)	Increase s	Indeterminate
(5)	Indeterminate	Increases

(2018 Econ I MCQ 10)

63. If the demand for milk increases whenever a person's income increases, then milk is an example of

(1) an inferior good (2) a free good (3) a normal good
(4) a merit good (5) a Giffen good. *(2018 Econ I MCQ 11)*

64. Assume that the demand for a certain firm's product is perfectly inelastic. What will be the effect on the firm's revenue if the firm increases its price by 6%?

(1) Revenue will be unchanged
(2) Revenue will increase by 6%
(3) Revenue will decrease by 6%
(4) Revenue will fall to zero.
(5) Revenue will increase by less than 6%

(2018 Econ I MCQ 12)

65. In a competitive market for cinnamon, 10 million kilograms were sold for Rs. 900 kilograms in 2016. In 2017, 10 million kilograms of cinnamon were sold for Rs. 800 kilograms. Which of the following changes in demand and supply could have caused this change?

	Demand	**Supply**
(1)	Increase	Increase
(2)	Decrease	Decrease
(3)	Decrease	Increase
(4)	Increase	Decrease
(5)	Decrease	No change

(2018 Econ I MCQ 13)

66. Suppose that the market supply curve for a certain consumer good is upward sloping and the market demand curve is downward sloping. How does a unit subsidy on the product affect the consumer surplus and producer surplus?

	Consumer Surplus	**Producer Surplus**
(1)	Decrease	Decrease
(2)	Decrease	Increase
(3)	Increase	Increase
(4)	Increase	Decrease
(5)	Increase	No change

(2018 Econ I MCQ 14)

67. Suppose that the market demand and supply curves for a product sold in a competitive market are represented by the following equations.

$Q_D = 160 - 4P$ $\quad\quad\quad$ $Q_S = -20 + 2P$

The price elasticity of demand at the market equilibrium is

(1) -2.4 (2) - 2.6 (3) - 2.8 (4) -3.0 (5) -5.3

(2018 Econ I MCQ 15)

68. The table below shows substitution and income effects of a price change of good X. Which one of the following represents the correct combination of substitution and income effect?

	Type of X	**Price change**	**Quantity demanded due to substitution effect**	**Quantity demanded due to income effect**
(1)	Inferior	Falls	Decreases	Increases
(2)	Inferior	Rises	Decreases	Decreases
(3)	Inferior	Rises	Increases	Increases
(4)	Normal	Falls	Increases	Increases
(5)	Normal	Rises	Increases	Decreases

(2019 Econ I (New) MCQ 05)

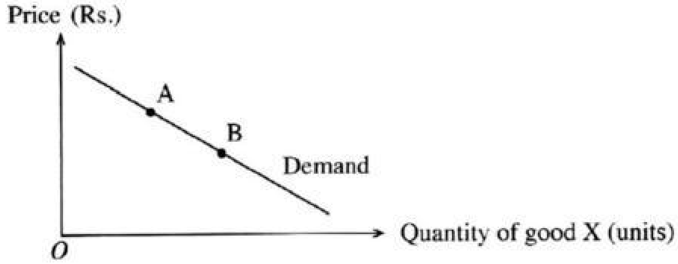
69. Which of the following would shift the supply curve of a good to the left?

(1) An increase in the cost of production.
(2) A decrease in the cost of production.
(3) An increase in the price of the good.
(4) A decrease in the price of the good.
(5) A decrease in demand.

(2019 Econ I (New) MCQ 06)

70. If the demand for the public transport service decreased when a person's income increases, the public transport service is an example of
(1) an inferior good. (2) a free good. (3) a Giffen good
(4) a normal good. (5) a public good.
(2019 Econ I (New) MCQ 07)

71. The diagram below shows the demand curve for good X



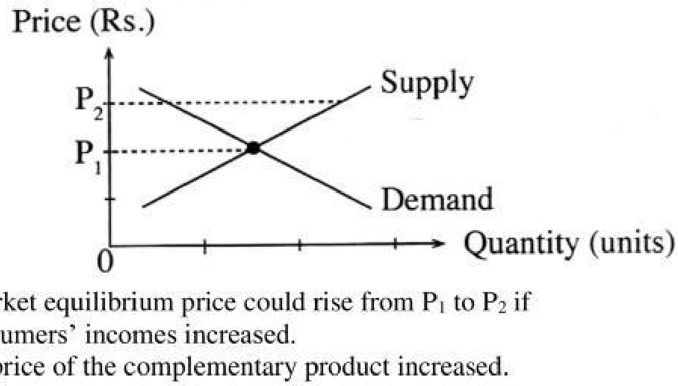
Change in market equilibrium quantity from point A to point B would most likely to caused by
(1) an increase in the price of substitute product.
(2) an increase in consumers' income.
(3) a decrease in consumers' income.
(4) a decrease in cost of production of good X
(5) a decrease in the supply of good X
(2019 Econ I (New) MCQ 08)

72. Assume a hypothetical competitive market which is in equilibrium at Rs. 100 per unit. Now assume that the market supply curve changes from being elastic at each price become inelastic at each price and the market equilibrium price does not change. What is the effect of this change on consumer surplus and producer surplus?

	Consumer Surplus	Producer Surplus
(1)	Increases	Decreases
(2)	Increases	Unchanged
(3)	Unchanged	Increases
(4)	Unchanged	Unchanged
(5)	Decreases	Increases

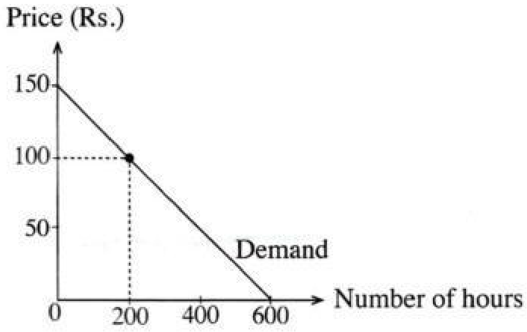
(2019 Econ I (New) MCQ 09)

73. The diagram below shows the market demand and supply curves for a normal good.



The market equilibrium price could rise from P_1 to P_2 if
(1) consumers' incomes increased.
(2) the price of the complementary product increased.
(3) cost of production was substantially lowered.
(4) subsidies on the product increased.
(5) price P2 were set as a legally maximum price.
(2019 Econ I (New) MCQ 10)

74. Assume that in a private higher education institute, the internet services at first was made available to its students at no charge. Later on, the institute decided to charge Rs. 100 per hour for the internet users and their demand curve for internet services is shown in the diagram below.



The value of the loss of consumer surplus after the introduction of the hourly charge is

1) Rs. 90 000
2) Rs. 45 000
3) Rs. 40 000
4) Rs. 10 000
5) Rs. 5 000

(2019 Econ I (New) MCQ 11)

75. The table below shows the demand and supply schedules for a consumer good before and after the imposition on unit taxes on production.

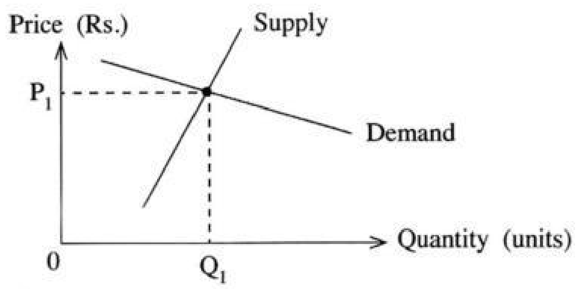
Price (Rs)	Quantity Demanded	Quantity Supplied before tax	Quantity supplied after tax
65	650	550	450
70	650	600	500
75	650	650	550
80	650	700	600
85	650	750	650
90	650	800	700
100	650	850	750

What was the tax per unit and the amount of price charge after tax?

(1) Tax is Rs. 10 and price change is Rs.5
(2) Tax is Rs. 10 and price change is Rs.10
(3) Tax is Rs. 50 and price change is Rs.75
(4) Tax is Rs. 50 and price change is Rs.85
(5) Tax is Rs. 10 and price change is Rs.80

(2019 Econ I (New) MCQ 12)

76. The diagram below shows a competitive market for agricultural commodity.



If the government grants a per unit subsidy to the producers of this commodity, how will the economic surplus be distributed between producers and consumers?

(1) The majority of consumer surplus will go to consumers.
(2) The majority of consumer surplus will go to producers.
(3) The economic surplus will entirely go to producers.
(4) The economic surplus will entirely go to consumers.
(5) The economic surplus will be shared equally between producers and consumers.

(2019 Econ I (New) MCQ 13)

77. Setting an effective price flow would
(1) increase consumer surplus and producer surplus
(2) increase consumer surplus and decrease producer surplus
(3) decrease consumer surplus and producer surplus
(4) decrease consumer surplus and increase producer surplus
(5) leave both consumer and producer surplus unchanged. ***(2019 Econ I (New) MCQ 14)***

78. Which of the following is true of the substitution effect of a decrease in the price of a normal good?
(1) It works to offset the income effect.
(2) It works to reinforce the income effect.
(3) It is less than the income effect.
(4) It causes a decrease in the quantity demanded of the good.
(5) It causes an increase in the demand for the good. ***(2019 Econ I (Old) MCQ 07)***

79. Which of the following would shift the supply curve of a good to the right?
(1) An increase in the cost of production.
(2) A decrease in the cost of production.
(3) An increase in the price.
(4) A decrease in the price.
(5) A decrease in demand. ***(2019 Econ I (Old) MCQ 08)***

80. Which of the following indicates that two goods are substitutes?
(1) A positive income elasticity of demand.
(2) A cross price elasticity of demand is less than zero.
(3) A price elasticity of demand is less than one.
(4) A positive cross- price elasticity of demand.
(5) A horizontal demand curve. ***(2019 Econ I (Old) MCQ 09)***

81. If the government imposes a tax on the production of air conditioners, which of the following will occur
in the market for air conditioners?
(1) There will be a movement to the right along the supply curve.
(2) There will be a movement to the right along the demand curve.
(3) The supply curve will shift to the right.
(4) The supply curve will shift to the left.
(5) The demand curve will shift to the right. ***(2019 Econ I (Old) MCQ 10)***

82. If the total reserve of a firm increases by 10% as a result of an increase in price by 20%, the demand it faces in this price range must be
(1) inelastic (2) elastic (3) unitary elastic
(4) perfectly elastic (5) perfectly inelastic.
(2019 Econ I (Old) MCQ 11)

83. The diagram below shows four market supply curves. Which statement is correct about the price elasticity of Supply curves?
(1) Curve S_1S_1 has decreasing elasticity as price rises.
(2) Curve S_2S_2 has increasing elasticity as price rises.
(3) Curve S_3S_3 has decreasing elasticity as price rises.
(4) Curve S_4S_4 has constant infinite elasticity.
(5) Curve S_5S_5 has elasticity greater than one.
(2019 Econ I (Old) MCQ 12)