

**UNIVERSITY OF CALICUT**  
**SCHOOL OF DISTANCE EDUCATION**  
**QUESTION BANK**  
**MICRO ECONOMICS - I**  
**Core Course of BA Economics Programme**  
**(CUCBCSS Admission - 2014 Admission)**  
**SEMESTER I**

**MULTIPLE CHOICE QUESTIONS.MULTIPLE CHOICE QUESTIONS**

1. **The concept of utility was introduced by**
  - (a) Marshall
  - (b) Hicks and allen
  - (c) Geremy Bentham
  - (d) Gossen
  
2. **Cardinal utility analysis to consumer equilibrium was developed by**
  - (a) Marshall
  - (b) Hicks and Allen
  - (c) Geremy Bentham
  - (d) Gossen
  
3. **Ordinal utility analysis is otherwise known as**
  - (a) Gossens second law
  - (b) Cardinality approach
  - (c) Indifference curve analysis
  - (d) Rationality approach
  
4. **Ordinal utility analysis Was developed by**
  - (a) J.R.Hicks & R.J.D. Allen
  - (b) Samualson
  - (c) Marshall and Jevons
  - (d) Slutsky
  
5. **Total utility curve**

- (a) Always rises
- (b) First falls then rises
- (c) Always falls
- (d) First rises and then falls after reaching its maximum

**6. Total utility is maximum when**

- (a) Marginal utility is zero
- (b) Marginal utility is maximum
- (c) Marginal utility increases
- (d) Average utility is maximum

**7. Marginal utility is**

- (a) Always zero
- (b) Increases at a diminishing rate
- (c) The utility derived from last unit
- (d) All the above

**8. Total utility is**

- (a) The sum total of marginal utilities
- (b) Entire utility derived from whole consumption
- (c) Increases at a diminishing rate
- (d) All the above

**9. When Total utility is increasing at an decreasing rate, marginal utility is**

- (a) Constant
- (b) Negative
- (c) Increasing
- (d) Decreasing

**10. Which of the following is called gossans first law**

- (a) Law of substitution
- (b) Law of equi marginal utility
- (c) Law of diminishing marginal utility

(d) None of the above

**11. At saturation point MU of a commodity is**

- (a) Positive
- (b) Negative
- (c) Zero
- (d) Increasing

**12. A consumer reaches equilibrium when**

- (a) Marginal utility is equal to price
- (b) Marginal utility greater than price
- (c) Marginal utility less than price
- (d) Total utility is equal to price

**13. Marshallian cardinal utility analysis assumes**

- (a) Marginal utility of money is zero
- (b) Marginal utility of money is decreasing
- (c) Marginal utility of money is increasing
- (d) Marginal utility of money is constant

**14. When individual's income rises (everything remains the same) his demand for a normal good**

- (a) Rises
- (b) Falls
- (c) Remains the same
- (d) negative

**15. When individual's income falls (everything remains the same) his demand for a normal good**

- (a) Rises
- (b) Falls
- (c) Remains the same
- (d) negative

**16. When individual's income falls (everything remains the same) his demand for an inferior good**

- (a) **Rises**
- (b) Falls
- (c) Remains the same
- (d) We cannot say without additional information

**17. Other things being equal a decrease in demand can be caused by**

- (a) A fall in price of the commodity
- (b) A fall in income of the consumer
- (c) A rise in price of the substitute
- (d) None of these

**18. When price of a product falls, more of it is purchased because of**

- (a) The substitution effect
- (b) The income effect
- (c) Neither substitution effect nor income effect
- (d) Both the substitution and income effects

**19. "Utility or satisfaction is a subjective concept; therefore it could only be ranked". The statement supports**

- (a) Cardinal utility theorist
- (b) Ordinal utility theorist
- (c) Behavioral theorist of the firm
- (d) None of the above

**20. The basic doctrine of consumers surplus is based on**

- (a) Indifference curve analysis
- (b) Revealed preference theory
- (c) Law of substitution
- (d) Law of diminishing marginal utility

**21. According to Marshall, The law of diminishing marginal utility**

- (a) Applies on money in the manner in which it applies on commodity
- (b) Do not applies on money except bank money
- (c) Does not applies on bank money but applies on cash

(d) Applies on all commodities except money

**22. An indifference curve represent**

- (a) Four commodities
- (b) Less than two commodities
- (c) Only two commodities
- (d) Only one commodity

**23. Indifference curve is always**

- (a) Concave to the origin
- (b) Convex to the origin
- (c) L shaped
- (d) A straight line

**24. Engel curve for giffen good is**

- (a) Positively sloped
- (b) Negatively sloped
- (c) Horizontal straight line
- (d) Vertical straight line

**25. Price effect is**

- (a) Income effect – substitution effect
- (b) Substitution effect – income effect
- (c) Income effect + substitution effect
- (d) Income effect + substitution effect- negative effects

**26. For a giffen good, when price falls**

- (a) Demand increases at a faster rate
- (b) Demand decreases
- (c) Demand remains constant
- (d) Demand curve has a negative slope

**27. Inferior goods are the goods with**

- (a) Falling Income effect
- (b) Rising Income effect

- (c) Negative income effect
- (d) Positive Marshallian effects

**28. Indifference curves are**

- (a) Always parallel
- (b) May be parallel
- (c) May not be parallel
- (d) Both b and c

**29. Revealed preference theory assumes**

- (a) Weak ordering
- (b) Strong ordering
- (c) Constant ordering
- (d) Multiple ordering

**30. Hicks Allen indifference theory is based on**

- (a) Weak ordering
- (b) Strong ordering
- (c) Constant ordering
- (d) Multiple ordering

**31. Income consumption curve of an inferior commodity is**

- (a) Positively sloped
- (b) Backward bending
- (c) Downward sloping straight line
- (d) Showing constant income effect

**32. In case of a convex indifference curve**

- (a) MRS  $xy$  is constant
- (b) MRS  $xy$  is increasing
- (c) MRS  $xy$  is negligible
- (d) MRS  $xy$  is diminishing

**33. 'Higher the indifference curve higher will be level of satisfaction'. The statement is**

- (a) Always true
- (b) Always false
- (c) Sometimes true and sometimes false
- (d) True only if price effect is positive

**34. As per indifference curve analysis, consumer always try to reach**

- (a) Higher indifference
- (b) Lower indifference curve
- (c) Middle indifference curve
- (d) Lower income price line

**35. As per indifference curve analysis consumer equilibrium is attained when**

- (a) Slope of indifference curve is constant
- (b) Slopes of both indifference curve and income price line are equal
- (c) Slopes of both indifference curve and income price line are opposite
- (d) Both income price line and indifference curve are parallel.

**36. The slope of a budget line is**

- (a) The satisfaction level of both the commodities
- (b) The income level of the consumer
- (c) The price ratio of both the commodities under consideration
- (d) Price level of a country

**37. At the point of tangency the slope of indifference curve is**

- (a) Differ from point to point
- (b) Is equal on the other side of the mid point
- (c) Is the same
- (d) Is increasing

**38. The slope of a budget line throughout its length is**

- (a) The satisfaction level of both the commodities
- (b) The income level of the consumer
- (c) The price ratio of both the commodities under consideration
- (d) Price level of a country

**39. The income effect for a commodity is**

- (a) Is always positive
- (b) Is always negative
- (c) Depends upon price effect
- (d) Determines the nature of the commodity

**40. The substitution effect for a commodity is**

- (a) Is always positive
- (b) Depends upon the nature of the commodity
- (c) Depends upon price effect
- (d) Sometimes negative and sometimes positive

**41. Which method is used by Hicks to eliminate the income effect when price of a product is changed**

- (a) Compensating variation in income
- (b) The cost difference
- (c) The over compensation effect
- (d) Substituting variation in price

**42. Which of the following statements is true**

- (a) Hicksian substitution effect is greater than Slutsky substitution effect
- (b) Slutsky substitution effect is greater than Hicksian substitution effect
- (c) Hicksian substitution effect is same and equal to Slutsky substitution effect
- (d) Hicksian substitution effect is the reverse of Slutsky substitution effect

**43. According to Hicks substitution effect is**

- (a) The movement to a higher indifference curve
- (b) The movement to a lower indifference curve
- (c) The movement along an indifference curve
- (d) The movement to a decreased consumption



**44. Strong ordering means**

- (a) Absence of indifference
- (b) Presence of indifference
- (c) No difference between different combinations
- (d) None of the above

**45. In the fundamental theorem of consumption and to prove the law of demand, Samuelson uses**

- (a) Compensating variation in income
- (b) The cost difference
- (c) The over compensation effect
- (d) Substituting variation in price

**46. If negative income effect is greater than positive substitution effect : price effect will be**

- (a) Zero
- (b) Negative
- (c) Positive
- (d) Positive and greater than one

**47. If negative income effect is greater than positive substitution effect : the product will be**

- (a) A normal good
- (b) An inferior good
- (c) A giffen good
- (d) A complementary good

**48. If both the products X & Y are normal goods**

- (a) Slopes down towards right
- (b) Slopes up towards right
- (c) Slopes up towards left
- (d) Slopes down towards left

**49. If negative income effect is less than positive substitution effect : the product will be**

- (a) A normal good
- (b) An inferior good
- (c) A giffen good
- (d) A complementary good

**50. Which of the following statement is FALSE with regard to marginal utility**

- (a) Marginal utility is the utility derived from last unit
- (b) As consumption increases Marginal utility goes on diminishing
- (c) At saturation point marginal utility is Zero
- (d) Marginal utility increases at a diminishing range

**51. Which of the following statement is TRUE with regard to total utility**

- (a) Total utility is the utility derived from last unit
- (b) Total utility increases at a diminishing range
- (c) As consumption increases total utility goes on diminishing
- (d) At saturation point total utility is negative

**52. According to Marshall consumer surplus is:**

- (a) Total utility – marginal utility
- (b) Total utility + Marginal utility
- (c) Total utility derived – Price
- (d) Price – Marginal utility