**Name of College – S.S.College , Jehanabad**

**Department – Economics**

**Class – B.A-I**

**Topic – Indifference Curve**

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**1.** 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

**2.**‘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

**3.** 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

**4.** 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.

**5.** 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

**6.** An indifference curve represent

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

**7.** Indifference curve is always

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

**8.** 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

**9.** 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

**10.** “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

**11.** 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

**12.** Total utility curve

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

**13.** 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

**14.** “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

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| **15.** Demand curve slopes downward because of the law of: |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | | (a) Consumer equilibrium | | [**B**](javascript:%20void%200;) | | (b) Utility maximization | | [**C**](javascript:%20void%200;) | | (c) Utility minimisation | | [**D**](javascript:%20void%200;) | | (d) Diminishing marginal utility | | | |

**16.** A budget line

(a) has a slope equal to a relative price.

(b) shows the limits to what can be consumed.

(c) rotates or shifts only when the consumer's budget changes.

(d) Answers B and C are both correct.

(e) Answers A and B are both correct.

**17.** Suppose a consumer has $100 to spend on two goods, shoes and shirts. If the price of a pair of shoes is $20 per pair and the price of a shirt is $15 each, which of the following combinations is unaffordable to the consumer?

(a) 0 pairs of shoes and 0 shirts

(b) 2 pairs of shoes and 4 shirts

(c) 5 pairs of shoes and 0 shirts

(d) 0 pairs of shoes and 7 shirts

(e) 2 pairs of shoes and 3 shirts

**18.** Which of the following describes what happens to a consumer's budget line if that consumer's budget increases? The budget line

(a) becomes steeper.

(b) shifts farther away from the origin of the graph.

(c) does not change.

(d) becomes more horizontal.

(e) shifts closer to the origin of the graph.

**19.** 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

**20.** Inferior goods are the goods with

(a) Falling Income effect  
 (b) Rising Income effect   
 (c) Negative income effect   
 (d) Positive Marshallian effects

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| **21.**If quantity demanded is completely unresponsive to changes in price, demand is: (a) Inelastic (b) Unit elastic  (c) Elastic (d) Perfectly inelastic   |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **22.** | Other things equal, if a good has more substitutes, its price elasticity of demand is: | | |  |  |  |  | | --- | --- | --- | --- | | (a) | Larger | (b) | smaller | | (c) | Zero | (d) | Unity | | |  | |
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| **23.** | Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is: |
| |  |  |  |  | | --- | --- | --- | --- | | (a) | 10% | (b) | 30% | | (c) | 3% | (d) | 1% | |

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| **24.** | If elasticity of demand is very low it shows that the commodity is: |
| |  |  |  |  | | --- | --- | --- | --- | | (a) | A necessity | (b) | A luxury | | (c) | Has little importance in total budget | (d) | (a) and (c) above | |

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| **25.** | The following are causes of shift in demand EXCEPT the one: |
| |  |  |  |  | | --- | --- | --- | --- | | (a) | Change in income | (b) | Change in price | | (c) | Change in fashion | (d) | Change in prices of substitutes | |

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| **26.** | When demand is perfectly inelastic, an increase in price will result in: |
| |  |  |  |  | | --- | --- | --- | --- | | (a) | A decrease in total revenue | (b) | An increase in total revenue | | (c) | No change in total revenue | (d) | A decrease in quantity demanded | |

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| **27.** | If demand is unitary elastic, a 25% increases in price will result in: |
| |  |  |  |  | | --- | --- | --- | --- | | (a) | 25% change in total revenue | (b) | No change in quantity demanded | | (c) | 1% decrease in quantity demanded | (d) | 25% decrease in quantity demanded | |  |  |  |  | |

**28.** Strong ordering means

(a) Absence of indifference  
 (b) Presence of indifference  
 (c) No difference between different combinations  
 (d) None of the above  
  
**29.** 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  
  
**30.** 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  
  
**31.** Revealed preference theory assumes

(a) Weak ordering  
 (b) Strong ordering   
 (c) Constant ordering  
 (d) Multiple ordering  
  
**32.** When individuals income rises (everything remain the same) his demand for a normal good

(a) Rises  
(b) Falls   
(c) Remains the same  
(d) negative  
  
**33.** 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  
  
**34.** 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  
  
**35.** 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  
  
**36.** If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:

(a) Increase

(b) Decrease

(c) Remain the same

(d) Become zero

**37.** Thehorizontal demand curve parallel to x-axis implies that the elasticity of demand is:

(a) Zero

(b) Infinite

(c) Equal to one

(d) Greater than zero but less than infinity  
  
**38.** An individual demand curve slopes downward to the right because of the:

(a) Working of the law of diminishing marginal utility

(b) substitution effect of decrease in price

(c) income effect of fall in Price  
(d) All of the above  
  
**39.** Assume that consumer’s income and the number of sellers in the market for good X both falls. Based on this information, we can conclude with certainty that the equilibrium:

(a) Price will decrease

(b) Price will increase

(c) Quantity will increase

(d) Quantity will decrease  
  
**40.** Income elasticity of demand is defined as the responsiveness of:

(a) Quantity demanded to a change in income

(b) Quantity demanded to a change in price

(c) Price to a change in income

(d) Income to a change in quantity demanded