CONTENTS

PRACTICE QUESTION PAPER 1

Section 1: Economics

01. A researcher studies how changes in consumer preferences, production costs, and market competition affect the price of wheat in a local market, while holding other economic variables constant. This type of analysis belongs to:
a. Macroeconomic price level analysis.
b. Public finance theory.
c. Microeconomic market analysis.
d. International trade theory.

02. An individual continues consuming slices of pizza. The total utility (TU) derived from consumption keeps increasing but at a decreasing rate. After consuming the sixth slice, the total utility reaches its highest level, and consuming more slices does not increase satisfaction further. At this stage, the marginal utility (MU) of the sixth slice is:
a. Zero
b. Equal to total utility.
c. Negative
d. At its maximum value.

03. In the context of consumer expectations, suppose buyers anticipate a significant increase in the price of a commodity in the near future. Which of the following is the most appropriate economic outcome in the present period?
a. Contraction in demand due to higher expected prices.
b. Increase in current demand as consumers advance their purchases.
c. No impact on current demand since the price has not yet changed.
d. Decrease in supply as producers withhold goods.

04. In managerial economics, firms often analyse the responsiveness of demand to their promotional activities such as advertising and sales promotion campaigns. The concept that measures the percentage change in quantity demanded resulting from a percentage change in promotional expenditure is known as:
a. Income elasticity of demand.
b. Price elasticity of demand.
c. Promotional elasticity of demand.
d. Elasticity of supply.

05. In microeconomic theory, the supply curve generally slopes upward from left to right. This positive slope primarily reflects the relationship between market price and the marginal cost of production. Which of the following best explains this phenomenon?
a. The law of increasing opportunity cost, causing marginal costs to rise.
b. The presence of increasing returns to scale at every level of output.
c. Fixed costs staying constant regardless of the amount produced.
d. Changes in consumer demand affecting the quantity supplied.

06. Revenue deficit in a government budget is calculated as:
a. Total Expenditure - Total Receipts
b. Capital Expenditure - Capital Receipts
c. Fiscal Deficit - Interest Payments
d. Revenue Expenditure - Revenue Receipts

07. In a perfectly competitive market, individual firms are price takers and cannot influence the market price. The equilibrium price in such a market is primarily determined by:
a. Each firm individually, based on its cost of production.
b. The aggregate interaction of industry-wide supply and demand.
c. Government regulation or price controls imposed on the market.
d. A single dominant firm that sets the market price.