M COM ENTRANCE

MICROECONOMICS PRACTICE QUESTIONS

CH 3: SUPPLY & ELASTICITY OF SUPPLY

1. Supply curve slopes backward towards left, when :
   A More quantity is supplied at higher prices.
   B Less quantity is supplied at higher prices.
   C Same quantity is supplied at higher prices
   D None of the above

2. A decrease in supply will have the greatest effect on price, when the product's demand is:
   A Elastic
   B Inelastic
   C Perfectly elastic
   D Unitary elastic

3. Extension of supply indicates:
   A an increase in supply
   B an increase in quantity supplied
   C a decrease in supply
   D a decrease in quantity supplied

4. The supply curve that intersects the positive x-axis is:
   A unit elastic
   B More than unit elastic
   C Less than unit elastic
   D Cannot be determined

5. The supply of a good will be elastic if:
   A technique of production is complex
   B the producers are not willing to take risk
   C the inputs are easily available
   D the cost of production per unit increases with increase in production

6. Supply is a _______ concept.
   A Stock
   B Flow
   C Capital
   D Hypothetical

7. A vertical supply curve indicates that the supply is:
   A perfectly elastic
   B unit elastic
   C perfectly inelastic
   D None of the above

8. A rightward shift in supply curve is:
   A increase in supply
   B expansion of supply
   C decrease in supply
   D contraction of supply

9. Supply is said to be elastic when:
   A proportionate change in quantity is less than the proportionate change in price
   B proportionate change in quantity is more than the proportionate change in price
   C proportionate change in quantity is equal to the proportionate change in price
   D None of the above

10. The supply curve is highly inelastic. A change in demand will bring:
    A proportionately greater change in price and a smaller change in quantity supplied
    B proportionately greater change in price and also greater change in quantity supplied
    C proportionately smaller change in price and a greater change in quantity supplied
    D proportionately smaller change in price and also a smaller change in quantity supplied

11. The demand curve is very elastic. A change in supply will bring about relatively :
    A Larger change in price and a smaller change in quantity supplied
    B Larger change in price and also larger change in quantity supplied
    C Smaller change in price and a larger change in quantity supplied
    D Smaller change in price and also a smaller change in quantity supplied

12. If demand and supply increase in the same proportion, the price will
    A increase
    B decrease
    C not be affected
    D cannot determine

13. If an increase in the supply of a product results in a decrease in the price, but no change in the actual quantity of the product exchanged, then:
    A the price elasticity of supply is zero.
    B the price elasticity of supply is infinite.
    C the price elasticity of demand is unitary.
    D the price elasticity of demand is zero.

14. Usually, the supply curve slopes:
    A upwards to the right
    B upwards to the left
    C downwards to the right
    D downwards to the left

15. The supply can reduce to zero without there being any change in price, then the supply curve is:
    A vertical
    B positively sloped
    C negatively sloped
    D horizontal

16. A rightward shift in supply indicates:

A a decrease in supply
B an increase in quantity supplied
C an increase in supply
D law of variable proportions

17. Supply curve slopes backward towards left, when :
A More quantity is supplied at higher prices.
B Less quantity is supplied at higher prices.
C Same quantity is supplied at higher prices
D None of the above

18. A company supplies 20 units of a particular product per month, at a price of Rs.10 per unit. If price elasticity of supply is 5, how many units would the company supply at a price of Rs.15?
A 50
B 70
C 40
D 5

19. A decrease in supply will have the greatest effect on price, when the product's demand is:
A Elastic
B Inelastic
C Perfectly elastic
D Unitary elastic

20. Which of the following is a correct statement?
A Decrease in input prices causes a leftward shift in the supply curve
B The desire for a commodity backed by ability and willingness to pay is demand
C When income increases, the demand for essential goods increases more than proportionately
D The demand for a commodity is inversely related to the price of a substitute.