

**I BBA(H) II Semester
Business Economics Question Bank**

Essay Type Questions

1. Explain the nature and scope of Business Economics.
2. Explain the concept of demand in economics and the measurement of price elasticity of demand.
3. Explain the concept of production function and its importance in economics.
4. Explain the concept of market and its main features.
5. Explain the different concepts of national income and their significance in analyzing an economy's performance.

Short Answer Question:

1. What is the primary focus of managerial economics within the realm of business decision-making?
2. What are the determinants of demand.
3. What are the three stages of returns to scale according to the law of returns to scale?
4. What are the key characteristics of a monopoly market structure?
5. What are the three methods used to measure national income?

UNIT-I

Multiple Choice Questions:

1. What is the primary goal of profit maximization in business economics?
A) Maximizing market share
B) Minimizing costs
C) Maximizing revenue
D) Minimizing risk

Answer: **Maximizing revenue**

2. Which of the following is a key area within the scope of business economics?
A) Political Science analysis
B) Sociological analysis
C) Demand analysis
D) Historical analysis

Answer: **Demand analysis**

3. Managerial economics primarily focuses on which level of economic analysis?

- A) **Microeconomics**
- B) Macroeconomics
- C) Both microeconomics and macroeconomics equally
- D) None of the above

Answer: Microeconomics

4. What does resource allocation involve in the context of business economics?
- A) Distributing resources among various projects or activities
 - B) Maximizing shareholder wealth
 - C) Minimizing competition
 - D) Ignoring opportunity costs

Answer: A) Distributing resources among various projects or activities

5. Which market structure involves many sellers offering similar products?
- A) Monopoly
 - B) Oligopoly
 - C) Perfect competition
 - D) Monopolistic competition

Answer: C) Perfect competition

6. What is the focus of forecasting in business economics?
- A) Predicting stock market trends
 - B) Predicting future economic policies
 - C) Predicting consumer demand and market trends
 - D) Predicting technological advancements

Answer: C) Predicting consumer demand and market trends

7. How does managerial economics differ from traditional economics?
- A) It focuses on theoretical discussions.
 - B) It primarily deals with macroeconomic concepts.
 - C) It emphasizes practical decision-making in business.
 - D) It disregards economic theories.

Answer: C) It emphasizes practical decision-making in business.

8. What does risk management involve in the context of business economics?
- A) Ignoring potential threats
 - B) Managing and mitigating potential adverse events
 - C) Taking unnecessary risks
 - D) Avoiding decision-making

Answer: B) Managing and mitigating potential adverse events

9. Which branch of economics studies the overall performance of the entire economy?
- A) Microeconomics
 - B) Macroeconomics
 - C) Financial economics
 - D) Managerial economics

Answer: B) Macroeconomics

10. What is the primary goal of international business in the context of business economics?
- A) Maximizing domestic production

- B) Minimizing global trade
- C) Expanding commercial transactions across borders
- D) Reducing competition

Answer: C) Expanding commercial transactions across borders

UNIT -II

1. What is the main characteristic of a market in economics?
- A) It refers to a specific physical place where goods are bought and sold.
 - B) It is a mechanism for buyers and sellers to come into contact and trade goods at agreed prices.
 - C) It only exists when there is perfect competition among sellers.
 - D) It excludes the use of money in transactions.

Answer: B) It is a mechanism for buyers and sellers to come into contact and trade goods at agreed prices.

2. Which of the following is an example of monopolistic competition?
- A) Wheat market
 - B) Indian Railways
 - C) Market for luxury cars
 - D) Toothpaste market

Answer: D) Toothpaste market

3. What is a key feature of a perfectly competitive market?
- A) Single seller dominates the market
 - B) High barriers to entry
 - C) Homogeneous products
 - D) Collusion among firms

Answer: C) Homogeneous products

4. What does a monopoly market structure lack?
- A) High competition
 - B) Barriers to entry
 - C) Multiple sellers
 - D) Price maker behavior

Answer: C) Multiple sellers

5. What is the purpose of patents in the context of markets?
- A) To encourage competition
 - B) To grant exclusive rights to inventors
 - C) To restrict innovation
 - D) To eliminate barriers to entry

Answer: B) To grant exclusive rights to inventors

6. In a perfectly competitive market, who sets the price for goods?
- A) Individual firms
 - B) Government regulators
 - C) Buyers and sellers together
 - D) Market forces of supply and demand

Answer: D) Market forces of supply and demand

7. What happens to economic profits in the long run in a perfectly competitive market?

- A) They remain constant
- B) They increase continuously
- C) They decrease to zero
- D) They fluctuate unpredictably

Answer: C) They decrease to zero

8. What determines the equilibrium price in a market?

- A) Individual firms' pricing strategies
- B) Government regulations
- C) Interaction of supply and demand forces
- D) Cost of production

Answer: C) Interaction of supply and demand forces

9. Which industry is an example of a monopoly?

- A) Agriculture
- B) Local utilities (water, electricity)
- C) Stock markets
- D) Pharmaceutical companies

Answer: D) Pharmaceutical companies

10. What distinguishes a monopoly from perfect competition?

- A) Number of sellers
- B) Homogeneous products
- C) Market equilibrium
- D) Price maker behavior

Answer: A) Number of sellers

UNIT -III

1. What is a production function in economics?

- A) The relationship between price and quantity demanded
- B) The relationship between inputs and outputs in production
- C) The relationship between income and consumption
- D) The relationship between supply and demand

Answer: B) The relationship between inputs and outputs in production

2. Which of the following is a fixed factor of production?

- A) Labor
- B) Raw materials
- C) Capital
- D) Electricity

Answer: C) Capital

3. The law of variable proportions states that as the quantity of a factor is increased while keeping other factors constant, the total product first rises at an incremental

rate, then at a decremental rate, and lastly, the total production begins to fall. Which factor does this law primarily focus on?

- A) Labor
- B) Capital
- C) Land
- D) Technology

Answer: A) Labor

4. What is the formula for total revenue?

- A) Total Revenue (TR) = Price (P) × Quantity (Q)
- B) Total Revenue (TR) = Average Revenue (AR) × Quantity (Q)
- C) Total Revenue (TR) = Marginal Revenue (MR) × Quantity (Q)
- D) Total Revenue (TR) = Fixed Costs (FC) + Variable Costs (VC)

Answer: A) Total Revenue (TR) = Price (P) × Quantity (Q)

5. What is the relationship between marginal revenue (MR) and average revenue (AR) in a perfectly competitive market?

- A) MR = AR
- B) MR > AR
- C) MR < AR
- D) MR = 0

Answer: A) MR = AR

6. Which of the following is an example of a fixed cost?

- A) Raw materials
- B) Labor wages
- C) Rent
- D) Electricity bill

Answer: C) Rent

7. What is the break-even point?

- A) The point where total revenue exceeds total costs
- B) The point where total revenue equals total costs
- C) The point where total costs exceed total revenue
- D) The point where total revenue is maximum

Answer: B) The point where total revenue equals total costs

8. What does the law of variable proportions primarily focus on in the production process?

- A) The relationship between inputs and outputs
- B) The relationship between fixed and variable costs
- C) The impact of technology on production
- D) The effect of changing one factor while keeping others constant

Answer: D) The effect of changing one factor while keeping others constant

9. What is the formula for calculating average revenue?

- A) Average Revenue (AR) = Total Revenue (TR) / Quantity (Q)
- B) Average Revenue (AR) = Total Revenue (TR) × Quantity (Q)
- C) Average Revenue (AR) = Total Costs (TC) / Quantity (Q)
- D) Average Revenue (AR) = Fixed Costs (FC) / Quantity (Q)

Answer: A) Average Revenue (AR) = Total Revenue (TR) / Quantity (Q)

10. What is the law of returns to scale concerned with?

- A) The relationship between price and quantity demanded
- B) The relationship between inputs and outputs in the long run
- C) The relationship between fixed and variable costs
- D) The relationship between average revenue and marginal revenue

Answer: B) The relationship between inputs and outputs in the long run

UNIT -IV

1. Which of the following is NOT a main feature of a market?

- A) Area
- B) Commodity
- C) Buyers only
- D) Different forms of competition

Answer: C) Buyers only

2. What type of market structure has a large number of buyers and sellers dealing in a homogeneous product?

- A) Monopoly
- B) Monopolistic Competition
- C) Perfect Competition
- D) Oligopoly

Answer: C) Perfect Competition

3. In which market structure does a single seller dominate the entire market with no close substitutes?

- A) Perfect Competition
- B) Monopoly
- C) Monopolistic Competition
- D) Oligopoly

Answer: B) Monopoly

4. What is the main characteristic of monopolistic competition?

- A) Single seller
- B) Homogeneous products
- C) Differentiated products
- D) High barriers to entry

Answer: C) Differentiated products

5. Which market structure has a limited number of sellers where the decisions of one seller affect others in the market?

- A) Perfect Competition
- B) Monopoly
- C) Monopolistic Competition
- D) Oligopoly

Answer: D) Oligopoly

6. What does equilibrium price refer to in a market?

- A) The price set by the government

- B) The price at which demand exceeds supply
 - C) The price at which supply equals demand
 - D) The price at which sellers maximize profits
- Answer: C) The price at which supply equals demand

7. In a perfectly competitive market, who sets the price for goods or services?

- A) Individual firms
 - B) Government
 - C) Consumers
 - D) Market forces
- Answer: D) Market forces

8. What is the primary goal of a monopolist in terms of pricing and production?

- A) Maximize consumer surplus
 - B) Minimize production costs
 - C) Maximize profits
 - D) Ensure market efficiency
- Answer: C) Maximize profits

9. Which market structure is characterized by a lack of competition and a single seller?

- A) Perfect Competition
 - B) Monopoly
 - C) Monopolistic Competition
 - D) Oligopoly
- Answer: B) Monopoly

10. What happens to consumer surplus in a monopoly market compared to perfect competition?

- A) It increases
 - B) It decreases
 - C) It remains the same
 - D) It is not affected
- Answer: B) It decreases

UNIT -V

Multiple Choice Questions:

1. Which of the following is NOT a component of Gross Domestic Product (GDP)?

- a) Consumer goods and services
- b) Government expenditure
- c) Gross private domestic investment in capital goods
- d) Net factor income from abroad

Answer: d) Net factor income from abroad

2. What does GNP stand for?

- a) Gross National Price
- b) Gross National Profit
- c) Gross National Product
- d) Gross National Production

Answer: c) Gross National Product

3. Which of the following equations represents Net National Product (NNP)?

- a) $NNP = GNP - \text{Depreciation}$
- b) $NNP = GDP + NFIA$
- c) $NNP = NI - \text{Indirect Taxes}$
- d) $NNP = C + I + G + (X - M) + NFIA$

Answer: a) $NNP = GNP - \text{Depreciation}$

4. What is National Income also known as?

- a) Gross Domestic Product
- b) Gross National Product
- c) National Income at factor cost
- d) Personal Income

Answer: c) National Income at factor cost

5. Which of the following is NOT deducted from Personal Income to calculate Disposable Income?

- a) Direct Taxes
- b) Corporate Income Taxes
- c) Social Security Contribution
- d) Transfer Payments

Answer: b) Corporate Income Taxes

6. Per Capita Income is derived by dividing the national income of a country by:

- a) Its GDP
- b) Its total exports
- c) Its total population
- d) Its total imports

Answer: c) Its total population

7. Which method of measuring national income focuses on the flow of factor incomes?

- a) Income Method
- b) Product or Value Added Method
- c) Expenditure Method
- d) All of the above

Answer: a) Income Method

8. What does GDP stand for?

- a) Gross Domestic Price
- b) Gross Development Product
- c) Gross Domestic Profit
- d) Gross Domestic Product

Answer: d) Gross Domestic Product

9. Which phase of the trade cycle is characterized by a slowdown in economic activity?

- a) Expansion
- b) Peak
- c) Contraction

d) Trough

Answer: c) Contraction

10. What is the primary factor influencing the balance of trade?

a) Government policies

b) Exchange rates

c) Consumer preferences

d) Technological advancements

Answer: b) Exchange rates

UNIT -I

One Word Answer Questions:

1. What does managerial economics primarily focus on?

Answer: Microeconomics

2. What is the primary goal of profit maximization?

Answer: Revenue

3. What is the primary focus of demand analysis?

Answer: Consumers

4. What does forecasting aim to predict?

Answer: Trends

5. What is the main concern of risk management?

Answer: Adverse events

6. What does resource allocation involve?

Answer: Distributing

7. What does market structure refer to?

Answer: Organizational

8. What does capital budgeting help in deciding?

Answer: Investment

9. What does international business involve?

Answer: Global transactions

10. What does government policy influence?

Answer: Regulation

UNIT -II

1. What is the primary focus of demand?

Answer: Consumption

2. What is the law of demand based on?

Answer: Price

3. What influences consumer buying decisions?

Answer: Preferences

4. What do substitutes do to demand?

Answer: Increase

5. What affects consumers' purchasing power?

Answer: Income

6. What determines the quantity demanded?

Answer: Price

7. What does the law of demand state about price and quantity demanded?

Answer: Inverse Relationship

UNIT -III

1. What is the main feature of a monopoly market?
Answer: Single seller
2. What determines the equilibrium price in a market?
Answer: Supply and demand
3. What is the purpose of patents?
Answer: Protection
4. What type of competition involves homogeneous products?
Answer: Perfect
5. What are the barriers to entry in a monopoly?
Answer: High
6. What is the role of money in a market transaction?
Answer: Medium
7. What does monopolistic competition involve?
Answer: Differentiation
8. What do perfect competition and monopoly represent?
Answer: Market structures
9. What influences market prices in perfect competition?
Answer: Demand and supply
10. What is the primary characteristic of a competitive market?
Answer: Competition

UNIT-IV

1. What is the primary medium of exchange in a market?
Answer: Money
2. What is the term for a market situation with only one seller?
Answer: Monopoly
3. What is the unique characteristic of a monopolistic competition market?
Answer: Differentiated
4. What is the price at which supply equals demand in a market?
Answer: Equilibrium
5. What is the primary goal of a monopoly in terms of pricing?
Answer: Maximize
6. What is the term for a market with many buyers and sellers of homogeneous products?
Answer: Perfect

7. What is the key determinant of market forms based on the number of sellers and their goods?

Answer: Competition

8. What is the outcome of high barriers to entry in a market?

Answer: Monopoly

9. What is the effect of a surplus in a market on prices?

Answer: Decrease

10. What is the role of buyers and sellers in a market?

Answer: Transaction

UNIT-V

1. What is the main concept of national income?

Answer: GDP

2. What does GNP include?

Answer: Net factor income from abroad

3. What is the abbreviation for Net National Product?

Answer: NNP

4. What is Personal Income minus Direct Taxes?

Answer: Disposable Income

5. What does PCI stand for?

Answer: Per Capita Income

6. Which method focuses on production when measuring national income?

Answer: Product or Value Added Method

7. What is the highest point of economic activity in a trade cycle?

Answer: Peak

8. What does FDI stand for?

Answer: Foreign Direct Investment

9. What is the difference between a country's exports and imports?

Answer: Trade balance

10. What is the total sum of all economic transactions between a country and the rest of the world?

Answer: Balance of payments
