

QuestionText*	AnswerOption1*	AnswerOption2*	AnswerOption3	AnswerOption4	AnswerOptions5	CorrectAnswer1*
Giffen goods are characterized by:	A negative income effect and a positive substitution effect.	A positive income effect and a negative substitution effect, with the income effect	A negative income effect and a negative substitution effect.	A positive income effect and a positive substitution effect.	They are always luxury goods.	A positive income effect and a negative substitution effect, with the income effect
When the price of a Giffen good increases, consumers of that good:	Will likely find a close substitute and reduce their demand.	Will have to spend a larger portion of their income on that good.	Will see no change in their demand for the good.	Will experience a decrease in total spending on that good.	None of the above.	Will have to spend a larger portion of their income on that good.
Which of the following statements is true about Giffen goods?	They are typically high-quality, luxury items.	They have close substitutes readily available.	They constitute a significant portion of most household budgets.	An increase in price leads to a decrease in quantity demanded.	Giffen goods are a common phenomenon in most economies.	They constitute a significant portion of most household budgets.
An example of a good that might be considered a Giffen good is:	High-end smartphones	Restaurant meats	Gasoline	Staple food in a poor community with limited substitutes	Designer clothing	Staple food in a poor community with limited substitutes
The concept of Giffen goods helps explain:	Why some consumers switch to generic brands when name brands increase in price.(b) Why some people might buy more of a good even when the price goes up, if it's an essential good with limited substitutes and their income	Why some people might buy more of a good even when the price goes up, if it's an essential good with limited substitutes and their income doesn't rise proportionally.	Why people tend to buy more of a luxury good when the price increases.	How increased competition always leads to lower prices.	Why some businesses can raise prices without losing customers.	Why some people might buy more of a good even when the price goes up, if it's an essential good with limited substitutes and their income doesn't rise proportionally.
Which of the following BEST describes the relationship between the price and quantity demanded of a Giffen good?	A positive relationship, with both price and quantity demanded increasing.	A negative relationship, with price increasing and quantity demanded decreasing.	No relationship, with changes in price having no effect on quantity demanded.	A positive relationship initially, but then a negative relationship as price continues to rise.	A negative relationship initially, but then a positive relationship as price continues to rise.	A positive relationship, with both price and quantity demanded increasing.
A company has fixed costs of Rs.10,000 and variable costs of Rs.5 per unit produced. They sell each unit for Rs.10. At what point (in units produced and sold) will the company break even (reach zero profit)?	1,000 units	2,000 units	5,000 units	It's impossible to determine without additional information on total revenue.(e) There's no break-even point, as the variable cost is lower than the selling price.	There's no break-even point, as the variable cost is lower than the selling price.	2,000 units
A company manufactures two products (A and B). Product A has a fixed cost of Rs. 20,000 and a variable cost of Rs.2 per unit. Product B has no fixed costs, but a variable cost of Rs.8 per unit. They sell each unit of product A for Rs.5 and each unit of product B for Rs.10. They plan to produce and sell x units of product A and y units of product B. What is the MINIMUM combined number of units (x+y) the company needs to produce and sell to break even (reach zero profit)?	2,500 units	6,667 units	7,500 units	10,000 units	It's impossible to determine without additional information on production ratios.	6,667 units
A key characteristic of oligopoly is:	A large number of sellers with identical products.	A single seller dominating the market.	A small number of interdependent firms selling similar or differentiated products. * (Correct)*	Perfect competition with complete freedom of entry and exit.	A monopoly created by government intervention.	A small number of interdependent firms selling similar or differentiated products.
Firms in an oligopoly are likely to:	Completely ignore the actions of their competitors when making pricing decisions.	Be very sensitive to the pricing and production strategies of their rivals. * (Correct)*	Have minimal impact on the overall market price.	Engage in fierce price wars to gain market share.	Always cooperate and agree on prices to maximize profits.	Be very sensitive to the pricing and production strategies of their rivals.
Which of the following is NOT a common barrier to entry in an oligopoly?	Economies of scale, where large established firms have cost advantages.	Brand loyalty of consumers towards existing products.	Government regulations and licensing requirements.	High advertising costs needed to compete with established brands.	Patents and copyrights protecting unique technologies.	Government regulations and licensing requirements.
In a game theory scenario for oligopolies, the prisoner's dilemma describes a situation where:	Both firms cooperate and share the market profits.	Firms compete aggressively, leading to lower profits for all. * (Correct)*	One firm strategically prices lower to gain market share, while the other retaliates.	Firms collude and agree on a price that maximizes profits for both.	Government intervention regulates prices and protects consumers.	Firms compete aggressively, leading to lower profits for all.
Which of the following is an example of an industry that might be considered an oligopoly?	Local farmers market with many independent vendors.	Cellular service providers in a country.	Bakery with a single location in a small town.	Online marketplace with millions of sellers offering various products.	Government-run utility company with a monopoly on electricity.	Cellular service providers in a country.
Company produces bicycles. Their total cost function is represented by the equation $TC = 2000 + 5x$, where TC is the total cost and x is the number of bicycles produced. What is the variable cost per bicycle	Rs. 2,000	Rs. 5	x	The equation cannot determine variable cost per unit.	Needs additional information on fixed costs.	Rs. 5
If the price of a good increases, what is the likely effect on the quantity supplied and the quantity demanded, assuming all other factors remain constant?	Quantity supplied decreases, quantity demanded increases					
A company is considering outsourcing a production process. The current in-house variable cost per unit is Rs. 4. The outsourcing company charges a flat fee of Rs. 2 per unit plus a variable cost of Rs. 3 per unit. Should the company outsource based solely on cost?	Yes, outsourcing will always be cheaper regardless of production volume.	It depends on the total number of units produced. Outsourcing is cheaper if production volume is high enough for the cost savings from the lower variable cost to outweigh the fixed outsourcing fee.	No, in-house production is always cheaper due to lower variable cost.	Needs additional information on fixed in-house costs.	Needs additional information on fixed in-house costs.	It depends on the total number of units produced. Outsourcing is cheaper if production volume is high enough for the cost savings from the lower variable cost to outweigh the fixed outsourcing fee.

A company uses a mixed cost behavior, where some costs have both fixed and variable components. The high-low method can be used to estimate the fixed and variable cost components. This method requires:	Data on total cost and production volume at a single point in time.	Data on total cost and production volume at two different activity levels. * (Correct)*	Data on fixed costs and variable costs at multiple activity levels.	Requires a complex statistical analysis of historical data.	Cannot be used with mixed cost behaviors.	Data on total cost and production volume at two different activity levels.
A company is analyzing its cost structure to determine its breakeven point. They need to consider:	Only the total fixed costs.	Only the variable costs per unit.	Both the total fixed costs and the variable costs per unit.	The average cost per unit at different production volumes.	The selling price per unit and the contribution margin.	Both the total fixed costs and the variable costs per unit.
The Fisher effect describes the relationship between:	Inflation rate and unemployment rate.	Interest rates and economic growth.	Nominal interest rates, real interest rates, and expected inflation. * (Correct)*	Exchange rates and government debt.	Consumer spending and income levels.	Nominal interest rates, real interest rates, and expected inflation.
According to the Fisher effect, if the expected inflation rate increases, what will likely happen to nominal interest rates?	They will remain unchanged.	They will decrease proportionally.	They will increase proportionally.	They will become more volatile.	The effect depends on the real interest rate.	They will increase proportionally.
The Fisher effect helps explain why:	People prefer to invest in stocks during periods of high inflation.	Savers might be discouraged from saving money in banks when inflation is high.	Governments prioritize lowering interest rates to stimulate economic growth.	Central banks use monetary policy to control inflation.	The bond market is sensitive to changes in interest rates.	Savers might be discouraged from saving money in banks when inflation is high.
In the equation: Nominal Interest Rate = Real Interest Rate + Expected Inflation Rate, what does the "Real Interest Rate" represent?	The actual return on investment after accounting for inflation. * (Correct)*	The interest rate charged by banks for loans.	The rate of inflation in the following year.	The risk premium associated with the investment.	The government-controlled interest rate.	The actual return on investment after accounting for inflation.
The Fisher effect assumes:	Lenders and borrowers have perfect information about future inflation.	Nominal interest rates perfectly reflect changes in expected inflation.	Real interest rates are always negative during periods of high inflation.	The effect is only observed in short-term financial markets.	The effect is more pronounced in developed economies.	Nominal interest rates perfectly reflect changes in expected inflation.
A cartel is characterized by:	A single dominant seller controlling the market (monopoly).	A small number of firms acting collectively to restrict competition and maximize profits.	A large number of sellers with identical products (perfect competition).	Government intervention and regulation of an industry.	A focus on innovation and product differentiation.	A small number of firms acting collectively to restrict competition and maximize profits.
Which of the following is NOT a potential consequence of cartels?	Higher prices for consumers due to restricted competition.	Reduced production output to maintain higher prices.	Limited product choice for consumers.	Instability and potential price wars if the cartel breaks down.	Increased profits for member firms in the short term.	Higher prices for consumers due to restricted competition.
In a game theory scenario, a Nash equilibrium refers to a situation where:	All players choose the strategy that maximizes their own profit, regardless of what others do.	One player dominates the game by having a strategy that is always better than any other	Players cooperate and agree on a strategy that benefits everyone equally.	Each player chooses a strategy that is optimal given the choices of all other	The outcome is unpredictable and depends on random chance.	Each player chooses a strategy that is optimal given the choices of all other players, assuming
The Nash equilibrium can be found in games with:	Only one player.	Only cooperative strategies.	Only dominant strategies for each player.	Any number of players and any combination of strategies.	Only zero-sum games (where one player's gain is another's loss).	Any number of players and any combination of strategies.
The Prisoner's Dilemma is a classic example that demonstrates the limitations of Nash equilibrium. It shows that:	Cooperation is always the best strategy in all game scenarios.	Players can achieve a mutually beneficial outcome through communication and trust.	Even when cooperation seems better, self-interest might lead to a less desirable outcome for all players.	The Nash equilibrium always leads to the most efficient allocation of resources.	Randomization of strategies is the best way to achieve a Nash equilibrium.	Even when cooperation seems better, self-interest might lead to a less desirable outcome for all players.
In a game with multiple Nash equilibria, which one is chosen by the players depends on:	External factors like market conditions.	The order in which players make their choices.	Players' knowledge of each other's preferences.	The complexity of the game itself.	There's no way to predict which equilibrium will be chosen.	Players' knowledge of each other's preferences.
Which of the following statements is NOT true about Nash equilibrium?	It is a static concept, representing a single point of balance in a game.	It assumes players are rational and act in their own best interest.	It can be used to analyze both cooperative and non-cooperative games.	It provides a framework for predicting outcomes in strategic interactions.	It can be reached through various strategies, not just dominant ones.	It is a static concept, representing a single point of balance in a game.