National Management College – Thudupathi

CA Foundation – Revision Test 2 – Chapter 2 Unit 1 Up to Price Elasticity – 17.03.2022

Maximum Marks – 25 Time Allowed – 30 Minutes

Choose the best option

1. Potato chips and popcorn are substitutes. A rise in the price of potato chips will _____ the demand for popcorn and the quantity of popcorn will _____?
   (a) increase; increase(b) increase; decrease(c) decrease; decrease (d) decrease;increase

2. Individual demand is also called –
   a. Industrial demand b. market demand c. household's demand d. all of these

3. All but one are the factors which affect individual demand. Find the odd one out?
   a. Price of related good b. Income of the consumer c. Tastes and preferences of consumer d. Number of consumers in the market

4. Demand concept explains the _____ behaviour in response to change in price of a good?
   a. Producer's b. Seller's c. Consumer's d. None of these

5. Which of the following is a determinant of Individual Demand?
   a. Cost of production b. Nature of commodity c. Economic Policies of the Government d. Tastes and Preferences of consumers

6. If two goods are complementary then rise in the price of one results in-
   a. Rise in demand for the other b. fall in demand for the other c. rise in demand for both d. None of these

7. For demand to be effective, the Commodity should be available –
   a. At a certain price b. At a certain place c. At a certain time d. All of these

8. Price Elasticity of Demand would be higher for those products which have –
   a. A larger number of Substitutes b. Fewer Substitutes c. No Substitutes d. Fewer Complementary Goods

9. What would be the value of Elasticity of Demand, if the demand for the good is perfectly elastic?
   a. 0 b. 1 c. Infinity d. Less than 0

10. What is the Price Elasticity of Demand for a product, if an increase in the price of the good by 2% leads to fall in demand by 4% (use percentage method)?
    a. +0.5 b. -0.5 c. +2 d. +4

11. If Price of Coffee decreases from Rs. 5 to Rs. 4, and as a result the Consumer's demand for Coffee increase from 50 grams to 100 grams, the absolute Price Elasticity of Demand of Coffee is (use percentage method) –
    a. 0.2 b. 5 c. 6 d. 8

12. Conspicuous goods are also called as:
    a. Necessary Goods b. Prestige Goods c. Giffen Goods d. Basic Goods

13. Which of these is not depicted in a typical Demand Curve?
    a. Quantity Demanded b. Price of the Product c. Income Levels of Consumer d. None of these

14. What type of relationship exists between Price and Quantity Demanded?
    a. Direct b. Inverse c. Positive d. Positional

15. In a Demand Curve, the Horizontal Axis will be –
    a. Quantity Demanded b. Price of the Product c. Income Levels of Consumer d. Any of these

16. Expansion and Contraction of demand causes _____?
    a. Movements within the same demand curve b. Shift of the demand curve c. Both (a) and (b) d. None of these

17. A movement along the Demand Curve for soft drinks is best described as –
    a. Increase in demand b. Decrease in demand c. Change in quantity demanded d. Change in Demand

18. Change in Demand as a result of the factors other than Price is known as –
    a. Shift in Demand b. Increases and Decrease in demand c. Change in Demand d. All of these

19. In case of Shift in Demand, _____ remains constant?
    a. Income of Consumers b. Tastes and Preferences of Consumers c. Price of the Product d. Quality of the Product

20. When the price of a commodity increases from Rs. 8 to Rs. 10 then the demand decreases by 75%. The price Elasticity of demand is (use percentage method) _____ ?
    a. 0.33 b. 1 c. 2 d. 3

21. Q = 100 – 2P. When Price is equal to Rs. 40. What is the Price elasticity of demand?
    a. 1 b. 2 c. 3 d. 4

22. When price of the good increase from Rs. 10 to Rs. 20, then the quantity demanded decreases from 100 to 50, what is the price elasticity of demand (use arc elasticity method)?
    a. 1 b. 2 c. 3 d. 4

23. If the demand for a product is elastic, an increase in its price will cause the total expenditure of the consumers to –
    a. Remain the same b. Increase c. Decrease d. Any of these

24. What is the elasticity between midpoint & upper extreme point of a straight line continuous demand curve?
    a. Infinite b. Zero c. >1 d. <1

25. If R point bisects the Demand Curve in two equal parts, then elasticity at R equals –
    a. Five b. Two c. One d. Zero

** All the best **