



Chapter-03

Consumer Behaviour

1.Payment of water charges by the farmers to the government represents

- (A) Intermediate consumption
- (B) Final consumption
- (C) Fixed investment
- (D) Inventory investment

2.The difference between the price the consumer is prepared to pay for a commodity and the price which he actually pays is called

- (A) Consumer's Surplus
- (B) Producer's Surplus
- (C) Landlord's Surplus
- (D) Worker's Surplus

3.The marginal propensity to consume lies between

- (A) 0 to 1
- (B) 0 to
- (C) 1 to
- (D) to

4.'Marginal efficiency of capital is

- (A) Expected rate of return on new investment
- (B) Expected rate of return of existing investment
- (C) Difference between rate of profit and rate of interest
- (D) Value of output per unit of capital invested

5.Consumptions function refers to

- (A) Relationship between income and employment
- (B) Relationship between savings and investment
- (C) Relationship between input and output
- (D) Relationship between income and consumption

6.The functional relationship between income and consumption expenditure is explained by

- (A) Consumer's Surplus
- (B) Law of Demand

(C) Law of Supply

(D) Keynes's psychological law of consumption

7.Income and consumption are:

- (A) Inversely related
- (B) Directly related
- (C) Partially related
- (D) Unrelated

8.Which of the following relationship always holds true?

- (A) $\text{Income} = \text{Consumption} + \text{Investment}$
- (B) $\text{Income} = \text{Consumption} + \text{Saving}$
- (C) $\text{Saving} = \text{Investment}$
- (D) $\text{Income} = \text{Consumption} + \text{Saving} + \text{Investment}$

9.The Keynesian consumption function shows a relation between

- (A) Aggregate consumption and total population
- (B) Aggregate consumption and general price level
- (C) Aggregate consumption and aggregate income
- (D) Aggregate consumption and interest rate

10.Over short period, when income rises, average propensity to consume usually

- (A) Rises
- (B) Falls
- (C) Remains constant
- (D) Fluctuates

11.According to Marshall, the basis of consumer surplus is-

- (A) Law of diminishing marginal utility
- (B) Law of equi-marginal utility
- (C) Law of proportions
- (D) All of the above

12.Collective consumption means-

- (A) Household consumption
- (B) Individual consumption
- (C) Self-consumption
- (D) Consumption by the citizens of the country





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13. The concept that under a system of free enterprise, it is consumers who decide what goods and services shall be produced and in what quantities is known as—

- (A) Consumer protection
- (B) Consumer's decision
- (C) Consumer preference
- (D) Consumer's sovereignty

14. If for any product X, total utility from 9 units is 20 and from 10 unit is 15, then Marginal utility is—

- (A) -5
- (B) 5
- (C) .5
- (D) -5

15. In economics, 'Utility' and 'Usefulness' words has.

- (A) Same meaning
- (B) Different meaning
- (C) Opposite meaning
- (D) None of the above

16. The Psychological law of consumption states that—

- (A) Proportionate increase in consumption is less than proportionate increase in income
- (B) Increase in income is equal to increase in consumption
- (C) Increase in consumption is greater than increase in income
- (D) Consumption does not change with a change in income

17. When Marginal Utility (MU) is zero, the Total Utility (TU) is—

- (A) Minimum
- (B) Increasing
- (C) Maximum
- (D) Decreasing

18. The marginal utility curve slopes downward from left to right indicating—

- (A) A direct relationship between marginal utility and the stock of commodity

(B) A constant relationship between marginal utility and the stock of commodity

(C) A proportionate relationship between marginal utility and the stock of commodity

(D) An inverse relationship between marginal utility and the stock of commodity

19. The term utility means—

- (A) Usefulness of a commodity
- (B) The satisfaction in which a commodity yields
- (C) The service which a commodity is capable of rendering
- (D) None of the above

20. When Marginal utility diminishes, total utility:

- (A) Diminishes
- (B) Increases
- (C) Remains constant
- (D) Increases at a diminishing rate

21. A utility function shows the relation between :

- (A) The amount of goods consumed and a consumer's utility.
- (B) Income and a consumer's utility.
- (C) Prices and a consumer's utility.
- (D) Maximum utility and the prices and income facing a consumer.

22. Marginal utility is equal to average utility at that time when average utility is—

- (A) Increasing
- (B) Maximum
- (C) Falling
- (D) Minimum

23. At point of satiety, Marginal Utility is—

- (A) Zero
- (B) Positive
- (C) Maximum
- (D) Negative

24. Which of the following is the second law of Gossen? Page | 2



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- (A) Law of equi-marginal utility
(B) Law of equi-product
(C) Theory of indifference curve
(D) Law of diminishing marginal utility

25. Total Utility of a commodity is measured by which price of that commodity?

- (A) Value in use
(B) Value in exchange
(C) Both of above
(D) None of above

26. Irfaan loves black coffee. A roadside stall selling a cup of black corffee at. 120 offered 25% discount to Irffan. If Irfaan was willing to pay event Rs. 200 for this cup of black coffee, Irfaan's consumer surplus is

- (A) 90
(B) 80
(C) 30
(D) 110

27.The minumum price at which I was willing to sell my old TV was RS. 7,000. I quoted Rs. 12,000 while selling it, but sold for Rs. 10,500. This transaction generated

- (A) Rs. 3,500 worth of consumer surplus
(B) Rs. 5,000 worth of consumer surplus
(C) Rs. 5,000 worth of producer surplus
(D) Rs. 3,500 worth of producer surplus

28. The minimum price at which I was willing to sell my old TV was Rs 37,000. I quoted Rs 50,000 while selling it, but it sold for Rs 42,000. This transaction generated _____.

- (A) Rs 5000 worth of consumer surplus
(B) Rs 8000 worth of consumer surplus
(C) Rs 5000 worth of producer surplus
(D) Rs 8000 worth of producer surplus

29.If hiring an extra worker increases a brick making unit's output from 2000 to 2250 units per day, but the factory has to reduce the price of its brick from Rs 15

to Rs 14 per brick to sell the additional output, the marginal revenue product of the last worker is

- (A) Rs 1500
(B) Rs 250
(C) Rs 3000
(D) Rs 100

30.Reema wants to buy a certain designer party dress. The shop is offering a discount of 20% on that dress which is marked at Rs 5000. If Reema was willing to pay even Rs 7000 for that dress, Reema's consumer surplus is

- (A) Rs 3000
(B) Rs 2000
(C) Rs 1000
(D) Rs 7000

31. An increase in price will _____.

- (A) Increase consumer surplus
(B) Decrease consumer surplus
(C) Have no affect on consumer surplus
(D) Decrease producer surplus

32.Priya likes a wedding gown so much that she was willing to pay even Rs. 30000 for it. Luckily she finds the same gown marked at Rs. 25000 at a local store. The store is further offering a 30% discount on the gown. Priya's consumer surplus is

- (A) Rs. 5000
(B) Rs. 12500
(C) Rs. 7500
(D) Rs. 25000

33. Which among the following is an example of micro-economic variable?

- (A) National Income
(B) Aggregate Supply
(C) Employment
(D) Consumer's Equilibrium

34. What does indifference curve represent?

- (A) Levels of Income and Capital





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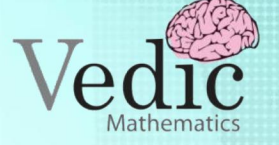
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- (B) Satisfaction derived from two goods
- (C) Income from two businesses
- (D) Relationship between expenditure and savings

35. Which among the following is used to measure slope of indifference curve?

- (A) Marginal Rate of Transformation
- (B) Marginal Rate of Substitution
- (C) Marginal Rate of Technical Substitution
- (D) None of these

