



Chapter-02

Demand and Supply

1. Equilibrium is a condition that can-

- (A) Never change
- (B) Change only if some outside factor changes
- (C) Change only if some internal factor changes
- (D) Change only if government policies change

2. A firm is in equilibrium when its-

- (A) Marginal cost equals the marginal revenue
- (B) Total cost is minimum
- (C) Total revenue is maximum
- (D) Average revenue and marginal revenue are equal

3. Which of the following does not determine supply of labour?

- (A) Size and age-structure of population
- (B) Nature of work
- (C) Marginal productivity of labour
- (D) Work-leisure ratio

4. Extension or contraction of quantity demanded of a commodity is a result of a change in the-

- (A) Unit price of the commodity
- (B) Income of the consumer
- (C) Tastes of the consumer
- (D) Climate of the region

5. Cross elasticity of demand between petrol and car is-

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

6. 'Law of demand' implies that when there is excess demand for a commodity, then -

- (A) Price of the commodity falls
- (B) Price of the commodity remains same

(C) Price of the commodity rises

(D) Quantity demanded of the commodity falls

7. The demand curve shows that price and quantity demanded are-

- (A) Directly related only
- (B) Directly proportional and also directly related
- (C) Inversely proportional and also inversely related
- (D) Inversely related only

8. Economic rent does not arise when the supply of a factor unit is-

- (A) Perfectly inelastic
- (B) Perfectly elastic
- (C) Relatively elastic
- (D) Relatively inelastic

9. A horizontal demand curve is-

- (A) Relatively elastic
- (B) Perfectly elastic
- (C) Relatively inelastic
- (D) Relatively inelastic

10. Under increasing returns the supply curve is-

- (A) positively sloped from left to right
- (B) negatively sloped from left to right
- (C) parallel to the quantity axis
- (D) parallel to the price axis

11. Elasticity of demand measures the responsiveness of the quantity demanded of a goods to a-

- (A) change in the price of the goods
- (B) change in the price of substitutes
- (C) change in the price of the complements
- (D) change in the price of joint products

12. Which one of the following is having elastic demand?

- (A) Electricity
- (B) Medicines
- (C) Rice
- (D) Match boxes





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13.Name the curve which shows the quantity of products as seller wishes to sell at a given price level-

- (A) Demand curve
- (B) Cost curve
- (C) Supply curve
- (D) None of these

14.The supply of labour in the economy depends on-

- (A) Population
- (B) National income
- (C) Per capita income
- (D) Natural resources

15.Which one of the following pairs of goods is an example for Joint Supply?

- (A) Coffee and Tea
- (B) Ink and Pen
- (C) Tooth brush and Paste
- (D) Wool and Mutton

16.Demand in Economics means:

- (A) Aggregate demand
- (B) Market demand
- (C) Individual demand
- (D) Demand backed by purchasing power

17.When percentage change in demand for a commodity is less than percentage change in its price, then demand is said to be-

- (A) Highly elastic
- (B) Inelastic
- (C) Relatively elastic
- (D) Perfect inelastic

18.The demand for necessities is-

- (A) Elastic
- (B) Perfectly inelastic
- (C) Inelastic
- (D) Perfectly elastic

19.If a good has negative income elasticity and positive price elasticity of demand, it is a-

- (A) Giffen good
- (B) Normal good
- (C) Superior good
- (D) An inferior good

20.Cross demand expresses the functional relationship between-

- (A) Demand and prices of related commodities
- (B) Demand and income
- (C) Demand and prices
- (D) Demand and supply

21.The law of Demand is based on-

- (A) Manufacturer's preference
- (B) Seller's returns
- (C) Constant returns
- (D) Increasing returns

22.A supply function expresses the relationship between-

- (A) Price and output
- (B) Price and selling cost
- (C) Price and consumption
- (D) Price and consumption

23.Any factor of production can earn economic-rent, when its supply will be-

- (A) Perfectly elastic
- (B) Relatively elastic
- (C) Perfectly inelastic
- (D) All of the above

24.The demand of a factor of production is-

- (A) Direct
- (B) Derived
- (C) Neutral
- (D) Discretion of the producer

25.A unit price elastic demand curve will touch-

- (A) Both price and quantity axis





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- (B) Neither price axis, nor quantity axis
(C) Only price axis
(D) Only quantity axis

26. Other things being equal, a decrease in quantity demanded of a commodity can be caused by-

- (A) A rise in the price of the commodity
(B) A rise in the income of the consumer
(C) A fall in the price of a commodity
(D) A fall in the income of the consumer

27. A demand curve will not shift-

- (A) When only income changes
(B) When only prices of substitute products change
(C) When there is a change in advertisement expenditure
(D) When only price of the commodity changes

28. Perfectly inelastic demand is equal to-

- (A) One
(B) Infinite
(C) Zero
(D) Greater than one

29. A demand curve, which is parallel to the horizontal axis, showing quantity, has the price elasticity equal to-

- (A) Zero
(B) One
(C) Less than one
(D) Infinity

30. The demand curve facing a perfectly competitive firm is-

- (A) Downward sloping
(B) Perfectly inelastic
(C) A concave curve
(D) Perfectly elastic

31. Personal disposable income is-

- (A) Always equal to personal income
(B) Always more than personal income

(C) Equal to personal income minus direct taxes paid by household

(D) Equal to personal income minus indirect taxes

32. Who said 'Supply creates its own demand'?

- (A) Adam Smith
(B) J.B. Say
(C) Marshall
(D) Ricardo

33. Speculative demand for cash is determined by-

- (A) The rate of interest
(B) The level of income
(C) The general price level
(D) The market conditions

34. What is needed for creating demand?

- (A) Production
(B) Price
(C) Income
(D) Import

35. Effective demand depends on-

- (A) Capital output ratio
(B) Output capital ratio
(C) Total expenditure
(D) Supply price

36. The supply-side economics lays greater emphasis on-

- (A) Producer
(B) Global economy
(C) Consumer
(D) Middle Man

37. When price of a substitute of commodity 'x' falls, the demand for 'x'—

- (A) Falls
(B) Remains unchanged
(C) Increases at increasing rate
(D) Rises





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38. J.B Say's Law of Market was not accepted by:

- (A) Adam Smith
- (B) Marshall
- (C) Malthus
- (D) David Ricardo

39. The time element in price analysis was introduced by-

- (A) J.M. Keynes
- (B) Alfred Marshall
- (C) J.S. Mill
- (D) J.R. Hicks

40. When the demand for a good increases with an increase in income, such a good is called _____.

- (A) Superior good
- (B) Giffen good
- (C) Inferior good
- (D) Normal good

41. If demand curve for camping tents is $D = 100000 - 17P$ and supply curve is $S = 50000 + 8P$, find the equilibrium Price?

- (A) Rs. 1000
- (B) Rs. 2000
- (C) Rs. 4000
- (D) Rs. 500

42. If price of an article decreases from P_1 to Rs 25, quantity demanded increases from 900 units to 1200 units. If point elasticity of demand is 2 find P_1 ?

- (A) Rs. 20
- (B) Rs. 30
- (C) Rs. 35
- (D) Rs. 15

43. A company faces a -2.5 price elasticity of demand for its product. It is presently selling 10,000 units/month. If it wants to increase quantity sold by 6%, it must lower its price by-

- (A) 3.50%
- (B) 15%

(C) 2.50%

(D) 2.40%

44. If price of an article decreases from Rs. 12 to Rs. 10, quantity demanded increases from 1000 units to 1400 units. Find point elasticity of demand?

- (A) 2.4
- (B) -2
- (C) -2.4
- (D) 2

45. A manufacturer faces price elasticity of demand of a - 2 for its product. If it lowers its price by 5%, the increase in quantity sold will be-

- (A) 3%
- (B) 10%
- (C) 2.50%
- (D) 7%

46. If demand curve for a fishing rod is $D = 37000 - 11P$ and supply curve is $S = 12000 + 9P$, find the equilibrium quantity?

- (A) 1250 units
- (B) 23250 units
- (C) 52350 units
- (D) 2500 units

47. If price of an article decreases from Rs. 25 to quantity demanded increases from Q_1 units to 1500 units. If point elasticity of demand is - 1.25, find Q_1 ?

- (A) 900 units
- (B) 1200 units
- (C) 2000 units
- (D) 1800 units

48. Calculate a country's GDP if for the year consumer spending is \$400 million, government spending is \$150 million, investment by businesses is \$80 million, exports are \$35 million and imports are \$40 million.

- (A) \$625 million
- (B) \$465 million
- (C) \$475 million





(D) \$635 million

49.If price of an article decreases from Rs P1 to Rs 75, quantity demanded increases from 1000 units to 1200 units. If point elasticity of demand is 3.2 find P1?

- (A) Rs 85
- (B) Rs 80
- (C) Rs 90
- (D) Rs 95

50.Suppose the equilibrium price for sugar is Rs 50/kg. If the government sets a price floor of Rs 70/kg then_____.

- (A) Quantity fo sugar demanded will be greater than the quantity demanded at equilibrium price
- (B) There will be a shortage of sugar in the market
- (C) There will be a surplus of sugar in the market.
- (D) Quantity of sugar supplied will be less than what was supplied at the equilibrium price

51.If demand curve for trekking boots is $D=11000-30P$ and supply is $S=4000+40P$,What is the euilibrium Price?

- (A) 50
- (B) 100
- (C) 150
- (D) 200

52.If demand curve for racing cycles is $D = 59600 - 6P$ and supply curve is $S = 29600 + 4P$, find the equilibrium Quantity?

- (A) 118000
- (B) 300
- (C) 41600
- (D) 6000

53.If demand curve for racing cycles is $D = 80200 - 13P$ and supply curve is $S = 6200 + 12P$, What is the equilibrium Quantity?

- (A) 2960 units
- (B) 31220 units
- (C) 8750 units
- (D) 41720 units

54.A manufacturer faces a -1.2 price elasticity of demand for its product. It is presently selling 7,500 units/day. If it wants to increase quantity sold by 9%, it must lower its price by

- (A) 7.5 percent
- (B) 7.8 percent
- (C) 10.2 percent
- (D) 10 percent

55.If demand curve for trekking boots is $D = 67500 - 18P$ and supply curve is $S = 22500 + 12P$, find the equilibrium Price?

- (A) 1500
- (B) 750
- (C) 2250
- (D) 500

56.A manufacturer faces price elasticity of demand of a 1.25 for its product. If it lowers its price by 6.4%, the increase in quantity sold will be _____.

- (A) 5.15 percent
- (B) 7.65 percent
- (C) 8 percent
- (D) 5.12 percent

57.If quantity of good X demanded increases from 4000 units to 5000 units when price of good Y increases from Rs 75 to Rs 90, find Arc Cross elasticity of demand?

- (A) 0.55
- (B) 1.66
- (C) 0.25
- (D) 1.22

58.Find arc elasticity of demand, if quantity demanded falls from 750 unit to 650 unit when price of the item is increased from Rs 15 to Rs 20?

- (A) 0.5
- (B) -0.5
- (C) -2
- (B) 2





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59. In Which stage of the business cycle the inventory stock will be the highest?

- (A) Boom
- (B) Depression
- (C) Recession
- (D) Recovery

60. If price of an article decreases from Rs 800 to Rs 700, quantity demanded increases from Q1 units to 70 units. If point elasticity of demand is -1.333 find Q1?

- (A) 80 units
- (B) 90 units
- (C) 60 units
- (D) 50 units

61. Increase in the demand for a good will cause the equilibrium price of the good to _____ and the equilibrium quantity to _____.

- (A) Increase~ increase
- (B) Decrease~ decrease
- (C) Increase~ decrease
- (D) Decrease~ increase

62. If quantity of a good demanded increases from 200 to 250 then the average income of the population increases from Rs 20,000 to Rs 30,000, find Arc Income elasticity of demand?

- (A) 1.45
- (B) 0.55
- (C) 2
- (D) 1.25

63. If demand curve for an electric tooth brush is $D = 25000 - 7P$ and supply curve is $S = 10000 + 8P$, find the equilibrium Price?

- (A) Rs 150
- (B) Rs 1000
- (C) Rs 400
- (D) Rs 50

64. If demand curve for radial car tyres is D

$= 220000 - 19P$ and supply curve is $S = 180000 + 6P$, find the equilibrium Quantity?

- (A) 19200 units
- (B) 291000 units
- (C) 29100 units
- (D) 192000 units

65. If demand curve for renting a car is $D = 90000 - 23P$ and supply curve is $S = 9000 + 7P$, find the equilibrium Price?

- (A) Rs 1800
- (B) Rs 900
- (C) Rs 3600
- (D) Rs 2700

66. If price of an article decreases from Rs 80 to Rs 60, quantity demanded increases from 600 units to 750 units. Find point elasticity of demand?

- (A) -1
- (B) 1
- (C) -1.25
- (D) 1.25

67. If price of an article decreases from Rs P1 to Rs 1000 units. If point elasticity of demand is -1, then find P1?

- (A) 100
- (B) 250
- (C) 200
- (B) 225

68. If price of an article decreases from Rs 800 to Rs 750, when quantity demanded increases from Q1 units to 2250 units, and If point elasticity of demand is -2 find Q1?

- (A) 2400 units
- (B) 2000 units
- (C) 1800 units
- (D) 1500 units

69. If demand curve for house cleaning services is $D = 45000 - 21P$ and supply curve is $S = 15000 + 9P$, find the equilibrium Quantity?





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- (A) 12000 units
(B) 6000 units
(C) 24000 units
(D) 30000 units

70.If demand curve for alphonso mangoes is $D = 25000 - 70P$ and supply curve is $S = 10000 + 80P$, find the equilibrium quantity?

- (A) 18,000 units
(B) 2,000 units
(C) 1,800 units
(D) 200 units

71.If price of an article decreases from Rs 240 to Rs 220, when quantity demanded increases from 200 units to 210 units. Find point elasticity of demand?

- (A) 0.6
(B) -1.8
(C) -0.6
(D) 1.8

72.If demand curve for roller skates is $D = 23000 - 19P$ and supply curve is $S = 18000 + 6P$, find the equilibrium Price?

- (A) Rs 100
(B) Rs 400
(C) Rs 50
(D) Rs 200

73.If price of an article decreases from Rs P1 to Rs 190, when quantity demanded increases from 5000 units to 5200 units, and if point elasticity of demand is -0.8 find P1?

- (A) Rs 220
(B) Rs 240
(C) Rs 200
(D) Rs 250

74.The Law of Demand is based on the concept that people _____.

- (A) Buy more of a good as their income increases.
(B) Buy more of a good as the price of the good falls.

- (C) Will spend all of their money on something.
(D) Want more of everything even if they have no money to buy anything.

75.If price of an article decreases from Rs 100 to Rs 80, when quantity demanded increases from Q1 units to 4600 units, and if point elasticity of demand is -0.75. Q1 = ?

- (A) 5000 units
(B) 4000 units
(C) 3000 units
(D) 2000 units

76.For a goods ———negative income elasticity and positive price elasticity of demand, then the good is-

- (A) An inferior goods
(B) Normal goods
(C) Superior goods
(D) Giffen goods

77.The Goods which are either for consumption or for investment are called-

- (A) Intermediate goods
(B) Final goods
(C) Giffen goods
(D) Inferior goods

78.The Price discrimination is helpful when.

- (A) Demand elasticity for two market is different
(B) Demand elasticity for two market is same
(C) Supply elasticity for two market is different
(D) Supply elasticity for two market is same.

79.Discuss about giffen and inferior good.

- (A) Inferior goods are also giffen
(B) Giffen goods are also inferior goods
(C) Inferior good should not be giffen
(D) Giffen good should not be inferior.

80.The Price elasticity of demand is –

- (A) Elasticity = %change in demand ÷ %change in price
(B) Elasticity = %change in price ÷ %change in demand





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- (C) Elasticity = %change in demand ÷ %change in supply
(D) Elasticity = %change in supply ÷ %change in Price.

81. Elasticity expressed by formula $1 > e > 0$ is –

- (A) Perfectly elastic
(B) Relatively elastic
(C) Perfectly inelastic
(D) Relatively inelastic

82. When percent change in demand for a commodity is less than percentage change in its price, then demand is said to be –

- (A) Highly elastic
(B) Inelastic
(C) Relatively elastic
(D) Perfectly inelastic.

83. When there is no change in demand, with large change in price then such type of demands are called –

- (A) Elastic
(B) Inelastic
(C) Perfectly inelastic
(D) Relatively elastic

84. With other factor Constant, the demand of any product is decreased by –

- (A) Increase in price of that product
(B) Increase in income of customer
(C) Decrease in price of that product
(D) Decrease in income of customer

85. There will be increase in price of tomato in domestic market, if –

- (A) There is enormous production of tomato
(B) Export of fresh tomatoes to other countries
(C) Production cost of tomato is less
(D) All of the above

86. Which of the following is not the direct deciding factor of demand?

- (A) Saving
(B) Income

- (C) Price
(D) Taste

87. Which of the following goods has elastic demand?

- (A) Electricity
(B) Medicines
(C) Rice
(D) Match box

88. Which of the following statement is true?

- (A) Price of any good depends upon its cost.
(B) Any good has valuable price in anyone which has desire to buy it.
(C) Price of any good depends upon place value.
(D) Any good has its price if its supply is equal to demand.

89. Which of the following is an Example of derived demand?

- (A) Rice
(B) Cloths
(C) Beauty Products
(D) Cement

90. Demand of Labour is called –

- (A) Derived demand
(B) Factory demand
(C) Market demand
(D) Direct demand

91. Perfectly inelastic demand is equal to –

- (A) Unity
(B) Zero
(C) Infinity
(D) Greater than unity

92. Which among the following are close substitutes?

- (A) Milk and Sugar
(B) Sugar and Tea
(C) Tea and Coffee
(D) Coffee and Biscuits





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93.If there is decrease in price of X, then demand of Y is also decreased, then X & Y are-

- (A) Substitute goods
- (B) Complementary goods
- (C) X is inferior to Y
- (D) Y is inferior to X

94.For Successful Price discrimination between two market, demand elasticity of production should be-

- (A) Same
- (B) Different
- (C) Constant
- (D) Zero

95.Other things being equal, a decrease in quantity demanded of a commodity can be caused by-

- (A) A rise in the price of the commodity
- (B) A rise in the income of the consumer
- (C) A fall in the price of a commodity
- (D) A fall in the income of the consumer

96.Which of the following are consumer semi-durable goods?

- (A) Cars and Television sets
- (B) Milk and Milk products
- (C) Foodgrains and other food products
- (D) Electrical appliance like fans and electric irons

97.A supply function expresses the relationship between-

- (A) Price and demand
- (B) Price and consumption
- (C) Price and output
- (D) Price and selling cost

98.Demand for complementary goods is known as-

- (A) Joint demand
- (B) Derived demand
- (C) Direct demand
- (D) Cross demand

99.Which one of the following pairs of goods is an Example for joint supply?

- (A) Coffee and Tea
- (B) Ink and Pen
- (C) Tooth brush and Paste
- (D) Wool and Mutton

100.For an inferior good, demand falls when-

- (A) Price rises
- (B) Income rise
- (C) Price falls
- (D) Income falls

101.A 'want' becomes a demand only when it is backed by the-

- (A) Ability to purchase
- (B) Necessity to buy
- (C) Desire to buy
- (D) Utility of the product

102.An exceptional demand curve is one that moves-

- (A) Upward to the right
- (B) Downward to the right
- (C) Horizontally
- (D) Vertically

103.A fall in demand or rise in supply of a commodity-

- (A) increases the price of that commodity
- (B) decreases the price of that commodity
- (C) neutralises the changes in the price
- (D) determines the price elasticity

104.The Law of Demand expresses-

- (A) Effect of change in price of a commodity on its demand
- (B) Effect of change in demand of a commodity on its price
- (C) Effect of change in demand of a commodity over the supply of its substitute
- (D) None of the above

105.The demand curve for a Giffen good is-





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- (A) Upward rising
(B) Downward falling
(C) Parallel to the quantity axis
(D) Parallel to the price axis
106. The supply of agricultural products is generally—
(A) Elastic
(B) Inelastic
(C) Perfectly elastic
(D) Perfectly inelastic
107. All of the goods which are scarce and limited in supply are called—
(A) Luxury goods
(B) Expensive goods
(C) Capital goods
(D) Economic goods
108. Engel's Law states the relationship between—
(A) Quantity demanded and price of a commodity
(B) Quantity demanded and price of substitutes
(C) Quantity demanded and tastes of the consumers
(D) Quantity demanded and income of the consumers
109. Seawater, fresh air etc are regarded in economics as—
(A) Giffen goods
(B) Inferior goods
(C) Free goods
(D) Normal goods
110. If the price of tea falls, demand for coffee will—
(A) Increase
(B) Decrease
(C) Remain same
(D) None of these
111. If the main objective of the government is to raise revenue, it should tax commodities with—
(A) High elasticity of demand
(B) Low elasticity of supply
(C) Low elasticity of demand

- (D) High income elasticity of demand
112. Bread and butter, car and petrol are Examples of goods which have—
(A) Composite demand
(B) Joint demand
(C) Derived demand
(D) Autonomous demand
113. In the law of demand, the statement "Other things remain constant" means—
(A) Income of consumer should not change
(B) Price of other goods should not change
(C) Taste of consumer should not change
(D) All of the above
114. The functional relationship between income and consumption expenditure is explained by—
(A) Consumer surplus
(B) Law of demand
(C) Law of supply
(D) Keynes's psychological law of consumption
115. According to Keynesian theory of income determination, at full employment a fall in aggregate demand causes—
(A) A fall in prices of output and resources
(B) A fall in real gross National product and employment
(C) A rise in real gross National product and investment
(D) A rise in prices of output and resources
116. If the price of an inferior good falls its demand—
(A) Rises
(B) Falls
(C) Remains constant
(D) Can be any of the above
117. Demand of commodity mainly depends upon—
(A) Purchasing will
(B) Purchasing power
(C) Tax policy





(D) Advertisement

118. When there is a change in demand leading to a shift of the demand curve to the right at the same price as before, the quantity demanded will—

- (A) Decrease
- (B) Increase
- (C) Remain the same
- (D) Contract

119. Movement along the same demand curve is known as—

- (A) Extension and contraction of demand
- (B) Increase and decrease of demand
- (C) Contraction of supply
- (D) Increase of supply

120. The income elasticity of demand being greater than one, the commodity must be—

- (A) A necessity
- (B) A luxury
- (C) An inferior good
- (D) None of the above

121. If the change in demand for a commodity is at a faster rate than change in the price of the commodity, the demand is—

- (A) Perfectly inelastic
- (B) Elastic
- (C) Perfectly elastic
- (D) Inelastic

122. The demand for which of the following commodity will not rise in spite of a fall in its price?

- (A) Television
- (B) Refrigerator
- (C) Salt
- (D) Meat

123. If the price of Pepsi decreases relative to the price of Coke and 7-Up, the demand for—

- (A) Coke will decrease

(B) 7-Up will decrease

(C) Coke and 7-Up will increase

(D) Coke and 7-Up will decrease

124. Which one of the following is an Example of joint supply?

- (A) Petrol and Bus
- (B) Ink and Fountain pen
- (C) Sugar and Coffee
- (D) Wool and Cotton

125. A refrigerator operating in a chemist's shop is an Example of—

- (A) Free good
- (B) Final good
- (C) Producer's good
- (D) Consumer's good

126. Which among of the following is necessary for demand.

- (A) Production
- (B) Cost
- (C) Income
- (D) Import

127. In which of the following case, law of demand fails?

- (A) Giffen goods
- (B) Normal goods
- (C) Inferior goods
- (D) Both Giffen and Inferior goods

128. The _____ curve represents the demand of all consumers in the market taken together at different levels of the price of the good.

- (A) Monotonic
- (B) Indifferent
- (C) Market demand
- (D) Diminishing

129. Who gave the 'General Equilibrium Theory'?

- (A) J. M. Keynes





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- (B) Leon Walras
- (C) David Ricardo
- (D) Adam Smith

130. In a market system, the central problems regarding how much and what to produce are solved through the coordination of economic activities brought about by _____ signals.

- (A) Supply
- (B) Demand
- (C) Price
- (D) Stock Market

131. The demand for a normal good increases with _____ in the consumer's income.

- (A) Increase
- (B) Decrease
- (C) Constant
- (D) Double

132. The demand for a inferior good increases with _____ in the consumer's income.

- (A) Increase
- (B) Decrease
- (C) Constant
- (D) Double

133. Demand curve will shift forward, when _____.

- (A) Price of complementary good falls
- (B) Price of substitute goods decreases
- (C) Income of the consumer falls
- (D) Price of complement good increases

