

# **M.K.G CA EDUCATION**

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## **CA FOUNDATION**

### **Assignment**

#### **Business Economics**

#### **Theory of Supply**

1. The supply of a good refers to
  - (a) Actual production of goods
  - (b) Total stock of goods
  - (c) Stock available for sale
  - (d) Amount of goods offered for sale at a particular price per unit of time
  
2. Increase of Decrease in Supply means:
  - (a) Shift in Supply Curve
  - (b) Movement along same supply curve
  - (c) Both (a) and (b)
  - (d) Neither (a) or (b)
  
3. If Supply curve is Perfectly Inelastic, the supply curve is:
  - (a) Vertical
  - (b) Horizontal
  - (c) Upward Sloping
  - (d) Downward sloping
  
4. When change in the quantity supplied is proportionate to the change in the price, the producer is said to have

- (a) Perfectly elastic supply
  - (b) Relatively elastic supply
  - (c) Unitary elastic supply
  - (d) Perfectly inelastic supply
5. Expansion in supply refers to a situation. When the producers are willing to supply a:
- (a) Larger quantity of the commodity at an increased price
  - (b) Larger quantity of the commodity due to increased taxation on that commodity
  - (c) Larger quantity of the commodity at the same price
  - (d) Larger quantity of the commodity at the decreased price
6. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is
- (a) Zero
  - (b) Infinite
  - (c) Equal to one
  - (d) Greater than zero but less than one
7. Increase or decrease in supply means:
- (a) Change in supply due to change in its own price
  - (b) Change in supply due to change in factors other than its own price
  - (c) Both of above
  - (d) None of above
8. Supply of a commodity is a
- (a) Stock concept
  - (b) Flow concept
  - (c) Both stock and flow concept
  - (d) Whole sale concept
9. Elasticity of supply is greater than one when:
- (a) Proportionate change in price is more than the proportionate change in quantity supplied
  - (b) Proportionate change in quantity supplied is more than the proportionate change in price

- (c) Change in price and quantity supplied are equal
  - (d) All of the above
10. Supply refers to which of the following?
- (a) Total stock of the goods
  - (b) Stock of the goods available for sale
  - (c) Quantity of a good offered for sale at a particular price
  - (d) Quantity of a good actually sold.
11. Elasticity of supply is measured by dividing the percentage change in quantity supplied of a good by:
- (a) Percentage change in income percentage change in price
  - (b) Percentage change in quantity demanded of goods
  - (c) Percentage change in taste preferences.
  - (d) None of these
12. Cross elasticity of perfect substitutes is
- (a) Zero
  - (b) Negative
  - (c) One
  - (d) Infinity
13. The supply curve for perishable commodities is \_\_\_\_\_.
- (a) Elastic
  - (b) Inelastic
  - (c) Perfectly elastic
  - (d) Perfectly inelastic
14. If the demand is more than supply, then the pressure on price will be:
- (a) Upward
  - (b) Downward
  - (c) Constant

- (d) None of the above
- 15.** A contraction in supply occurs when?
- (a) Demand shifts outwards
  - (b) The supply curve shifts inwards
  - (c) The quantity supplied falls when the price falls
  - (d) The supply curve shifts outward
- 16.** Supply is likely to be more price elastic?
- (a) In the short run rather than the long run
  - (b) If factors of production are relatively immobile between industries
  - (c) If there are very few producers
  - (d) If it is easy to expand output
- 17.** Market equilibrium exists when \_\_\_\_ at the prevailing price?
- (a) Quantity demanded equals quantity supplied
  - (b) Quantity demanded is less than quantity supplied
  - (c) Quantity supplied is greater than quantity demanded
  - (d) Quantity demanded is greater than quantity supplied
- 18.** The supply curve shifts to right to right because of
- (a) Improved technology
  - (b) Increased price of factor of production
  - (c) Increased excise duty
  - (d) All of them
- 19.** In a very short period of time:
- (a) The supply is fixed
  - (b) The demand is fixed
  - (c) Demand and supply are fixed
  - (d) All of them

- 20.** Elasticity of supply is measured by dividing the percentage changes in quantity supplied of a good by
- (a) Percentage change in income
  - (b) Percentage change in quantity demanded of good
  - (c) Percentage change in price
  - (d) Percentage change in taste and preference
- 21.** When supply price increase in the short run, the profit of the producer
- (a) Increases
  - (b) Decreased
  - (c) Remains contact
  - (d) Decreases marginally
- 22.** A perfectly inelastic supply curve will be
- (a) Parallel to X axis
  - (b) Parallel to Y axis
  - (c) Downward sloping
  - (d) None of these
- 23.** If the supply of a commodity is perfectly elastic, an increase in demand will result in:
- (a) Decrease in both price and quantity at equilibrium
  - (b) Increase in both price and quantity at equilibrium
  - (c) Increase in equilibrium quantity, equilibrium price remaining constant
  - (d) Increase in equilibrium price equilibrium quantity remaining constant
- 24.** If there is an improvement in the technology.
- (a) The supply curve shifts to the left
  - (b) The supply curve shifts to the right
  - (c) Quantity supplied increase
  - (d) Both (a) and (c)
- 25.** If ratio of change in quantity (Q) to original quantity (Q) is 0.4 and the elasticity of supply is 1.25, calculate the percentage change in price.

- (a) 40%
- (b) 32%
- (c) 12.5%
- (d) 60%

**26.** If a farmer grows rice and wheat, how will increase in the price of wheat affect the supply curve of rice?

- (a) Rightward shift
- (b) Leftward shift
- (c) Vertical to Y – axis
- (d) Parallel to X -axis

**27.** At a price of ₹ 8 per unit, the quantity supplied of a commodity is 200 units. Its price elasticity of supply is 1.5. if its price rises to ₹ 10 per unit, calculate its quantity supplied at new price

- (a) 300 units
- (b) 275 units
- (c) 400 units
- (d) 325 units

**28.** If a 40% fall in price brings about a 20% fall in quantity of supply will be equal to:

- (a) 2.0
- (b) 0.5
- (c) 1.0
- (d) 1.5

**29.** At a price of ₹ 50 per kg, the supply of a commodity is 20.00 kg per week. An increase the supply of the commodity to 24.000 kg per week. The elasticity of supply will be:

- (a) 0.75
- (b) 1.00
- (c) 1.50
- (d) 2

- 30.** Increase in supply denotes a shift in the supply curve to the right. If there is an increase in supply without change in demand, the equilibrium price will
- (a) Fall
  - (b) Remain constant
  - (c) Increase and the quantity demanded will go up
  - (d) Becomes zero.
- 31.** Which among the following is not a determined of supply?
- (a) Price of the commodity Concerned
  - (b) Price of the factors of production
  - (c) State of technology used in the production process
  - (d) Customs and the traditions in the society,
- 32.** When the price of the commodity increases from ₹ 200 per unit to ₹ 250 per unit and consequently the quantity supplied rises from 1000 units to 1100 units. What will be the coefficient of elasticity of supply?
- (a) 4.0
  - (b) 0.4
  - (c) 5.0
  - (d) 0.5
- 33.** At a price of ₹ 5 per unit of commodity A, total revenue is ₹ 800. When its price rises by 20 percent, total revenue increases by ₹ 400. Calculate its price elasticity of supply
- (a) 1.25
  - (b) 1.5
  - (c) 1.75
  - (d) 2
- 34.** Which of the following statements is correct?
- (a) Supply is inversely related to its cost of production
  - (b) Price and quantity demand of a good have direct relationship
  - (c) Taxes and subsidy has no compact on the supply of the product

(d) Seasonal changes have no impact on the supply of the commodity

**35.** The Supply function is given as  $q = 200 + 20p$ . find the elasticity of supply using point method, when price is ₹ 30.

(a) 1.25

(b) 1.5

(c) 1

(d) 2.5

**36.** Find elasticity of Supply from the given data:

At a price of ₹ 24, the quantity supplied was 40 units, when the price of the commodity increased to ₹ 30, the quantity supplied was at 100 units . (Use Arc elasticity method)

(a) 2.5

(b) 2.87

(c) 3.87

(d) 3

**37.** In the mobile phones market, the supply of mobile phones will decrease if any of the following occurs except:

(a) A decrease in the number of mobile phone manufacturers.

(b) A decrease in the price of the mobile phones.

(c) An increase in the future expected price of the mobile phones.

(d) An increase in the price of electronic items used.

**38.** If good growing conditions increases the supply of Orange and hot weather increases the demand for Oranges, the quantity of Oranges bought

(a) Increases and the price might rise, fall or not change.

(b) Does not change but the price rises.

(c) Does not change but the price falls.

(d) Increase and the price rises.

**39.** If the supply of air conditioners decreases, other things remaining the same, the equilibrium price \_\_\_\_\_ and the equilibrium quantity \_\_\_\_\_.

(a) Increases; decreases.



- (b) Demand for shoes.
  - (c) The supply of shoes.
  - (d) Demand for socks.
40. AN increase in the number of sellers of shoes will increase the:
- (a) The price of a socks.
  - (b) Demand for shoes.
  - (c) The supply of shoes.
  - (d) Demand for socks
41. The price elasticity of supply is +4 The price increases by 15% sales originally 200 units what will they be now?
- (a) 80 units
  - (b) 320 units
  - (c) 60 units
  - (d) 120 units
42. A supply curve that starts at the origin has ?
- (a) A price elasticity of supply greater than one
  - (b) A price elasticity of supply equal to one
  - (c) A price elasticity of supply less than one
  - (d) A positive price elasticity of supply
43. If a 4% increase in price leads to an increase in the quantity supplied of 8%?
- (a) Supply is price elastic
  - (b) Supply is income elastic
  - (c) Price elasticity of demand is -2
  - (d) Price elasticity of supply is -2
44. Which of the following is consistent with the law of supply?
- (a) As the price of calculators rise, the quantity supplied of calculators decreased, ceteris paribus.
  - (b) As the price of calculators calls the supply of calculators increase, ceteris paribus.

- (c) As the price of calculators rise, the quantity supplied of calculators increases, ceteris paribus.
- (d) As the price of calculators rise, the supply of calculators increases ceteris paribus.
- 45.** The price of computer chips used in the manufacture of personal computers has fallen. This will lead to \_\_\_\_\_ personal computer?
- (a) A decrease in the quantity supplied of
- (b) A decrease in the supply of
- (c) An increase in the quantity supplied of
- (d) An increase in the supply of
- 46.** Suppose that the supply of cameras increases due to an increase in imports. Which of the following statements will most likely occur?
- (a) The equilibrium price of cameras will increase
- (b) The equilibrium of cameras exchanged will decrease
- (c) The equilibrium quantity of camera film will decrease
- (d) The equilibrium quantity of camera film exchanged will increase
- 47.** A firm earns a revenue of ₹ 50 when the market price of a good is ₹ 10. The market price increased to ₹ 15 and the firm now earn a revenue of ₹ 150. What will be the price elasticity of the firm's supply curve?
- (a) 1
- (b) 1.5
- (c) 2
- (d) 2.5
- 48.** What is the price elasticity of supply of a commodity whose straight-line supply curve passes through the origin forming an angle of 75 degree?
- (a)  $E_s > 1$
- (b)  $E_s < 1$
- (c)  $E_s = 1$
- (d)  $E_s = 0$
- 49.** The quantity supplied of a piece of goods or services is the amount that
- (a) Is actually bought during a given time period at a given price

- (b) Producers wish that they could sell that at a higher price
- (c) Producer plan to sell during a given time period at a given price
- (d) People period at a given price

**50.** Price elasticity of supply for mobile phones is 1.5. what can be concluded regarding the elasticity of the good.

- (a) Inelastic, percentage change in quantity supplied is lesser than percentage change in price
- (b) Inelastic, percentage change in quantity supplied is greater than percentage change in price
- (c) Elastic, percentage change in quantity supplied is greater than percentage change in price
- (d) Elastic, percentage change in quantity supplied is lesser than percentage change in in price

Answers

1.	D
2.	A
3.	A
4.	C
5.	A
6.	B
7.	B
8.	B
9.	B
10.	C
211.	B
12.	D
13.	D
14.	A
15.	C
16.	D

17.	A
18.	A
19.	A
20.	C
21.	A
22.	B
23.	C
24.	B
25.	B
26.	B
27.	B
28.	B
29.	B
30.	A
31.	D
32.	B

33.	A
34.	A
35.	B
36.	C
37.	B
38.	A
39.	A
40.	C
41.	B
42.	B
43.	A
44.	C
45.	D
46.	D
47.	C
48.	C

49.	C
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50.	C
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