Q1. The short-run supply curve of a firm is:

(a) The downward-sloping portion of the SMC curve

(b) The rising portion of the SMC curve above the minimum AVC

(c) The entire SMC curve

(d) The portion of the SMC curve below AVC

Q2. Match the following measures of money supply (List I) with their respective components (List II):

List I (Measures of Money Supply)	List II (Components)
(A) M1	(i) M2 + Large time deposits
(B) M2	(ii) Currency + Demand deposits
(C) M3	(iii) M1 + Savings deposits + Money market funds
(D) M4	(iv) M3 + Deposits with post office savings banks

Options:
(a) A–ii, B–iii, C–i, D–iv
(b) A–iii, B–ii, C–iv, D–i
(c) A–ii, B–iv, C–iii, D–i
(d) A–i, B–ii, C–iv, D–iii

Q3. What is the most likely impact of an increase in the bank rate by the central bank?

(a) Increase in borrowing by commercial banks

(b) Decrease in lending rates for consumers

(c) Decrease in money supply in the economy

(d) Increase in inflationary pressure

Q4. If the GDP at current prices is ₹200 lakh crore and the GDP deflator is 125, what is the Real GDP?

(a) ₹150 lakh crore

(b) ₹160 lakh crore

(c) ₹175 lakh crore

(d) ₹180 lakh crore

Q5. Which of the following best describes the difference between Nominal GDP and Real GDP?

(a) Real GDP includes exports, nominal does not

(b) Nominal GDP is adjusted for inflation, real GDP is not

(c) Real GDP is adjusted for inflation, nominal GDP is not

(d) Nominal GDP is always greater than real GDP

Q6. Which of the following is not included in the calculation of Gross Domestic Product (GDP)?

(a) A farmer selling crops in a local market

(b) A teacher earning salary from a private school

(c) A carpenter building furniture for his own use

(d) A company exporting textile goods

Q7. Which of the following is not a property of an indifference curve?

(a) Indifference curves are downward sloping

(b) Indifference curves do not intersect

(c) Higher indifference curves represent higher satisfaction

(d) Indifference curves are concave to the origin

Q8. The Marginal Rate of Substitution (MRS) diminishes along an indifference curve because:

(a) The utility from both goods increases

(b) The consumer becomes more willing to give up one good for another

(c) As a consumer consumes more of one good, its marginal utility falls

(d) The price of goods changes continuously

Q9. In a perfectly competitive market, the equilibrium price is determined at the point where:

(a) Demand is greater than supply

(b) Supply exceeds demand

(c) Quantity demanded equals quantity supplied

(d) Marginal cost equals marginal revenue

Q10. What is likely to happen in a market if the price is set above the equilibrium price?

(a) There will be excess demand

(b) There will be excess supply

(c) There will be no change in demand or supply

(d) The market will immediately reach equilibrium

Solutions

S1. Ans. (b)

Sol. The short-run supply curve of a firm is the rising portion of the SMC curve above minimum AVC, with zero output for prices below AVC.

S2. Ans. (a)
Sol.

(A) M1 = Currency + Demand deposits → (ii)

(B) M2 = M1 + Savings deposits + Money market mutual funds → (iii)

(C) M3 = M2 + Large time deposits → (i)

(D) M4 = M3 + Deposits with post office savings banks (excluding NSCs) → (iv)

S3. Ans. (c)

Sol. An increase in the bank rate makes borrowing costlier for commercial banks. As a result, they reduce lending to consumers and businesses, which leads to a contraction in credit and a decrease in the money supply in the economy.

S4. Ans. (b)

Sol.

Real GDP = (Nominal GDP ÷ GDP Deflator) × 100

= (200 ÷ 125) × 100 = ₹160

S5. Ans. (c)

Sol.

Real GDP is calculated using constant prices and is adjusted for inflation.

Nominal GDP uses current prices and does not adjust for inflation.

S6. Ans. (c)

Sol. GDP includes only market transactions. Goods and services produced for self-consumption (like furniture for own use) are excluded.

S7. Ans. (d)

Sol. Indifference curves are convex to the origin due to the diminishing marginal rate of substitution (MRS), not concave.

S8. Ans. (c)

Sol. MRS diminishes due to law of diminishing marginal utility — as consumption of one good increases, its marginal utility falls, so the consumer gives up less of the other good.

S9. Ans. (c)

Sol. Equilibrium price is determined where quantity demanded (Q_d) equals quantity supplied (Q_s) — this is the point of market balance.

S10. Ans. (b)

Sol. A price above equilibrium leads to excess supply, as sellers are willing to supply more than what buyers demand at that price.