

1. The concept of quasi-rent means
 - (i) the return of land
 - (ii) the return of machine
 - (iii) the return to a factor of production whose supply is inelastic in the short run
 - (iv) the return of a factor of production

2. In modern theory rent is defined as the
 - (i) surplus earning of a factor over its transfer earning
 - (ii) transfer earning of a factor over surplus earning
 - (iii) price paid for the use of land.
 - (iv) excess amount payable for inelasticity in supply of the factor.

3. Marginal land in Ricardian theory of rent is
 - (i) the last available piece of land
 - (ii) the poorest quality of land
 - (iii) surplus yielding land
 - (iv) no-rent land

4. Quasi rent is _____ in the short run and _____ in the long run
 - (i) economic rent; transfer earning
 - (ii) transfer earning; economic rent
 - (iii) surplus income; transfer earning
 - (iv) transfer earning; surplus income

5. Which term of the following signifies greater return than needed for it to supply itself?
 - (i) Transfer earning
 - (ii) Quasi rent
 - (iii) Interest
 - (iv) Economic rent

6. Gross interest exceeds net interest as it includes
 - (i) payment for risk and inconvenience as well as cost of credit
 - (ii) tax
 - (iii) depreciation cost
 - (iv) none of the above

7. According to Loanable funds theory of interest the interest rate is determined by
 - (i) Demand for and supply of loanable funds in the market
 - (ii) Availability of loanable funds in the market
 - (iii) Scarcity of loanable funds in the market
 - (iv) None of the above

8. If interest rate rises what happens to the present value of future earnings?
 - (i) It rises
 - (ii) It falls
 - (iii) It remains constant
 - (iv) Can't be said

9. In the loanable fund theory of interest rate determination an increase in productivity of capital leads to
- (i) higher interest rate
 - (ii) lower interest rate
 - (iii) higher price level
 - (iv) reduction in aggregate savings
10. Bond price is
- (i) Directly proportional to interest rate
 - (ii) Inversely proportional to interest rate
 - (iii) not related to interest rate
 - (iv) equal to market rate of interest

Answer key:

- 1. (iii)
- 2. (i)
- 3. (iv)
- 4. (i)
- 5. (iv)
- 6. (i)
- 7. (i)
- 8. (ii)
- 9. (i)
- 10. (ii)