MPPSC Assistant Professor (Economics) — B-Series MCQ Bank

1255 questions in 10 units, in the order of the MPPSC AP Economics A-Series notes. Each unit ends with an answer-key grid. Questions are numbered afresh in each unit. Level: MPPSC Assistant Professor (Economics) CBT; facts updated to November 2026.

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Unit 1 — Micro-economic Analysis

Q1. In Kautilya's Arthashastra (15.1), arthashastra is defined as the science of:

(A) regulating only the royal treasury and mint

(B) fixing the order of the four varnas

(C) acquiring and protecting the earth inhabited by men, whose livelihood is artha

(D) reconciling dharma with moksha

Answer: C. Explanation: Arthashastra 15.1: livelihood of men is artha; the earth with men is artha; the science of acquiring and protecting it is arthashastra.

Q2. Which school, as reported by Kautilya, accepted only Vartta and Dandaniti as independent sciences?

(A) Manavas

(B) Aushanasas

(C) Kautilya's own school

(D) Barhaspatyas

Answer: D. Explanation: Manavas three, Barhaspatyas two (Trayi a cloak), Aushanasas one (Dandaniti), Kautilya four.

Q3. Vartta in Kautilya comprises:

(A) agriculture, mining and war

(B) Veda, philosophy and law

(C) trade, usury and taxation

(D) agriculture, cattle-rearing and trade

Answer: D. Explanation: Arthashastra 1.4 defines vartta as krishi, pashupalya and vanijya.

Q4. Consider the statements. 1. Kautilya treats artha as supreme because dharma and kama depend on it. 2. Manu 4.4-6 calls trade 'rita'.

(A) 2 only

(B) 1 only

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: B. Explanation: Kautilya 1.7: arthamulau hi dharmakamau. Manu calls trade satyanrita; rita is gleaning.

Q5. **Match**: (P) Rita, (Q) Pramrita, (R) Satyanrita, (S) Shvavritti with (1) trade, (2) service, (3) gleaning, (4) agriculture.

(A) P-4, Q-3, R-1, S-2

(B) P-3, Q-4, R-1, S-2

(C) P-1, Q-4, R-3, S-2

(D) P-3, Q-1, R-4, S-2

Answer: B. Explanation: Manu 4.4-6: rita gleaning, pramrita farming, satyanrita trade; service is shvavritti.

Q6. Manu's lawful (Vasishtha) rate of interest is equivalent to:

(A) 12 per cent per annum

(B) 15 per cent per annum

(C) 24 per cent per annum

(D) 60 per cent per annum

Answer: B. Explanation: One-eightieth per month = 1.25% pm = 15% pa (Manu 8.140).

Q7. In Manu's unsecured-loan ladder (8.142), the monthly interest for Brahmin, Kshatriya, Vaishya and Shudra respectively is:

(A) 2, 3, 4 and 5 per cent

(B) 1.25, 2, 3 and 4 per cent

(C) 5, 4, 3 and 2 per cent

(D) 2, 4, 6 and 8 per cent

Answer: A. Explanation: The ladder rises with varna order: 2, 3, 4, 5 per cent per month.

Q8. The principle that accumulated interest should not exceed the principal is known in later law as:

(A) damdupat

(B) chakravriddhi

(C) kayika

(D) shikha

Answer: A. Explanation: Damdupat limits interest to the principal; chakravriddhi is compound interest.

Q9. Kautilya's interest per 100 pana per month for normal, commercial, forest-passage and sea ventures respectively is:

(A) 5, 10, 20 and 40 pana

(B) 1.25, 2, 3 and 5 pana

(C) 1.25, 5, 10 and 20 pana

(D) 1, 2, 4 and 8 pana

Answer: C. Explanation: Arthashastra 3.11: rate rises with risk of the venture.

Q10. **Assertion (A)**: Kautilya's interest rates rise for forest and sea ventures. Reason (R): the probability of losing the principal is higher on such ventures. Choose:

(A) Both true but R does not explain A

(B) A true, R false

(C) A false, R true

(D) Both A and R are true and R explains A

Answer: D. Explanation: An early risk-premium logic: higher risk, higher rate.

Q11. According to Kautilya (2.16), the profit margin allowed to traders is:

(A) 10 per cent on local and 5 per cent on foreign goods

(B) 1/50 on all goods

(C) 1/6 on all goods

(D) 5 per cent on local goods and 10 per cent on foreign goods

Answer: D. Explanation: The Panyadhyaksha fixes prices permitting 5% and 10% margins.

Q12. The normal state share of the crop (bhaga) in Kautilya is:

(A) one-twelfth

(B) one-sixth

(C) one-fiftieth

(D) one-third

Answer: B. Explanation: Shadbhaga is the normal share; emergency shares are higher.

Q13. Manu prescribes the king's tax on profits from cattle and gold as:

(A) one-eighth

(B) one-sixth

(C) one-fiftieth

(D) one-fourth

Answer: C. Explanation: Manu 7.130: one-fiftieth on cattle and gold; one-sixth on trees, meat, honey etc.

Q14. Consider the statements. 1. Manu advises the king to take revenue like a bee, leech or calf, little by little. 2. Manu permits a crop share of up to one-fourth in distress.

(A) 1 only

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: C. Explanation: Manu 7.128-129 and 10.118.

Q15. Kautilya's salary scale (5.3) ranges from about 60 pana to 48,000 pana a year. The ratio of highest to lowest pay is:

(A) 800 : 1

(B) 80 : 1

(C) 400 : 1

(D) 8,000 : 1

Answer: A. Explanation: 48,000 / 60 = 800.

Q16. A Kautilyan minister earns 48,000 pana a year and a menial worker 60 pana. If the minister's pay were cut by half, the ratio would become:

(A) 800 : 1

(B) 400 : 1

(C) 200 : 1

(D) 100 : 1

Answer: B. Explanation: 24,000 / 60 = 400.

Q17. Which text is credited with dividing law into dhanamula (civil) and hinsamula (criminal) and the four-footed trial?

(A) Manusmriti

(B) Sukra-niti

(C) Brihaspati Smriti

(D) Tirukkural

Answer: C. **Explanation:** Brihaspati's scheme: plaint, reply, proof and judgment.

Q18. Arrange chronologically (earliest first): 1 Arthashastra (traditional Mauryan setting), 2 Rigveda, 3 Brihaspati Smriti, 4 Punch-marked coins begin.

(A) 2, 1, 4, 3

(B) 2, 4, 1, 3

(C) 4, 2, 1, 3

(D) 2, 4, 3, 1

Answer: B. **Explanation:** Rigveda, then punch-marked coins (c. 6th-5th c. BCE), Mauryan setting (c. 321-297 BCE), Gupta-era Brihaspati.

Q19. Tirukkural has 1,330 couplets in 133 chapters. The book on wealth and polity, Porul, contains how many chapters?

(A) 38

(B) 25

(C) 70

(D) 133

Answer: C. **Explanation:** Aram 38, Porul 70, Inbam 25.

Q20. The Buddhist Sigalovada Sutta advises dividing income into four parts with:

(A) two for use, one for business and one for charity

(B) one each for use, business, savings and the Sangha

(C) one part for use, two for business and one for savings

(D) three for savings and one for use

Answer: C. **Explanation:** Digha Nikaya 31 fourfold rule.

Q21. The Kutadanta Sutta holds that crime is best reduced by:

(A) harsher punishments

(B) closing the guilds

(C) providing seed and capital to farmers and traders

(D) banning interest

Answer: C. **Explanation:** It links crime to poverty.

Q22. The silver punch-marked karshapana had a standard weight of about:

(A) 32 ratti (about 3.3-3.5 g)

(B) 16 ratti

(C) 80 ratti

(D) 100 ratti

Answer: A. **Explanation:** Standard Mauryan silver pana; 80 ratti is nearer the gold suvarna.

Q23. Which Arthashastra superintendent ran the mint?

(A) Panyadhyaksha

(B) Lakshanadhyaksha

(C) Sitadhyaksha

(D) Shulkadhyaksha

Answer: B. **Explanation:** Lakshanadhyaksha struck coins; Mudradhyaksha issued passports.

Q24. Herbert Simon's concept of 'satisficing' means:

(A) searching until an option meets an aspiration level

(B) maximising expected utility

(C) minimising maximum regret

(D) choosing at random

Answer: A. **Explanation:** Bounded rationality; Nobel 1978.

Q25. Which is NOT one of the three heuristics of Tversky and Kahneman (1974)?

(A) Sunk cost

(B) Representativeness

(C) Availability

(D) Anchoring and adjustment

Answer: A. Explanation: Sunk cost is a separate bias (Arkes and Blumer 1985).

Q26. Using v(x) = x^0.88 for gains and -2.25(-x)^0.88 for losses, the value of a loss of 100 is approximately (take 100^0.88 = 57.5):

(A) -57.5

(B) -113.8

(C) -258.8

(D) -129.5

Answer: D. Explanation: -2.25 x 57.5 = -129.4.

Q27. Prospect theory differs from expected utility in that it:

(A) assumes concave utility of final wealth only

(B) assumes exponential discounting

(C) requires complete preference orderings over wealth

(D) is reference-dependent with loss aversion and probability weighting

Answer: D. Explanation: S-shaped value function around a reference point; decision weights.

Q28. Consider the statements. 1. In the four-fold pattern people are risk-seeking over high-probability losses. 2. They are risk-averse over low-probability gains.

(A) 2 only

(B) Both 1 and 2

(C) Neither 1 nor 2

(D) 1 only

Answer: D. Explanation: Low-probability gains: risk-seeking (lotteries).

Q29. In the Asian disease problem, preferences reversed between 'saves 200' and '400 will die' frames. This illustrates:

(A) anchoring

(B) framing effect

(C) endowment effect

(D) hyperbolic discounting

Answer: B. Explanation: Tversky and Kahneman 1981.

Q30. A person with beta = 0.7 and delta = 1 chooses between Rs 100 today and Rs 110 tomorrow. She will choose:

(A) Rs 110 tomorrow, since 110 > 100

(B) Rs 110 tomorrow, since 0.7 x 100 = 70 < 110

(C) She is indifferent

(D) Rs 100 today, since 100 > 0.7 x 110 = 77

Answer: D. Explanation: Present bias applies beta to every future payoff.

Q31. **Match**: (P) Mental accounting, (Q) Libertarian paternalism, (R) Cumulative prospect theory, (S) Quasi-hyperbolic discounting with (1) Laibson, (2) Thaler, (3) Thaler and Sunstein, (4) Tversky and Kahneman 1992.

(A) P-3, Q-2, R-1, S-4

(B) P-2, Q-3, R-4, S-1

(C) P-2, Q-4, R-3, S-1

(D) P-4, Q-3, R-2, S-1

Answer: B. Explanation: Mental accounting Thaler; nudge Thaler-Sunstein; CPT 1992; beta-delta Laibson 1997.

Q32. Which of the following is a nudge?

(A) A tax on sugary drinks

(B) Automatic enrolment in a pension scheme with an opt-out

(C) A mandatory 10 per cent saving rate

(D) A ban on cigarettes in offices

Answer: B. Explanation: Nudges keep options open and leave incentives unchanged.

Q33. The Nobel Memorial Prize in Economic Sciences was awarded to Richard Thaler in:

(A) 2002

(B) 2013

(C) 2017

(D) 2019

Answer: C. Explanation: Kahneman 2002, Shiller 2013, Thaler 2017, Banerjee-Duflo-Kremer 2019.

Q34. Mani, Mullainathan, Shafir and Zhao (2013) found lower cognitive performance among Tamil Nadu sugarcane farmers before harvest, supporting the idea that:

(A) scarcity taxes mental bandwidth

(B) farmers are present-biased

(C) loss aversion is absent in poor households

(D) anchoring is stronger among the poor

Answer: A. Explanation: Scarcity captures attention and reduces cognitive resources.

Q35. Who distinguished risk (measurable probability) from uncertainty (non-measurable) in 1921, linking pure profit to uncertainty?

(A) J. M. Keynes

(B) L. J. Savage

(C) Frank Knight

(D) Kenneth Arrow

Answer: C. Explanation: Knight, Risk, Uncertainty and Profit (1921).

Q36. In the payoff table A1 (80, 50, 10, −30), A2 (60, 45, 25, 0), A3 (30, 30, 30, 20), Wald's maximin criterion selects

(A) A1

(B) A2

(C) A1 and A2 equally

(D) A3

Answer: D. Explanation: Row minima are −30, 0, 20; the largest is 20 (A3).

Q37. For the same table, Hurwicz with $\alpha = 0.5$ gives scores for A1, A2, A3 of

(A) 25, 30, 25

(B) 25, 25, 30

(C) 50, 30, 25

(D) 30, 25, 25

Answer: A. Explanation: A1 = 0.5(80−30) = 25; A2 = 0.5(60+0) = 30; A3 = 0.5(30+20) = 25.

Q38. In the same table, the minimax-regret criterion selects A2 because its maximum regret is

(A) 25

(B) 5

(C) 50

(D) 20

Answer: D. Explanation: Regrets of A2 are 20, 5, 5, 20; max 20 versus 50 for A1 and A3.

Q39. With state probabilities 0.2, 0.4, 0.3, 0.1 in that table, the expected value of perfect information is

(A) 37.5

(B) 47

(C) 9.5

(D) 10.5

Answer: C. Explanation: Perfect-information EV = 47; best EMV (A2) = 37.5; EVPI = 9.5.

Q40. Hurwicz's index $\alpha = 1$ reproduces which criterion?

(A) Maximin

(B) Laplace

(C) Minimax regret

(D) Maximax

Answer: D. Explanation: $\alpha = 1$ weights only the best payoff.

Q41. **Consider the statements**: 1. The St Petersburg game has an infinite expected monetary value. 2. Bernoulli resolved the paradox by appealing to diminishing marginal utility of wealth. Which is correct?

(A) 1 only

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: C. Explanation: Both are correct (1738).

Q42. In the St Petersburg game with u = ln w and starting wealth zero, the certainty equivalent is

(A) ₹2

(B) ₹8

(C) ₹4

(D) Infinite

Answer: C. Explanation: EU = 2 ln 2 = ln 4, so CE = 4.

Q43. Which of the following is NOT an axiom of von Neumann–Morgenstern expected utility theory?

(A) Non-satiation in money

(B) Continuity

(C) Completeness

(D) Independence

Answer: A. Explanation: Completeness, transitivity, continuity and independence are the axioms; money non-satiation is not.

Q44. A vNM utility index is unique up to

(A) A positive affine transformation

(B) Any monotonic transformation

(C) A logarithmic transformation only

(D) A multiplication by a negative number

Answer: A. Explanation: $u \to a \cdot u + b$ with $a > 0$ preserves expected-utility rankings.

Q45. The Allais paradox is a violation of which axiom?

(A) Completeness

(B) Transitivity

(C) Independence

(D) Continuity

Answer: C. Explanation: Choices A and D contradict the independence axiom.

Q46. For $u = \sqrt{w}$ and a 50–50 gamble between ₹0 and ₹100, the risk premium is

(A) ₹0

(B) ₹50

(C) ₹25

(D) ₹10

Answer: C. Explanation: EU = 5, CE = 25, EV = 50, RP = 25.

Q47. A person with $u = w^2$ facing a 50–50 gamble on ₹0 or ₹100 has a certainty equivalent of about

(A) ₹25

(B) ₹50

(C) ₹5000

(D) ₹70.71

Answer: D. Explanation: EU = 5000; CE = $\sqrt{5000} \approx 70.71$ > EV, so RP is negative.

Q48. Match the list. P. Risk neutral; Q. Risk averse; R. Risk loving. With 1. $u'' > 0$; 2. $u'' = 0$; 3. $u'' < 0$. Correct matching is

(A) P-1, Q-2, R-3

(B) P-3, Q-1, R-2

(C) P-2, Q-3, R-1

(D) P-2, Q-1, R-3

Answer: C. Explanation: Neutral is linear, averse is concave, loving is convex.

Q49. The Arrow–Pratt measure of relative risk aversion is

(A) $-u''(w)/u'(w)$

(B) $u''(w)/u'(w)$

(C) $-w \cdot u''(w)/u'(w)$

(D) $-u'(w)/u''(w)$

Answer: C. Explanation: RRA = w × ARA.

Q50. For u = ln w, the coefficient of relative risk aversion is

(A) 1/w

(B) 1

(C) 0

(D) w

Answer: B. Explanation: $u' = 1/w$, $u'' = -1/w^2$; RRA = 1.

Q51. **Assertion (A)**: A risk-averse person with a fair premium buys full insurance. Reason (R): Full insurance equalises wealth in all states of the world. Choose

(A) Both true but R does not explain A

(B) A true, R false

(C) Both A and R are true and R explains A

(D) A false, R true

Answer: C. Explanation: Mossin (1968); equal marginal utilities across states under a fair premium.

Q52. The Friedman–Savage (1948) utility curve is

(A) Concave, then convex, then concave

(B) Concave throughout

(C) Convex, then concave, then convex

(D) Convex throughout

Answer: A. Explanation: It rationalises insurance and lottery buying together.

Q53. With W = 100, loss 36 with probability 0.25 and u = $\sqrt{w}$, the maximum premium for full insurance is

(A) 9.75

(B) 9

(C) 8

(D) 10.5

Answer: A. Explanation: $\sqrt{(100 - \pi)} = 9.5 \rightarrow \pi = 9.75$; fair premium is 9.

Q54. In a two-person zero-sum game, a saddle point exists when

(A) Maximin exceeds minimax

(B) The matrix is square

(C) Maximin equals minimax

(D) Both players have dominant strategies

Answer: C. Explanation: $\underline{V} = \bar{V}$ defines a pure-strategy saddle.

Q55. For the matrix rows A1 (7, 4, 9), A2 (5, 3, 6), A3 (8, 1, 2), the value of the game is

(A) 3

(B) 4

(C) 6

(D) 5

Answer: B. Explanation: Maximin = minimax = 4 at (A1, B2).

Q56. Consider the statements about the matrix A1 (3, 5, 3), A2 (2, 4, 1), A3 (0, 6, −1): 1. The value is 3. 2. The game has a unique saddle point. Which is correct?

(A) 1 only

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: A. Explanation: Saddles at (A1,B1) and (A1,B3), value 3: statement 2 is false.

Q57. In a payoff matrix to the row player, the minimiser (column player) eliminates a dominated column when

(A) Every entry is smaller than another column's

(B) The column has the largest sum

(C) Every entry is larger than the corresponding entry of another column

(D) The column contains a zero

Answer: C. Explanation: A larger entry is worse for the minimiser.

Q58. For the game (4, 1 / 2, 3), the optimal probability of A1 and the value are

(A) ¼ and 2.5

(B) ½ and 2.5

(C) ¼ and 2

(D) ¾ and 2.5

Answer: A. Explanation: p = (3 − 2)/4 = ¼; V = (12 − 2)/4 = 2.5.

Q59. For the game (6, −2 / 0, 4), the value of the game is

(A) 2

(B) 4

(C) 3

(D) 0

Answer: A. Explanation: V = (24 − 0)/12 = 2.

Q60. In the 2×4 game A1 (1, 3, 6, 2), A2 (6, 2, 0, 5), the graphical method gives A's probability of A1 and the value as

(A) ⅔ and 3

(B) ⅓ and 8/3

(C) ⅔ and 8/3

(D) ½ and 2.5

Answer: C. Explanation: B1 and B2 lines intersect at p = ⅔ giving V = 8/3.

Q61. Von Neumann's minimax theorem (1928) states that in a finite two-person zero-sum game

(A) A saddle point always exists in pure strategies

(B) Every game has a dominant strategy

(C) Maximin equals minimax in mixed strategies

(D) The value is always zero

Answer: C. Explanation: Mixed-strategy maximin = minimax.

Q62. In the iterated-elimination game U (1,0 | 1,2 | 0,1), D (0,3 | 0,1 | 2,0) with columns L, M, R, the equilibrium is

(A) (U, L)

(B) (U, M)

(C) (D, R)

(D) (D, L)

Answer: B. Explanation: R is dominated by M, then D by U; column picks M.

Q63. **Consider the statements**: 1. Every dominant-strategy equilibrium is a Nash equilibrium. 2. Every Nash equilibrium is a dominant-strategy equilibrium. Which is correct?

(A) 1 only

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: A. Explanation: Battle of the sexes has Nash equilibria with no dominant strategies.

Q64. In the prisoner's dilemma the Nash equilibrium is

(A) Pareto-superior to mutual cooperation

(B) Absent in pure strategies

(C) Pareto-inferior to mutual cooperation

(D) Reached only by mixing

Answer: C. Explanation: Both confess although both would gain from silence.

Q65. In the battle of the sexes with payoffs (3,2 / 0,0 / 0,0 / 2,3), the row player's mixed-equilibrium probability of Opera is

(A) 2/5

(B) 1/2

(C) 3/5

(D) 1/3

Answer: C. Explanation: $2p = 3(1 - p)$ gives $p = 3/5$.

Q66. In chicken (0,0 / −1,1 / 1,−1 / −10,−10), the pure-strategy Nash equilibria are

(A) (Swerve, Swerve) only

(B) (Straight, Straight) only

(C) (Swerve, Swerve) and (Straight, Straight)

(D) (Swerve, Straight) and (Straight, Swerve)

Answer: D. Explanation: Each is a mutual best response; both-straight is a disaster.

Q67. Match the list. 1. Cournot; 2. Bertrand; 3. Stackelberg; 4. Sweezy — with P. price rigidity; Q. leader–follower; R. simultaneous quantities; S. price equals marginal cost. Correct matching is

(A) 1-S, 2-R, 3-Q, 4-P

(B) 1-R, 2-S, 3-Q, 4-P

(C) 1-R, 2-Q, 3-S, 4-P

(D) 1-P, 2-S, 3-R, 4-Q

Answer: B. Explanation: Standard attributions.

Q68. With $P = 100 - Q$ and $MC = 10$, the Cournot equilibrium price and output per firm are

(A) ₹55 and 22.5

(B) ₹32.5 and 22.5

(C) ₹40 and 30

(D) ₹10 and 45

Answer: C. Explanation: $q = (90 - q)/2$ gives 30 each; $P = 40$.

Q69. In the entry-deterrence game, the Nash equilibrium (Stay out, Fight) is eliminated by

(A) The minimax theorem

(B) Dominance of Out

(C) Mixed strategies

(D) Subgame perfection

Answer: D. Explanation: Fighting is not credible after entry.

Q70. A grim-trigger strategy sustains cooperation in a repeated prisoner's dilemma with $T = 5$, $R = 3$, $P = 1$ if δ is at least

(A) 0.5

(B) 0.25

(C) 0.75

(D) 0.4

Answer: A. Explanation: $\delta \geq (T - R)/(T - P) = 2/4$.

Q71. Which firm model assumes managers maximise sales revenue subject to a minimum profit constraint?

(A) Baumol

(B) Williamson

(C) Marris

(D) Cyert and March

Answer: A. Explanation: Baumol (1959).

Q72. **Chronology**: arrange 1. Sweezy's kinked demand, 2. Cournot's duopoly, 3. Axelrod's tournaments, 4. Stackelberg's leader–follower model, from earliest to latest.

(A) 2, 1, 4, 3

(B) 4, 2, 1, 3

(C) 2, 4, 1, 3

(D) 2, 4, 3, 1

Answer: C. Explanation: Cournot 1838, Stackelberg 1934, Sweezy 1939, Axelrod 1984.

Q73. **Consider the statements**: 1. Knight treated pure profit as the reward for bearing non-insurable uncertainty. 2. Under Laplace's criterion the best act in the running table (A1 80/50/10/−30, A2 60/45/25/0, A3 30/30/30/20) is A2. Which is correct?

(A) 1 only

(B) 2 only

(C) Both 1 and 2