

**(GCF-8, GCF-10 to GCF-13 & SCF-4)**

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**PAPER: ECONOMICS AND BUSINESS & COMMERCIAL KNOWLEDGE**

- (1) Scarcity in Economics is an :  
(a) Absolute Concept  
(b) Relative Concept  
(c) Irrelevant Concept  
(d) Not a Concept at all.
- (2) The process of selecting the appropriate alternative, that will provide the most efficient means of attaining specified objectives, from two or more alternative courses of action available is called:  
(a) Problem solving  
(b) Decision making  
(c) Economic analysis  
(d) Managerial Expertise
- (3) Business Economics has a Pragmatic Approach which means it is not :  
(a) Practical  
(b) Realistic  
(c) Abstract  
(d) All of the above
- (4) The emphasis of Business Economics is more on  
(a) Normative theory only  
(b) Positive theory only  
(c) More Normative than Positive theory  
(d) More Positive than Normative theory
- (5) Micro Economics deals with:  
(a) External Value of Money  
(b) Employment  
(c) Savings and Investment  
(d) Consumer Behaviour
- (6) Which of the following is an assumption of Law of Diminishing Marginal Utility ?  
(a) Perfect Competition  
(b) Continuous Consumption  
(c) Constant Demand  
(d) Ordinal Approach to Utility
- (7) Consumer is in equilibrium and he keeps purchasing till the point:  
(a) Marginal Utility = Price  
(b) Marginal Utility = Zero  
(c) Marginal Utility = negative  
(d) Marginal Utility = Quantity

- (8) Consumer Surplus is the area:  
(a) Below the Demand curve and above the price  
(b) Above the Supply Curve and below the price  
(c) Above the Demand Curve and below the price  
(d) Below the Supply Curve and above the price
- (9) A Point below the Price Line represents:  
(a) Over-spending by the Consumer  
(b) Under-spending by the Consumer  
(c) Full-spending by the Consumer  
(d) Any of the above
- (10) Which of the following is not an assumption in consumer equilibrium analysis under Indifference Curve Approach?  
(a) There is a give Indifference Map with different levels of satisfaction  
(b) Income of the Consumer is fixed  
(c) Price of Commodities are constant  
(d) Only one commodity is considered for the purposes of analysis
- (11) Purchasing Power refers to :  
(a) Desire to buy the product  
(b) Necessity to buy the product  
(c) Ability to buy the product  
(d) Utility of the product
- (12) Which of the following influence most the price level in the very short-run period ?  
(a) Demand  
(b) Supply  
(c) Cost  
(d) Production
- (13) When a consumer prefers a commodity due to prestige attached to it, it is known as:  
(a) Substitution Effect  
(b) Demonstration Effect  
(c) Income Effect  
(d) All of the above
- (14) The 'Substitution Effect' takes place due to change in  
(a) Income of the Consumer  
(b) Prices of the Commodity  
(c) Relative Prices of the commodities  
(d) All of the above
- (15) In normal circumstances, if Government increases the tax on any product, the demand for the product ..... in the short run  
(a) Increases  
(b) Decreases  
(c) Remain unchanged  
(d) Tax has nothing to do with the demand for any product

- (16) The original price of commodity is Rs. 500 and quantity demanded is 20 kgs. If price rises to Rs. 750 and quantity demanded reduce to 15 kgs price elasticity of demand is \_\_\_\_\_
- (a) 0.25
  - (b) 0.50
  - (c) 1.00
  - (d) 1.50
- (17) The price of tiffin box is Rs. 100 per unit and the quantity demanded in a market is 1,25,000 units. Company increased the price to Rs. 125 per unit due to this increase in price quantity demanded decreases to 1,00,000 units. What will be price elasticity of demand
- (a) 1.25
  - (b) 0.80
  - (c) 1.00
  - (d) None
- (18) At a price of Rs. 300 per month, there are 30,000 subscribers to Cable TV in a Small Town. If the Cable Company raises its price to Rs. 400 per month, the number of subscribers will fall to 20,000. Using the mid-point method for calculating the elasticity, what is the Price Elasticity of Demand for Cable TV ?
- (a) 1.4
  - (b) 0.66
  - (c) 0.75
  - (d) 2.0
- (19) Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product rises, we say that Price Elasticity of Demand is:
- (a) Equal to unity
  - (b) Greater than unity
  - (c) Less than unity
  - (d) Zero
- (20) Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product move in opposite directions, then, Price Elasticity of Demand is:
- (a) Equal to unity
  - (b) Greater than unity
  - (c) Less than unity
  - (d) Zero
- (21) The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except:
- (a) When total product is rising, average and marginal product may be either rising or falling.
  - (b) When marginal product is negative, total product and average product are falling.
  - (c) When average product is at a maximum, marginal product equals average product, and total product is rising.
  - (d) When marginal product is at a maximum, average product equals marginal product, and total product is rising.

- (22) Diminishing returns occur :
- (a) when units of a variable input are added to a fixed input and total product falls.
  - (b) when units of a variable input are added to a fixed input and marginal product falls.
  - (c) when the size of the plant is increased in the long run.
  - (d) when the quantity of the fixed input is increased and returns to the variable input falls.
- (23) Which of the following is a function of an entrepreneur?
- (a) Initiating a business enterprise.
  - (b) Risk bearing.
  - (c) Innovating.
  - (d) All of the above.
- (24) The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that:
- (a) the technology is changing.
  - (b) there must be some inputs whose quantity is kept fixed.
  - (c) we consider only physical inputs and not economically profitability in monetary terms.
  - (d) the technology is given and stable.

- (25) You are given the following data:

| Table 1 |             |
|---------|-------------|
| Output  | Total Costs |
| 0       | 0           |
| 1       | 15          |
| 2       | 35          |
| 3       | 60          |
| 4       | 92          |
| 5       | 140         |

The above data is an example of:

- (a) Decreasing returns to scale.
  - (b) Constant returns to scale.
  - (c) Increasing returns to scale.
  - (d) Positive fixed cost.
- (26) Which of the following is not a feature of land
- (a) Free gift of nature
  - (b) Mobile factor of production
  - (c) It is limited in quantity
  - (d) not destructible
- (27) The efficient scale of production is the quantity of output that minimizes
- (a) average fixed cost
  - (b) average total cost

- (c) average variable cost  
(d) marginal cost
- (28) If as a result of 90 percent increase in all inputs, the output increase by 75 percent this is a case of  
(a) Increasing return to a factor  
(b) Decreasing return to a factor  
(c) Diminishing returns to scale  
(d) None of the above
- (29) Increasing returns imply:  
(a) Constant average cost  
(b) Diminishing cost per unit of output  
(c) Optimum use of capital and labour  
(d) None of the above
- (30) Law of increasing return operates due to:  
(a) Indivisibility of Fixed Factors  
(b) Division of Labour and specialization  
(c) Both (a) and (b)  
(d) Misuse of machinery
- (31) In the first stage of law of variable proportions, total product increases at the:  
(a) Decreasing rate  
(b) Increasing rate  
(c) Constant rate  
(d) Both A and B.
- (32) In the long run any firm will eventually leave the industry if:  
(a) Price does not at least cover average total cost.  
(b) Price does not equal marginal cost.  
(c) Economies of scale are being reaped.  
(d) Price is greater than long run average cost.
- (33) If a firm's average variable cost curve is rising, its marginal cost curve must be:  
(a) Constant.  
(b) Above the average total cost curve.  
(c) Above the average variable cost curve.  
(d) Both (b) and (c)
- (34) The marginal cost curve intersects the average cost curve when average cost is:  
(a) Maximum  
(b) Minimum  
(c) Raising  
(d) Falling

Use following table to answer questions 35-38.

| Quantity | Variable Cost | Fixed Cost | Total Cost | AVC | ATC | MC |
|----------|---------------|------------|------------|-----|-----|----|
| 0        | 0             |            |            |     |     |    |

|    |      |  |  |  |  |  |
|----|------|--|--|--|--|--|
| 5  | 25   |  |  |  |  |  |
| 10 | 470  |  |  |  |  |  |
| 15 | 700  |  |  |  |  |  |
| 20 | 980  |  |  |  |  |  |
| 25 | 1350 |  |  |  |  |  |
| 30 | 1850 |  |  |  |  |  |
| 35 | 2520 |  |  |  |  |  |
| 40 | 3400 |  |  |  |  |  |
| 45 | 4530 |  |  |  |  |  |
| 50 | 5950 |  |  |  |  |  |

A firm operating in perfect competition sells as much as of its products as it chooses at a market price of Rs. 100 per unit. Its Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table

- (35) When production is 40 units, the average cost is:
- Rs. 4.40
  - Rs. 7.50
  - Rs. 85
  - Rs. 92.50
- (36) In the table, marginal cost per unit that corresponds to 40 units of production is:
- Rs. 22
  - Rs. 85
  - Rs. 176
  - Rs. 880
- (37) To maximize profit the firm should produce:
- 15 units
  - 30 units
  - 35 units
  - 50 units
- (38) If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be
- Shut down
  - Produce 5 units
  - Produce 20 units
  - Continue to produce the same number of units as before the drop in price
- (39) AFC curve is always \_\_\_\_\_
- U-shaped if there is decreasing returns to scale
  - U-shaped if there is increasing returns to scale
  - Declining when output increases.
  - intersected by M.C. at its minimum point refer back
- (40) Average total cost to firm is Rs. 600 when it produces 10 units of output and Rs. 640 when the output is 11 units. The MC of the 11<sup>th</sup> unit is:
- 40
  - 540
  - 840

- (d) 1040
- (41) A company produces 10 units of output and incurs Rs. 30 per unit of variable cost and Rs. 5 per unit of fixed cost. In this case total cost is :
- (a) Rs.300
  - (b) Rs.35
  - (c) Rs.305
  - (d) Rs.350
- (42) Suppose that the supply of cameras increases due to an increase in imports. Which of the following will most likely occur?
- (a) the equilibrium price of cameras will increase.
  - (b) the equilibrium quantity of cameras exchanged will decrease.
  - (c) the equilibrium price of camera film will decrease.
  - (d) the equilibrium quantity of camera film exchanged will increase.
- (43) If price is forced to stay below equilibrium price:
- (a) Excess supply exists.
  - (b) Excess demand exists
  - (c) Either (a) or (b)
  - (d) Neither (a) nor (b)
- (44) Discriminating monopoly implies that the monopolist charges different prices for his commodity :
- (a) from different groups of consumers
  - (b) for different uses
  - (c) at different places
  - (d) any of the above.
- (45) The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that
- (a) the firm has some, but not complete, control over its product price.
  - (b) there are so many buyers and sellers in the market that any individual firm cannot affect the market.
  - (c) each firm produces a homogeneous product.
  - (d) there is easy entry into or exit from the market place.
- (46) The condition for pure competition is
- (a) large number of buyer and seller, free entry and exist
  - (b) homogenous product
  - (c) both (a) and (b)
  - (d) large number of buyer and seller, homogenous product, perfect knowledge about the product
- (47) When the products are sold through a centralized body, oligopoly is known as
- (a) organized oligopoly
  - (b) partial oligopoly
  - (c) competitive oligopoly
  - (d) syndicated oligopoly
- (48) Excess capacity is not found under ————.

- (a) Monopoly
  - (b) Monopolistic competition
  - (c) Perfect competition.
  - (d) Oligopoly.
- (49) Which of the following is correct?
- (a) If marginal revenue is positive and falling, total revenue will rise at a decreasing rate.
  - (b) Total revenue is equal to price times the quantity sold.
  - (c) Under perfect competition, total revenue is equal to marginal revenue times the quantity sold.
  - (d) All of the above.
- (50) The upper portion of the kinked demand curve is relatively -
- (a) More inelastic
  - (b) More elastic
  - (c) Less elastic
  - (d) Inelastic
- (51) Under the perfect competition a firm will be in Equilibrium when :
- (a)  $MC = MR$
  - (b) MC cuts the MR from below
  - (c) MC is rising when it cuts the MR
  - (d) All of the above
- (52) The trough of a business cycle occurs when \_\_\_\_\_ hits its lowest point.
- (a) inflation in the economy
  - (b) The money supply
  - (c) Aggregate economic activity
  - (d) The unemployment rate
- (53) A leading indicator is
- (a) a variable that tends to move along with the level of economic activity
  - (b) a variable that tends to move in advance of aggregate economic activity
  - (c) a variable that tends to move consequent on the level of aggregate economic activity
  - (d) None of the above
- (54) A decrease in government spending would cause
- (a) the aggregate demand curve to shift to the right.
  - (b) the aggregate demand curve to shift to the left.
  - (c) a movement down and to the right along the aggregate demand curve.
  - (d) a movement up and to the left along the aggregate demand curve.
- (55) Which of the following best describes a typical business cycle?
- (a) Economic expansions are followed by economic contractions.
  - (b) Inflation is followed by rising income and unemployment.
  - (c) Economic expansions are followed by economic growth and development.
  - (d) Stagflation is followed by inflationary economic growth.
- (56) Peaks and troughs of the business cycle are known collectively as
- (a) Volatility.

- (b) Turning points.
  - (c) Equilibrium points.
  - (d) Real business cycle events.
- (57) The most probable outcome of an increase in the money supply is
- (a) interest rates to rise, investment spending to rise, and aggregate demand to rise
  - (b) interest rates to rise, investment spending to fall, and aggregate demand to fall
  - (c) interest rates to fall, investment spending to rise, and aggregate demand to rise
  - (d) interest rates to fall, investment spending to fall, and aggregate demand to fall
- (58) Which of the following is not a characteristic of business cycles
- (a) Business cycles have serious consequences on the well being of the society.
  - (b) Business cycles occur periodically, although they do not exhibit the same regularity.
  - (c) Business cycles have uniform characteristics and causes.
  - (d) Business cycles are contagious and unpredictable.
- (59) Economic recession shares all of these characteristics except.
- (a) Fall in the levels of investment, employment
  - (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
  - (c) Investor confidence is adversely affected and new investments may not be forthcoming
  - (d) Increase in the price of inputs due to increased demand for inputs
- (60) The different phases of a business cycle
- (a) Do not have the same length and severity
  - (b) expansion phase always last more than ten years
  - (c) last many years and are difficult to get over in short periods
  - (d) None of the above
- (61) Transfer of Interest exists in :
- (a) Business
  - (b) Profession
  - (c) Employment
  - (d) None of the above
- (62) What is the psychological motive of employment
- (a) Service to society
  - (b) Earning livelihood
  - (c) Earning profits
  - (d) Displaying skills

- (63) Which of the following is an advantage of joint ownership ?  
(a) Quick decisions  
(b) Pooling of Capital  
(c) Personal Interest  
(d) All the above
- (64) Personal interest in business is more in  
(a) HUF  
(b) Partnership  
(c) Sole Proprietorship  
(d) LLP
- (65) Non-corporate Entity includes :  
(a) Sole Proprietorship, HUF and Partnership  
(b) HUF, Trust and LLP  
(c) Partnership LLP and Private companies  
(d) Sole Proprietorship, LLP and Partnership
- (66) \_\_\_\_\_ successive generations of an Undivided Family are known as HUF.  
(a) 2  
(b) 3  
(c) 4  
(d) 5
- (67) RaviBhamidipatyis the CFO of which Company ?  
(a) Reliance  
(b) Adani  
(c) Unilever  
(d) HP
- (68) The major textile brand 'Vimal' was introduced in which year ?  
(a) 1975  
(b) 1965  
(c) 1985  
(d) 1986
- (69) Which of the following is not a brand of Unilever ?  
(a) Kwality Walls,  
(b) Axe,  
(c) Hamam,  
(d) Pantene
- (70) For the 15<sup>th</sup> time in 16 year,s Unilever was named leader of the Food, Beverage andnf Tobacco Industry Group with a score of \_\_\_\_\_ out of 100 ?  
(a) 95  
(b) 92  
(c) 89  
(d) 88
- (71) When did Microsoft begin its business in India ?

- (a) 1990  
(b) 1991  
(c) 1995  
(d) 1989
- (72) The Bank of Rajasthan (BOR) was acquired by which Bank ?  
(a) HDFC,  
(b) ICICI,  
(c) Axis Bank,  
(d) SBI
- (73) Which Company was ranked 8<sup>th</sup> on Forbes World's Biggest Public Companies list of 2016 ?  
(a) Apple  
(b) Walmart  
(c) IBM  
(d) Microsoft
- (74) What was the initial name of Apple Inc. ?  
(a) Apple corporation  
(b) Apple Computer Inc.  
(c) Apple IT solutions  
(d) Apple Mac Inc.
- (75) Who is the CMD of Power Grid Corporation of India Ltd. ?  
(a) I.S. Jha  
(b) K Sreekant  
(c) Vishal Sikka  
(d) M.D. Ranganath
- (76) Power System Operation Corporation Limited is subsidiary of which company ?  
(a) ONGC  
(b) Power Grid  
(c) IOC  
(d) NTPC
- (77) \_\_\_\_\_ represents all external forces, factors or conditions that exert some degree of impact on the business decisions, strategies and actions taken by the Firm.  
(a) Business Location  
(b) Business Environment  
(c) Business Threat  
(d) Business Surrounding
- (78) Trends relate to :  
(a) Happening of events in internal Environment  
(b) Grouping of Similar or related events  
(c) Demands made by Interested group  
(d) None of the above
- (79) A change in the Environment:

- (a) is always Accepted by Firms
  - (b) is always declined by Firms
  - (c) May be an opportunity to some and threat to some other Firms
  - (d) None of the above
- (80) A threat is
- (a) An unfavourable condition in organisation environment which creates risk or damage to the environment
  - (b) An inherent limitation or constraint
  - (c) An unfavourable condition in organisation environment which consolidates its strength
  - (d) None of the above
- (81) Which of the following is not a factor of Demographic Environment?
- (a) Ethnic Mix
  - (b) Legal
  - (c) Population size
  - (d) Geographic Distribution
- (82) What is the single word that can best describe today's business ?
- (a) Technology
  - (b) Persistence
  - (c) Profit making
  - (d) Change
- (83) Effective use of social media for marketing is
- (a) Strength
  - (b) Weakness
  - (c) Opportunity
  - (d) Threat
- (84) Interactions with Environment does not include :
- (a) Exchange of information
  - (b) Exchange of resource
  - (c) Exchange of influence
  - (d) None of the above
- (85) The following statement relates to which strategic response approach to the environment: They seek to monitor the changes in that environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength.
- (a) Proceed with caution
  - (b) Least resistance
  - (c) Dynamic response
  - (d) Static Response
- (86) The Environment offers :
- (a) Opportunities, incentives and rewards
  - (b) Constraints, threats and restrictions
  - (c) Both (a) and (b)

- (d) Neither (a) nor (b)
- (87) Public Policies are always \_\_\_\_\_. Fill in the gap by taking the appropriate expression from the following:
- (a) Goal oriented
  - (b) Minutely defined
  - (c) Pro-rich
  - (d) For the poor
- (88) Act of making choice is called
- (a) Decision
  - (b) Judgement
  - (c) Assessment
  - (d) selection
- (89) David Easton propounded a Model on Politics-Policy Relationship known as :
- (a) Feedback
  - (b) Black Box Model
  - (c) White Box Model
  - (d) Both (a) and (b)
- (90) OCBs means:
- (a) Overseas Corporate Bodies
  - (b) Ordnance Commission Bilateral secretariat
  - (c) Oversees Civic Boards
  - (d) Oversees Commercial Bilateral Treaties
- (91) FEMA replaced FERA as legislation in :
- (a) 1991
  - (b) 1992
  - (c) 1999
  - (d) 2006
- (92) When was SEBI constituted ?
- (a) 1988
  - (b) 1990
  - (c) 1986
  - (d) 1989
- (93) Waiving of farm loans is an example of :
- (a) Regulatory Policy
  - (b) Facilitative Policy
  - (c) Restrictive Policy
  - (d) Distributive Policy
- (94) Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
  - (b) Cultural Reforms
  - (c) Commercial Reforms
  - (d) Socio-cultural Reforms

- (95) Law making body at the Central Level in India:  
(a) VidhanSabha  
(b) LokSabha  
(c) VidhanParishad  
(d) All the above
- (96) The Lower House in State Legislature:  
(a) RajyaSabha  
(b) VidhanSabha  
(c) LokSabha  
(d) VidhanParishad
- (97) To charge a regular portion of an expenditure over a fixed period of time.  
(a) Amortize  
(b) Appreciation  
(c) Arbitrage  
(d) Offer
- (98) The simultaneous purchase and sale of two identical commodities or instruments is called:  
(a) Amortize  
(b) Appreciation  
(c) Arbitrage  
(d) Offer
- (99) \_\_\_\_\_ is a type of long-term Promissory Note  
(a) Bond  
(b) Debt  
(c) Balance Sheet  
(d) Book Value
- (100) Bear is a situation in which  
(a) stock-market players are pessimists  
(b) they expect share prices or any other type of investment to fall  
(c) prices are going to go lower and majority of dealers will sell as quickly as possible for fear of holding shares which diminish in value  
(d) All the Above

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