

ECONOMICS AND COMMERCIAL KNOWLEDGE**All Questions is compulsory.**

- (1) Ans. b
 Explanation:
 Scarcity in Economics is an relative concept.
- (2) Ans. b
 Explanation:
 Decision making is 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.
- (3) Ans. c
 Explanation:
 Business Economics has a Pragmatic Approach which means it is not Abstract.
- (4) Ans. c
 Explanation:
 The emphasis of Business Economics is More Normative than Positive theory.
- (5) Ans. d
 Explanation:
 Micro Economics deals with Consumer Behaviour.
- (6) Ans. b
 Explanation:
 Continuous Consumption is an assumption of Law of Diminishing Marginal Utility.
- (7) Ans. a
 Explanation:
 Consumer is in equilibrium when Marginal Utility = Price.
- (8) Ans. a
 Explanation:
 Consumer Surplus is the area that Below the Demand curve and above the price.
- (9) Ans. b
 Explanation:
 A Point below the Price Line represents Under-spending by the Consumer.
- (10) Ans. d
 Explanation:
 Only one commodity is considered for the purposes of analysis is not an assumption in consumer equilibrium analysis under Indifference Curve Approach

- (11) Ans. c
Explanation:
Purchasing Power refers to Ability to buy the product.
- (12) Ans. a
Explanation:
Demand influence most the price level in the very short-run period.
- (13) Ans. b
Explanation:
When a consumer prefers a commodity due to prestige attached to it, it is known as Demonstration Effect.
- (14) Ans. c
Explanation:
The 'Substitution Effect' takes place due to change in Relative Prices of the commodities.
- (15) Ans. b
Explanation:
In normal circumstances, if Government increases the tax on any product, the demand for the product Decreases in the short run.
- (16) Ans. b
Explanation:

$$\frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{P}} = \frac{\frac{5}{20}}{\frac{250}{500}} = \frac{5}{20} \times \frac{500}{250} = 0.5$$
- (17) Ans. c
Explanation:

$$\frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{P}} = \frac{\frac{25,000}{1,00,000}}{\frac{100}{25}} = 1$$
- (18) Ans. a
Explanation:

$$\frac{q_1 - q_2}{q_1 + q_2} \times \frac{p_1 + p_2}{p_1 - p_2} = \frac{30,000 - 20,000}{30,000 + 20,000} \times \frac{300 + 400}{300 - 400} = \frac{10,000}{50,000} \times \frac{700}{100} = \frac{7}{5} = 1.4$$

- (19) Ans. b
Explanation:
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 Greater than unity
- (20) Ans. b
Explanation: Under Total Outlay Method, if Price and Consumer's Total Expenditure on the product move in opposite directions, then, Price Elasticity of Demand is Greater than unity
- (21) Ans. d
Explanation:
When marginal product is at a maximum, average product is not equals to marginal product, and total product is rising.
- (22) Ans. b
Explanation:
Diminishing returns occur when units of a variable input are added to a fixed input and marginal product falls.
- (23) Ans. d
Explanation:
All of the above is function of an entrepreneur.
- (24) Ans. a
Explanation:
The technology is changing is not a assumption of law of variable proportion.
- (25) Ans. a
Explanation:
In this table MC increasing so this is the condition of decreasing returns to scale.
- (26) Ans. b
Explanation:
Land is not a mobile factor.
- (27) Ans. b
Explanation:
The efficient scale of production is the quantity of output that minimizes average total cost.
- (28) Ans. c
Explanation:
If as a result of 90 percent increase in all inputs, the output increase by 75 percent this is a case of Diminishing returns to scale.
- (29) Ans. b
Explanation:
Increasing returns imply Diminishing cost per unit of output.

- (30) Ans. c
Explanation:
Law of increasing return operates due to Indivisibility of Fixed Factors and Division of Labour and specialization
- (31) Ans. d
Explanation:
In the first stage of law of variable proportions, total product increases at the Decreasing rate Increasing rate.
- (32) Ans. a
Explanation:
In the long run any firm will eventually leave the industry if Price does not at least cover average total cost.
- (33) Ans. d
Explanation:
If a firm's average variable cost curve is rising, its marginal cost curve must be above the average total cost curve and above the average variable cost curve.
- (34) Ans. b
Explanation:
The marginal cost curve intersects the average cost curve when average cost is Minimum.
- (35) Ans. d
Explanation:
 $TFC + TVC = TC$
 $300 + 3400 = 3700$
 $ATC = \frac{TC}{Q} = \frac{3700}{40} = 92.50$
- (36) Ans. c
Explanation:
 $MC = \frac{\Delta TVC}{\Delta Q} = \frac{880}{5} = Rs.176$
- (37) Ans. b
Explanation:
At 30th unit $MR = MC$, so the firm should produce here.
- (38) Ans. c
Explanation:
At 20 unit $MR = MC$, so firm should produce there.
- (39) Ans. c
Explanation:
AFC curve is always Declining when output increases.

- (40) Ans. d
Explanation:
 $ATC \times Q = TC$
 $600 \times 10 = 6000$
 $640 \times 11 = 7040$
 $MC = \frac{\Delta TC}{\Delta Q} = \frac{1040}{1} = 1040$
- (41) Ans. d
Explanation:
 $TFC + TVC = TC$
 $300 + 50 = 350$
- (42) Ans. d
Explanation:
When supply increases and demand remains constant then the equilibrium quantity of camera film exchanged will increase.
- (43) Ans. b
Explanation:
If price is forced to stay below equilibrium price then Excess demand exists.
- (44) Ans. d
Explanation:
In all these cases monopolist used price discrimination.
- (45) Ans. b
Explanation:
In perfect competition there are so many buyers and sellers in the market that any individual firm cannot affect the market..
- (46) Ans. c
Explanation:
Pure competition have only three features. They are large number of buyer and seller, free entry and exist homogenous product
- (47) Ans. d
Explanation:
In syndicated oligopoly the products are sold through a centralized body.
- (48) Ans. c
Explanation:
Excess capacity is not found under perfect competition.
- (49) Ans. d
Explanation:
All of these statements are correct.
- (50) Ans. b
Explanation:
The upper portion of the kinked demand curve is relatively More elastic.

- (51) Ans. d
Explanation:
All of these options are correct about equilibrium under perfect competition.
- (52) Ans. c
Explanation:
The trough of a business cycle occurs when Aggregate economic activity hits its lowest point.
- (53) Ans. b
Explanation:
A leading indicator is a variable that tends to move in advance of aggregate economic activity.
- (54) Ans. b
Explanation:
A decrease in government spending would cause the aggregate demand curve to shift to the left.
- (55) Ans. a
Explanation:
Economic expansions are followed by economic contractions is best describes a typical business cycle.
- (56) Ans. b
Explanation:
Peaks and troughs of the business cycle are Turning points.
- (57) Ans. c
Explanation:
The most probable outcome of an increase in the money supply is interest rates to fall, investment spending to rise, and aggregate demand to rise.
- (58) Ans. c
Explanation:
Business cycles have uniform characteristics and causes is not a characteristic of business cycles.
- (59) Ans. d
Explanation:
Increase in the price of inputs due to increased demand for inputs.
- (60) Ans. a
Explanation:
The different phases of a business cycle do not have the same length and severity.
- (61) Ans. a
Explanation:
Transfer of Interest exists in Business.
- (62) Ans. b
Explanation:
Earning livelihood is the psychological motive of employment.

- (63) Ans. b
Explanation:
Pooling of Capital is an advantage of joint ownership.
- (64) Ans. c
Explanation:
Personal interest in business is more in Sole Proprietorship.
- (65) Ans. a
Explanation:
Non-corporate Entity includes Sole Proprietorship, HUF and Partnership
- (66) Ans. b
Explanation:
Three successive generations of an Undivided Family are known as HUF.
- (67) Ans. c
Explanation:
Carrying forward of transaction form one settlement period to the next without effecting delivery or payment is called Badla.
- (68) Ans. a
Explanation:
The major textile brand 'Vimal' was introduced in 1975.
- (69) Ans. b
Explanation:
A free allotment of shares made in proportion to existing shares out of accumulated reserves is called Bonus.
- (70) Ans. c
Explanation:
A type of debt instrument that is not secured by physical assets or collateral is Promissory Note.
- (71) Ans. a
Explanation:
In 1990 Microsoft begin its business in India.
- (72) Ans. c
Explanation:
Any goods that are stored, delivered and used in its electronic format Digital Goods.
- (73) Ans. a
Explanation:
Apple was ranked 8th on Forbes World's Biggest Public Companies list of 2016.
- (74) Ans. b
Explanation:
Apple Computer Inc. was the initial name of Apple Inc.

- (75) Ans. a
Explanation:
I.S. Jha is the CMD of Power Grid Corporation of India Ltd.
- (76) Ans. b
Explanation:
Power System Operation Corporation Limited is subsidiary of Power Grid company.
- (77) Ans. b
Explanation:
Business Environment represents all external forces, factors or conditions that exert some degree of impact on the business decisions, strategies and actions taken by the Firm.
- (78) Ans. b
Explanation:
Trends relate to Grouping of Similar or related events.
- (79) Ans. c
Explanation:
A change in the Environment May be an opportunity to some and threat to some other Firms.
- (80) Ans. a
Explanation:
A threat is An unfavourable condition in organisation environment which creates risk or damage to the environment.
- (81) Ans. b
Explanation:
Legal is not a factor of Demographic Environment
- (82) Ans. d
Explanation:
Change is the single word that can best describe today's business.
- (83) Ans. c
Explanation:
Effective use of social media for marketing is Opportunity.
- (84) Ans. d
Explanation:
(a), (b) and (c) options all are Interactions with Environment.
- (85) Ans. a
Explanation:
This statement relates to proceed with caution.
- (86) Ans. c
Explanation:
The Environment offers Opportunities, incentives and rewards and Constraints, threats and restrictions.

- (87) Ans. a
Explanation:
Public Policies are always Goal oriented.
- (88) Ans. a
Explanation:
Act of making choice is called Decision.
- (89) Ans. d
Explanation:
David Easton propounded a Model on Politics-Policy Relationship known as Feedback and Black Box Model.
- (90) Ans. a
Explanation:
OCBs means Overseas Corporate Bodies.
- (91) Ans. c
Explanation:
FEMA replaced FERA as legislation in 1999.
- (92) Ans. a
Explanation:
SEBI was constituted in 1988.
- (93) Ans. d
Explanation:
Waiving of farm loans is an example of Distributive Policy
- (94) Ans. d
Explanation:
Reforms in Dowry Act and Divorce Act are the examples of Socio-cultural Reforms.
- (95) Ans. b
Explanation:
Law making body at the Central Level in India is Lok Sabha.
- (96) Ans. b
Explanation:
The Lower House in State Legislature Vidhan Sabha.
- (97) Ans. a
Explanation:
To charge a regular portion of an expenditure over a fixed period of time is Amortize.
- (98) Ans. c
Explanation:
The simultaneous purchase and sale of two identical commodities or instruments is called Arbitrage

(99) Ans. a
Explanation:
Bond is a type of long-term Promissory Note.

(100) Ans. d
Explanation:
All of the above is condition of Bear.
