

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

- (1) Which of the following statements is false?
- (a) Economic costs include the opportunity costs of the resources owned by the firm.
 - (b) Accounting costs include only explicit costs.
 - (c) Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs.
 - (d) Accounting profit is equal to total revenue less implicit costs.
- (2) It is assumed in economic theory that
- (a) decision making within the firm is usually undertaken by managers, but never by the owners.
 - (b) the ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organisation.
 - (c) as the firm's size increases, so do its goals.
 - (d) the basic decision making unit of any firm is its owners.
- (3) Which of the following statements is incorrect?
- (a) If marginal revenue exceeds marginal cost the firm should increase output.
 - (b) If marginal cost exceeds marginal revenue the firm should decrease output.
 - (c) Economic profits are maximized when total costs are equal to total revenue.
 - (d) Profits are maximized when marginal revenue equals marginal cost.
- (4) Which one of the following statement is incorrect?
- (a) Perfect competitive firms are price takers and not price makers.
 - (b) Price discrimination is possible in monopoly only.
 - (c) Duopoly may lead to monopoly.
 - (d) Competitive firm always seeks to discriminate prices.
- (5) Which of the following is not an essential condition of pure competition?
- (a) Large number of buyers and sellers
 - (b) Homogeneous product
 - (c) Freedom of entry
 - (d) Absence of transport cost
- (6) Monopolistic competition differs from perfect competition primarily because
- (a) in monopolistic competition, firms can differentiate their products.
 - (b) in perfect competition, firms can differentiate their products.
 - (c) in monopolistic competition, entry into the industry is blocked.
 - (d) in monopolistic competition, there are relatively few barriers to entry.
- (7) Which of the following statements is incorrect?
- (a) Even monopolistic can earn losses.
 - (b) Firms in a perfectly competitive market are price takers.
 - (c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
 - (d) Kinked demand curve is related to an oligopolistic market.

Answer the following Questions: (Q. 8 to 11)

Quantity	AVC	TVC	TC	MC	AFC
1	20				
2	18				
3				18	
4	20				
5			150		8

- (8) Find TVC of 5th Unit.
(a) 110
(b) 150
(c) 120
(d) 80
- (9) Find MC of 5th Unit:
(a) 10
(b) 20
(c) 30
(d) 40
- (10) Find AVC of 3rd Unit:
(a) 18
(b) 20
(c) 54
(d) 36
- (11) Find TC of 2nd Unit:
(a) 60
(b) 76
(c) 36
(d) 18
- (12) Which of the following is an example of a normative statement?
(a) A higher price for a goods causes people to want to buy less of that good.
(b) A lower price for a goods causes people to want to buy more of that good.
(c) To make the good available to more people, a lower price should be set.
(d) If you consume this good, you will be better off.
- (13) Which one of the following statements involves a value judgment?
(a) The supply of coffee is likely to be inelastic in the short run.
(b) Economies of scale can lead to lower prices.
(c) Inferior goods have a negative income elasticity of demand.
(d) The government was wrong to introduce university tuition fees.
- (14) _____ and _____ do not directly affect the demand curve.
(a) the price of related goods, consumer incomes
(b) consumer incomes, tastes
(c) the costs of production, bank opening hours
(d) the price of related goods, preferences

- (15) Indifference curves between income and leisure for an individual are generally:
- (a) Concave to the origin.
 - (b) Convex to the origin.
 - (c) Negatively sloped straight lines.
 - (d) Positively sloped straight lines.
- (16) Expansion in supply refers to a situation. when the producers are willing to supply a_____.
- (a) Larger quantity of the commodity at an increased price
 - (b) Larger quantity of the commodity due to increased taxation that commodity
 - (c) Larger quantity of the commodity at the same price
 - (d) Larger quantity of the commodity at the decreased price
- (17) Which of the following is an example of economies of scale?
- (a) As the computer industry has expanded, the number of professionally trained computer programmers has also increased, which has caused the salaries of computer programmers to increase.
 - (b) To attract firms to locate in its state, the state government reduced the tax rate that businesses must pay on its profits, thus lowering the costs to firms who locate in the state.
 - (c) As the demand for calculators increased, the price of calculators actually fell.
 - (d) None of these
- (18) Which is true statement?
- (a) Decreasing returns to scale and diminishing returns to production are two ways of stating the something.
 - (b) Increasing returns to scale is a short-run concept, and diminishing returns to production is a long-run concept
 - (c) Constant returns to scale is a short-run concept, and decreasing returns to scale is a long-run concept
 - (d) None of the above is true
- (19) Opportunity cost is :
- (a) The additional benefit of buying an additional unit of a product.
 - (b) That which we forgo, or give up, when we make a choice or a decision.
 - (c) A cost that cannot be avoided, regardless of what is done in the future.
 - (d) The cost incurred in the past before we make a decision about what to do in the future.
- (20) The opportunity cost of a student is:
- (a) Course fees and rent
 - (b) A loan from the bank
 - (c) What the student could have earned in the best job available by not studying
 - (d) What the student will earn after graduation.

- (21) Calculate total cost of 4 units.

Units	Total Cost (Rs.)	Marginal Cost (Rs.)
2	80	40
4	–	30

- (a) 140
- (b) 120
- (c) 50
- (d) 40

- (22) A non discriminating monopolist will find that marginal revenue _____
- exceeds average revenue or price
 - is identical to price
 - is sometimes greater and sometimes less than price
 - is less than average revenue or price
- (23) If Cross Elasticity of Demand = Zero, it means that the goods are :
- Perfect Complementary Goods
 - Perfect Substitute Goods
 - Unrelated Goods
 - Nothing can be said

Read the following paragraph and answer questions 24-26.

Aliya owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for Rs. 500 each. It cost Aliya Rs. 35,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested Rs. 2,00,000 in her factory and equipment : Rs. 1,50,000 from her savings and Rs 50,000 borrowed at 10 percent. (Assume that she could have loaned her money out at 20 percent, too.) Aliya can work at a competing pottery factory for Rs. 80,000 per year.

- (24) The accounting profit at Aliya's pottery factory is:
- Rs. 3,00,000
 - Rs. 4,60,000
 - Rs. 3,80,000
 - Rs. 3,75,000
- (25) The economic profit at Aliya's factory is:
- Rs. 3,50,000
 - Rs. 2,50,000
 - Rs. 2,30,000
 - Rs. 2,40,000
- (26) The implicit cost at Aliya's pottery factory is:
- Rs. 30,000
 - Rs. 50,000
 - Rs. 80,000
 - Rs. 75,000

Consider Sumit's production data given in the table 1. Use Table 1 to answer questions 27-29 :

Table 1

Number of workers	Total Output
1	10
2	22
3	31
4	40
5	47
6	52
7	56
8	58
9	60
10	61

- (27) Suppose Sumit has to pay his workers Rs 20 per hour, and further suppose there are no other production costs at all. What is the marginal product of the 5th worker?
- (a) 12
 - (b) 9
 - (c) 7
 - (d) 8
- (28) In Table 1, Sumit's Average Total Cost when 40 units are produced is:
- (a) Rs. 2
 - (b) Rs. 80
 - (c) Rs. 5
 - (d) Rs. 20
- (29) Using data in Table 1, we know that the approximate marginal cost of the 52nd unit of output is:
- (a) Rs. 0.25
 - (b) Rs. 1.25
 - (c) Rs. 2.50
 - (d) Rs. 4.00
- (30) Cross elasticity of demand between tea and coffee is:
- (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) Infinity
- (31) What is the elasticity between mid point and upper extreme point of a straight line continuous demand curve?
- (a) Infinite
 - (b) Zero
 - (c) Greater than one
 - (d) Less than one
- (32) A consumer spends Rs. 80 on purchasing a commodity when its price is Rs. 1 per unit and spends Rs. 96, when the price is Rs. 2 per unit. Calculate the price elasticity of demand.
- (a) 0.2
 - (b) 0.3
 - (c) 0.4
 - (d) 0.75
- (33) When economists speak of the utility of a certain good, they are referring to
- (a) The demand for the good.
 - (b) The usefulness of the good in consumption.
 - (c) The satisfaction derived from consuming the good.
 - (d) The rate at which consumers are willing to exchange one good for another.
- (34) The aim of the consumer in allocating his income is to_____
- (a) Maximize his total utility
 - (b) maximize his marginal utility
 - (c) To buy the goods he wants most whatever the price
 - (d) To buy the goods which he expects to be short in supply

- (35) The convexity of indifference curve is due to:
- (a) Declining marginal rate of substitution
 - (b) Rising marginal rate of substitution
 - (c) Constant marginal rate of substitution
 - (d) None of the above.
- (36) The price line or budget line of a consumer is
- (a) Parallel to x-axis
 - (b) Parallel to y-axis
 - (c) Straight line joining the two axis
 - (d) None of the above.
- (37) _____ depicts complete picture of consumer's tastes and preferences
- (a) Budget line
 - (b) Average cost curve
 - (c) Indifference map
 - (d) Marginal revenue curve

- (38) 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.
- (39) The following table exhibits:
- | Number of Workers | Output |
|-------------------|--------|
| 0 | 0 |
| 1 | 23 |
| 2 | 40 |
| 3 | 50 |
- (a) increasing marginal product of labour.
 - (b) diminishing marginal product of labour.
 - (c) increasing returns to scale.
 - (d) diminishing returns to scale.

- (40) With a view to increase his production Hari Haran a manufacturer of shoes, increases all the factors of production in his unit by 100%. But at the end of year he finds that instead of an increase of 100%, his production has increased by only 80%. Which law of returns to scale is operating in this case_____
- (a) Increasing returns to scale
 - (b) Decreasing returns to scale
 - (c) Constant returns to scale
 - (d) None of the above

- (41) Linear Homogeneous Production function is based on _____
- Increasing Returns to Scale
 - Decreasing Returns to Scale
 - Constant Returns to Scale
 - None.
- (42) Cost in terms of pain, discomforts, disabilities involved in supply of factors of production by their owner are termed as _____
- Real cost
 - Explicit cost
 - Social cost
 - Implicit cost
- (43) "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses.
- Rational, if the firm is covering its variable cost
 - Rational, if the firm is covering its fixed cost
 - Irrational since plant closing is necessary to eliminate losses
 - Irrational, since fixed costs are eliminated if a firm shut down
- (44) Accounting cost will be _____ economic cost.
- Greater than
 - less than
 - Equal to
 - None of these
- (45) If Average cost of a firm is minimum, then Marginal cost will be _____
- Greater than average cost
 - Equal to average cost
 - Less than average cost
 - None of these

Production (Q)	Price per unit (P)	Total Cost (TC)	Variable Cost (VC)	Marginal Cost (per unit) (MC)	Total Revenue (TR)	Marginal Revenue (per unit) (MR)
0	130	45	0	-		
1	124	88				
2	118	125				
3	112	159				
4	106	193				
5	100	230				
6	94	273				
7	88	325				
8	82	389				
9	76	465				

- (46) When production equals 4 units, the firm's:
- Fixed cost is 100 and its variable cost is 93
 - Fixed cost is 193 and its variable cost is 0
 - Fixed cost is 0 and its variable cost is 193
 - Fixed cost is 45 and its variable cost is 148

- (47) When production equals 6 units, the firm's *marginal* revenue is:
- (a) Rs. 384
 - (b) Rs. 94
 - (c) Rs. 64
 - (d) Rs. 2
- (48) When production equals 7 units, the firm's profit is:
- (a) Rs. 0
 - (b) Rs. 41.57
 - (c) Rs. 291
 - (d) Rs. 336
- (49) To maximize its profit, the firm should produce:
- (a) 0 units
 - (b) 3 units
 - (c) 5 units
 - (d) 7 units
- (50) Price taker firms_____
- (a) Do not advertise their products because it misleads the customers.
 - (b) Advertise their products to boost the level of demand.
 - (c) Do not advertise but give gifts along with the sold items to attract customers.
 - (d) Do not advertise because they can sell as much as they wish at the prevailing price.
- (51) Perfectly competitive firm faces:
- (a) Perfectly elastic demand curve.
 - (b) Perfectly inelastic demand curve.
 - (c) Inelastic Demand curve
 - (d) Elastic Demand curve.
- (52) A monopolist can fix
- (a) Both price and output
 - (b) Either price or output
 - (c) Neither price nor output
 - (d) None of these
- (53) In a monopoly market, a producer has control only over:
- (a) Price of the commodity
 - (b) Demand of the commodity
 - (c) Both a) and b)
 - (d) Utility of the product.
- (54) Who classify three digress of price discrimination.
- (a) Prof. Pigou
 - (b) Robertson
 - (c) Adam Smith
 - (d) Marshal
- (55) The structure of the tooth paste industry in India is best described as-
- (a) Perfectly competitive
 - (b) Monopolistic
 - (c) Monopolistically competitive
 - (d) Oligopolistic

- (56) Under perfect competition, in the long run, there will be no _____
- (a) Normal profits
 - (b) Supernormal profits
 - (c) Production
 - (d) Costs
- (57) Peaks and troughs of the business cycle are known collectively as
- (a) Volatility
 - (b) Turning points
 - (c) Equilibrium points
 - (d) Real business cycle
- (58) 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
- (59) 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
- (60) The term business cycle refers to
- (a) The ups and downs in production of commodities
 - (b) The fluctuating levels of economic activity over a period of time
 - (c) Decline in economic activities over prolonged period of time
 - (d) Increasing unemployment rate and diminishing rate of savings
- (61) Perceiving the needs of the external environment and catering to them, satisfying the expectations and demands of the clientele groups is:
- (a) Reciprocal agreement
 - (b) Interdependent process
 - (c) Management process
 - (d) Interaction process
- (62) Process of strategy formulation starts with:
- (a) Appraisal of external and internal environment of the of an organization
 - (b) Performance analysis
 - (c) Choice of strategy
 - (d) None of the above
- (63) Who is the RBI's present Governor ?
- (a) Urjit Patel
 - (b) D. Subbarao
 - (c) Raghuram Rajan
 - (d) None of the above

- (64) Which Section of IRDAI Act, 1999 lays down the duties, powers and functions of IRDAI?
- (a) Section 10
 - (b) Section 12
 - (c) Section 14
 - (d) Section 5
- (65) Carrying forward of transaction from one settlement period to the next without effecting delivery or payment is called_____
- (a) Bear Market
 - (b) Base price
 - (c) Badla
 - (d) Blue Chips
- (66) Any goods that are stored, delivered and used in its electronic format-
- (a) Consumer Goods
 - (b) Capital Goods
 - (c) Digital Goods
 - (d) None of the above
- (67) Rate at which the Central Bank in the discharge of its function as Banker's Bank lends to the commercial banks is called-
- (a) Bank Rate
 - (b) Administered Rates
 - (c) Accrued Interest
 - (d) None of the above
- (68) A limit that regulates the increase or decrease in the rate of interest and installments of an adjustable rate mortgage is called-
- (a) Gap
 - (b) Cap
 - (c) Basic Point
 - (d) None of the above
- (69) Economic insolvency, wherein the person's assets are liquidated, to pay of all liabilities is called-
- (a) Acquisition
 - (b) Liability
 - (c) Bankruptcy
 - (d) None of the above
- (70) A portion of the after tax profits paid out to the owners of a business as a return on their investment is:
- (a) Dividend
 - (b) Expense
 - (c) Expenditure
 - (d) Deferred Income
- (71) A financial expression of the value of that product is called-
- (a) Price
 - (b) Cost
 - (c) Expenditure
 - (d) None of the above

- (72) A signed instrument of acknowledgment that indicates the approval is called-
- (a) Acceptance
 - (b) Terms
 - (c) Conditions
 - (d) None of the above
- (73) The price sensitivity of the market is an important factor of which element of Micro environment:
- (a) Suppliers
 - (b) Market
 - (c) Intermediaries
 - (d) Customer
- (74) Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
- (75) Which industrial category does Wipro Ltd. come under?
- (a) Pharmaceuticals & Drugs
 - (b) Diversified
 - (c) Media
 - (d) IT- Software
- (76) 'My customer First' is the Vision of which Bank?
- (a) SBI
 - (b) Axis Bank
 - (c) HDFC Bank
 - (d) Bank of Baroda
- (77) Identify the one which may be considered as a public policy:
- (a) A decision by a central government to purchase a fleet of cars
 - (b) An old building to be demolished by a municipal corporation
 - (c) All citizens are to be provided with biometric aadhar card
 - (d) Government passes a special resolution to change the name of a park
- (78) Decisions on annual financial spending, Taxes and Duties and Military spending are considered in:
- (a) Policies
 - (b) Budget
 - (c) Goal Setting
 - (d) Long term planning process
- (79) Where can the first appeal against SEBI be made?
- (a) High Court
 - (b) Supreme Court
 - (c) Securities Appellate Tribunal
 - (d) RBI

- (80) Bid is the opposite of
(a) Ask/offer
(b) Call
(c) Equity
(d) None of the above
- (81) A stock that provides a constant dividends and stable earnings even in the periods of economic downturn is _____.
(a) Defensive Stock
(b) Cash budget
(c) Income stock
(d) Listed stock
- (82) Which pharmaceutical company has the slogan 'caring for life'?
(a) Dr. Reddy's
(b) Lupin Ltd.
(c) Cipla Ltd.
(d) Sun Pharmaceutical Industries Ltd.
- (83) FDI in sectors /activities which do not require any prior approval either of the Government or the Reserve Bank of India is identified as:
(a) Green Channel
(b) Priority route
(c) Non-Commercial Route
(d) Automatic Route
- (84) The Industrial Finance Corporation of India(IFCI) was established in which year?
(a) 1945
(b) 1946
(c) 1947
(d) 1948
- (85) What is consolidation?
(a) It is an expense that is supposed to affect the loss in value of a fixed asset.
(b) Combination of two or more entities that occurs when the entities transfer all their net assets to new entity created for that purpose.
(c) Potential liability arising from a past transaction or a subsequent event.
(d) Costs that can be attributed clearly to the activity you are considering.
- (86) _____ is the process of estimating future demand by anticipating what buyers are likely to do under a given set of marketing conditions:
(a) Cross marketing
(b) Forecasting
(c) Market development
(d) Internal marketing
- (87) Trends relate to:
(a) Happening of events in External Environment
(b) Grouping of similar or related events
(c) Demands made by Interested group
(d) All of the above

- (88) 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) A favourable condition in organisation environment which consolidates its strength
 - (d) All of the above
- (89) Gail (India) Limited was incorporated in:
- (a) 1980
 - (b) 1984
 - (c) 1986
 - (d) 1988
- (90) Jayesh Merchant is CFO of :
- (a) Adani Enterprises
 - (b) Bharti Airtel
 - (c) Asian Paints
 - (d) BPCL
- (91) _____ was founded in 1938 :
- (a) Larsen & Toubro Ltd.
 - (b) ONEC Ltd.
 - (c) NTPC Ltd.
 - (d) None of the above
- (92) _____ was the regulatory authority before SEBI :
- (a) IDBI
 - (b) MRTP
 - (c) CCI
 - (d) RBI
- (93) CCI was established in :
- (a) 1993
 - (b) 1998
 - (c) 2001
 - (d) 2003
- (94) SIDBL was established in :
- (a) 1950
 - (b) 1962
 - (c) 1980
 - (d) 1990
- (95) A company increases the range of goods or services it produce and sells is_____
- (a) Diversify
 - (b) Loyalty
 - (c) Marketing
 - (d) Elasticity

- (96) In FMCG "C" means :
(a) Capital
(b) Cheap
(c) Consumer
(d) Company
- (97) PESTLE is to describe_____environment :
(a) Micro
(b) Macro
(c) Real
(d) Physical
- (98) "Black Box Model" is also known as :
(a) Customer Model
(b) Computer Model
(c) Aircraft Model
(d) Feedback Model
- (99) Public Policies on monetary aspects, economy, market, taxes etc. are reflected in-
(a) Annual BUDGET
(b) Annual Report
(c) National Survey report
(d) None of the above
- (100) Which of the following is an impact of Liberalization?
(a) Divestment
(b) Foreign Direct Investment
(c) Rapid restructuring and reforming of the PSUs
(d) All of the above
