**CA Foundation – November 2019**

**Question Paper MCC, Jaipur. Based on Memory)**

**Marks100 Time : 2 Hours**

**"BUSINESS ECONOMICS" "BUSINESS & COMMERCIAL KNOWLEDGE"**

1. **The capitalistEconomyuses as principle means of allocation of resources-**
	1. **Price** (b) Demand

(c) Supply (d) None of the above

1. **Consumer sovereignty is found in whicheconomy?**
	1. **CapitalistEconomy** (b) SocialistEconomy

(c) Mixed Economy (d) CommunistEconomy

1. **Capitalisticeconomyuses as principal means of allocatingresources**

|  |  |  |
| --- | --- | --- |
| (a) Demand | (b) | Supply |
| **(c) Price** | (d) | All of the above |

1. **Largeproductionof goods would lead to higher production infuture.**
	1. ConsumerGoods **(b) CapitalGoods**

(c) AgriculturalGoods (d) PublicGoods

1. **A study of how increases in the corporate income tax rate will affect the national unemployment rate an exampleof**
	1. **Macro-Economics** (b) DescriptiveEconomics

(c) Micro–economics (d) Normative Economics

1. **Which of the following statement does not apply to a marketeconomy?**
	1. Firms decide whom to hire and what toproduct
	2. Firms at maximizingprofits
	3. Households decide which firms to work for and what to buy with theirincomes
	4. **Government policies are the primary forces that guide the decisions of firms andhouseholds.**
2. **Factors of production areownedby in marketeconomies.**

|  |  |  |
| --- | --- | --- |
| (a) Govt. | (b) | Investors |
| **(c) Privately** | (d) | None |

1. **Consumer sovereignty is the characteristic of whicheconomy**
	1. **Capitalisticeconomy** (b) SocialisticEconomy

(c) Mixed Economy (d) None

1. **Which of the following is used for allocation ofresources?**
	1. **Micro–Economics** (b) Marco –Economics

(c) Econometrics (d) Descriptive Economics.

1. **Which book of economics is known as first book of moderneconomics?**
	1. An Inquiry intonation
	2. **An inquiry into wealth ofnation**
	3. An inquiry intowealth
	4. Wealth ofnation.
2. **In Economics, we use "scarcity" the term tomean:**
	1. Absolute scarcity and lack of resources in less developedcountries.
	2. **Relative scarcity i.e. scarcity in relation to the wants of thesociety.**
	3. Scarcity during times of business failure and naturalcalamities.
	4. Scarcity caused on account of excessive consumption by therich.
3. **Which statement isincorrect?**
	1. Depression of Severe form oftrough
	2. Depression causes fall in Interestrate
	3. Peak is highestpoint
	4. **All of theabove**
4. **It is known as electronic cash and digital cash, it uses computer, internet and other networks to execute transactions and transferfunds.**
	1. Cash **(b) E–Cash**

(c) E- commerce (d) None

1. **Indifference curve slopes downwards as one product increase and another decreases because theygive.**
	1. **Equalsatisfaction** (b) Greater Satisfaction

(c) Lesser Satisfaction (d) None

1. **Supply of land is:**
	1. Elastic (b) PerfectlyElastic

**(c) Perfectly Inelastic** (d) Inelastic

1. **Income elasticity of luxurygoods**
	1. Zero
	2. **Positive and greater thanone**
	3. Positive and lesser thanone
	4. Negative and greater than –1
2. **Price elasticity of supply refers to change in responsiveness of quantity to change in:**
	1. **Price** (b) Price insubstitute

(c) Income (d) Preference

1. **Elasticity of demand under perfect competitionis.**

|  |  |  |
| --- | --- | --- |
| (a) One | (b) | Two |
| (c) Zero | **(d)** | **Infinite** |

1. **Which among the following market situation is known as a 'myth in themarket'?**

|  |  |  |
| --- | --- | --- |
| (a) Duopoly | (b) | Oligopoly |
| (c) Discriminating | **(d)** | **Perfect Competition** |

1. **Which of the following is a property of an indifferencecurve?**
	1. **It is convex to theorigin.**
	2. The marginal rate of substitution is constant as you move along an indifference curve.
	3. Marginal utility is constant as you move along an indifferencecurve.
	4. Total utility is greatest where the 45 degree line cuts the indifferencecurve.
2. **The supply of a good refers to:**
	1. Actual production of thegood
	2. Total existing stock of thegood.
	3. Stock available forsale.
	4. **Amount of the good offered for sale at a particular price per unit oftime.**
3. **Which of the following statements about price elasticity of demand iscorrect?**
	1. Price elasticity of demand is a measure of how much the quantity demanded of a good responds to a change in the price of thatgood.
	2. Price elasticity of demand is computed as the percentage change in quantity demanded divided by the percentage change inprice.
	3. Price elasticity of demand in the long run would be different from that of the short run.
	4. **All of theabove.**
4. **Which of the following statements iscorrect?**
	1. With the help of statistical tools, the demand can be forecastedaccurately.
	2. **The more the number of substitutes of a commodity, more elastic is the demand.**
	3. Demand for butter is perfectlyelastic.
	4. Gold jewellery will have negative incomeelasticity.

|  |  |  |
| --- | --- | --- |
| 1. **Marginal product is the slopeof:**
	1. **TotalProduct**
 | (b) | Average Product |
| (c) Marginal Product | (d) | Implicit Product |
| **25. Which of the following is correct:** |  |  |
| (a) TFC = TVC – TC | (b) | TC = TVC – TFC |
| **(c) TFC = TC – TVC** | (d) | TC = TFC – TVC |
| **26. Total Cost = Explicit cost + Implicit cost +………………** |
| (a) Super Normal Profit | **(b)** | **Normal Profit** |
| (c) Super Normal Losses | (d) | Average Fixed Cost |

1. **Large scale production is associatedwith**
	1. **TechnicalEconomies** (b) un-managerial economies

(c) CommercialEconomies (d) Financial Economies

|  |  |  |  |
| --- | --- | --- | --- |
| **28.** | **Output****0** | **TP****–** | **MP****–** |
|  | **1** | **10** | **10** |
|  | **2** | **–** | **8** |
|  | **3** | **24** | **–** |
| **What is the MP of 3rdunit of output?** |  |  |
| **(a) 6** | (b) | 8 |
| (c) 10 | (d) | 11 |

1. **What is the total product of producing 2ndunit ofoutput?**

(a) 8 (b) 10

**(c) 18** (d) 24

1. **What is the AP of 1stthree units ofoutput?**

|  |  |  |
| --- | --- | --- |
| **(a) 8** | (b) | 10 |
| (c) 18 | (d) | 72 |

1. **If variable cost of 5 units of output is 100 and fixed cost is 40. Find average cost at 5 units ofoutput.**

(a) 8 (b) 100

**(c) 108** (d) 540

1. **Diminishing marginal returnsimplies:**
	1. Decreasing average variablecosts
	2. Decreasing marginalcosts
	3. **Increasing marginalcosts**
	4. Decreasing average fixedcosts
2. **Average fixed cost for producing 8 units of output was 60, what is the average Fixed cost at 6 units ofoutput**

(a) 40 (b) 60

**(c) 80** (d) 50

1. **For 15 units of output, average cost was `250 end fixed cost per unit of output was 125, then the average variable cost per at 15units?**

(a) 25 (b) 50

**(c) 125** (d) 250

1. **Diminishing returns occur–**
	1. When units of a variable input are added to a fixed input and total productfalls
	2. **When units of a variable input are added to a fixed input and marginal productfalls**
	3. When the size of the plant is increased in the longrun.
	4. When the quantity of the fixed input is increased and returns to the variable input falls.
2. **Which of the following curve is never Ushape**

|  |  |  |
| --- | --- | --- |
| (a) Average cost. | (b) | Average Variable Cost |
| **(c) Average Fixed cost** | (d) | Marginal Cost |

1. **The "law of diminishing returns" applies to:**
	1. **The short run, but not the longrun.**
	2. The long run, but not the shortrun.
	3. Both the short run and the longrun.
	4. Neither the short run nor the longrun.
2. **A firm producing 7 units of output has an average total cost of `150 and has topay**

`350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variablecosts?

(a) `200 (b) **`**60

**(c) `100** (d) **`**1,400

1. **Marginal Cost changes due to changes in\_\_\_\_\_\_\_\_\_\_\_\_\_**
	1. **Totalcost** (b) Average cost

(c) Variablecost (d) Quantity ofoutput

1. **"Let and live philosophy" concern from which market:—**

|  |  |  |
| --- | --- | --- |
| (a) Perfect competition | (b) | Monopoly |
| **(c) Oligopoly** | (d) | Monopolistic Competition |

1. **What is true about the perfect competitionmarket**
	1. **AR = MR=PRICE** (b) AR = AC =P

(c) AR> AC (d) None

1. **If a perfect competition firm is making losses then which condition is suitable.To carry on business as long as it covering variablecost.**
	1. Shutdown **(b) Expand it'splant**

(c) Do nothing (d) Reduce productions

1. **If in a short run perfect competition earn super normal profit then which conditionsatisfy.**
	1. ATC> MC **(b) ATC<MC**

(c) MR.<AR (d) MR>AR

1. **Group behaviour from which market belongs:–**

|  |  |  |
| --- | --- | --- |
| (a) Perfect Competition | (b) | Monopolistic Competition |
| (c) Monopoly | **(d)** | **Oligopoly** |

1. **In the long run Monopolistic comp. and perfect comp. are same becauseof**
	1. **NormalProfit** (b) Abnormal Production

(c) Losses (d) None

1. **SupposethatthedemandcurvefortheXYZCo.slopesdownwardandtotheright.**

We can conclude

* 1. The firm operates in perfectly competitivemarket
	2. The firm can sell all that it was to at the established marketprice.
	3. **The XYZ Co. is not a price taker in the market because it must lower price to sell additional units ofoutput.**
	4. The XYZ Co. wil not be maximize profits because price and revenue are subject to change.
1. **Diminishing marginal returns for the first four units of a variable input is exhibited by the total productsequence:**

(a) 50, 50,50, 50 (b) 50, 110, 180,260

(c) 50, 100,150, 200 **(d) 50, 90, 120,140**

1. **Extreme Product differentiation is found in whichmarket?**

|  |  |  |
| --- | --- | --- |
| (a) Monopolistic Competition | (b) | Monopoly |
| **(c) Perfect Competition** | (d) | Oligopoly |

1. **Monopoly firm faces which demandcurve?**
	1. **DownwardSloping** (b) Horizontal

(c) Rising (d) All ofthese

1. **Assume that when price is `40, the quantity demanded is 15 units and when price is `38, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from a increase in output from 15 units to 16 units-** (a) 36 (b) 32

(c) 24 **(d) 08**

1. **A market where there is no restrictions on the transactions is calledas-**
	1. Regulatedmarket **(b) Unregulated market**

(c) Spotmarket (d) Future market

1. **Under perfect competition, price elasticity of demand of a firm is-**

|  |  |  |
| --- | --- | --- |
| (a) Large | (b) | Slight |
| **(c) Infinite** | (d) | Extreme |

1. **During recession the employment rate --------- and output----------**
	1. Rises-falls (b) Rises-rises

(c) falls-rises **(d) Falls-falls**

1. **The internal cause of business cycle is-**
	1. Technologyshocks
	2. **Fluctuation in effectivedemand**
	3. Post warreconstruction
	4. PopulationGrowth
2. **An unemployment type cause due to structural changes in the economy is which of thefollowing-**

|  |  |  |
| --- | --- | --- |
| (a) Involuntary | (b) | Ethical friction |
| (c) Full employment | **(d)** | **Structural** |

1. **At ‘trough’ the production in the economy reaches at which of thefollowing-**
	1. High **(b) Low**

(c) Constant (d) Negative

1. **According to some economists which is not the prime cause of BusinessCycles?**
	1. Fluctuations in investment
	2. **Micro Economicpolicy**
	3. Impact on aggregate economicactivity
	4. Psychologicalfactors
2. **The four phases of Business Cycle are-**
	1. Peak, Construction , Depression andBoom
	2. Prosperity, Recession, Depression andExpansion
	3. Boom, Downswing , Expansion andProsperity
	4. **Peak, Recession , Trough andRecovery**
3. **Chinas recent slowdown causes-**
	1. **Cycle of decline and panic across theworld**
	2. Countries across the Globe were able to insulate themselvesfromthe crisis
	3. Stock markets in the Emerging Economics largely remainedunaffected
	4. Old technology fuelled the economicdecline
4. **Friction unemployment is the characteristic of which of the following stages-**
	1. **Expansion** (b) Peak

(c) Construction (d) Recovery

1. **When Total Revenue (TR) is at the peak Marginal Revenue is equalto**
	1. **Zero** (b) Positive

(c) Negative (d) More thanone

1. **Actual demand stagnates in whichstage.**
	1. **Peak** (b) Trough

(c) Recovery (d) Contraction

1. **Find the odd one out from the following question Example of coincident indicators are**
	1. Industrialproduction (b) Inflation
2. RetailSales
3. **New orders for plant andequipment**
4. **Which of the following concern is related to business and commercialknowledge?**
	1. **Sustainability** (b) Sociology

(c) Traditional (d) Social Atlarge

1. **Which one is not a feature ofLLP**
	1. **It is a legal entity separate from itsmember**
	2. No limit on maximum no. ofmembers
	3. Every partner is only agent offirm
	4. Registrar of firm is the administratingauthority
2. **Organic objective ofbusiness**
	1. Sales profit
	2. Fitness of humanresources
	3. Product usage anddisposal
	4. **All of theabove**
3. **Ideal corresponds to business commercialknowledge**
	1. Social **(b) Sustainabledevelopment**

(c) Political (d) Economic

1. **Find odd one out. There can be partnershipbetween**
	1. Naturalperson
	2. **partnershipfirm**
	3. ArtificialPerson
	4. Any Combination of natural andartificial
2. **Which of the following is not within the scope of BusinessEconomics?**

|  |  |  |
| --- | --- | --- |
| (a) Capital Budgeting | (b) | Risk Analysis |
| (c) Business Cycles | **(d)** | **Accounting Standards** |

1. **A partnership may be formed to carry on;**
	1. **Anytrade** (b) Profession

(c) Occupation (d) Social Enterprise

1. **As a price of Rs. 20 the quantity demanded is 10 units. With 5% decrease in price the demand increases by 10%. The marginal revenue for the 11thunit willbe**
	1. Rs. 20 (b) Rs. 9

**(c) Rs.9** (d) Rs.11

1. **Which of the following is not a feature ofLLP**
	1. Legal entity separate from itspartners
	2. No limit on maximum no ofpersons
	3. Every partners is agent ofLLP
	4. **Register of firm is the administeringauthority**
2. **Which factor affect demand for companiesproduct?**

|  |  |  |
| --- | --- | --- |
| (a) Political | (b) | Social |
| **(c) Economic** | (d) | Legal |

1. **Whichanalysisisusedforproactiveandstrategicthinkinginitsdecisionmaking**

?

|  |  |  |
| --- | --- | --- |
| (a) SWOT | (b) | TOWS |
| **(c) PESTLE** | (d) | None |

75 Which pharmaceutical company has the slogan caring forlife?

1. Dr.Reddy's
2. LupinLtd.
3. **CiplaLtd.**
4. Sun pharmaceuticalIndustries.
5. **The RBI has been vested with extensive power to control and supervise commercial banking system under the–**
	1. Reserve Bank of India Act,1934
	2. The Banking Regulation Act,1949
	3. **Both (a) and(b).**
	4. None of theabove.
6. **A stock the provides a constant dividends and stable earnings in the periods of economic downturn is**
	1. **DefensiveStock** (b) CashBudget

(c) Income Stock (c) ListedStock

1. **Curtail all benefits in some particularissue.**
	1. **Restrictivepolicies** (b) RegulatoryPolicies

(c) Facilitatingpolicies (d) None ofthese

1. **A reduction of 45 basis point will be equal to how much of thefollowing?**

|  |  |  |
| --- | --- | --- |
| **(a) 45%** | (b) | 0.45% |
| (c) 4.5% | (d) | 450% |

1. **In which of the following sector (s), FDI is prohibited under bothroutes**
	1. **NidhiCompany** (b) Media

(c) Real Estate (d) ShellCompany

1. **A type of privatization where Government surrender partial ownership and responsibility and sells the majority stake to one or more entities is calledas**

|  |  |  |
| --- | --- | --- |
| (a) Delegation | (b) | Divestment |
| (c) Displacement | **(d)** | **Disinvestment** |

1. **Which of the following policy is used to curtail benefits related to some public issue?**
	1. **Restrictive** (b) Regulatory

(c) Facilitating (d) Delegation

1. **Which of the following sets as an indicator of bank’s liquidity andsolvency**
	1. **Statutoryliquidityratio** (b) Cash Reserve ratio

(c) Repo rate (d) Reserve reporate

1. **It is loan where the time and cash flow between a short loan and a long term loan is filledup.**
	1. Debtfinancing **(b) Bridge financing**

(c) ClosureTime (d) None ofthese

1. **The lowest price at which an owner is willing to sell hissecurities.**
	1. Sale **(b) Ask**

(c) Auction (d) None

1. **Selling a portion of ownership in a public enterprise to privateparties**

|  |  |  |
| --- | --- | --- |
| (a) Delegation | (b) | Disinvestment |
| **(c) Divestment** | (d) | Deregulation |

1. **Excess capacity in capital industries is the characteristics of which of the following stage?**
	1. **Trough** (b) Recovery

(c) Depression (d) Peak

1. **The form in which government surrendered partial ownership and sold the majority stake to one or more private entities in course oftime.**
	1. **Disinvestment** (b) Displacement

(c) Divestment (d) Delegation

1. **The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is knownas:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | (a) Disinvestment(c) Delegation | (b)**(d)** | Deregulation**Decentralization** |
| **90.** | **SEBI, RBI and IRDA are :****(a) Regulatory Institutions** | (b) | Policy institutions |
|  | (c) Satellite institutions | (d) | Satellite Institutions |

1. **Which gas company owns India's largest pipelinenetwork?**
	1. **Gail (India)Ltd.**
	2. Bharat Petroleum CorporationLtd.
	3. Reliance Industries Ltd
	4. None of theabove
2. **Carrying forward of transaction form one settlement period to the next payment iscalled \_.**
	1. **Badla** (b) Beta

(c) Bluechips (d) None

1. **A series of payments of an equal amount at fixed intervals for a specified periods iscalled**
	1. Amortize (b) Annuitydue

**(c) Annuity** (d) Arbitrage

1. **In a Bullmarket**
	1. Stock prices are decreasingconsistently
	2. **Stock Prices are increasingconsistently**
	3. Stock Prices arestable
	4. Stock Prices are wildlyfluctuating
2. **Which of the following is not within the scope of BusinessEconomics?**

|  |  |  |
| --- | --- | --- |
| (a) Risk Analysis | (b) | Capital Budgeting |
| (c) Business Cycle | **(d)** | **Accounting Standards** |

1. **Budget line is otherwise calledas**
	1. Moneyline (b) Preference line

(c) Incomeline **(d) Priceline**

1. **What isconsolidation?**
	1. It is expense that is supposed to reflect the loss in value of a fixedasset.
	2. **Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for thatpurpose.**
	3. Costs that can be attributed clearly to the activity you areconsidering.
	4. None
2. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the simultaneous purchase land sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two differentmarkets.**

|  |  |  |
| --- | --- | --- |
| (a) Cap | (b) | Term insurance |
| (c) Arbitrage | **(d)** | **Hedge** |

1. **is a combination of several companies working together for aparticular**

purpose for example in order to buy something or build something.

* 1. **Consortium** (b) JointsVenture

(c) Co-opting (d) All ofabove

1. **It is the amount of revenue from sales which exactly equals the amount of expense.**
	1. Shutdownpoint **(b) Break –evenPoint**

(c) Profitpoint (d) None

Answer key

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | **A** | 21 | **D** | 41 | **A** | 61 | **A** | 81 | **D** |
| 2 | **A** | 22 | **D** | 42 | **B** | 62 | **A** | 82 | **A** |
| 3 | **C** | 23 | **B** | 43 | **B** | 63 | **D** | 83 | **A** |
| 4 | **B** | 24 | **A** | 44 | **D** | 64 | **A** | 84 | **B** |
| 5 | **A** | 25 | **C** | 45 | **A** | 65 | **A** | 85 | **B** |
| 6 | **D** | 26 | **B** | 46 | **C** | 66 | **D** | 86 | **C** |
| 7 | **C** | 27 | **A** | 47 | **D** | 67 | **B** | 87 | **A** |
| 8 | **A** | 28 | **A** | 48 | **C** | 68 | **B** | 88 | **A** |
| 9 | **A** | 29 | **C** | 49 | **A** | 69 | **D** | 89 | **D** |
| 10 | **B** | 30 | **A** | 50 | **D** | 70 | **A** | 90 | **A** |
| 11 | **B** | 31 | **C** | 51 | **B** | 71 | **C** | 91 | **A** |
| 12 | **D** | 32 | **C** | 52 | **C** | 72 | **D** | 92 | **A** |
| 13 | **B** | 33 | **C** | 53 | **D** | 73 | **C** | 93 | **C** |
| 14 | **A** | 34 | **C** | 54 | **B** | 74 | **C** | 94 | **B** |
| 15 | **C** | 35 | **B** | 55 | **D** | 75 | **C** | 95 | **D** |
| 16 | **B** | 36 | **C** | 56 | **B** | 76 | **C** | 96 | **D** |
| 17 | **A** | 37 | **A** | 57 | **B** | 77 | **A** | 97 | **B** |
| 18 | **D** | 38 | **C** | 58 | **D** | 78 | **A** | 98 | **D** |
| 19 | **D** | 39 | **A** | 59 | **A** | 79 | **A** | 99 | **A** |
| 20 | **A** | 40 | **C** | 60 | **A** | 80 | **A** | 100 | **B** |