

(ALL CA FOUNDATION BATCHES)**DATE: 07.11.2020****MAXIMUM MARKS: 100****TIMING: 2 Hours****ECONOMICS AND COMMERCIAL KNOWLEDGE****All Questions is compulsory.**

- (1) Which of the following is a normative economic statement?
- (a) Unemployment rate decreases with industrialization
 - (b) Economics is a social science that studies human behaviour.
 - (c) The minimum wage should be raised to Rs. 200/- per day
 - (d) India spends a huge amount of money on national defence
- (2) Which of the following would be considered a topic of study in Macroeconomics?
- (a) The effect of increase in wages on the profitability of cotton industry
 - (b) The effect on steel prices when more steel is imported
 - (c) The effect of an increasing inflation rate on living standards of people in India
 - (d) The effect of an increase in the price of coffee on the quantity of tea consumed
- (3) Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will
- (a) increase or decrease but the demand curve for chicken will not change
 - (b) increase and the demand curve for fish will shift rightwards.
 - (c) not change but there will be a movement along the demand curve for fish.
 - (d) decrease and the demand curve for fish will shift leftwards.
- (4) Which of the following is correct?
- (a) Normative economics is not concerned with value judgment.
 - (b) A market is a process that reconciles consumer decision, production decisions and labour decisions.
 - (c) A mixed economy has a certain level of government intervention in the economy along with private sector ownership of the economy.
 - (d) (b) and (c).
- (5) Mixed economy means
- (a) Co-existence of small and large industries
 - (b) Promoting both agriculture and industries in the economy.
 - (c) Co-existence of public and private sectors
 - (d) Co-existence of rich and poor.
- (6) _____ economics explains economic phenomena according to their causes and effects.
- (a) Positive
 - (b) Normative
 - (c) Empirical
 - (d) Applied.
- (7) Demand has reference to
- (a) a given period of time
 - (b) a given price
 - (c) a given price and particular time
 - (d) none of the above

- (8) Demand can be defined as
(a) desire to buy
(b) willingness to buy
(c) ability to pay
(d) desire and willingness to buy backed by adequate purchasing power
- (9) The law of demand is the one which
(a) can be completely discarded
(b) has numerous exemptions and therefore not helpful
(c) cannot be verified and therefore unrealistic
(d) is of fundamental importance and leads to broad conclusions.
- (10) Which of the following falls under micro economics?
(a) National income
(b) General price level
(c) Factor pricing
(d) National saving and investment
- (11) Geometric method is also known as :
(a) Arc Method
(b) Point Method
(c) Inductive Method
(d) Deductive Method
- (12) When the government construct a public park and the cost incurred in constructing the park is known as-
(a) Social Cost
(b) Marginal Cost
(c) Real Cost
(d) Personal Cost
- (13) In electricity generation plants, when the plant grows too large, risks of plant failure with regard to output increase disproportionately. This is talking about which concept of returns to scale?
(a) Constant returns to scale
(b) Increasing returns to scale
(c) Decreasing returns to scale
(d) Balanced returns to scale
- (14) Economics is -
(a) a perfect science
(b) not a perfect science
(c) not a science at all
(d) none of the above
- (15) Contraction of supply is the result of decrease in the price of the goods concern.
(a) True
(b) False
(c) Partly True
(d) None

- (16) Theory of consumer's behaviour is based upon-
- (a) Production hypothesis
 - (b) Utility hypothesis
 - (c) Cost hypothesis
 - (d) Both A and C
- (17) Marginal Utility of a commodity depends on its quantity and is –
- (a) Inversely proportional to its quantity
 - (b) Not proportional to its quantity
 - (c) Independent of its quantity
 - (d) None of the above
- (18) The Law of Demand is –
- (a) A quantitative statement
 - (b) A qualitative statement
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
- (19) An economy which is operated by market forces is known as :
- (a) Controlled Economy
 - (b) Mixed Economy
 - (c) Market Economy
 - (d) Socialist Economy
- (20) Microeconomics is also called :
- (a) Output Theory
 - (b) Employment Theory
 - (c) Income Theory
 - (d) Price Theory
- (21) Marginal utility is :
- (a) Total minus average utility
 - (b) Addition to total utility
 - (c) Total plus average utility
 - (d) Total utility divided by the number of units
- (22) The falling part of TU curve shows :
- (a) Falling Marginal Utility
 - (b) Zero Marginal Utility
 - (c) Negative Marginal Utility
 - (d) Rising Marginal Utility
- (23) 'Contraction demand' means :
- (a) Less quantity demanded at a lower price
 - (b) More quantity demanded at a lower price
 - (c) Same quantity demanded at a lower price
 - (d) Less quantity demanded at a higher price
- (24) The longer the period of time the elasticity of supply will be :
- (a) Constant
 - (b) Less Elastic
 - (c) More Elastic
 - (d) All of the above

- (25) When average product is falling it is :
(a) Less than marginal product
(b) More than marginal product
(c) Equal to marginal product
(d) Any of the above
- (26) If AR curve runs parallel to x-axis it means :
(a) $AR > MR$
(b) $AR = MR$
(c) $AR < MR$
(d) $AR = TR$
- (27) If increase in supply is greater than increase in demand, then the equilibrium price :
(a) Decrease
(b) Increase
(c) Does not change
(d) Cannot be determined
- (28) Till 19th century, economics was known as :
(a) Micro Economy
(b) World Economy
(c) Scarcity Economy
(d) Political Economy
- (29) Consumer is king under_____
(a) Capitalism
(b) Socialism
(c) Mixed Economy
(d) All of the above
- (30) Trend projection method of demand forecasting is also known as_____method :
(a) Modern
(b) Classical
(c) Innovative
(d) All of the above
- (31) The supply function is given as $Q = - 100 + 20P$ find the elasticity of supply using point method when price is 20 Rs. :
(a) 300
(b) 3
(c) 1.33
(d) 5
- (32) Factors of productions refer to_____
(a) Inputs
(b) Output
(c) Cost
(d) Satisfaction

- (33) Labour is_____
- (a) Perishable
 - (b) An active factor
 - (c) Mobile
 - (d) All of the above
- (34) Private cost's are_____
- (a) Explicit in nature
 - (b) Implicit in nature
 - (c) Both a and b
 - (d) Neutral
- (35) Calculate AFC at 5 unit if at zero production the total cost is 200 Rs. ?
- (a) 205
 - (b) 195
 - (c) 40
 - (d) 41
- (36) "Aluminum Industry" is an example of :
- (a) Perfect Oligopoly
 - (b) Closed Oligopoly
 - (c) Syndicated Oligopoly
 - (d) Organized Oligopoly
- (37) "Upswing" is also called :
- (a) Peak
 - (b) Contraction
 - (c) Trough
 - (d) Expansion
- (38) Variables that change after real output changes are :
- (a) Leading Indicators
 - (b) Lagging Indicators
 - (c) Both (a) and (b)
 - (d) None of the above
- (39) "Strategic Interdependence" is an important feature of_____
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Duopoly
- (40) _____is called Sweezy's model
- (a) Demand Hypothesis
 - (b) Kinked Demand Curve Hypothesis
 - (c) Revenue Hypothesis
 - (d) None of the above
- (41) "Red Tapism" is found in :
- (a) Capitalistic Economy
 - (b) Socialistic Economy
 - (c) Mixed Economy
 - (d) None of the above

- (42) Capital Intensive Technique is used in :
(a) Capital Surplus Economy
(b) Labour Surplus Economy
(c) Cost Surplus Economy
(d) None of the above
- (43) In monopoly the elasticity is _____
(a) Highly Elastic
(b) Inelastic
(c) Unitary Elastic
(d) None of the above
- (44) Supply of industrial products is :
(a) $e > 1$
(b) $e < 1$
(c) $e = 1$
(d) $e = 0$
- (45) Cross elasticity of demand between tea and coffee is :
(a) Positive
(b) Negative
(c) Zero
(d) None of the above
- (46) Wants are :
(a) Alternative
(b) Subjective
(c) Relative
(d) All of the above
- (47) Land is :
(a) Indestructible
(b) Passive Factor
(c) Immobile
(d) All of the above
- (48) Which stage is considered as the rational stage under the law of variable proportions
(a) Stage I
(b) Stage II
(c) Stage III
(d) All of the above
- (49) Micro Economics deals with:
(a) External Value of Money
(b) Employment
(c) Savings and Investment
(d) Consumer Behaviour
- (50) 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

- (51) 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
- (52) 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
- (53) 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
- (54) 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
- (55) 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
- (56) 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
- (57) 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 11th unit is:
- (a) 40
 - (b) 540
 - (c) 840
 - (d) 1040
- (58) 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

- (59) 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
- (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) Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
- (62) Which of the following is not a part of the economic environment?
- (a) Market and trade cycles
 - (b) Consumer buying patterns
 - (c) Strength of consumer spending
 - (d) Interest and exchange rates
- (63) 'My customer First' is the Vision of which Bank?
- (a) SBI
 - (b) Axis Bank
 - (c) HDFC Bank
 - (d) Bank of Baroda
- (64) The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:
- (a) Disinvestment
 - (b) Deregulation
 - (c) Delegation
 - (d) Decentralization
- (65) How many members of SEBI should be from RBI?
- (a) 4
 - (b) 3
 - (c) 1
 - (d) 2
- (66) 'Personal selling' is done through:
- (a) Written communication
 - (b) Oral communication
 - (c) TV and media
 - (d) Sign language

- (67) What is price sensitivity?
- (a) the effect a change in price will have on customers.
 - (b) charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.
 - (c) a strategy involves setting low prices in order to discourage or deter potential new entrants to the suppliers market.
 - (d) It measures the responsiveness of a change in demand for a product following a change in its own price.
- (68) Which of the following is an economic objective of the firm:
- (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) All of the above
- (69) According to _____ aim of the business is to create and retain customer.
- (a) Peter Drucker
 - (b) Robbins
 - (c) Marshal
 - (d) None of the above
- (70) Chairman of Bajaj Auto Limited is:
- (a) Rahul Bajaj
 - (b) Sunil Mittal
 - (c) D. Raj Kumar
 - (d) None of the above
- (71) Cipla was incorporated in:
- (a) 1905
 - (b) 1930
 - (c) 1935
 - (d) 1942
- (72) Dr. Reddy Company is linked with:
- (a) Banking
 - (b) Pharma
 - (c) Auto-division
 - (d) None
- (73) In SWOT analysis "T" stands for :
- (a) Threats
 - (b) Time
 - (c) Trough
 - (d) None of the above
- (74) _____ is the world's largest three-wheeler manufacturer :
- (a) Bajaj Auto Ltd.
 - (b) Larsen & Toubro Ltd.
 - (c) Tata Sons Ltd.
 - (d) ITC Ltd.

- (75) TV18 was acquired by :
(a) Asian Paints Ltd.
(b) Axis Bank Ltd.
(c) Reliance Industries Ltd.
(d) None of the above
- (76) FDI IS prohibited by under :
(a) Atomic Energy
(b) Business of Chit Fund
(c) Lottery Business
(d) All of the above
- (77) The central office of the reserve bank was initially established in :
(a) Mumbai
(b) Jaipur
(c) Calcutta
(d) Kochin
- (78) _____ was the regulatory authority before SEBI :
(a) IDBI
(b) MRTTP
(c) CCI
(d) RBI
- (79) The setting up of ICICI took place in :
(a) 1910
(b) 1925
(c) 1955
(d) 1961
- (80) NABARD was established in :
(a) 1932
(b) 1949
(c) 1978
(d) 1982
- (81) A company increases the range of goods or services it produce and sells is_____
(a) Diversify
(b) Loyalty
(c) Marketing
(d) Elasticity
- (82) _____ is paid form of communication :
(a) Business Model
(b) Equity
(c) Stock
(d) Advertising
- (83) _____ expects a rise in price in stock exchange :
(a) Bear
(b) Bull
(c) Agent
(d) None of the above

- (84) In FMCG "C" means :
(a) Capital
(b) Cheap
(c) Consumer
(d) Company
- (85) _____ means the basic facilities :
(a) Infrastructure
(b) Mission Values
(c) Vision
(d) Warehousing
- (86) The rate of return earned on a bond if it is called before its maturity date is called____
(a) Zero Coupon Bond
(b) YTC
(c) Bonus
(d) None of the above
- (87) The maximum number of members in a private company is :
(a) 07
(b) 50
(c) 100
(d) 200
- (88) In LLP incorporation is :
(a) Mandatory
(b) Optional
(c) A Legal
(d) None of the above
- (89) _____ established its first office in India in 1921 in Kolkata :
(a) American Express
(b) Nestle
(c) Microsoft
(d) IBM
- (90) "Black Box Model" is also known as :
(a) Customer Model
(b) Computer Model
(c) Aircraft Model
(d) Feedback Model
- (91) Transfer of Interest exists in :
(a) Business
(b) Profession
(c) Employment
(d) None of the above
- (92) The Bank of Rajasthan (BOR) was acquired by which Bank ?
(a) HDFC,
(b) ICICI,
(c) Axis Bank,
(d) SBI

- (93) _____ 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
- (94) OCBs means:
- (a) Overseas Corporate Bodies
 - (b) Ordnance Commission Bilateral secretariat
 - (c) Oversees Civic Boards
 - (d) Oversees Commercial Bilateral Treaties
- (95) FEMA replaced FERA as legislation in :
- (a) 1991
 - (b) 1992
 - (c) 1999
 - (d) 2006
- (96) Waiving of farm loans is an example of :
- (a) Regulatory Policy
 - (b) Facilitative Policy
 - (c) Restrictive Policy
 - (d) Distributive Policy
- (97) The Lower House in State Legislature:
- (a) Rajya Sabha
 - (b) Vidhan Sabha
 - (c) Lok Sabha
 - (d) Vidhan Parishad
- (98) To charge a regular portion of an expenditure over a fixed period of time.
- (a) Amortize
 - (b) Appreciation
 - (c) Arbitrage
 - (d) Offer
- (99) The simultaneous purchase and sale of two identical commodities or instruments is called:
- (a) Amortize
 - (b) Appreciation
 - (c) Arbitrage
 - (d) Offer
- (100) _____ is a type of long-term Promissory Note
- (a) Bond
 - (b) Debt
 - (c) Balance Sheet
 - (d) Book Value