

(ALL CA FOUNDATION BATCHES)

DATE: 19.10.2020

MAXIMUM MARKS: 100

TIMING: 2 Hours

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

Q	TVC	MC	TC	ATC
0			20	
1	10			
2		8		
3	24			
4				12
5		6		

- Find ATC of 3rd unit
 - 14.66
 - 12.33
 - 10.42
 - 8.07
- Find MC of 4th unit
 - 4
 - 6
 - 8
 - 10
- Find TC of 5th unit
 - 60
 - 54
 - 25
 - 52
- Find AVC of 4th unit
 - 5
 - 6
 - 7
 - 8
- Price discrimination is a situation when a producer
 - Charges different prices in different markets
 - Charges same price
 - Charges many prices
 - All of the above.
- If oligopolists engage in collusion and successfully form a cartel, the market outcome is
 - The same as if it were served by a monopoly
 - The same as if it were served by competitive firms
 - Efficient because cooperation improves efficiency
 - Known as Nash equilibrium

7. Which of the following statements is normative?
 - (a) Large government deficits cause an economy to grow more slowly.
 - (b) People work harder if the wage is higher.
 - (c) The unemployment rate should be less.
 - (d) Printing too much money causes inflation.
8. An isoquant slopes :
 - (a) downward to the left
 - (b) downward to the right
 - (c) upward to the left
 - (d) upward to the right
9. Consumer stops purchasing the additional units of the commodity when
 - (a) marginal utility starts declining
 - (b) marginal utility become zero
 - (c) marginal utility is equal to marginal utility of money
 - (d) total utility is increasing
10. A perfectly competitive firm has control over
 - (a) price
 - (b) production as well as price
 - (c) production, price and consumers
 - (d) none of the above
11. The demand curve facing an industrial firm under monopoly is
 - (a) horizontal straight line
 - (b) indeterminate
 - (c) downward sloping
 - (d) upward sloping
12. Price discrimination is not possible:
 - (a) under monopoly situation
 - (b) under any market firm
 - (c) under monopolistic competition
 - (d) under perfect competition
13. The kinked demand curve model of oligopoly assumes that :
 - (a) response (of consumers) to a price increase is less than the response to a price decrease
 - (b) response (of consumers) to a price increase is more than the response to a price decrease
 - (c) elasticity of demand is constant regardless of whether price increases or decreases
 - (d) elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases
14. The law of scarcity
 - (a) does not apply to rich developed countries
 - (b) applies only to the less developed countries
 - (c) implies that consumers wants will be satisfied in a socialistic system
 - (d) implies that consumers wants will never be completely satisfied

15. The producer is in equilibrium at a point where the cost line is:
(a) above the isoquant
(b) below the isoquant
(c) cutting the isoquant
(d) tangent to isoquant
16. Elasticity between any two given points of a demand curve is called.
(a) Price Elasticity
(b) ARC Elasticity
(c) Point Elasticity
(d) Income Elasticity
17. Which of the following condition does not apply to average product curve?
(a) Positive Slope
(b) Downward Slope
(c) Constant Slope
(d) Slope in negative section of the graph
18. 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
19. _____ is also called free market :
(a) Regulated Market
(b) Spot Market
(c) Unregulated Market
(d) Long period Market
20. Time element was given by :
(a) Alfred Marshall
(b) Pigou
(c) Robbins
(d) Adam Smith
21. Which of the following is correct?
(a) Elasticity on lower segment of demand curve is greater than unity
(b) Elasticity on upper segment of demand curve is lesser than unity
(c) Elasticity at the middle of demand curve is equal to unity
(d) Elasticity decreases as one move from lower part of demand curve to upper part
22. Which of the following statement is correct?
(a) Supply is inversely related to its cost of production
(b) Price and quantity demand of a good have direct relation ship
(c) Taxes and subsidy has no impact on the supply of the product
(d) Seasonal changes have no impact on the supply of the commodity

23. In case of _____ goods, there is an inverse relationship between income and demand for a product.
- (a) Substitute goods
 - (b) Complementary Goods
 - (c) Giffen Goods
 - (d) None of the above
24. Which of the following is/ are the condition/s of theory of consumer surplus if price is same for all units he purchased?
- (a) Consumer gains extra utility or surplus
 - (b) Consumer surplus for the last commodity is zero
 - (c) Both
 - (d) None
25. When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?
- (a) Increases
 - (b) Decreases
 - (c) Remains constant
 - (d) None of the above
26. Which of the following is true, when the firm is at a equilibrium ?
- (a) $MC < MR$
 - (b) MC Curve cuts the MR curve from below
 - (c) Both a & b
 - (d) None of the above
27. Kinked demand curve is _____
- (a) Highly elastic at above the prevailing price
 - (b) Inelastic at below the prevailing price
 - (c) both a & b
 - (d) None of the above
28. Which is the characteristic feature of monopoly?
- (a) Homogeneous goods
 - (b) Strong barriers to entry
 - (c) Perfect Competition
 - (d) Perfectly elastic demand curve
29. Price discrimination is possible only in _____
- (a) Monopoly
 - (b) Perfect competition
 - (c) Oligopoly
 - (d) Monopolistic competition
30. Market consists of _____
- (a) Buyer and seller
 - (b) One Price for one product at a given time
 - (c) Both a and b
 - (d) None

31. According to behavioral Principles.
- (a) A firm should not produce at all its total variable costs are not met.
 - (b) A firm will be making maximum profits by expanding output to the level where marginal revenue is equal to marginal cost.
 - (c) Both (a) and (b)
 - (d) None of these
32. Monopsony means
- (a) Where there are large firms
 - (b) There is a single buyer
 - (c) Small number of large buyers
 - (d) Single seller and single buyer
33. Which of the following is not the phase of business cycles?
- (a) Prosperity
 - (b) Upswing
 - (c) Reconstruction
 - (d) Depression
34. The internal causes of business cycle is
- (a) Fluctuation in effective demand
 - (b) Technology shocks
 - (c) Both a & b
 - (d) None
35. Which is not related to great depression of 1930?
- (a) It started in USA
 - (b) John Maynard Keynes regarded lower aggregate expenditure as the cause
 - (c) Excess Money supply
 - (d) Both a & b
36. Which of the following is true about leading indicators?
- (a) Measurable economic factors
 - (b) Changes after real output
 - (c) Both (a) and (b)
 - (d) None
37. Factors of production are owned by_____ in market economies.
- (a) Govt.
 - (b) Investor
 - (c) Privately
 - (d) None
38. Which among the following market situation is known as a 'myth in the market'?
- (a) Duopoly
 - (b) Oligopoly
 - (c) Discriminating
 - (d) Perfect Competition

39. Which of the following statements about price elasticity of demand is correct?
- (a) Price elasticity of demand is a measure of how much the quantity demanded of a good responds to a change in the price of that good.
 - (b) Price elasticity of demand is computed as the percentage change in quantity demanded divided by the percentage change in price.
 - (c) Price elasticity of demand in the long run would be different from that of the short run.
 - (d) All of the above.
40. Which of the following statements is correct?
- (a) With the help of statistical tools, the demand can be forecasted accurately.
 - (b) The more the number of substitutes of a commodity, more elastic is the demand.
 - (c) Demand for butter is perfectly elastic.
 - (d) Gold jewellery will have negative income elasticity.
41. If in a short run perfect competition earn super normal profit then which condition satisfy.
- (a) $ATC > MC$
 - (b) $ATC < MC$
 - (c) $MR < AR$
 - (d) $MR > AR$
42. Extreme Product differentiation is found in which market?
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) Oligopoly
43. Monopoly firm faces which demand curve?
- (a) Downward Sloping
 - (b) Horizontal
 - (c) Rising
 - (d) All of these
44. An unemployment type cause due to structural changes in the economy is which of the following-
- (a) Involuntary
 - (b) Ethical friction
 - (c) Full employment
 - (d) Structural
45. Friction unemployment is the characteristic of which of the following stages-
- (a) Expansion
 - (b) Peak
 - (c) Construction
 - (d) Recovery
46. Ceteris paribus means
- (a) Demand constant
 - (b) Supply constant
 - (c) Other thing being constant
 - (d) none

47. The demand for salt is inelastic, because
(a) of low price
(b) absence of it makes food tasteless
(c) no substitutes
(d) all the three
48. Price electricity demand of product will be more elastic if it
(a) has no substitutes
(b) has number of substitutes
(c) is an item of necessity
(d) is life saving product
49. If the price of burger rises for Rs. 12 per piece to Rs. 20 per piece as a result of which the daily decrease from 300 to 200 pieces per day. The price elasticity of demand can be estimated.
(a) 0.5
(b) 0.8
(c) 0.25
(d) 2.10
50. At the point of inflexion, TP will generally.
(a) Show increases trend
(b) Show decreasing trend
(c) Equal to Zero
(d) be negative
51. If the Marginal product of labour is below the Average product of Labour, it must be true that
(a) The Marginal Product of Labour is negative
(b) The Marginal Product of Labour is zero
(c) The Marginal Product of Labour is falling
(d) The Average Product of Labour is decreasing
52. Why does the Law of Increasing Returns operate?
(a) Full use of Fixed Indivisible Factors
(b) Efficiency of Variable Factors
(c) Need to reach the right combination
(d) All of the above
53. Internal Economics and Diseconomies arise due to-
(a) Overall industry-level changes
(b) Changes at the Firm Level
(c) Both (a) and (b)
(d) Neither (a) nor (b)
54. Identify the correct statement.
(a) Average product is at its maximum when Marginal Product is equal to Average Product.
(b) Law of Increasing Returns to Scale relates to the effect of changes in factor proportions
(c) Economies of Scale arise only because of invisibilities of factor proportions
(d) Internal Economies of scale can accrue only to the exporting sector

55. A firm faces the shut down situation when
(a) Price is less than average variable cost
(b) Price is more than the average variable cost
(c) Price is equal to fixed cost
(d) Price is more than the average fixed cost
56. A firm that makes profit in excess of normal profit is earning
(a) Economic profit
(b) Costing profit
(c) Normal profit
(d) Super normal profit
57. The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as
(a) Oligopoly
(b) Duopoly
(c) Monopoly
(d) Monopolistic competition
58. In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes
(a) Profits and new firms join the market
(b) Profits and bar entry to new firms
(c) Makes losses and exit the market
(d) Quick profit and disappears
59. A Market which has single buyer & single seller is called
(a) Monopoly
(b) Bilateral Monopoly
(c) Duppoly
(d) Monopsony
60. Kinked demand curve hypothesis is given by
(a) Alfred Marshall
(b) A.C. Pigou
(c) Sweezy
(d) Hick & Allen
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. 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
64. 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
65. 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
66. 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
67. Analysis of Income Distribution of the population comes under-
(a) Economic Environment
(b) Social Environment
(c) Legal Environment
(d) Demographic Environment
68. NESTLE is a beverage partner with which of the following companies?
(a) Coca-Cola India
(b) Pepsico India Holdings Pvt. Ltd.
(c) Red Bull India Pvt. Ltd
(d) Dabur India Ltd.
69. Where are the headquarters of L&T?
(a) Bengaluru
(b) Delhi
(c) Mumbai
(d) Chennai
70. 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

71. What is a financial instrument?
- (a) Anything that ranges from cash, deed, negotiable instrument, or for that matter any written and authenticated evidence that shows the existence of a transaction or agreement.
 - (b) Is basically any security that is held with the government and has the highest possible rate of interest.
 - (c) Is a contract where the borrower, who is also the purchaser, pays a series of installments that includes the interest of the principal amount
 - (d) None of the above
72. A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the _____.
- (a) Lock-in period
 - (b) Maturity
 - (c) Holding Period
 - (d) Due date
73. _____ represents all external forces, factors of 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
74. Internal factors affecting a business environment is also referred to as _____ factors.
- (a) Controllable
 - (b) Uncontrollable factors.
 - (c) Relevant
 - (d) Global
75. External factors affecting a business environment is also referred to as _____ factors.
- (a) Controllable
 - (b) Relevant
 - (c) Global
 - (d) Uncontrollable
76. What are the pre-requisites for a Firm to respond to the External Environment?
- (a) Monitoring the Environment
 - (b) Identifying the factors
 - (c) Capacity to develop effective responses
 - (d) All of the above
77. In external environmental scanning, interest rates, cycle of recessions and inflation are classified as
- (a) Geographic influences
 - (b) Government influences
 - (c) Economic influences
 - (d) Technological advancement

78. While considering factors for Environment Scanning what does "Issues" indicate?
- (a) Specific occurrences taking place in different environmental sectors
 - (b) General tendencies or the courses of action along which events take place
 - (c) Current concerns that arise in response to events and trends and emerging issues
 - (d) Demands made by interested groups in the light of their concern for issues
79. Which of the following statements is true about Competitive Response?
- (a) It seeks to enhance the Entity's performance by establishing a Competitive Advantage over its rivals.
 - (b) It aims at defining the Entity's purpose and key tasks in relationship to particular environments.
 - (c) It helps Entities to manage environmental uncertainty and perform tasks that are too costly and complicated for single Entities to perform.
 - (d) All the above.
80. Which approach has the least resistance in responding responding to the Environment?
- (a) Confident Approach
 - (b) Conservative Approach
 - (c) Cautious Approach
 - (d) Careful Approach
81. Who is the C.F.O. of Adani Group
- (a) Ravi Kumar
 - (b) Deepak Maheshwari
 - (c) Shyam Maheshwari
 - (d) Deepak Singh
82. 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
83. 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
84. 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

85. Which of the following is not a factor of Demographic Environment?
(a) Ethnic Mix
(b) Legal
(c) Population size
(d) Geographic Distribution
86. What is the single word that can best describe today's business ?
(a) Technology
(b) Persistence
(c) Profit making
(d) Change
87. Effective use of social media for marketing is
(a) Strength
(b) Weakness
(c) Opportunity
(d) Threat
88. Interactions with Environment does not include :
(a) Exchange of information
(b) Exchange of resource
(c) Exchange of influence
(d) None of the above
89. What is not a characteristic of business environment
(a) Complex
(b) Static
(c) Multi-faced
(d) Far reaching
90. Macro Environment includes _____
(a) Strength
(b) Weakness
(c) Opportunity
(d) All of the above
91. Cost Structure of an industry is effected by _____ own bargaining power.
(a) Consumer
(b) Intermediary
(c) Suppliers
(d) Organizations
92. Opportunity is
(a) Inherent capacity
(b) Strategic disadvantage
(c) Favourable condition
(d) None of the above
93. What happened in Microsoft in the year 2014
(a) Satya Nadella succeeded on Steve Ballmer
(b) Acquired Hardware division of NOKIA
(c) Both (a) & (b)
(d) None of the above

94. Which of the following is not a function of RBI
(a) Monetary Policy
(b) Fiscal Policy
(c) Custodian of Foreign Exchange reserves
(d) Controller of Credit
95. A stock the provides a constant dividends and stable earnings in the periods of economic downturn is
(a) Defensive Stock
(b) Cash Budget
(c) Income Stock
(d) Listed Stock
96. Curtail all benefits in some particular issue.
(a) Restrictive policies
(b) Regulatory Policies
(c) Facilitating policies
(d) None of these
97. A reduction of 45 basis point will be equal to how much of the following?
(a) 45%
(b) 0.45%
(c) 4.5%
(d) 450%
98. In which of the following sector (s), FDI is prohibited under both routes
(a) Nidhi Company
(b) Media
(c) Real Estate
(d) Shell Company
99. Which of the following sets as an indicator of bank's liquidity and solvency
(a) Statutory liquidity ratio
(b) Cash Reserve ratio
(c) Repo rate
(d) Reserve repo rate
100. It is loan where the time and cash flow between a short loan and a long term loan is filled up.
(a) Debt financing
(b) Bridge financing
(c) Closure Time
(d) None of these

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