

**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 more than accounting profit if resources owned and used by the firm have any opportunity costs.
  - (d) Accounting profit is equal to total revenue less explicit costs.
- (2) Which of the following statements is correct?
  - (a) If marginal revenue exceeds marginal cost the firm should decrease output.
  - (b) If marginal cost exceeds marginal revenue the firm should increase output.
  - (c) Economic profits are maximized when total costs are equal to total revenue.
  - (d) Profits are maximized when marginal revenue equals marginal cost.
- (3) Which one of the following statement is incorrect?
  - (a) Perfect competitive firms are price makers and not price takers.
  - (b) Price discrimination is possible in monopoly only.
  - (c) Duopoly may lead to monopoly.
  - (d) Competitive firm never seeks to discriminate prices.
- (4) Which of the following is not an essential condition of perfect competition?
  - (a) Large number of buyers and sellers
  - (b) Homogeneous product
  - (c) No control over price
  - (d) Elastic demand
- (5) Monopolistic competition differs from perfect competition primarily because
  - (a) in monopolistic competition, firms have selling cost
  - (b) in perfect competition, firms can not differentiate their products.
  - (c) in monopolistic competition, entry into the industry is blocked.
  - (d) both (a) & (b)
- (6) 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 monopoly market to discriminate prices.
  - (d) Kinked demand curve is related to an monopoly market.

**Answer the following Questions: (Q. 7 to 10)**

Quantity	AVC	TVC	TC	MC	AFC
1			60		
2		36			
3				18	
4	20				
5			150		8

- (7) Find TVC of 4<sup>th</sup> Unit:  
(a) 110  
(b) 150  
(c) 120  
(d) 80
- (8) Find MC of 4<sup>th</sup> Unit:  
(a) 10  
(b) 15  
(c) 26  
(d) 40
- (9) Find AVC of 2<sup>nd</sup> Unit:  
(a) 18  
(b) 20  
(c) 54  
(d) 36
- (10) Find TC of 4<sup>th</sup> Unit:  
(a) 60  
(b) 76  
(c) 94  
(d) 120
- (11) If the average cost is falling, then:  
(a) Marginal cost is rising  
(b) Marginal cost is falling  
(c) Marginal cost is equal to average cost  
(d) It is impossible to tell if marginal cost is rising or falling
- (12) Which cost increases continuously with the increase in production?  
(a) Average cost  
(b) Marginal cost  
(c) Fixed cost  
(d) Variable cost
- (13) If the demand curve for a good is horizontal, then a leftward shift of the supply curve results in :  
(a) A price of zero  
(b) an increase in price  
(c) A decrease in price  
(d) no change in price
- (14) Which of the following is not an assumption of ordinal utility analysis?  
(a) Consumers are consistent in their preference  
(b) Consumers can measure the total utility received from any given basket of good  
(c) Consumers are non-satiated with respect to the goods they confront.  
(d) None of the above

- (15) Returns to scale can be explained in terms of:
- External and internal economies
  - External and internal diseconomies
  - External economies and internal diseconomies
  - All of these
- (16) Under Monopoly, price discrimination depends upon:
- Elasticity of demand for commodity
  - Elasticity of supply for commodity
  - Size of market
  - All of above
- (17) The profit maximizing condition for monopolist in two market, A and B is:
- $MR = MC_a = MC_b$
  - $MC = MR_a = MR_b$
  - $AR = MR_a = MR_b$
  - None of the above
- (18) The monopolist can fix any price for his product, but cannot determine\_\_\_\_\_of his product
- Revenue
  - Cost
  - Supply
  - Demand
- (19) When price for a firm is less than average total cost but greater than average variable cost than:
- Shut down to reduce losses
  - Increase price to reduce losses
  - Decreasing cost to reduce losses
  - Continue in short run to reduce losses
- (20) Dumping is related to which market:
- Perfect Competition
  - Monopolistic Competition
  - Monopoly
  - None of the above
- (21) Exploitation and inequality are maximum under:
- Socialism
  - Capitalism
  - Mixed economy
  - None of the above
- (22) Economic indicators in demand forecasting is called:
- Trend Projection Method
  - Barometric method
  - Least Square method
  - Gauge method

- (23) The price line or budget line of a consumer is
- Parallel to x-axis
  - Parallel to y-axis
  - Straight line joining the two axis
  - None of the above
- (24) \_\_\_\_\_ depicts complete picture of consumer's tastes and preferences
- Budget line
  - Average cost curve
  - Indifference map
  - Marginal revenue curve

- (25) 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:

- Decreasing returns to scale
  - Constant returns to scale
  - Increasing returns to scale
  - Positive fixed cost
- (26) The following table exhibits:
- | Number of Workers | Output |
|-------------------|--------|
| 0                 | 0      |
| 1                 | 23     |
| 2                 | 40     |
| 3                 | 50     |
- increasing marginal product of labour
  - diminishing marginal product of labour
  - increasing returns to scale
  - diminishing returns to scale
- (27) 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 the 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\_\_\_\_\_
- Increasing returns to scale
  - Decreasing returns to scale
  - Constant returns to scale
  - None of the above
- (28) Linear Homogeneous Production function is based on\_\_\_\_\_
- Increasing Returns to Scale
  - Decreasing Returns to Scale
  - Constant Returns to Scale
  - None

- (29) 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
- (30) "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
- (31) In the long run:
- Only demand can change
  - Only supply can change
  - Both demand and supply can change
  - None of these
- (32) In market, the price output equilibrium is determined by
- Total cost curve and total revenue curve
  - Total cost curve and marginal revenue curve
  - Marginal cost curve and marginal revenue curve
  - Only MC curve
- (33) Economics is the study of:
- How society manages its unlimited resources
  - How to reduce our wants until we are satisfied
  - How society manages its scarce resources
  - How to fully satisfy our unlimited wants
- (34) If demand is \_\_\_\_\_ then price cuts will \_\_\_\_\_ spending.
- Perfectly inelastic, increase
  - Elastic, increase
  - Elastic, decrease
  - None of the above
- (35) Utility is not measured by:
- Wealth
  - Price
  - Satisfaction
  - Both (a) and (b)
- (36) The satisfaction which a consumer derives from the consumption of commodity is equal to Rs. 320. The price of that commodity is Rs. 180. What will be his consumer surplus?
- 180
  - 200
  - 140
  - 500

- (37) Which of the following is a objective of entrepreneur.
- (a) Economic objective
  - (b) Social objective
  - (c) National objective
  - (d) All of the above
- (38) What is not production in economics:
- (a) Addition of Utility
  - (b) Creation of Utility
  - (c) Creation of matter
  - (d) None of the above
- (39) An upward shift in marginal cost \_\_\_\_\_ output and an upward shift in marginal revenue \_\_\_\_\_ output.
- (a) Reduces, reduces
  - (b) Reduces, increases
  - (c) Increases, increases
  - (d) Increases, reduces
- (40) Firms are assumed to \_\_\_\_\_ costs and to \_\_\_\_\_ profits.
- (a) Incur, desire
  - (b) Pay, make
  - (c) Charge, earn
  - (d) Minimize, maximize
- (41) Economics is -
- (a) a perfect science
  - (b) not a perfect science
  - (c) not a science at all
  - (d) none of the above
- (42) Economic laws are-
- (a) Rigid and absolute
  - (b) Subject to specified assumptions
  - (c) Mandatory
  - (d) Strictly enforced by Government
- (43) An Indifference Curve slopes down towards right, since more of one commodity and less of another result in -
- (a) Same satisfaction
  - (b) Greater satisfaction
  - (c) Maximum satisfaction
  - (d) Decreasing expenditure
- (44) Period in which supply cannot be increased is called
- (a) Market Period
  - (b) Short Run
  - (c) Long Run
  - (d) None of these

- (45) Which of the following statements is incorrect?
- Both AP and MP can be calculated from T.P.
  - When AP rises then  $MP > AP$
  - When AP is maximum then  $MP = AP$
  - When AP falls, MP also falls but  $MP > AP$
- (46) A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
- macro-economics
  - descriptive economics
  - micro-economics
  - normative economics
- (47) The difference between positive and normative Economics is:
- Positive Economics explains the performance of the economy while normative Economics ends out the reasons for poor performance.
  - Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.
  - Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
  - Positive Economics prescribes while normative Economics describes.
- (48) Which of the following is not within the scope of Business Economics?
- Capital Budgeting
  - Risk Analysis
  - Business Cycles
  - Accounting Standards
- (49) 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
- (50) If Cross Elasticity of Demand = Infinity, 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 51-52.

Radhika owns a small pen factory. She can make 1,000 pieces of pen per year and sell them for Rs. 400 each. It cost Radhika Rs. 35,000 for the raw materials to produce the 1,000 pieces of pen. 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 30 percent, too.) Radhika can work at a competing pen factory for Rs. 80,000 per year.

- (51) The accounting profit at Radhika's pen factory is:
- Rs. 3,00,000
  - Rs. 4,60,000
  - Rs. 3,60,000
  - Rs. 3,75,000

(52) The economic profit at Radhika's factory is:

- (a) Rs. 3,50,000
- (b) Rs. 2,50,000
- (c) Rs. 2,35,000
- (d) Rs. 2,40,000

(53) Calculate total cost of 4 units.

Units	Total Cost (Rs.)	Marginal Cost (Rs.)
2	80	50
4	–	40

- (a) 140
- (b) 120
- (c) 160
- (d) 40

(54) When the perfectly competitive firm and industry are in long run equilibrium then:

- (a)  $P = MR = SAC = LAC$
- (b)  $D = MR = SMC = LMC$
- (c)  $P = MR =$  Lowest point on the LAC curve
- (d) All of the above

(55) In monopoly, the relationship between average and marginal revenue curves is as follows:

- (a) AR curve lies above the MR curve
- (b) AR curve coincides with the MR curve
- (c) AR curve lies below the MR curve
- (d) AR curve is parallel to the MR curve

(56) The opportunity cost of a good is

- (a) the time lost in finding it
- (b) the quantity of other goods sacrificed to get another unit of that good
- (c) the expenditure on the good
- (d) the loss of interest in using savings

(57) Relationship between AR, MR and Price elasticity of demand is

- (a)  $MR = AR + [e - 1/e]$
- (b)  $MR = AR \times [e - 1/e]$
- (c)  $AR = MR \times [e - 1/e]$
- (d)  $MR = AR \times [e/e - 1]$

(58) In perfect competition the firm's \_\_\_\_\_ above AVC has the identical shape of the firm's supply curve

- (a) Marginal revenue curve
- (b) Marginal cost curve
- (c) Average cost curve
- (d) None of the above

(59) If the demand curve for good X is downward-sloping, an increase in the price will result in-

- (a) A decrease in the demand for good X
- (b) No change in the quantity demanded for good X
- (c) A larger quantity demanded for good X
- (d) A smaller quantity demanded for good X



- (60) Yesterday, seller A supplied 400 units of a good X at Rs. 10 per unit. Today, seller A supplies 200 units at Rs. 5 per unit. Based on this evidence, seller A has experienced a (an)
- Decrease in supply
  - Increase in supply
  - Increase in the quantity supplied
  - Decrease in the quantity supplied
- (61) Which of the following issues should be considered while analyzing the market?
- Maturity Level of the market
  - Cost Structure of the market
  - Price Sensitivity of the market
  - All of the above
- (62) Any goods that are stored, delivered and used in its electronic format-
- Consumer Goods
  - Capital Goods
  - Digital Goods
  - None of the above
- (63) Rate at which the Central Bank in the discharge of its function as Banker's Bank lends to the commercial banks is called-
- Bank Rate
  - Administered Rates
  - Accrued Interest
  - None of the above
- (64) In India, Foreign Investments is prohibited in:
- Chit Funds
  - Real Estate
  - Cigar manufacturing
  - All of the above
- (65) Which of the following statements describes the best Joint Hindu / Hindu Undivided Family (HUF) Business?
- It is a form of business particular to and recognized as such in India
  - Every family business is in fact a HUF Business
  - In HUF businesses, there is a family involvement in business
  - Both (a) and (c)
- (66) Which of the following exhibit characteristic of Business Environment?
- Environment is static
  - Environment is dynamic
  - Environment is complex and multi-faceted
  - It has short term reach
- Options
- Point I & III
  - Point I, II & III
  - Point II & IV
  - Point II & III

- (67) Which pharmaceutical company has the slogan 'caring for life'?
- Dr. Reddy's
  - Lupin Ltd.
  - Cipla Ltd.
  - Sun Pharmaceutical Industries Ltd.
- (68) Public Policies are always \_\_\_\_\_. Fill in the gap by taking the appropriate expression from the following:
- Goal oriented
  - Minutely defined
  - Pro-rich
  - For the poor
- (69) FDI in sectors /activities which do not require any prior approval either of the Government or the Reserve Bank of India is identified as:
- Green Channel
  - Priority route
  - Non-Commercial Route
  - Automatic Route
- (70) Who was the regulatory body for controlling financial affairs in India before SEBI?
- Controller of Capital Issues
  - Reserve Bank of India
  - Insurance Regulatory and Development Authority of India
  - Government of India
- (71) Commercial Awareness involves knowledge of-
- How business make money
  - What customer want
  - What problems are there in particular areas of business
  - All of the above
- (72) HUF consists of-
- All persons lineally descended from a common ancestor, including Wives and Unmarried Daughters
  - All persons lineally descended from a common ancestor, except Wives and Unmarried Daughters
  - All male members lineally descended from a common ancestor
  - None of the above
- (73) Under the income tax Act, A HUF cannot earn income from:
- House property
  - Salary
  - Profits
  - Other Sources
- (74) \_\_\_\_\_ is the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.
- Forecasting
  - Assessment
  - Scanning
  - None of the above

- (75) Business Environment represents \_\_\_\_\_ forces that exert some degree of impact on the business decisions taken by the firm.
- Internal Forces
  - External Forces
  - Financial Forces
  - National Forces
- (76) Which of the following does not characterize the Business Environment?
- Methods of production
  - Complexity
  - Uncertainty
  - Relativity
- (77) Which type of enterprise does not have the need to interact with the Environment?
- Small Enterprises
  - Proprietary Firm
  - Micro Enterprises
  - None of the above
- (78) Procedure of analyzing threats and opportunities of organization's environment is classified as-
- Environmental influences
  - Environmental economics
  - Environmental planning
  - Environmental scanning
- (79) In external environmental scanning, tax legislations, social security legislations and tax provisions are classified as-
- Geographic influences
  - Government Influences
  - Economic influences
  - Technological advancement
- (80) The immediate environment with which the firm operates is called-
- Micro Environment
  - Macro Environment
  - External Environment
  - Peripheral Environment
- (81) MNCs have to align their operations according to the \_\_\_\_\_ of those nations where from they operate-
- Government policy
  - Public policy
  - Business policy
  - Trade policy
- (82) Gabriel Almond popularized the idea of a-
- Political culture
  - Social culture
  - Politics-policy relationship
  - None of the above

- (83) The process by which a legislative proposal is brought before a law making body and then translated into the law of the land is called-
- Policy Drafting
  - Law making
  - Presenting the Law
  - None of the above
- (84) Who cannot be a Foreign Direct Investor?
- Governments or Government Agencies
  - Estates, Trusts, or other organizations
  - Unincorporated Private or Public Enterprises
  - None of the above
- (85) Which of the following statements is not true about FPI-
- Speculative in nature
  - Increase in Output, Employment, Wage Levels, etc. of the Country in which Investment takes place
  - No interest in Management or Control
  - Constitutes Investment in Nominal Capital
- (86) \_\_\_\_\_policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development, and related objectives.
- Fiscal
  - Monetary
  - Foreign Investment
  - Both (a) and (c)
- (87) Which of the following statements about RBI is incorrect?
- It deals largely with Governments, Central and State Banks.
  - Its role is to ensure monetary stability, including stability of domestic price levels.
  - One of its missions is to protect the interest of policyholders.
  - The RBI is the sole authority for the issue of currency in India.
- (88) Large number of SHGs have been linked to credit, resulting in an important Indian tool for micro nance, by the endeavour of:
- NABARD
  - SIDBI
  - IDBI
  - SEBI
- (89) Which one of the following statements is incorrect?
- The SEBI members consist of a Chairman, who shall be appointed by Central Government.
  - The SEBI members consist of two members from amongst the officials of the Ministry of the Central Government.
  - The SEBI members consist of one member from amongst the official of RBI, who shall be nominated by RBI.
  - The SEBI members consist of five other members out of which atleast four members shall be whole-time members, who shall be appointed by Central Government.

- (90) Which one of the following is not the role of the Competition Commission of India?
- To promote practices having adverse effect on competition.
  - To promote and sustain competition in markets.
  - To protect the interests of consumers and,
  - To ensure freedom of trade carried on by other participants in markets in India.
- (91) The Industrial Finance Corporation of India(IFCI) was established in which year?
- 1945
  - 1946
  - 1947
  - 1948
- (92) What is meant by B2B?
- Buying behaviour that concerns the process that buyers go through when deciding whether or not to purchase goods or services.
  - A company's business model is management's storyline for how the strategy will be a money maker.
  - Marketing activity directed from one business to another.
  - None of the above
- (93) By what name are the Education and Stationary products by ITC known in India?
- Camel
  - Apsara
  - Natraj
  - Classmate
- (94) Simplification of trade restrictions related to import is an example of:
- Globalization
  - Privatization
  - Disinvestment
  - Aggregation
- (95) If current Bank Rate is 9% and RBI decreases it by 10 basis points, the New Rate will be-
- 8%
  - 8.10%
  - 9.10%
  - 8.90%
- (96) Power System Operation Corporation Limited is subsidiary of which company ?
- ONGC
  - Power Grid
  - IOC
  - NTPC
- (97) A change in the Environment:
- is always Accepted by Firms
  - is always declined by Firms
  - May be an opportunity to some and threat to some other Firms
  - None of the above

- (98) The following statement relates to which strategic response approach to the environment: They seek to monitor the changes in that environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength.
- (a) Proceed with caution
  - (b) Least resistance
  - (c) Dynamic response
  - (d) Static Response
- (99) David Easton propounded a Model on Politics-Policy Relationship known as :
- (a) Feedback
  - (b) Black Box Model
  - (c) White Box Model
  - (d) Both (a) and (b)
- (100) Waiving of farm loans is an example of :
- (a) Regulatory Policy
  - (b) Facilitative Policy
  - (c) Restrictive Policy
  - (d) Distributive Policy

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