

(ALL CA FOUNDATION BATCHES)**DATE: 18.01.2021****MAXIMUM MARKS: 100****TIMING: 2 Hours****ECONOMICS AND COMMERCIAL KNOWLEDGE****All Questions is compulsory.**

- (1) Scarcity in Economics is an :
 - (a) Absolute Concept
 - (b) Relative Concept
 - (c) Irrelevant Concept
 - (d) Not a Concept at all.
- (2) The process of selecting the appropriate alternative, that will provide the most efficient means of attaining specified objectives, from two or more alternative courses of action available is called:
 - (a) Problem solving
 - (b) Decision making
 - (c) Economic analysis
 - (d) Managerial Expertise
- (3) Business Economics has a Pragmatic Approach which means it is not :
 - (a) Practical
 - (b) Realistic
 - (c) Abstract
 - (d) All of the above
- (4) The emphasis of Business Economics is more on
 - (a) Normative theory only
 - (b) Positive theory only
 - (c) More Normative than Positive theory
 - (d) More Positive than Normative theory
- (5) Micro Economics deals with:
 - (a) External Value of Money
 - (b) Employment
 - (c) Savings and Investment
 - (d) Consumer Behaviour
- (6) 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
- (7) 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

- (8) Consumer Surplus is the area:
(a) Below the Demand curve and above the price
(b) Above the Supply Curve and below the price
(c) Above the Demand Curve and below the price
(d) Below the Supply Curve and above the price
- (9) A Point below the Price Line represents:
(a) Over-spending by the Consumer
(b) Under-spending by the Consumer
(c) Full-spending by the Consumer
(d) Any of the above
- (10) 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
- (11) 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
- (12) Which of the following influence most the price level in the very short-run period ?
(a) Demand
(b) Supply
(c) Cost
(d) Production
- (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 _____
- (a) exceeds average revenue or price
 - (b) is identical to price
 - (c) is sometimes greater and sometimes less than price
 - (d) is less than average revenue or price

- (23) If Cross Elasticity of Demand = Zero, it means that the goods are :
(a) Perfect Complementary Goods
(b) Perfect Substitute Goods
(c) Unrelated Goods
(d) Nothing can be said
- (24) In the long run:
(a) Only demand can change
(b) Only supply can change
(c) Both demand and supply can change
(d) None of these
- (25) In market, the price output equilibrium is determined by
(a) Total cost curve and total revenue curve
(b) Total cost curve and marginal revenue curve
(c) Marginal cost curve and marginal revenue curve
(d) Only MC curve
- (26) Economics is the study of:
(a) How society manages its unlimited resources
(b) How to reduce our wants until we are satisfied
(c) How society manages its scarce resources
(d) How to fully satisfy our unlimited wants.
- (27) If demand is _____ then price cuts will _____ spending.
(a) Perfectly inelastic, increase
(b) Elastic, increase
(c) Elastic, decrease
(d) None of the above
- (28) Utility is not measured by:
(a) Wealth
(b) Price
(c) Satisfaction
(d) Both (a) and (b)
- (29) 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?
(a) 180
(b) 200
(c) 140
(d) 500
- (30) Which of the following is a objective of entrepreneur.
(a) Economic objective
(b) Social objective
(c) National objective
(d) All of the above
- (31) What is not production in economics :
(a) Addition of Utility
(b) Creation of Utility
(c) Creation of matter
(d) None of the above

- (32) 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
- (33) Firms are assumed to _____ costs and to _____ profits.
- (a) Incur, desire
 - (b) Pay, make
 - (c) Charge, earn
 - (d) Minimize, maximize
- (34) Selling expenses includes, which of the following:
- (i) Advertisement cost
 - (ii) Transportation cost
 - (iii) Offer discount to customers
 - (iv) Incentive to dealers
- (a) (i) only
 - (b) (i), (ii) and (iv)
 - (c) (i), (iii) and (iv)
 - (d) None of the above
- (35) Equilibrium is defined as a situation in which :
- (a) No government regulations exist
 - (b) Neither buyers nor sellers want to change their behaviour
 - (c) Demand curves are perfectly horizontal
 - (d) Suppliers will supply any amount that buyers wish to buy
- (36) If firms can neither enter nor leave an industry, the relevant time period is :
- (a) Short run
 - (b) Intermediate run
 - (c) Long run
 - (d) Immediate run
- (37) A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
- (a) macro-economics.
 - (b) descriptive economics.
 - (c) micro-economics.
 - (d) normative economics.
- (38) The difference between positive and normative Economics is:
- (a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
 - (b) 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.
 - (c) 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.
 - (d) Positive Economics prescribes while normative Economics describes.

- (39) Which of the following is not within the scope of Business Economics?
- (a) Capital Budgeting
 - (b) risk Analysis
 - (c) Business Cycles
 - (d) Accounting Standards
- (40) An increase in the demand can result from:
- (a) A decline in market price.
 - (b) An increase in income.
 - (c) A reduction in the price of substitutes.
 - (d) An increase in the price of complements.
- (41) When the income of "X" was Rs. 5000 then he spent his income on goods Rs. 2000 and when the income increased upto Rs. 8000 then he used to spend his income on goods Rs. 5000. Hence, show the relationship between income and income spent on goods through the elasticity.
- (a) $e > 1$
 - (b) $e = 1$
 - (c) $e = 0$
 - (d) $e < 1$
- (42) Elasticity between any two given points of a demand curve is called.
- (a) Price Elasticity
 - (b) ARC Elasticity
 - (c) Point Elasticity
 - (d) Income Elasticity
- (43) Demand arises in respect of-
- (a) Socially desirable goods, e.g. food, clothing
 - (b) Harmful goods, e.g. liquor, cigarettes, etc
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
- (44) 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
- (45) If the demand for a product is elastic, an increase in its price will cause the Total Expenditure of the Consumers to –
- (a) Remain the same
 - (b) Increase
 - (c) Decrease
 - (d) Any of these
- (46) In the short-run,.....factor(s) of production is / are variable.
- (a) All
 - (b) None
 - (c) One
 - (d) All of the above

- (47) Production function refers to a
(a) relationship between Output and cost
(b) relationship between inputs and output
(c) physical relationship between input and output
(d) relationship between capital and labour expressed in terms of wage rental ratio
- (48) When the government constructs 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
- (49) From the following details, find out the average variable cost of 10 units:
OUTPUT : 0 10 20
Total cost : Rs. 200 Rs. 400 Rs. 800
(a) Rs. 40
(b) Rs. 20
(c) Rs. 200
(d) Rs. 400
- (50) In Perfect Competition, since the Firm is a price-taker, the _____ Curve is a Straight Line.
(a) Marginal Cost
(b) total Cost
(c) total Revenue
(d) Marginal Revenue
- (51) If the consumer is on the budget line, the consumer :
(a) Is not spending all of his income
(b) Is spending all of his income
(c) May or may not be spending all of his income
(d) Is in equilibrium
- (52) 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
- (53) 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
- (54) Diminishing marginal return for the first four units of a variable input is shown by the following total product sequence :
(a) 5, 5, 5, 5
(b) 5, 11, 18, 26
(c) 5, 9, 12, 14
(d) 5, 10, 15, 20

- (55) When TR falls :
(a) The AR is zero
(b) The MR is zero
(c) The MR is negative
(d) The AR is declining
- (56) Microeconomics is :
(a) Abstract
(b) Theoretical
(c) Unrealistic Assumptions
(d) All of the above
- (57) The Delphi technique was developed by _____
(a) Peter Drucker
(b) Alfred Marshall
(c) Olaf Helmer
(d) Adam Smith
- (58) Trend projection method of demand forecasting is also known as _____ method :
(a) Modern
(b) Classical
(c) Innovative
(d) All of the above
- (59) 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
- (60) If the Qd of X commodity increase by 50% when the price of Y commodity decreases by 50% then the cross elasticity of demand is :
(a) + 1%
(b) - 1%
(c) 100%
(d) -100%
- (61) _____ implies not only a complete closure or termination of partnership business, but it also includes any change in the existing agreement among the partners due to a change in the number of partners.
(a) Dissolution of partnership
(b) Winding up
(c) Closure of business
(d) Sale of all assets of firm
- (62) What is the kind of response that businesses should make efforts to exploit the opportunity and thought the threats:
(a) Strategic Responses
(b) Least resistance
(c) Diversify
(d) Simplify

- (63) External factors in a Business Environment, include-
- (a) Opportunities
 - (b) Threats
 - (c) Both (a) and (b)
 - (d) None of the above
- (64) _____ Environment is beyond the control of the business.
- (a) Internal
 - (b) External
 - (c) Micro
 - (d) Macro
- (65) Why is it difficult to understand Environmental Influences?
- (a) It has different sub-systems
 - (b) It cannot be predicted easily
 - (c) It has a complex frame work
 - (d) All of the above
- (66) Supplier Environment does not have an impact on-
- (a) Quality of materials
 - (b) Cost of materials and service
 - (c) Changes in consumer tastes, preference and expectations
 - (d) Availability of materials and services
- (67) Monetary Policy includes-
- (a) Activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry
 - (b) Policy in respect of Public Expenditure, Taxation (both Direct and Indirect) and Public Debt.
 - (c) Regulating the inflow of Foreign Investment in various sector for speeding up industrial development, and related objectives
 - (d) Increasing exports and bridge the gap between Exports and Imports
- (68) _____ policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development, and related objectives.
- (a) Fiscal
 - (b) Monetary
 - (c) Foreign Investment
 - (d) Both (a) and (c)
- (69) _____ analysis is a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy-
- (a) SWOT
 - (b) PESTLE
 - (c) COSMIC
 - (d) None of the above
- (70) What is Intel's rank in the "Fortune 500 Companies" in 2020?
- (a) 48th
 - (b) 46th
 - (c) 45th
 - (d) 38th

- (71) Who occupies the central position in the marketing environment?
- (a) Consumer
 - (b) Customer
 - (c) Organisation
 - (d) All of the above
- (72) The price sensitivity of the market is an important factor of which element of Micro environment:
- (a) Suppliers
 - (b) Market
 - (c) Intermediaries
 - (d) Customer
- (73) 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
- (74) The _____ environment refers to the nature and direction of the economy in which a company competes or may compete.
- (a) Socio-cultural
 - (b) Internal
 - (c) Micro
 - (d) Economic
- (75) When was Reliance Industries Ltd. incorporated?
- (a) 1965
 - (b) 1966
 - (c) 1978
 - (d) 1959
- (76) Which gas company owns India's largest pipeline network?
- (a) Gail (India) Ltd.
 - (b) Bharat Petroleum Corporation Ltd.
 - (c) Reliance Industries Ltd.
 - (d) ONGC
- (77) What is the Global Banking platform by EdgeVerve Systems(Infosys) called?
- (a) Mana
 - (b) Finacle
 - (c) Skava
 - (d) Panaya Cloud Suite
- (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) 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
- (80) Hyundai India Limited came to India through the FDI route. It followed the path of:
- (a) Divestment in Public Sector Unit
 - (b) Joint Venture
 - (c) By creating a 100% Indian subsidiary
 - (d) Replacement of a government sector business
- (81) MNCs have to align their operations according to the _____ of those nations where from they operate-
- (a) Government policy
 - (b) Public policy
 - (c) Business policy
 - (d) Trade policy
- (82) Gabriel Almond popularized the idea of a-
- (a) Political culture
 - (b) Social culture
 - (c) Politics-policy relationship
 - (d) 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-
- (a) Policy Drafting
 - (b) Law making
 - (c) Presenting the Law
 - (d) None of the above
- (84) Who cannot be a Foreign Direct Investor?
- (a) Governments or Government Agencies,
 - (b) Estates, Trusts, or other organizations,
 - (c) Unincorporated Private or Public Enterprises
 - (d) None of the above
- (85) Which of the following statements is not true about FPI-
- (a) Speculative in nature
 - (b) Increase in Output, Employment, Wage Levels, etc. of the Country in which Investment takes place
 - (c) No interest in Management or Control
 - (d) Constitutes Investment in Nominal Capital
- (86) In single hand retailing 100% FDI was allowed in the year:
- (a) 2012
 - (b) 2010
 - (c) 1999
 - (d) 1997

- (87) Which of the following statements about RBI is incorrect?
- (a) It deals largely with Governments, Central and State Banks.
 - (b) Its role is to ensure monetary stability, including stability of domestic price levels.
 - (c) One of its missions is to protect the interest of policyholders.
 - (d) 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 finance, by the endeavour of:
- (a) NABARD
 - (b) SIDBI
 - (c) IDBI
 - (d) SEBI
- (89) Which one of the following statements is incorrect?
- (a) The SEBI members consist of a Chairman, who shall be appointed by Central Government.
 - (b) The SEBI members consist of two members from amongst the officials of the Ministry of the Central Government.
 - (c) The SEBI members consist of one member from amongst the official of RBI, who shall be nominated by RBI.
 - (d) 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?
- (a) To promote practices having adverse effect on competition.
 - (b) To promote and sustain competition in markets.
 - (c) To protect the interests of consumers and,
 - (d) To ensure freedom of trade carried on by other participants in markets in India.
- (91) The collection of businesses and products that make up the business is called
- (a) Business Diversification
 - (b) Consortium
 - (c) Business Portfolio
 - (d) None of the above
- (92) The term ownership refers to the right of an individual or a group of individuals to acquire legal title to assets or properties for the purpose of _____.
- (a) Earning profits
 - (b) Selling goods
 - (c) Running the business
 - (d) Serving the society
- (93) Rates of interest which can be changed contractually by lender is called
- (a) Bank rate
 - (b) Administered rates
 - (c) Accrued interest
 - (d) None of the above

- (94) Measure of change in financial parameters such as interest, stock indices and market rates is called
- (a) Census
 - (b) Index
 - (c) Basis point
 - (d) None of the above
- (95) Secondary protection sometimes required by a bank and intended to guarantee a borrower's performance on a debt obligation is called
- (a) Collateral security
 - (b) Certificate of deposit
 - (c) Deposit slip
 - (d) None of the above
- (96) A document issued by a bank (on behalf of the buyer or the importer), stating its commitment to pay a third party (seller or the exporter), a specific amount, for the purchase of goods by its customer, who is the buyer is called
- (a) Promissory Note
 - (b) Letter of Credit
 - (c) Cheque
 - (d) None of the above
- (97) Limited Liability Partnership Act, 2008 came into effect by way of notification dated _____.
- (a) 31st March 2009
 - (b) 31st March 2010
 - (c) 31st March 2008
 - (d) 31st March 2011
- (98) An example of Point of Contact (POC) Business Facilitators
- (a) Transport Agency
 - (b) Business Incubator
 - (c) Bank
 - (d) Insurance Company
- (99) _____ is rate at which Banks borrow money from the RBI against or sale of Government Securities to RBI.
- (a) Demand Rate
 - (b) Interest Rate
 - (c) Repo Rate
 - (d) Reverse Repo Rate
- (100) FDI Limit in Insurance Sector is –
- (a) 39%
 - (b) 49%
 - (c) 29%
 - (d) 59%