

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) 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 less than accounting profit if resources owned and used by the firm have any opportunity costs.
 - (d) Accounting profit is equal to total revenue less implicit costs.
- (12) It is assumed in economic theory that
 - (a) decision making within the firm is usually undertaken by managers, but never by the owners.
 - (b) the ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organisation.
 - (c) as the firm's size increases, so do its goals.
 - (d) the basic decision making unit of any firm is its owners.
- (13) Which of the following statements is incorrect?
 - (a) If marginal revenue exceeds marginal cost the firm should increase output.
 - (b) If marginal cost exceeds marginal revenue the firm should decrease output.
 - (c) Economic profits are maximized when total costs are equal to total revenue.
 - (d) Profits are maximized when marginal revenue equals marginal cost.
- (14) Which one of the following statement is incorrect?
 - (a) Perfect competitive firms are price takers and not price makers.
 - (b) Price discrimination is possible in monopoly only.
 - (c) Duopoly may lead to monopoly.
 - (d) Competitive firm always seeks to discriminate prices.
- (15) Which of the following is not an essential condition of pure competition?
 - (a) Large number of buyers and sellers
 - (b) Homogeneous product
 - (c) Freedom of entry
 - (d) Absence of transport cost

- (16) Monopolistic competition differs from perfect competition primarily because
- in monopolistic competition, firms can differentiate their products.
 - in perfect competition, firms can differentiate their products.
 - in monopolistic competition, entry into the industry is blocked.
 - in monopolistic competition, there are relatively few barriers to entry.
- (17) Which of the following statements is incorrect?
- Even monopolistic can earn losses.
 - Firms in a perfectly competitive market are price takers.
 - It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
 - Kinked demand curve is related to an oligopolistic market.

Answer the following Questions: (Q. 18 to 21)

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

- (18) Find TVC of 5th Unit.
- 110
 - 150
 - 120
 - 80
- (19) Find MC of 5th Unit:
- 10
 - 20
 - 30
 - 40
- (20) Find AVC of 3rd Unit:
- 18
 - 20
 - 54
 - 36
- (21) Find TC of 2nd Unit:
- 60
 - 76
 - 36
 - 18
- (22) Which of the following is an example of a normative statement?
- A higher price for a goods causes people to want to buy less of that good.
 - A lower price for a goods causes people to want to buy more of that good.
 - To make the good available to more people, a lower price should be set.
 - If you consume this good, you will be better off.

- (23) Which one of the following statements involves a value judgment?
- The supply of coffee is likely to be inelastic in the short run.
 - Economies of scale can lead to lower prices.
 - Inferior goods have a negative income elasticity of demand.
 - The government was wrong to introduce university tuition fees.
- (24) _____ and _____ do not directly affect the demand curve.
- the price of related goods, consumer incomes
 - consumer incomes, tastes
 - the costs of production, bank opening hours
 - the price of related goods, preferences
- (25) Indifference curves between income and leisure for an individual are generally:
- Concave to the origin.
 - Convex to the origin.
 - Negatively sloped straight lines.
 - Positively sloped straight lines.
- (26) Expansion in supply refers to a situation. when the producers are willing to supply a _____.
- Larger quantity of the commodity at an increased price
 - Larger quantity of the commodity due to increased taxation that commodity
 - Larger quantity of the commodity at the same price
 - Larger quantity of the commodity at the decreased price
- (27) Which of the following is an example of economies of scale?
- 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.
 - 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.
 - As the demand for calculators increased, the price of calculators actually fell.
 - None of these
- (28) Which is true statement?
- Decreasing returns to scale and diminishing returns to production are two ways of stating the same thing.
 - Increasing returns to scale is a short-run concept, and diminishing returns to production is a long-run concept
 - Constant returns to scale is a short-run concept, and decreasing returns to scale is a long-run concept
 - None of the above is true
- (29) Opportunity cost is :
- The additional benefit of buying an additional unit of a product.
 - That which we forgo, or give up, when we make a choice or a decision.
 - A cost that cannot be avoided, regardless of what is done in the future.
 - The cost incurred in the past before we make a decision about what to do in the future.

- (30) The opportunity cost of a student is:
- Course fees and rent
 - A loan from the bank
 - What the student could have earned in the best job available by not studying
 - What the student will earn after graduation.
- (31) Accounting cost will be _____ economic cost.
- Greater than
 - less than
 - Equal to
 - None of these
- (32) If Average cost of a firm is minimum, then Marginal cost will be _____
- Greater than average cost
 - Equal to average cost
 - Less than average cost
 - None of these
- (33) In the first stage of law of variable proportions, total product increases at the:
- Decreasing rate
 - Increasing rate
 - Constant rate
 - Both A and B.
- (34) In the long run any firm will eventually leave the industry if:
- Price does not at least cover average total cost.
 - Price does not equal marginal cost.
 - Economies of scale are being reaped.
 - Price is greater than long run average cost.
- (35) If price is forced to stay below equilibrium price:
- Excess supply exists.
 - Excess demand exists
 - Either (a) or (b)
 - Neither (a) nor (b)
- (36) The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that
- the firm has some, but not complete, control over its product price.
 - there are so many buyers and sellers in the market that any individual firm cannot affect the market.
 - each firm produces a homogeneous product.
 - there is easy entry into or exit from the market place.
- (37) The condition for pure competition is
- large number of buyer and seller, free entry and exist
 - homogenous product
 - both (a) and (b)
 - large number of buyer and seller, homogenous product, perfect knowledge about the product

- (38) When the products are sold through a centralized body, oligopoly is known as
- organized oligopoly
 - partial oligopoly
 - competitive oligopoly
 - syndicated oligopoly
- (39) Excess capacity is not found under _____.
- Monopoly
 - Monopolistic competition
 - Perfect competition.
 - Oligopoly.
- (40) Which of the following is correct?
- If marginal revenue is positive and falling, total revenue will rise at a decreasing rate.
 - Total revenue is equal to price times the quantity sold.
 - Under perfect competition, total revenue is equal to marginal revenue times the quantity sold.
 - All of the above.
- (41) The upper portion of the kinked demand curve is relatively -
- More inelastic
 - More elastic
 - Less elastic
 - Inelastic
- (42) The trough of a business cycle occurs when _____ hits its lowest point.
- Inflation in the economy
 - The money supply
 - Aggregate economic activity
 - The unemployment rate
- (43) A leading indicator is
- a variable that tends to move along with the level of economic activity
 - a variable that tends to move in advance of aggregate economic activity
 - a variable that tends to move consequent on the level of aggregate economic activity
 - None of the above
- (44) A decrease in government spending would cause
- the aggregate demand curve to shift to the right.
 - the aggregate demand curve to shift to the left.
 - a movement down and to the right along the aggregate demand curve.
 - a movement up and to the left along the aggregate demand curve.
- (45) Peaks and troughs of the business cycle are known collectively as
- Volatility.
 - Turning points.
 - Equilibrium points.
 - Real business cycle events.

- (46) The most probable outcome of an increase in the money supply is
- interest rates to rise, investment spending to rise, and aggregate demand to rise
 - interest rates to rise, investment spending to fall, and aggregate demand to fall
 - interest rates to fall, investment spending to rise, and aggregate demand to rise
 - interest rates to fall, investment spending to fall, and aggregate demand to fall
- (47) Which of the following is not a characteristic of business cycles
- Business cycles have serious consequences on the well being of the society.
 - Business cycles occur periodically, although they do not exhibit the same regularity.
 - Business cycles have uniform characteristics and causes.
 - Business cycles are contagious and unpredictable.
- (48) Economic recession shares all of these characteristics except.
- Fall in the levels of investment, employment
 - Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
 - Investor confidence is adversely affected and new investments may not be forthcoming
 - Increase in the price of inputs due to increased demand for inputs
- (49) The different phases of a business cycle
- Do not have the same length and severity
 - expansion phase always last more than ten years
 - last many years and are difficult to get over in short periods
 - None of the above
- (50) If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect?
- The commodity must be essential to those who purchase it.
 - The commodity must have many substitutes.
 - The commodity will be purchased regardless of increase in its price.
 - The elasticity of demand for this commodity must equal zero.
- (51) The economist who gave cobb - douglas production function was an_____:
- Japanese
 - German
 - British
 - American
- (52) In which type of Oligopoly, the price leadership exists –
- Full Oligopoly
 - Partial Oligopoly
 - Syndicated Oligopoly
 - Organised Oligopoly

- (53) When both demand and supply decreases in the same proportion, then equilibrium price will_____.
- Remain the same
 - Rise
 - Fall
 - None of the above
- (54) Under Perfect Competition, in the long-run, a Firm
- Earns normal profit
 - Earns abnormal profit
 - have losses
 - None of the above
- (55) As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at –
- Prevailing Price
 - Higher than Prevailing Price
 - Lower than Prevailing Price
 - Origin
- (56) When TR is maximum :
- The AR is zero
 - The MR is zero
 - Both MR and AR is zero
 - When $MR = AR$
- (57) If increase in supply is greater than increase in demand, then the equilibrium price :
- Decrease
 - Increase
 - Does not change
 - Cannot be determined
- (58) Till 19th century, economics was known as :
- Micro Economy
 - World Economy
 - Scarcity Economy
 - Political Economy
- (59) Sir Robert Giffen was a_____economist :
- Scottish
 - Chinese
 - Japanese
 - American
- (60) Increasing returns imply:
- Constant average cost
 - Diminishing cost per unit of output
 - Optimum use of capital and labour
 - None of the above

- (61) Transfer of Interest exists in :
(a) Business
(b) Profession
(c) Employment
(d) None of the above
- (62) What is the psychological motive of employment
(a) Service to society
(b) Earning livelihood
(c) Earning profits
(d) Displaying skills
- (63) External factors in a Business Environment, include-
(a) Opportunities
(b) Threats
(c) Both (a) and (b)
(d) None of the above
- (64) Personal interest in business is more in
(a) HUF
(b) Partnership
(c) Sole Proprietorship
(d) LLP
- (65) Non-corporate Entity includes :
(a) Sole Proprietorship, HUF and Partnership
(b) HUF, Trust and LLP
(c) Partnership LLP and Private companies
(d) Sole Proprietorship, LLP and Partnership
- (66) _____ successive generations of an Undivided Family are known as HUF.
(a) 2
(b) 3
(c) 4
(d) 5
- (67) Carrying forward of transaction form one settlement period to the next without effecting delivery or payment is called_____
(a) Bear Market
(b) Base price
(c) Badla
(d) Blue Chips
- (68) _____Environment is beyond the control of the business.
(a) Internal
(b) External
(c) Micro
(d) Macro

- (69) A free allotment of shares made in proportion to existing shares out of accumulated reserves is called-
- Bond
 - Bonus
 - Bid
 - Offer
- (70) Supplier Environment does not have an impact on-
- Quality of materials
 - Cost of materials and service
 - Changes in consumer tastes, preference and expectations
 - Availability of materials and services
- (71) A financial expression of the value of that product is called-
- Price
 - Cost
 - Expenditure
 - None of the above
- (72) A signed instrument of acknowledgment that indicates the approval is called-
- Acceptance
 - Terms
 - Conditions
 - None of the above
- (73) The price sensitivity of the market is an important factor of which element of Micro environment:
- Suppliers
 - Market
 - Intermediaries
 - Customer
- (74) Business and technology are:
- Interrelated
 - Interdependent
 - Interrelated & Interdependent
 - None of the above
- (75) Which industrial category does Wipro Ltd. come under?
- Pharmaceuticals & Drugs
 - Diversified
 - Media
 - IT- Software
- (76) 'My customer First' is the Vision of which Bank?
- SBI
 - Axis Bank
 - HDFC Bank
 - Bank of Baroda

- (77) Identify the one which may be considered as a public policy:
- A decision by a central government to purchase a fleet of cars
 - An old building to be demolished by a municipal corporation
 - All citizens are to be provided with biometric aadhar card
 - Government passes a special resolution to change the name of a park
- (78) Decisions on annual financial spending, Taxes and Duties and Military spending are considered in:
- Policies
 - Budget
 - Goal Setting
 - Long term planning process
- (79) Where can the first appeal against SEBI be made?
- High Court
 - Supreme Court
 - Securities Appellate Tribunal
 - RBI
- (80) Bid is the opposite of
- Ask/offer
 - Call
 - Equity
 - None of the above
- (81) A stock that provides a constant dividends and stable earnings even in the periods of economic downturn is _____.
- Defensive Stock
 - Cash budget
 - Income stock
 - Listed stock
- (82) Measure of change in financial parameters such as interest, stock indices and market rates is called
- Census
 - Index
 - Basis point
 - None of the above
- (83) 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
- Promissory Note
 - Letter of Credit
 - Cheque
 - None of the above
- (84) What is consolidation?
- It is an expense that is supposed to affect the loss in value of a fixed asset.
 - Combination of two or more entities that occurs when the entities transfer all their net assets to new entity created for that purpose.
 - Potential liability arising from a past transaction or a subsequent event.
 - Costs that can be attributed clearly to the activity you are considering.

- (85) _____ is the process of estimating future demand by anticipating what buyers are likely to do under a given set of marketing conditions:
- (a) Cross marketing
 - (b) Forecasting
 - (c) Market development
 - (d) Internal marketing
- (86) Trends relate to:
- (a) Happening of events in External Environment
 - (b) Grouping of similar or related events
 - (c) Demands made by Interested group
 - (d) All of the above
- (87) _____ 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
- (88) In FMCG "C" means :
- (a) Capital
 - (b) Cheap
 - (c) Consumer
 - (d) Company
- (89) PESTLE is to describe _____ environment :
- (a) Micro
 - (b) Macro
 - (c) Real
 - (d) Physical
- (90) Which of the following is an impact of Liberalization?
- (a) Divestment
 - (b) Foreign Direct Investment
 - (c) Rapid restructuring and reforming of the PSUs
 - (d) All of the above
- (91) The Environment offers :
- (a) Opportunities, incentives and rewards
 - (b) Constraints, threats and restrictions
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
- (92) FDI Limit in Insurance Sector is –
- (a) 39%
 - (b) 49%
 - (c) 29%
 - (d) 59%

- (93) OCBs means:
- (a) Overseas Corporate Bodies
 - (b) Ordnance Commission Bilateral secretariat
 - (c) Oversees Civic Boards
 - (d) Oversees Commercial Bilateral Treaties
- (94) FEMA replaced FERA as legislation in :
- (a) 1991
 - (b) 1992
 - (c) 1999
 - (d) 2006
- (95) When was SEBI established?
- (a) 1988
 - (b) 1990
 - (c) 1986
 - (d) 1989
- (96) Law making body at the Central Level in India:
- (a) Vidhan Sabha
 - (b) Lok Sabha
 - (c) Vidhan Parishad
 - (d) All the above
- (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) Bear is a situation in which _____
- (a) stock-market players are pessimists
 - (b) they expects share prices or any other type of investment to fall
 - (c) prices are going to go lower and majority of dealers will sell as quickly as possible for fear of holding shares which diminish in value
 - (d) All the Above