

ECONOMICS AND COMMERCIAL KNOWLEDGE

All Questions is compulsory.

1. Ans. c
 Explanation:
 Creation of utility is production in economics.
2. Ans. b
 Explanation:
 The cobweb theory propounded by Nicholas Kaldor.
3. Ans. d
 Explanation:
 According to Hawtrey trade cycle is a purely monetary phenomenon.
4. Ans. c
 Explanation:
 Advertisement cost, Offer discount to customers and Incentive to dealers are selling expenses.
5. Ans. b
 Explanation:
 Adam Smith is the Father of Economics.
6. Ans. a
 Explanation:
 Human's wants are Unlimited.
7. Ans. a
 Explanation:
 In short run entry and exit of new firm is not possible.
8. Ans. b
 Explanation:
 Positive economics is related to fact and normative economics is related to value judgment.
9. Ans. d
 Explanation:
 Accounting standard is not within the scope of business economics.
10. Ans. b
 Explanation:
 Since there is direct relationship between income and demand
11. Ans. c
 Explanation:
 Economic profit = Total Revenue – Economic Cost or Total Revenue > Economic Cost

12. Ans. b
 Explanation:
 Since Elasticity between any two given points of a demand curve is called ARC Elasticity.
13. Ans. c
 Explanation:
 Demand arises in respect of both goods harmful and socially desirable goods.
14. Ans. d
 Explanation:
 Because average of total production can never be zero or negative.
15. Ans. c
 Explanation:
 In case of elastic demand when price increases then total expenditure decreases.
16. Ans. c
 Explanation:
 In short run atleast one factor is variable and atleast one factor is fixed.
17. Ans. d
 Explanation:
 Competitive firm never seeks to discriminate prices.
18. Ans. d
 Explanation:
 Absence of transport cost is not an essential condition of pure competition.
19. Ans. a
 Explanation:
 Monopolistic competition differs from perfect competition primarily because in monopolistic competition, firms can differentiate their products.
20. Ans. c
 Explanation:
 Price discrimination is feature of monopoly.
21. Ans. b
 Explanation:
 If the consumer is on the budget line then he is spending all of his income.
22. Ans. c
 Explanation:
 Since in longer time $E_s > 1$.
23. Ans. b
 Explanation:
 Since when AP is falling ($AP > MP$).
24. Ans. c
 Explanation:
 Since its MP sequence is 4, 3, 2.

25. Ans. c
Explanation:
Since $TR \downarrow$ an MR is negative.
26. Ans. d
Explanation:
Since all are known as microeconomics.
27. Ans. c
Explanation:
The Delphi Technique is developed by Alaf Helmer.
28. Ans. b
Explanation:
Since trend projection is classical method.
29. Ans. c
Explanation:

$$E_s = \frac{dq}{dp} \times \frac{p}{q}$$
 Since $\frac{dq}{dp} = 20$ $P = 20$ Rs .
 $q = -100 + 20 (20)$
 $q = 300$
 $E_s = 20 \times \frac{20}{300}$
 $E_s = 1.33$
30. Ans. b
Explanation:
 Since $\frac{\% \text{ change in Qd}}{\% \text{ change in Price}} = \frac{50\%}{50\%} = 1$
 and they are opposite in direction hence -1.
31. Ans. b
Explanation:
IC is always convex never concave.
32. Ans. b
Explanation:
Increasing returns means decreasing marginal cost.
33. Ans. a
Explanation:
Relation between two variable is function.
34. Ans. a
Explanation:

MC curve cuts AC and AVC at their minimum point.

35. Ans. d
 Explanation:
 When AC is minimum, then MC is equal to AC, which is known as "Optimum point of production".
36. Ans. c
 Explanation:
 Decreasing marginal return means increasing marginal cost.
37. Ans. c
 Explanation:
 Interest on self-owned money is implicit cost.
38. Ans. b
 Explanation:
 Since, in perfectly inelastic demand, there is no change in quantity demanded ($e=0$). Hence availability of substitutes does not affect the quantity demanded because with any change in price, quantity demanded does not change.
39. Ans. d
 Explanation:
 Since the economist who gave Cobb - Douglas production function was an American.
40. Ans. a
 Explanation:
 Since the shape of TFC is horizontal.
41. Ans. d
 Explanation:
 Under Monopolistic Competition Market, there are so many varieties of product available for the consumer, because there is existence of product differentiation.
42. Ans. b
 Explanation:
 Under Partial Oligopoly, the industry is dominated by one large firm, which is considered or looked upon as a leader of the group. The dominating firm will be the price leader.
43. Ans. c
 Explanation:
 Rising portion of Marginal Cost curve is known as supply curve because marginal cost increases with the increment in level of output.
44. Ans. b
 Explanation:
 LAC curve is planning curve.
45. Ans. d
 Explanation:

- As per law of DMU, MU diminishes with increased consumption and gradually can become zero and negative
46. Ans. a
Explanation:
Change in same proportion so no change in price.
47. Ans. a
Explanation:
In perfect competition always $MR=AR$.
48. Ans. d
Explanation:
 $MR=AR$ is a straight line.
49. Ans. c
Explanation:
Only one buyer is not related to oligopoly.
50. Ans. a
Explanation:
Under P.C. in long run a firm earns normal profit.
51. Ans. c
Explanation:
Because of lesser/no substitutes.
52. Ans. a
Explanation:
Region above prevailing price has $E>I$
Region below prevailing price has $E<I$
Which creates a kink at prevailing price.
53. Ans. b
Explanation:
The fluctuating levels of economic activity over a period of time is called business cycle.
54. Ans. d
Explanation:
The lowest point in the business cycle is referred to as the trough.
55. Ans. a
Explanation:
During recession, the unemployment rate rises and output falls.
56. Ans. a
Explanation:
The different phases of a business cycle do not have the same length and severity.
57. Ans. c
Explanation:
These two commodities were termed as Giffen goods by Sir Robert Giffen. This is an

exception of law of demand

58. Ans. b
Explanation:
Utility hypothesis forms the basis for the theory of consumer's behaviour, because utility of good determines that a consumer will purchase the good or not.
59. Ans. a
Explanation:
Marginal Utility of a commodity depends on its quantity and is inversely proportional to its quantity.
60. Ans. a
Explanation:
Market period means very short run market.
61. Ans. b
Explanation:
MNC's have to align their operations according to the public policy of those nations where from they operate.
62. Ans. a
Explanation:
Bid is the opposite of Ask/offer.
63. Ans. d
Explanation:
Education and stationery products by ITC in India is known as classmate.
64. Ans. a
Explanation:
Simplification of trade restrictions related to import is an example of globalization.
65. Ans. b
Explanation:
FPI not create output and employment because FPI is investment in share market.
66. Ans. c
Explanation:
Umang Vohra is the CEO of Cipla.
67. Ans. c
Explanation:
RBI does not protect the interest of the policy holders.
68. Ans. a
Explanation:
SHGs programme is related to ABARD
69. Ans. d
Explanation:
The SEBI members consist of five other members out of which atleast 3 members shall be whole time member.

70. Ans. a
Explanation:
To promote practices having adverse effect on competition is not the role of CCI.
71. Ans. c
Explanation:
The collection of business and products that makeup the business is called business portfolio.
72. Ans. c
Explanation:
The term ownership refers to the right of an individual or a group of individual to acquire legal title to assets for the purpose of running the business.
73. Ans. b
Explanation:
Rates of interest which can be changed contractually by lender is called administered rates.
74. Ans. c
Explanation:
Measure of change in financial parameters is called basis point.
75. Ans. a
Explanation:
Secondary protection sometimes required by a bank is called collateral security.
76. Ans. b
Explanation:
A document issued by a bank stating its commitment to pay a third party is letter of credit.
77. Ans. a
Explanation:
LLP act 2008 came into effect on 31st March 2009.
78. Ans. d
Explanation:
100 basis points = 1% rate of interest.
79. Ans. c
Explanation:
Repo rate is rate at which bank borrow money from RBI.
80. Ans. b
Explanation:
FDI limit in insurance sector is 49%.
81. Ans. d
Explanation:
In HUF businesses, there is a family involvement in business and recognized as such in India.

82. Ans. d
 Explanation:
 The underlying purpose of these activities is not earning of a livelihood but social, psychological or spiritual satisfaction.
83. Ans. b
 Explanation:
 Grouping of similar or related events is relate to trends.
84. Ans. c
 Explanation:
 The Micro environment refers to the nature and direction of the economy in which a company competes or may compete
85. Ans. c
 Explanation:
 Provision of Aadhar Card is a public policy.
86. Ans. c
 Explanation:
 Delegation is the form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly.
87. Ans. c
 Explanation:
 1 member of SEBI should be from RBI.
88. Ans. d
 Explanation:
 External Affairs is not related to SIDBI.
89. Ans. a
 Explanation:
 the effect a change in price will have on customers is price sensitivity.
90. Ans. a
 Explanation:
 According to Peter Drucker aim of the business is to create and retain customer.
91. Ans. b
 Explanation:
 SWOT refers to Strength, Weakness, Opportunity, Threat.
92. Ans. d
 Explanation:
 All statement is related to PESTLE.
93. Ans. a
 Explanation:
 Change of customer's liking from only foods to healthy packaged foods can be classified as Trend.

94. Ans. d
 Explanation:
 CRR and SLR is not related to funds transfer in banks.
95. Ans. d
 Explanation:
 A very large loan extended by a group of small banks to a single corporate borrower is called as Syndicated Loan.
96. Ans. c
 Explanation:
 Vision is a road map of company's future.
97. Ans. b
 Explanation:
 Risk is a probable chance that investments' actual returns will be reduced than as calculated.
98. Ans. b
 Explanation:
 To become Amazon of India is Vision of flipkart.
99. Ans. c
 Explanation:
 Headquarters of ONGC is at Uttarakhand.
100. Ans. d
 Explanation:
 In 1937 Central Office of RBI is moved to Mumbai.

__ ** __