

ECONOMICS AND COMMERCIAL KNOWLEDGE

All Questions is compulsory.

- (1) Ans. C
Explanation:
Economic profit will always less than accounting profit.
- (2) Ans. D
Explanation:
Condition for profit maximization is $MR = MC$.
- (3) Ans. A
Explanation:
Perfect competition is always price taker not price maker.
- (4) Ans. D
Explanation:
In perfect competition demand curve is always perfectly elastic not only elastic.
- (5) Ans. D
Explanation:
Perfect competition product are homogenous and in monopolistic competition firm have selling cost.
- (6) Ans. D
Explanation:
Kinked demand curve is related to oligopoly market.
- (7) Ans. D
- (8) Ans. C
- (9) Ans. A
- (10) Ans. D
Explanation:

Answer the following Questions 7 to 10 from this table

Quantity	AVC	TVC	TC	MC	AFC	TFC
1	20	20	60	--	40	40
2	18	36	74	16	20	40
3	18	54	94	18	13.33	40
4	20	80	120	26	10	40
5	22	110	150	30	8	40

- (11) Ans. D
Explanation:
If the average cost is falling, then it is impossible to tell if marginal cost is rising or falling.
- (12) ANS. D
Explanation:
Variable cost increases continuously with the increase in production.

- (13) Ans. D
Explanation:
Because demand is perfectly elastic.
- (14) Ans. B
Explanation:
Because in ordinal approach a consumer never measure total utility.
- (15) Ans. D
Explanation:
Because internal and external economies and diseconomies help us to understand returns to scale.
- (16) Ans. A
Explanation:
Under Monopoly, price discrimination depends upon Elasticity of demand for commodity.
- (17) Ans. B
Explanation:
The profit maximizing condition for monopolist in two market, A and B is $MC = MR_a = MR_b$.
- (18) Ans. D
Explanation:
The monopolist can fix any price for his product, but cannot determine Demand of his product.
- (19) Ans. D
Explanation:
When price for a firm is less than average total cost but greater than average variable cost then Continue in short run to reduce losses.
- (20) Ans. C
Explanation:
Dumping is related to which market monopoly.
- (21) Ans. B
Explanation:
Exploitation and inequality are maximum under Capitalism.
- (22) Ans. B
Explanation:
Economic indicators in demand forecasting is called Barometric method.
- (23) Ans. C
Explanation:
The price line or budget line of a consumer is Straight line joining the two axis.
- (24) Ans. C
Explanation:
Indifference map depicts complete picture of consumer's tastes and preferences.

- (25) Ans. A
Explanation:
Because marginal cost is increasing so there is decreasing returns to scale.
- (26) Ans. B
Explanation:
Because marginal production is decreasing.
- (27) Ans. B
Explanation:
Input increases 100% and output increases 80%, so there is decreasing returns to scale.
- (28) Ans. C
Explanation:
Linear Homogeneous Production function is based on Constant Returns to Scale.
- (29) Ans. A
Explanation:
Cost in terms of pain, discomforts, disabilities involved in supply of factors of production by their owner are termed as Real cost.
- (30) Ans. A
Explanation:
If the firm is covering its variable cost then firm should continue production.
- (31) Ans. B
Explanation:
Accounting cost will be less than economic cost. Because in economic cost, implicit cost and O.C. cost are also included.
- (32) Ans. B
Explanation:
If Average cost of a firm is minimum, then Marginal cost will be Equal to average cost.
- (33) Ans. D
Explanation:
In the first stage of law of variable proportions, total product increases at the Decreasing rate Increasing rate.
- (34) Ans. A
Explanation:
In the long run any firm will eventually leave the industry if Price does not at least cover average total cost.
- (35) Ans. B
Explanation:
If price is forced to stay below equilibrium price then Excess demand exists.
- (36) Ans. B
Explanation:

In perfect competition there are so many buyers and sellers in the market that any individual firm cannot affect the market..

(37) Ans. C

Explanation:

Pure competition have only three features. They are large number of buyer and seller, free entry and exist homogenous product

(38) Ans. D

Explanation:

In syndicated oligopoly the products are sold through a centralized body.

(39) Ans. C

Explanation:

Excess capacity is not found under perfect competition.

(40) Ans. D

Explanation:

All of these statements are correct.

(41) Ans. B

Explanation:

The upper portion of the kinked demand curve is relatively More elastic.

(42) Ans. C

Explanation:

The trough of a business cycle occurs when Aggregate economic activity hits its lowest point.

(43) Ans. B

Explanation:

A leading indicator is a variable that tends to move in advance of aggregate economic activity.

(44) Ans. B

Explanation:

A decrease in government spending would cause the aggregate demand curve to shift to the left.

(45) Ans. B

Explanation:

Peaks and troughs of the business cycle are Turning points.

(46) Ans. C

Explanation:

The most probable outcome of an increase in the money supply is interest rates to fall, investment spending to rise, and aggregate demand to rise.

(47) Ans. C

Explanation:

Business cycles have uniform characteristics and causes is not a characteristic of business cycles.

- (48) Ans. D
Explanation:
Increase in the price of inputs due to increased demand for inputs.
- (49) Ans. A
Explanation:
The different phases of a business cycle do not have the same length and severity.
- (50) 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.
- (51) Ans. D
Explanation:
Since the economist who gave cobb - douglas production function was an American.
- (52) 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.
- (53) Ans. A
Explanation:
When both demand and supply decreases in the same proportion, then equilibrium price will Remain the same.
- (54) Ans. A
Explanation:
Under P.C. in long run a firm earns normal profit.
- (55) Ans. A
Explanation:
Region above prevailing price has $E>I$
Region below prevailing price has $E<I$
Which creates a kink at prevailing price.
- (56) Ans. B
Explanation:
Since TR is maximum at $MR=0$
- (57) Ans. A
Explanation:
Since excess supply reduces equilibrium price.
- (58) Ans. D
Explanation:
Till 19th century, economics was known as Political Economy.

- (59) Ans. A
Explanation:
Since Sir Robert Giffen was Scottish.
- (60) Ans. B
Explanation:
Increasing returns imply Diminishing cost per unit of output.
- (61) Ans. A
Explanation:
Transfer of Interest exists in Business.
- (62) Ans. B
Explanation:
Earning livelihood is the psychological motive of employment.
- (63) Ans. C
Explanation:
External factors in a Business Environment, include Opportunities & Threats.
- (64) Ans. C
Explanation:
Personal interest in business is more in Sole Proprietorship.
- (65) Ans. A
Explanation:
Non-corporate Entity includes Sole Proprietorship, HUF and Partnership
- (66) Ans. B
Explanation:
Three successive generations of an Undivided Family are known as HUF.
- (67) Ans. C
Explanation:
Carrying forward of transaction from one settlement period to the next without effecting delivery or payment is called Badla.
- (68) Ans. B
Explanation:
External Environment is beyond the control of the business.
- (69) Ans. B
Explanation:
A free allotment of shares made in proportion to existing shares out of accumulated reserves is called Bonus.
- (70) Ans. C
Explanation:
Supplier Environment does not have an impact on Changes in consumer tastes, preference and expectations.

- (71) Ans. A
Explanation:
A financial expression of the value of that product is called Price.
- (72) Ans. A
Explanation:
A signed instrument of acknowledgment that indicates the approval is called Acceptance.
- (73) Ans. B
Explanation:
The price sensitivity of the market is an important factor of market.
- (74) Ans. C
Explanation:
Business and technology are interrelated and Interdependent.
- (75) Ans. D
Explanation:
Wipro Ltd. come under IT-Software.
- (76) Ans. A
Explanation:
My customer First is the vision of SBI.
- (77) Ans. C
Explanation:
Biometric Aadhar card is considered as a public policy.
- (78) Ans. B
Explanation:
Decisions on annual financial spending, Taxes and Duties and Military spending are considered in Budget.
- (79) Ans. C
Explanation:
In Securities Appellate Tribunal first appeal against SEBI be made.
- (80) Ans. A
Explanation:
Bid is the opposite of Ask/offer.
- (81) Ans. A
Explanation:
A stock that provides a constant dividends and stable earnings even in the periods of economic downturn is called defensive stock.
- (82) Ans. C
Explanation:
Measure of change in financial parameters such as interest, stock indices and market rates is called Basis point.

- (83) Ans. C
Explanation:
Since FMCG means "Fast moving consumer goods".
- (84) Ans. D
Explanation:
None of the above is a Foreign Direct Investor.
- (85) Ans. B
Explanation:
Increase in Output, Employment, Wage Levels, etc. of the Country in which Investment takes place is related to FDI not FPI.
- (86) Ans. C
Explanation:
Foreign Investment policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development, and related objectives.
- (87) Ans. C
Explanation:
To protect the interest of policyholders is related to IRDAI.
- (88) Ans. A
Explanation:
Large number of SHGs have been linked to credit, resulting in an important Indian tool for micro nance, by the endeavour of NABARD.
- (89) Ans. D
Explanation:
Only three members are whole-time members.
- (90) Ans. A
Explanation:
To promote practices having adverse effect on competition is not the role of the Competition Commission of India.
- (91) Ans. D
Explanation:
The Industrial Finance Corporation of India (IFCI) was established in 1948.
- (92) Ans. C
Explanation:
Marketing activity directed from one business to another is B2B.
- (93) Ans. D
Explanation:
Classmate is Education and Stationary products by ITC known in India.
- (94) Ans. A
Explanation:
Simplification of trade restrictions related to import is an example of Globalization.

- (95) Ans. D
Explanation:
100 basis points = 1% rate of interest.
- (96) Ans. B
Explanation:
Power System Operation Corporation Limited is subsidiary of Power Grid company.
- (97) Ans. C
Explanation:
A change in the Environment May be an opportunity to some and threat to some other Firms.
- (98) Ans. A
Explanation:
This statement relates to proceed with caution.
- (99) Ans. B
Explanation:
PESTLE is to describe Macro environment.
- (100) Ans. D
Explanation:
Waiving of farm loans is an example of Distributive Policy

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