

(GCF-2, GCF-3, GCF-3A, GCF-5, GCF-6, GCF-7, GCF-8, GCF-9, GCF-10, GCF-11, GCF-12, GCF-13, VCF-VDCF-1, VCF-VDCF-2)
DATE: 18.11.2022 **MAXIMUM MARKS: 100** **TIMING: 2 Hours**

ECONOMICS AND COMMERCIAL KNOWLEDGE

All Questions are compulsory.

1. 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
2. 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
3. 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
4. If demand is _____ then price cuts will _____ spending.
 - (a) Perfectly inelastic, increase
 - (b) Elastic, increase
 - (c) Elastic, decrease
 - (d) None of the above
5. Utility is not measured by:
 - (a) Wealth
 - (b) Price
 - (c) Satisfaction
 - (d) Both (a) and (b)
6. 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
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. 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.
9. 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.
10. 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.
11. Economics is -
- (a) a perfect science
 - (b) not a perfect science
 - (c) not a science at all
 - (d) none of the above
12. Economic laws are-
- (a) Rigid and absolute
 - (b) Subject to specified assumptions
 - (c) Mandatory
 - (d) Strictly enforced by Government
13. 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
14. Period in which supply cannot be increased is called
- (a) Market Period
 - (b) Short Run
 - (c) Long Run
 - (d) None of these
15. Which of the following statements is incorrect?
- (a) Both AP and MP can be calculated from T.P.
 - (b) When AP rises then $MP > AP$
 - (c) When AP is maximum then $MP = AP$
 - (d) When AP falls, MP also falls but $MP > AP$

16. 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
17. The difference between positive and normative Economics is:
- (a) Positive Economics explains the performance of the economy while normative Economics ends 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.
18. Which of the following is not within the scope of Business Economics?
- (a) Capital Budgeting
 - (b) Risk Analysis
 - (c) Business Cycles
 - (d) Accounting Standards
19. 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
20. If Cross Elasticity of Demand = Infinity, it means that the goods are :
- (a) Perfect Complementary Goods
 - (b) Perfect Substitute Goods
 - (c) Unrelated Goods
 - (d) Nothing can be said

Read the following paragraph and answer questions 21-22.

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.

21. The accounting profit at Radhika's pen factory is:
- (a) Rs. 3,00,000
 - (b) Rs. 4,60,000
 - (c) Rs. 3,60,000
 - (d) Rs. 3,75,000
22. 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

23. 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
24. 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
25. 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
26. 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
27. 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) $MR = AR \times [e/e - 1]$
28. 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
29. 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

30. 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)
- (a) Decrease in supply
 - (b) Increase in supply
 - (c) Increase in the quantity supplied
 - (d) Decrease in the quantity supplied
31. Which is not the property of Indifference curve analysis?
- (a) Indifference curves slope downward to the right
 - (b) Indifference curves are always concave to the origin
 - (c) Indifference curves can never intersect each other
 - (d) A higher indifference curve represents a higher level satisfaction than the lower indifference curve
32. Increasing returns shows?
- (a) Fixed Average Cost
 - (b) Decreasing Marginal Cost
 - (c) Increasing Marginal Cost
 - (d) Increasing Average Cost
33. Function refers to a
- (a) relationship between two variable
 - (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
34. Which curve does intersect AC and AVC curve at its minimum point-
- (a) MC Curve
 - (b) AFC Curve
 - (c) AVC Curve
 - (d) None of above
35. The optimum level of production for a firm is, where –
- (a) MC is minimum
 - (b) AVC is minimum
 - (c) AFC is minimum
 - (d) AC is minimum
36. Diminishing marginal return imply:
- (a) decreasing average variable costs
 - (b) decreasing marginal costs
 - (c) increasing marginal costs
 - (d) decreasing average fixed costs
37. _____ is an implicit cost of production.
- (a) Wages of the labour
 - (b) Charges for electricity
 - (c) Interest on self owned money capital
 - (d) Payment for raw material

38. If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect?
- (a) The commodity must be essential to those who purchase it.
 - (b) The commodity must have many substitutes.
 - (c) The commodity will be purchased regardless of increase in its price.
 - (d) The elasticity of demand for this commodity must equal zero.
39. The economist who gave cobb - douglas production function was an _____ :
- (a) Japanese
 - (b) German
 - (c) British
 - (d) American
40. Which curve is never U-shaped?
- (a) TFC curve
 - (b) AVC curve
 - (c) AC curve
 - (d) MC curve
41. Under which market, there are many varieties of product for the consumers –
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Duopoly
 - (d) Monopolistic Competition
42. In which type of Oligopoly, the price leadership exists –
- (a) Full Oligopoly
 - (b) Partial Oligopoly
 - (c) Syndicated Oligopoly
 - (d) Organised Oligopoly
43. Under Perfect Competition Market, the supply curve is –
- (a) Average cost curve
 - (b) Average Variable Cost curve
 - (c) Marginal Cost curve
 - (d) Average Revenue curve
44. Other Name of LAC curve is :
- (a) Profit Curve
 - (b) Planning Curve
 - (c) Demand Curve
 - (d) Indifference Curve
45. Marginal Utility –
- (a) Will always be positive
 - (b) Will always be negative
 - (c) Can be positive or negative but not zero
 - (d) Can be positive or negative or zero

46. When both demand and supply decreases in the same proportion, then equilibrium price will _____.
(a) Remain the same
(b) Rise
(c) Fall
(d) None of the above
47. Under Perfect Competition, the Firms Demand Curve is-
(a) Horizontal Line, parallel to X Axis
(b) Vertical Line, parallel to Y Axis
(c) Negatively Sloped
(d) Kinked
48. 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
49. Which of these does not apply to Oligopoly?
(a) A Few Sellers
(b) Inter-Dependence between Sellers
(c) Only one Buyer
(d) Group Behaviour between Sellers
50. Under Perfect Competition, in the long-run, a Firm
(a) Earns normal profit
(b) Earns abnormal profit
(c) Have losses
(d) None of the above
51. Price Elasticity of Demand for Monopolist's Product is
(a) Infinity
(b) More than one
(c) Less than one
(d) Zero
52. As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at –
(a) Prevailing Price
(b) Higher than Prevailing Price
(c) Lower than Prevailing Price
(d) Origin
53. The term business cycle refers to
(a) the ups and downs in production of commodities
(b) the fluctuating levels of economic activity over a period of time
(c) decline in economic activities over prolonged period of time
(d) increasing unemployment rate and diminishing rate of savings

54. The lowest point in the business cycle is referred to as the
(a) Expansion
(b) Boom
(c) Peak
(d) Trough
55. During recession, the unemployment rate_____and output_____.
(a) Rises; falls
(b) Rises; rises
(c) Falls; rises
(d) Falls; falls
56. The different phases of a business cycle
(a) Do not have the same length and severity
(b) Expansion phase always last more than ten years
(c) Last many years and are difficult to get over in short periods
(d) None of the above
57. Sir Robert Giffen was surprised to find out relationship of price with two other goods, which were:
(a) Bread and Rice
(b) Meat and Rice
(c) Bread and Meat
(d) Cheese and meat
58. Theory of consumer's behaviour is based upon-
(a) Production hypothesis
(b) Utility hypothesis
(c) Cost hypothesis
(d) Both A and C
59. Marginal Utility of a commodity depends on its quantity and is –
(a) Inversely proportional to its quantity
(b) Not proportional to its quantity
(c) Independent of its quantity
(d) None of the above
60. Period in which supply cannot be increased is called
(a) Market Period
(b) Short Run
(c) Long Run
(d) None of these
61. A stock that provides a constant dividends and stable earnings even in the periods of economic downturn is _____.
(a) Defensive Stock
(b) Cash budget
(c) Income stock
(d) Listed stock

62. 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
63. 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
64. What is consolidation?
(a) It is an expense that is supposed to affect the loss in value of a fixed asset.
(b) Combination of two or more entities that occurs when the entities transfer all their net assets to new entity created for that purpose.
(c) Potential liability arising from a past transaction or a subsequent event.
(d) Costs that can be attributed clearly to the activity you are considering.
65. _____ 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
66. 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
67. _____ 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
68. In FMCG "C" means :
(a) Capital
(b) Cheap
(c) Consumer
(d) Company
69. PESTLE is to describe _____ environment :
(a) Micro
(b) Macro
(c) Real
(d) Physical

70. 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
71. The Environment offers :
- (a) Opportunities, incentives and rewards
 - (b) Constraints, threats and restrictions
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
72. FDI Limit in Insurance Sector is –
- (a) 39%
 - (b) 49%
 - (c) 29%
 - (d) 59%
73. OCBs means:
- (a) Overseas Corporate Bodies
 - (b) Ordnance Commission Bilateral secretariat
 - (c) Oversees Civic Boards
 - (d) Oversees Commercial Bilateral Treaties
74. ADR stands for:
- (a) American Deficit Record
 - (b) American Depository Receipt
 - (c) Asset Depreciation Record
 - (d) Asset Depository Receipt
75. When was SEBI established?
- (a) 1988
 - (b) 1990
 - (c) 1986
 - (d) 1989
76. A HUF cannot comprise members of a:
- (a) Hindu & Sikh Family
 - (b) Jain Family
 - (c) Buddhist Family
 - (d) Muslim Family
77. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
78. To charge a regular portion of an expenditure over a fixed period of time.
- (a) Amortize
 - (b) Appreciation
 - (c) Arbitrage
 - (d) Offer

79. The simultaneous purchase and sale of two identical commodities or instruments is called:
- (a) Amortize
 - (b) Appreciation
 - (c) Arbitrage
 - (d) Offer
80. 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
81. Perceiving the needs of the external environment and catering to them, satisfying the expectations and demands of the clientele groups is:
- (a) Reciprocal agreement
 - (b) Interdependent process
 - (c) Management process
 - (d) Interaction process
82. Process of strategy formulation starts with:
- (a) Appraisal of external and internal environment of the of an organization
 - (b) Performance analysis
 - (c) Choice of strategy
 - (d) None of the above
83. Which Section of IRDAI Act, 1999 lays down the duties, powers and functions of IRDAI?
- (a) Section 10
 - (b) Section 12
 - (c) Section 14
 - (d) Section 5
84. A limit that regulates the increase or decrease in the rate of interest and installments of an adjustable rate mortgage is called-
- (a) Gap
 - (b) Cap
 - (c) Basic Point
 - (d) None of the above
85. Economic insolvency, wherein the person's assets are liquidated, to pay of all liabilities is called-
- (a) Acquisition
 - (b) Liability
 - (c) Bankruptcy
 - (d) None of the above
86. A portion of the after tax profits paid out to the owners of a business as a return on their investment is:
- (a) Dividend
 - (b) Expense
 - (c) Expenditure
 - (d) Deferred Income

87. Analysis of Income Distribution of the population comes under-
- (a) Economic Environment
 - (b) Social Environment
 - (c) Legal Environment
 - (d) Demographic Environment
88. NESTLE is a beverage partner with which of the following companies?
- (a) Coca-Cola India
 - (b) Pepsico India Holdings Pvt. Ltd.
 - (c) Red Bull India Pvt. Ltd.
 - (d) Dabur India Ltd.
89. Where are the headquarters of L&T?
- (a) Bengaluru
 - (b) Delhi
 - (c) Mumbai
 - (d) Chennai
90. FDI in sectors /activities which do not require any prior approval either of the Government or the Reserve Bank of India is identified as:
- (a) Green Channel
 - (b) Priority route
 - (c) Non-Commercial Route
 - (d) Automatic Route
91. What is a financial instrument?
- (a) Anything that ranges from cash, deed, negotiable instrument, or for that matter any written and authenticated evidence that shows the existence of a transaction or agreement.
 - (b) Is basically any security that is held with the government and has the highest possible rate of interest.
 - (c) Is a contract where the borrower, who is also the purchaser, pays a series of installments that includes the interest of the principal amount
 - (d) None of the above
92. A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the_____.
- (a) Lock-in period
 - (b) Maturity
 - (c) Holding Period
 - (d) Due date
93. _____represents all external forces, factors of conditions that exert some degree of impact on the business decisions, strategies and actions taken by the Firm.
- (a) Business Location
 - (b) Business Environment
 - (c) Business Threat
 - (d) Business Surrounding

94. Internal factors affecting a business environment is also referred to as_____ factors.
- (a) Controllable
 - (b) Uncontrollable factors
 - (c) Relevant
 - (d) Global
95. External factors affecting a business environment is also referred to as_____ factors.
- (a) Controllable
 - (b) Relevant
 - (c) Global
 - (d) Uncontrollable
96. What are the pre-requisites for a Firm to respond to the External Environment?
- (a) Monitoring the Environment
 - (b) Identifying the factors
 - (c) Capacity to develop effective responses
 - (d) All of the above
97. In external environmental scanning, interest rates, cycle of recessions and inflation are classified as
- (a) Geographic influences
 - (b) Government influences
 - (c) Economic influences
 - (d) Technological advancement
98. While considering factors for Environment Scanning what does "Issues" indicate?
- (a) Specific occurrences taking place in different environmental sectors
 - (b) General tendencies or the courses of action along which events take place
 - (c) Current concerns that arise in response to events and trends and emerging issues
 - (d) Demands made by interested groups in the light of their concern for issues
99. Which of the following statements is true about Competitive Response?
- (a) It seeks to enhance the Entity's performance by establishing a Competitive Advantage over its rivals.
 - (b) It aims at defining the Entity's purpose and key tasks in relationship to particular environments.
 - (c) It helps Entities to manage environmental uncertainty and perform tasks that are too costly and complicated for single Entities to perform.
 - (d) All the above.
100. Which approach has the least resistance in responding responding to the Environment?
- (a) Confident Approach
 - (b) Conservative Approach
 - (c) Cautious Approach
 - (d) Careful Approach