
**ICAI CA Foundation Business Economics and
Business and Commercial Knowledge Exam Paper June 2022**

ECO

1. The demand for a firm's product when expressed as a percentage of industry demand it signifies the_____of the firm
 - (a) Product share
 - (b) Market share
 - (c) Demand
 - (d) Supply
2. The substitution effect will be what when the price of the product falls/
 - (a) Zero
 - (b) Negative
 - (c) Positive
 - (d) Lower cost
3. In case of Veblen goods, the demand curve is
 - (a) Horizontal
 - (b) Vertical
 - (c) Upward sloping to the right
 - (d) Downward sloping to the right
4. Which of the following statements is not correct?
 - (a) Giffen goods exhibit negative relationship between price and demand
 - (b) Conspicuous goods exhibit positive relationship between price and demand
 - (c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand
 - (d) Law of demand states inverse relationship between price of a commodity and its quantity demanded
5. Due to increase in price of coffee, the demand for tea increases. The two commodities under consideration are
 - (a) Substitute goods
 - (b) Complementary goods
 - (c) Unrelated goods
 - (d) Producers goods
6. Which of the following is not an exception to the law of demand?
 - (a) Giffen goods
 - (b) Speculative goods
 - (c) Conspicuous goods
 - (d) White goods
7. The demand for petrol decreases due to increase in its price, it is termed as
 - (a) A decrease in demand
 - (b) A change in demand
 - (c) A contraction in demand
 - (d) An increase in demand
8. Advertising elasticity of demand is typically_____
 - (a) Negative
 - (b) Zero
 - (c) Infinity

- (d) Positive
9. The demand for the commodity is _____ when a consumer is a habitual consumer.
- Relative elasticity
 - Inelastic
 - Unit elasticity
 - Perfectly elastic
10. If the advertisement expenditure on X commodity increase by 20% and demand for it increases only by 5%. The advertisement elasticity of demand for X commodity is
- 0.25
 - (-) 0.25
 - 4
 - (-) 4
11. If the proportionate change in price is greater than the proportionate change in quantity demanded of a commodity, the price elasticity of demand will be
- Zero
 - Inelastic
 - Elastic
 - Infinite
12. A situation where after a price decrease, more units are sold causing increase in revenue is called as which of the following?
- Price effect
 - Quantity effect
 - Income effect
 - Substitution effect
13. The price of X commodity decreases from 10 to 8, owing to which its demand increases from 100 to 120 units. Calculate the price elasticity of demand
- (-) 1
 - 1
 - 0.8
 - 1.2
14. When elasticity is measured at a given point on the supply curve is called as which of the following?
- Unit elasticity
 - Point elasticity
 - Supply elasticity
 - Limited elasticity
15. If the price of sugar increases from 8,000/- to 10,000/- per tone and due to that quantity supplied of sugar increases from 2000 to 2500 tones. Compute the elasticity of supply
- (-) 1
 - 1
 - (-) 0.4
 - 0.4
16. A vertical supply curve parallel to the Y-axis exhibits that the elasticity of supply is
- Zero
 - Infinite

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- (c) Elastic
 (d) Inelastic
17. Consumer's surplus = what the consumer is ready to pay minus_____?
- (a) What is actual price of the product
 (b) What is income of the consumer
 (c) What he actually pays
 (d) What is actual surplus
18. The indifference curve for two perfect complementary goods is_____
- (a) Slopes downward
 (b) L-shaped
 (c) U-shaped
 (d) Straight line
19. When total utility is diminishing, the marginal utility is
- (a) Diminisher
 (b) Zero
 (c) Negative
 (d) Increases
20. 'Land is heterogeneous' implies which of the following?
- (a) Two lands are alike
 (b) Two lands are not alike
 (c) Two lands are fixed
 (d) Two lands are mobile
21. Profit is income from which of the following?
- (a) Labour
 (b) Business
 (c) Land
 (d) Investment
22. Total economic costs = Explicit costs + Implicit cost +_____
- (a) Super normal profit
 (b) Super normal loss
 (c) Normal profit
 (d) Economic profit
23. Which cost decreases continuously with increase in production?
- (a) Average fixed cost
 (b) Average variable cost
 (c) Marginal cost
 (d) Average total cost
24. Which of the following is an example of a leading indicator?
- (a) Change in stock prices
 (b) Change in unemployment rate
 (c) Change in GDP
 (d) Change in commercial lending activity
25. Which of the following is not correct about the business cycles?
- (a) Business cycles have distinct phase of expansion, peak, contraction and trough
 (b) Business cycles generally originate in capitalist economies
 (c) Business cycles are contagious and are internal in character
 (d) All sectors of the economy are adversely affected in equal proportion
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26. _____ sector cannot be included as 'cyclical' businesses.
- (a) Electric goods
 - (b) House builder
 - (c) Agriculture
 - (d) Restaurants
27. Expansion phase of business cycle depicts characteristics except _____
- (a) Consumer spending on goods and services tend to rise
 - (b) Business confidence tends to rise
 - (c) Interest rates and profits tend to rise
 - (d) Unemployment tends to rise
28. A typical feature of depression is _____ in the interest rate.
- (a) Rise
 - (b) Constant
 - (c) Fall
 - (d) Infinity
29. Coincident economic indicators are also called as which of the following?
- (a) Leading indicators
 - (b) Concurrent indicators
 - (c) Headed indicators
 - (d) Capacity indicators
30. Which of the following statement is correct for a business cycle?
- (a) A Typical feature of depression is the rise in the interest rate
 - (b) A typical feature of depression is the constant interest rate
 - (c) Recession is the severe form of depression
 - (d) Depression is the severe form of recession
31. Which of the following statement is correct?
- (a) No economy follows a perfectly timed cycle
 - (b) Economy follows a perfectly timed cycle
 - (c) Most of the economy follows a perfectly timed cycle
 - (d) Capitalist economy follows a perfectly timed cycle
32. Those variables that change after the real output changes are called as _____
- (a) Lagging indicators
 - (b) Leading indicators
 - (c) Concurrent indicators
 - (d) Coincident indicators
33. Actual demand stagnates in which of the following stage of a business cycle?
- (a) Expansion
 - (b) Peak
 - (c) Contraction
 - (d) Recovery
34. In which stage of the business cycle involuntary unemployment is almost zero?
- (a) Expansion
 - (b) Peak
 - (c) Contraction
 - (d) Recovery
35. A socialist economy is called as which of the following

- (a) Command economy
 - (b) Military economy
 - (c) Behaviouralist economy
 - (d) Applied economy
36. Which of the following economic system is self-regulating and run by in available hands?
- (a) Mixed economic system
 - (b) Socialistic economic system
 - (c) Capitalist economic system
 - (d) Planned economic system
37. Normative science suggests which of the following?
- (a) What should be
 - (b) What to produce
 - (c) How to produce
 - (d) When to produce
38. _____ involves the predominance of bureaucracy and resulting inefficiencies and delays
- (a) Socialistic economy
 - (b) Capitalist economy
 - (c) Mixed economy
 - (d) Free market economy
39. Which of the following statements is not correct?
- (a) Scarcity of resources is the key problem of all economies
 - (b) Economic inequalities lead to wide difference in economic opportunities to people
 - (c) Economic instability is very common under capitalism
 - (d) Freedom of enterprise is one of the main characteristic of command economy
40. Which of the following statement is correct?
- (a) Mixed economy is not always a 'golden path' between capitalistic and socialistic economy
 - (b) Socialistic economy is not always a 'golden path' between mixed economy and capitalism
 - (c) Capitalistic economy is not always a 'golden path' between mixed economy and socialism.
 - (d) Local economy is not always a 'golden path' between internal and international economy
41. Which of the following is the central problem of the economy?
- (a) Unemployment
 - (b) Poverty
 - (c) Scarcity of resources
 - (d) Inflation
42. Business Economic is pragmatic in approach because of which of the following cause?
- (a) Based on assumptions
 - (b) Tackles practical problems
 - (c) Considers profit only
 - (d) Considers internal value
43. In a socialistic economy the allocation of resources is done by

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- (a) Market prices
(b) Consumer preferences
(c) A central planning authority
(d) The level of corporate profits
44. Which of the following is not a subject matter of micro economics?
(a) Behavior of firms
(b) Location of industry
(c) Consumer behavior
(d) Foreign exchange rate
45. Which of the following is not a correct statement?
(a) Business economics is a normative science
(b) Business economics is an art
(c) Business economics is based largely on micro economics
(d) Business economics does not incorporate elements of macro-economic analysis
46. Assume that at price 100/- per unit, the quantity demanded is 900 units. When price falls to 90/- the quantity demanded increases to 100 units. Compute the marginal revenue.
(a) 0
(b) Rs. 10
(c) Rs. 90
(d) Rs. 100
47. When commodities are sold in small quantities are called as which of the following?
(a) Wholesale market
(b) Regulated market
(c) Spot market
(d) Retail market
48. It will be profitable for a firm to expand output till which of the following conditions?
(a) Marginal revenue is greater than Marginal Cost
(b) Marginal revenue is less than Marginal Cost
(c) Marginal Cost is greater than Marginal Revenue
(d) Marginal Revenue is equal to Marginal Cost
49. Very short period market is suitable for which of the following products?
(a) Gold and silver
(b) Vegetable and fruits
(c) Bricks and sand
(d) Supply of capital
50. A market is a network of dealings between which of the following?
(a) Dealers and wholesalers
(b) Buyers and sellers
(c) Owners and channel partners
(d) Sales man and competitors
51. Under monopoly market conditions MR is _____ than the AR
(a) Less
(b) Greater
(c) Equal
(d) Variable
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52. Which of the following statement is not correct?
- (a) Marginal revenue is the revenue of an additional unit sold of a commodity
 - (b) Total revenue is obtained by multiplying the total number of units sold with the price per unit of a commodity
 - (c) Average revenue is the revenue earned per unit of an output
 - (d) Total revenue is the sum total of average revenue
53. Another name of demand curve is
- (a) MR curve
 - (b) AR curve
 - (c) TR curve
 - (d) MC curve
54. Non-price competition are observed in which type of following market?
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Duopoly
 - (d) Oligopoly
55. Price under monopoly is higher than price under _____
- (a) Perfect competition
 - (b) Monopolistic competition
 - (c) Oligopoly
 - (d) Duopoly
56. Product differentiation is the condition of which of the following market?
- (a) Perfect competition
 - (b) Monopoly
 - (c) Monopolistic competition
 - (d) Oligopoly
57. Price rigidity concept is related to _____
- (a) Duopoly
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Monopolistic competition
58. Pure oligopoly occurs when _____
- (a) The product is homogeneous
 - (b) The product is differentiated
 - (c) The industry is dominated by one large firm
 - (d) The absence of price leadership
59. The elasticity of demand on the upper segment of a kinked demand curve will be _____
- (a) Infinite
 - (b) Equal to one
 - (c) Greater than one
 - (d) Less than one
60. Which of the following product market is close to perfect competition?
- (a) Mobile phones
 - (b) Car
 - (c) Utensils
 - (d) Agricultural products

61. Which of the following is a correct statement?
- (a) Firms have to incur a good deal of costs on advertising and other sales promotion measures in oligopoly market.
 - (b) A monopolist always earns supernormal profit
 - (c) Identical products are not found in a competitive market.
 - (d) Close substitute are available under monopoly

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62. Which of the following is a hybrid form of business organization?
- (a) HUF
 - (b) Partnership
 - (c) Limited Liability Partnership (LLP)
 - (d) Public company
63. Find out the incorrect statement
- (a) Economic activities are Income generating activities
 - (b) Economic activities are productive activities
 - (c) Consumption is not an economic activity
 - (d) Non-banking financial companies operations are economic activities
64. Which of the following is not a correct statement?
- (a) Economic activities are guided by self interest
 - (b) Non-economic activities are driven by self interest
 - (c) The work of a judge is called as a profession
 - (d) There are no restriction on transfer of shares of private limited company
65. A company created for a future project and has no significant accounting transaction is called as:
- (a) Shell company
 - (b) Commercial company
 - (c) One person company
 - (d) Dormant company
66. The minimum number of directors in a private limited company is_____
- (a) 2
 - (b) 3
 - (c) 7
 - (d) No limit
67. _____implies contractual co-ownership of a business.
- (a) HUF
 - (b) Sole proprietorship
 - (c) Partnership
 - (d) Private Limited Company
68. Physical resources and technological capabilities are one of the components of_____
- (a) Macro enlightenment
 - (b) Micro environment
 - (c) Internal environment
 - (d) External environment
69. In the PESTLE analysis 'S' Stands for
- (a) Society
 - (b) Social
 - (c) Socio-cultural

- (d) Social responsibility
70. Which of the following is not a correct statement?
- Make in India campaign is an example of political-legal environment
 - Changes in corporate tax is an example of economic environment
 - Increase in intellectual property is an example of economic environment
 - Reliance Jio as a competitor of BSNL is an example of internal environment
71. A strategic response where business are very passive in their behaviour is called as:
- Least resistance
 - Proceed with caution
 - Dynamic response
 - Strategic action
72. The following factors are an outcome of environmental scanning except the
- Expectations
 - Trends
 - Issues
 - Strategic thinking
73. Which of the following response is either proactive or reactive?
- Administrative
 - Competitive
 - Collective
 - Dynamic
74. Environmental analysis helps in except_____
- Anticipate opportunities and to take optimum responses
 - Turning threats to firm's advantages
 - Providing input for strategic decision making
 - Avoiding competition
75. Central Office of Reserve Bank India was initially established in which city?
- Delhi
 - Bangalore
 - Bombay
 - Calcutta
76. _____ is also known for its 'SJG Bank Linkage Programme'?
- NABARD
 - SBI
 - SEBI
 - RBI
77. Who is the regulator of capital markets in India under a resolution of government of India?
- RBI
 - CCI
 - SEBI
 - IDBI
78. The competition commission of India was established on_____
- 14th August, 2003
 - 14th September, 2003
 - 14th October, 2003

- (d) 14th November, 2003
79. Which of the following statement is correct?
 (a) SEBI Act, 1992 was came into force with effect from 30th January, 1992
 (b) SIDBI lends money to big industrial houses
 (c) RBI provides funds for agriculture
 (d) SEBI is a funding institution
80. Which of the following is not a quantitative measure of credit control?
 (a) Bank rate
 (b) Repo rate
 (c) Statutory liquidity ratio
 (d) Moral suasion
81. Which of the following is not a function of RBI?
 (a) Issue of currency
 (b) Refinance to financial institutions
 (c) Banker's bank
 (d) Custodian of foreign exchange reserves
82. The first five year plan was launched in year_____
 (a) 1959
 (b) 1950
 (c) 1951
 (d) 1952
83. Land reforms made by "Akbar the Great" were introduced under the leadership of_____
 (a) Birbal
 (b) Todarmal
 (c) Hizabal
 (d) Jaidev
84. Which of the following policies aim to provide protection to the business to make them self sustain and grow?
 (a) Protection policies
 (b) Reactive policies
 (c) Regulatory policies
 (d) Development policies
85. The formation of National Skills Development Corporation (NSDC) is an example of
 (a) Regulatory policies
 (b) Restrictive policies
 (c) Facilitative policies
 (d) Protective policies
86. After independence the first industrial policy came in year_____
 (a) 1947
 (b) 1948
 (c) 1949
 (d) 1950
87. Which of the following company is having the slogan Save Money. Live better?
 (a) State Bank of India
 (b) Walmart
 (c) Microsoft corporation

- (d) Nestle
88. "To enrich is the lives of customers. The company's obsession is to win customers for life through an exceptional" is the vision of _____
 (a) Bajaj Auto Limited
 (b) Bharti Airtel Limiter
 (c) Bharat Petroleum Corporation Limited
 (d) Flipkart
89. 'Aequa Panna' is a wate brand product of _____
 (a) Cipla
 (b) Nestle
 (c) I.T.C
 (d) Walmart
90. Bharat Petroleum Corporation Ltd., Is havng its headquarter at which of the following place?
 (a) Mumbai
 (b) New Delhi
 (c) Kolkata
 (d) Bengaluru
91. Satya Nadella is the CEO of _____
 (a) Amazon
 (b) Microsoft
 (c) Apple
 (d) Wipro
92. Which of the following bank has mission to be a world class Indian bank?
 (a) ICICI Bank Limited
 (b) HDFC Bank Limited
 (c) Sate Bank of India
 (d) Axis Bank Limited
93. 'Caring for life' is slogan of which of the following company/
 (a) Coal India Limited
 (b) Dr. Reddy's Laboratories
 (c) Flipkart
 (d) Cipla limited
94. The simultaneous purchase and sale of two identical commodities or instruments are called as _____
 (a) Amortize
 (b) Annuity
 (c) Arbitrage
 (d) Asset
95. A strategy which involves setting low prices in order to discourage or deter potential new entrants to the suppliers market is termed as
 (a) Price sensitivity
 (b) Price skimming
 (c) Pre-emptive pricing
 (d) Penetrative pricing
96. Which of the following is not related to 'triple bottom line'?
 (a) People
 (b) Planet

- (c) Projects
(d) Profits
97. Promotional activities designed to promote a business and its product by obtaining media coverage not paid for by the business is called
 (a) Sales promotion
 (b) Publicity
 (c) Advertisement
 (d) Selling technique
98. Which of the following is not a Marketing Mix element?
 (a) Place
 (b) Product
 (c) Promotion
 (d) Population
99. Which of the following is correct?
 (a) The bid is higher than the offer
 (b) The bid is equal to the offer
 (c) The offer is higher than the bid
 (d) Both offer and bid are unrelated
100. 'Limit order' is
 (a) An order to buy or sell a share at a higher price
 (b) An order to buy or sell a share at a lower price
 (c) An order to buy or sell a share at a specified price
 (d) An order to buy or sell a share at prevailing price

ANSWER SHEET

1	2	3	4	5	6	7	8	9	10
B	C	C	A	A	D	C	D	B	A
11	12	13	14	15	16	17	18	19	20
B	B	A	B	B	A	C	B	C	B
21	22	23	24	25	26	27	28	29	30
B	C	A	A	D	C	D	C	B	D
31	32	33	34	35	36	37	38	39	40
A	A	B	A	A	C	A	A	D	A
41	42	43	44	45	46	47	48	49	50
C	B	C	D	D	A	D	D	B	B
51	52	53	54	55	56	57	58	59	60
A	D	B	A	A	C	C	A	C	D
61	62	63	64	65	66	67	68	69	70
A	C	C	D	D	A	C	C	C	D
71	72	73	74	75	76	77	78	79	80
A	D	A	D	D	A	C	C	A	D
81	82	83	84	85	86	87	88	89	90
B	C	B	A	C	B	B	B	B	B
91	92	93	94	95	96	97	98	99	100
B	C	C	C	C	C	B	D	C	C