

(GCF-14, GCF-15, GCF-16, GCF-17 & GCF-17-A, VCF-3, VDCF-3)**DATE: 03.06.2023****MAXIMUM MARKS: 100****TIMING: 2 Hours****ECONOMICS AND COMMERCIAL KNOWLEDGE****All Questions is compulsory.**

1. Ans. b
 Explanation:
 Accounting cost will be less than economic cost. Because in economic cost, implicit cost and O.C. cost are also included.
2. Ans. b
 Explanation:
 If Average cost of a firm is minimum, then Marginal cost will be Equal to average cost.
3. Ans. d
 Explanation:
 In the first stage of law of variable proportions, total product increases at the Decreasing rate Increasing rate.
4. Ans. a
 Explanation:
 In the long run any firm will eventually leave the industry if Price does not at least cover average total cost.
5. Ans. b
 Explanation:
 If price is forced to stay below equilibrium price then Excess demand exists.
6. Ans. b
 Explanation:
 In perfect competition there are so many buyers and sellers in the market that any individual firm cannot affect the market..
7. Ans. c
 Explanation:
 Pure competition have only three features. They are large number of buyer and seller, free entry and exist homogenous product
8. Ans. d
 Explanation:
 In syndicated oligopoly the products are sold through a centralized body.
9. Ans. c
 Explanation:
 Excess capacity is not found under perfect competition.
10. Ans. d
 Explanation:
 All of these statements are correct.
11. Ans. b
 Explanation:
 The upper portion of the kinked demand curve is relatively More elastic.

12. Ans. c
Explanation:
The trough of a business cycle occurs when Aggregate economic activity hits its lowest point.
13. Ans. b
Explanation:
A leading indicator is a variable that tends to move in advance of aggregate economic activity.
14. Ans. b
Explanation:
A decrease in government spending would cause the aggregate demand curve to shift to the left.
15. Ans. b
Explanation:
Peaks and troughs of the business cycle are Turning points.
16. 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.
17. Ans. c
Explanation:
Business cycles have uniform characteristics and causes is not a characteristic of business cycles.
18. Ans. d
Explanation:
Increase in the price of inputs due to increased demand for inputs.
19. Ans. a
Explanation:
The different phases of a business cycle do not have the same length and severity.
20. 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.
21. Ans. d
Explanation:
Since the economist who gave cobb - douglas production function was an American.
22. 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.

23. Ans. a
Explanation:
When both demand and supply decreases in the same proportion, then equilibrium price will Remain the same.
24. Ans. a
Explanation:
Under P.C. in long run a firm earns normal profit.
25. Ans. a
Explanation:
Region above prevailing price has $E > I$
Region below prevailing price has $E < I$
Which creates a kink at prevailing price.
26. Ans. b
Explanation:
Since TR is maximum at $MR = 0$
27. Ans. a
Explanation:
Since excess supply reduces equilibrium price.
28. Ans. d
Explanation:
Till 19th century, economics was known as Political Economy.
29. Ans. a
Explanation:
Since Sir Robert Giffen was Scottish.
30. Ans. b
Explanation:
Increasing returns imply Diminishing cost per unit of output.
31. Ans. b
Explanation:
Scarcity in Economics is an relative concept.
32. Ans. b
Explanation:
Decision making is 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.
33. Ans. c
Explanation:
Business Economics has a Pragmatic Approach which means it is not Abstract.
34. Ans. c
Explanation:
The emphasis of Business Economics is More Normative than Positive theory.

35. Ans. d
 Explanation:
 Micro Economics deals with Consumer Behaviour.
36. Ans. b
 Explanation:
 Continuous Consumption is an assumption of Law of Diminishing Marginal Utility.
37. Ans. d
 Explanation:
 Because producer always produce in stage two because of maximum output.
38. Ans. a
 Explanation:
 Consumer Surplus is the area that Below the Demand curve and above the price.
39. Ans. b
 Explanation:
 A Point below the Price Line represents Under-spending by the Consumer.
40. Ans. d
 Explanation:
 Only one commodity is considered for the purposes of analysis is not an assumption in consumer equilibrium analysis under Indifference Curve Approach
41. Ans. d
 Explanation:
 Accounting profit = Total Revenue – Accounting Cost
42. Ans. b
 Explanation:
 Rs. 100 (because you could have used Rs. 100 to buy other things) plus the value of your time spent at the game.
43. Ans. a
 Explanation:
 First order condition for equilibrium is $MR=MC$ & MC should be increasing.
44. Ans. a
 Explanation:
 Condition for profit is $AR>AC$ but in perfect competition $P=MR=AR$ & $MR=MC$, so ultimately $MC=AR$.
45. Ans. b
 Explanation:
 A rational producer always produce in stage 2 & in this stage $AP>MP$.
46. Ans. d
 Explanation:
 Zero transportation cost is not a feature of pure competition.

47. Ans. d
Explanation:
Supply curve is only found in perfect competition.

48. Ans. a
Solve Q. No. 48 to 51 with help of this table

Quantity	AVC	TVC	TC	MC	AFC	TFC
1	20	20	60	--	40	40
2	18	36	76	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

Explanation:
 $TC - TFC = TVC$
 $150 - 40 = 110$

49. Ans. c
Explanation:
 $MC = \frac{DTC}{DQ} = \frac{30}{1} = 30$

50. Ans. a
Explanation:
 $AVC = \frac{TVC}{Q} = \frac{54}{3} = 18$

51. Ans. b
Explanation:
 $TFC + TVC = TC$
 $40 + 36 = 76$

52. Ans. c
Explanation:
Normative Statement always say about what should be and what should be not.

53. Ans. d
Explanation:
Value judgement always involves what is right and what is wrong.

54. Ans. c
Explanation:
The costs of production and bank opening hours do not directly affect the demand curve.

55. Ans. c
Explanation:
Because in case of two perfect substitutes indifference curve are downwards slopping straight line.

56. Ans. a
Explanation:

- When supply of a commodity increases due to increase in price then called expansion of supply.
57. Ans. b
Explanation:
Because reduction in tax is a economies of scale.
58. Ans. d
Explanation:
All the above statements are false.
59. Ans. b
Explanation:
Opportunity cost is that which we forgo, or give up, when we make a choice or a decision.
60. Ans. c
Explanation:
The opportunity cost of a student is what the student could have earned in the best job available by not studying.
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:
Bank of Madura was acquired by ICICI Bank Ltd.
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:
Perceiving the needs of the external environment and catering to them, satisfying the expectations and demands of the clientele groups is Interaction process.
82. Ans. a
Explanation:
Process of strategy formulation starts with Appraisal of external and internal environment of the of an organization.
83. Ans. c
Explanation:
Section 14 IRDAI Act, 1999 lays down the duties, powers and functions of IRDAI.
84. Ans. b
Explanation:
A limit that regulates the increase or decrease in the rate of interest and installments of an adjustable rate mortgage is called Cap.
85. Ans. c
Explanation:
Economic insolvency, wherein the person's assets are liquidated, to pay of all liabilities is called Bankruptcy.
86. Ans. a
Explanation:
A portion of the after tax profits paid out to the owners of a business as a return on their investment is Dividend.
87. Ans. d
Explanation:
Analysis of Income Distribution of the population comes under Demographic Environment.
88. Ans. a
Explanation:
NESTLE is a beverage partner with Coca-Cola India.
89. Ans. c
Explanation:
Headquarters of L&T at Mumbai.
90. Ans. b
Explanation:
Rising Income is not an example of socio-cultural environment.
91. Ans. a
Explanation:
Financial instrument is 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.

92. Ans. a
Explanation:
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 Lock-in period.
93. Ans. b
Explanation:
Business Environment represents all external forces, factors of conditions that exert some degree of impact on the business decisions, strategies and actions taken by the Firm.
94. Ans. a
Explanation:
Internal factors affecting a business environment is also referred to as Controllable factors.
95. Ans. d
Explanation:
External factors affecting a business environment is also referred to as Uncontrollable factors.
96. Ans. d
Explanation:
Monitoring the Environment, Identifying the factors or Capacity to develop effective responses are the pre-requisites for a Firm to respond to the External Environment.
97. Ans. b
Explanation:
L&T Ltd. is founded by two Danish Engineers taking refuge in India.
98. Ans. c
Explanation:
Current concerns that arise in response to events and trends and emerging issues.
99. Ans. a
Explanation:
It seeks to enhance the Entity's performance by establishing a Competitive Advantage over its rivals.
100. Ans. b
Explanation:
Conservative Approach has the least resistance in responding responding to the Environment.

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