

**BUSINESS ECONOMICS**

All Questions is compulsory.

1.     Ans. d  
      Explanation:  
      Purchase of industrial shares by the government is not related to privatisation.
2.     Ans. d  
      Explanation:  
      Into the calculation of national income we consider only produced final goods in the same year.
3.     Ans. c  
      Explanation:  
      Factor endowments theory of international trade is also known as Hecksher Ohlin Theory.
4.     Ans. a  
      Explanation:  
      Merchandise Exports from India Scheme was replaced by Remission of Duties and Taxes on Export Products (RoDTEP) in 2021.
5.     Ans. d  
      Explanation:  
      If aggregate demand increases, aggregate supply will increase only when there is excess capacity and under utilisation of the existing resources.
6.     Ans. c  
      Explanation:  
      Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of changes in the supply of money and interest rates.
7.     Ans. d  
      Explanation:  
      According to 'New Trade Theory' a firm acquires export competitiveness due to Specialization and economies of scale, Being the first mover in the market and due to Government support.
8.     Ans. a  
      Explanation:  
      Smoking in public is a case of Negative consumption externality.
9.     Ans. a  
      Explanation:  
      In the quantity theory of money, V represents the velocity of a money.
10.    Ans. d  
      Explanation:  
      RBI, Commercial Bank and the Government supplies money in India.

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11. Ans. d  
 Explanation:  
 SLR requires the commercial banks to build their liquid assets by way of reserves of cash, reserves of gold and reserves of securities.
12. Ans. b  
 Explanation:  
 In NITI Aayog, NITI stands for National Institution for Transforming India.
13. Ans. a  
 Explanation:  
 An expansionary fiscal policy, taking everything else constant, would in the short-run have the effect of a relative large increase in GDP and a smaller increase in price.
14. Ans. b  
 Explanation:  
 The Purchasing Power of Money published in 1911.
15. Ans. b  
 Explanation:  
 Under tariff rate quota a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate.
16. Ans. b  
 Explanation:  
 The 'Hindu growth rate' is a term used to refer to the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year.
17. Ans. a  
 Explanation:  
 Gross National Product at market prices  $GNP_{MP}$  is  $GDP_{MP} + \text{Net Factor Income from Abroad}$ .
18. Ans. b  
 Explanation:  
 Increase in the level of employment leads to proportionate increase in output, because technology remains constant.
19. Ans. b  
 Explanation:  
 Dumping refers to Sale of goods abroad at a lower price, below their cost and price in their home market.
20. Ans. b  
 Explanation:  
 Finance commission recommends distribution of taxes between the centre and states.
21. Ans. b  
 Explanation:  
 In Keynesian Theory the market value of bonds and the market rate of interest are Inversely Related.

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22. Ans. c  
Explanation:  
Credit control means extension and contraction of money supply.
23. Ans. c  
Explanation:  
The Industrial Policy Resolution (1948) aimed at an expanded role for the public sector and licensing to the private sector.
24. Ans. c  
Explanation:  
Pigouvian taxes is important for reducing negative externality.
25. Ans. c  
Explanation:  
Minimum reserve system is followed by Reserve Bank of India for issuing currency.
26. Ans. c  
Explanation:  
In December 1993 in the Uruguay Round, 123 countries participated.
27. Ans. b  
Explanation:  
The basis of distinction between market price and factor cost is net indirect taxes (i.e., Indirect taxes - Subsidies).
28. Ans. c  
Explanation:  
Mixed income of the self -employed means combined factor payments which are not distinguishable.
29. Ans. a  
Explanation:  
Agriculture was the major contributor to GDP of the country as well as the biggest employer on the eve of independence.
30. Ans. d  
Explanation:  
Ex-ante saving refers to desired saving during the period of one year or planned saving during the period of one year.
31. Ans. d  
Explanation:  
Afghanistan became the 164th member of World Trade Organization (WTO).
32. Ans. d  
Explanation:  
Industrial sector reforms under the New Economic Policy (NEP) comprised with Abolition of industrial licencing, De-reservation of production areas & Contraction of public sector.
33. Ans. c  
Explanation:

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The impact of an externality is either positive or negative.

34. Ans. a  
Explanation:  
Risk avoiding theory is given by James Tobin.
35. Ans. d  
Explanation:  
All the above statements are right.
36. Ans. a  
Explanation:  
If  $MPC = 0$ , the multiplier will be 1.
37. Ans. b  
Explanation:  
With an increase in margin requirement, availability of credit in the economy decreases.
38. Ans. b  
Explanation:  
Dirty floating is related to flexible system of exchange rate.
39. Ans. d  
Explanation:  
Landholdings at the time of independence were fragmented & small.
40. Ans. d  
Explanation:  
Fiscal Federalism refers to Division of economic functions and resources among different layers of the government.
41. Ans. a  
Explanation:  
Mauritius is the leading country in respect of inflow of FDI to India.
42. Ans. d  
Explanation:  
A Pigouvian subsidy may help production to be socially optimal when positive externalities are present.
43. Ans. a  
Explanation:  
On the eve of independence, India was net exporter of primary products.
44. Ans. c  
Explanation:  
If  $MPC = MPS$ , the value of multiplier will be 2.
45. Ans. d  
Explanation:

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- High powered money is equal to money (notes and coins) held by the people, vault cash of the commercial banks as well as cash reserves of the commercial banks with the RBI.
46. Ans. c  
Explanation:  
I, II, and IV option are rights.
47. Ans. a  
Explanation:  
On the eve of independence, bulk of the population was engaged in agriculture sector.
48. Ans. b  
Explanation:  
Sale proceeds from disinvestment is a capital receipt.
49. Ans. b  
Explanation:  
FIPB stands for Foreign Investment Promotion Board.
50. Ans. d  
Explanation:  
Use of chemical fertilizers has led to fall in fallowing & rise in gross area under cultivation.
51. Ans. c  
Explanation:  
Because inflation is a subject matter of macro economics.
52. Ans. a  
Explanation:  
Since positive economics explains economic phenomena according to their causes and effects.
53. Ans. c  
Explanation:  
Demand has reference to a given price and particular time.
54. Ans. d  
Explanation:  
The law of demand is the one which is of fundamental importance and leads to broad conclusions.
55. Ans. c  
Explanation:  
Factor pricing is the subject matter of micro economics.
56. Ans. b  
Explanation:  
Point Method is used when there are small changes in price.

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57. Ans. a  
 Explanation:  
 Contraction in supply means "Decrease in quantity supplied is due to decrease in price of goods concerned."
58. Ans. c  
 Explanation:  
 Since an economy which is operated by market forces is known as market economy.
59. Ans. d  
 Explanation:  
 Since price theory comes under microeconomics.
60. Ans. b  
 Explanation:  
 Since  $MU_n = TU_n - TU_{n-1}$
61. Ans. c  
 Explanation:  
 Since  $TU \downarrow$  then  $MU$  is negative.
62. Ans. d  
 Explanation:  
 Since  $P \uparrow$   $Q_d \downarrow$ .
63. Ans. b  
 Explanation:  
 Since in perfect competition  $AR=MR$
- The figure is a simple Cartesian coordinate system. The vertical axis is labeled 'y' at the top, and the horizontal axis is labeled 'x' at the right. The origin is marked with 'O'. A horizontal line is drawn parallel to the x-axis, starting from the y-axis and extending to the right. This line is labeled 'AR=MR'.
64. Ans. a  
 Explanation:  
 Since excess supply reduces equilibrium price.
65. Ans. d  
 Explanation:  
 Till 19<sup>th</sup> century, economics was known as Political Economy.
66. Ans. a  
 Explanation:  
 Since factors of production are called input.
67. Ans. d  
 Explanation:  
 Since all are correct about labour.
68. Ans. c  
 Explanation:  
 Since private cost can be both explicit and implicit in nature.

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69. Ans. d  
 Explanation:  
 Since upswing is also called expansion.
70. Ans. b  
 Explanation:  
 Since lagging indicators change after the real output changes.
71. Ans. c  
 Explanation:  
 "Strategic Interdependence" is an important feature of Oligopoly.
72. Ans. b  
 Explanation:  
 Kinked Demand Curve Hypothesis is called Sweezy's model.
73. Ans. b  
 Explanation:  
 Since red tapism is found in socialistic economy.
74. Ans. b  
 Explanation:  
 Since in monopoly elasticity is  $e < 1$ .
75. Ans. a  
 Explanation:  
 Since elasticity of supply of industrial products is highly elastic.
76. Ans. a  
 Explanation:  
 Since cross elasticity of demand in substitute goods is positive.
77. Ans. d  
 Explanation:  
 Since land possess all of the above mentioned features.
78. Ans. b  
 Explanation:  
 Since stage II is considered as best producer stage.
79. Ans. b  
 Explanation:  
 Continuous Consumption is an assumption of Law of Diminishing Marginal Utility.
80. Ans. a  
 Explanation:  
 Consumer is in equilibrium when Marginal Utility = Price.
81. 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

82. Ans. c  
 Explanation:  
 Purchasing Power refers to Ability to buy the product.
83. Ans. b  
 Explanation:  
 When a consumer prefers a commodity due to prestige attached to it, it is known as Demonstration Effect.
84. Ans. a  
 Explanation:  

$$\frac{q_1 - q_2}{q_1 + q_2} \times \frac{p_1 + p_2}{p_1 - p_2}$$

$$\frac{30,000 - 20,000}{30,000 + 20,000} \times \frac{300 + 400}{300 - 400}$$

$$\frac{10,000}{50,000} \times \frac{700}{100} = \frac{7}{5} = 1.4$$
85. Ans. d  
 Explanation:  
 $ATC \times Q = TC$   
 $600 \times 10 = 6000$   
 $640 \times 11 = 7040$   
 $MC = \frac{\Delta TC}{\Delta Q} = \frac{1040}{1} = 1040$
86. Ans. d  
 Explanation:  
 In syndicated oligopoly the products are sold through a centralized body.
87. Ans. c  
 Explanation:  
 Business Economics has a Pragmatic Approach which means it is not Abstract.
88. Ans. c  
 Explanation:  
 The emphasis of Business Economics is More Normative than Positive theory.
89. Ans. b  
 Explanation:  
 Under Total Outlay Method, if as a result of the decrease in price of a product, the total expenditure on the product rises, we say that Price Elasticity of Demand is Greater than unity
90. Ans. c  
 Explanation:  
 Excess capacity is not found under perfect competition.



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91. Ans. c  
Explanation:  
In the long run both demand and supply can change.
92. Ans. d  
Explanation:  
Utility means satisfaction of good.
93. Ans. c  
Explanation:  
Depression is the phase of business cycle in which growth rate becomes negative.
94. Ans. d  
Explanation:  
According to Keynes Trade cycles occur as a result of the mismatch between the aggregate demand function and aggregate supply function.
95. Ans. d  
Explanation:  
In expansion phase unemployment decreases.
96. Ans. d  
Explanation:  
Washing powder is not an example of cyclical business.
97. Ans. d  
Explanation:  
Recent example of the Business cycle is the housing bubble of the US economy bubble got bust in 2007.
98. Ans. c  
Explanation:  
According to Monetarists, business cycles occur due to unplanned changes in the money supply.
99. Ans. c  
Explanation:  
Natural factor is extreme or exogenous following that lead to boom or burst.
100. Ans. d  
Explanation:  
Food Grain processing Industries are less sensitive to business cycle.

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