CA Foundation Course **(Class Test Paper – Block : 2)**
DATE: 20.05.2024 **MAXIMUM MARKS: 50** **TIMING: 1 Hour**

BUSINESS ECONOMICS

All Questions are compulsory

1. Ans. a
Explanation:
MP = $\frac{\Delta TP}{\Delta Q}$ $\frac{4}{1}$ $=$ 4

2. Ans. b
Explanation:
AC = $\frac{TC}{Q}$ $\frac{120}{40}$ $=$ 3

3. Ans. c
Explanation:
AP = $\frac{TP}{Q}$ $\frac{56}{7}$ $=$ 8

4. Ans. d
Explanation:
MC = $\frac{\Delta TC}{\Delta Q}$ $\frac{30}{2}$ $=$ 15

5. Ans. d
Explanation:
Economic, Social and National objective of the objective of entrepreneur

6. Ans. d
Explanation:
Addition or creation of utility is production.

7. Ans. b
Explanation:
An upward shift in marginal cost reduces output and an upward shift in marginal revenue increases output.

8. Ans. c
Explanation:
MP increasing so increasing return to scale.

9. Ans. d
Explanation:
Accounting profit = Total Revenue – Accounting Cost

10. Ans. c
Explanation:
TR - Accounting Cost = Accounting Profit
4,00,000 - 40,000 = 3,60,000

11. Ans. c
    Explanation:
    TR - Economic Cost = Economic Profit
    4,00,000 - 1,65,000 = 2,35,000
12. Ans. b
    Explanation:
    It represents II stage. Because in stage II there is optimum utilisation of fixed factors.

13. Ans. b
    Explanation:
    Iso means equal.

14. Ans. b
    Explanation:
    A Rational Producer always produce in stage II.

15. Ans. b
    Explanation:
    Accounting cost will be less than economic cost. Becuase in economic cost, implicit cost and O.C. cost are also included.

16. Ans. b
    Explanation:
    If Average cost of a firm is minimum, then Marginal cost will be Equal to average cost.

17. Ans. d
    Explanation:
    Because producer always produce in stage two because of maximum output.

18. Ans. a
    Solve Q. No. 18 to 21 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

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

20. Ans. a
    Explanation:

AVC = $\frac{TVC}{Q} = \frac{54}{3} = 18$

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

22. Ans. a
Explanation:
Opportunity cost is concerned with the cost of foregone opportunity.

23. Ans. a
Explanation:
Opportunity Cost of the firm is Rs. 3,00,000.

24. Ans. c
Explanation:
Total Revenue - Accounting Cost = Accounting Profit
Rs. 10,00,000 - Rs. 7,50,000 = Rs. 2,50,000
Total Revenue - Economic Cost = Economic Profit / Loss
Rs. 10,00,000 - Rs. 10,50,000 = Rs. (-) 50,000
So A & B both are right.

25. Ans. b
Explanation:
Total Revenue - Economic Cost = Economic Profit / Loss
Rs. 10,00,000 - Rs. 10,75,000 = Rs. (-) 75,000
Economic Loss is Rs. 75,000.

26. Ans. a
Explanation:
Wages paid to factory labor is a variable cost in the short run.

27. Ans. b
Explanation:
Suppose you find Rs. 100. If you choose to use Rs. 100 to go to a football match, your opportunity cost of going to the game is Rs. 100 (because you could have used Rs. 100 to buy other things) plus the value of your time spent at the game.

28. Ans. d
Explanation:
In the long run no factor of production is fixed.

29. Ans. b
Explanation:
Law of diminishing returns to scale is relevant to Long Period.

30. Ans. d
Explanation:
If all inputs are increased in the same proportion, then it is the case of Long Run Production Function or Law of Returns to Scale.

31. Ans. c
Explanation:
Mercantilism holds that a country can increase its wealth by encouraging exports and discouraging imports.

32. Ans. b
Explanation:
According to the theory of comparative advantage trade is not a zero-sum game so that the net change in wealth or benefits among the participants is positive.

33. Ans. d
Explanation:
In this case all option are right.

34. Ans. a
Explanation:
Economies of scale and network effects resulting in exports of goods is related to New Trade theory.

35. Ans. b
Explanation:
Escalated tariff refers to nominal tariff rates on manufactured products which are greater than tariffs on raw materials.

36. Ans. c
Explanation:
Voluntary export restraints involve an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time.

37. Ans. d
Explanation:
Additional import duties so as to offset the effects of exporting firm's unfair charging of prices in the foreign market which are lower than production costs and additional import duties so as to offset the effects of exporting firm's unfair charging of lower prices in the foreign market.

38. Ans. c
Explanation:
discourage domestic consumers from consuming imported foreign goods and encourage consumption of domestically produced import substitutes is an outcome of tariff.

39. Ans. b
Explanation:
The 'National treatment' principle stands for the principle that imported products are to be treated no worse in the domestic market than the local ones.

40. Ans. c
Explanation:
'Bound tariff' refers to the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO.

41. Ans. d
Explanation:
All statement are the essence of 'MFN principle'.

42. Ans. b
Explanation:
The Agreement on Textiles and Clothing replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974.

43. Ans. c
Explanation:
A direct quote is the number of units of a local currency exchangeable for one unit of a foreign currency is the correct statement.

44. Ans. a
Explanation:
An increase in the supply of foreign exchange shifts the supply curve to the right and as a consequence, the exchange rate declines.

45. Ans. b
Explanation:
Currency devaluation may reduce export prices and increase the international competitiveness of domestic industries.

46. Ans. c
Explanation:
Price of one currency in relation to other currencies in the international exchange market is known as exchange rate.

47. Ans. c
Explanation:
Foreign direct investment (FDI) is not concerned with either manufacture of goods or with provision of services is not a correct statement.

48. Ans. c
Explanation:
Mr. Z a citizen of Country X buys a controlling share in an Italian electronics firm an example of foreign direct investment from Country X.

49. Ans. b
Explanation:
FII is a Short term of investment.

50. Ans. a
Explanation:
When the FDI is allowed without prior approval by Government or Reserve Bank of India, it is known as Automatic Route.

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