

PAPER 4 : BUSINESS ECONOMICS

All Questions is compulsory.

1. In which phase of Business Cycles levels of investment & employment falls?
 - (a) peak
 - (b) recession
 - (c) expansion
 - (d) contraction

2. Which of the following is not an example of lagging indicator?
 - (a) consumer price index
 - (b) labour cost price per unit
 - (c) commercial lending
 - (d) personal income

3. Which of the following is not an internal factor?
 - (a) Fluctuations in effective demand
 - (b) Fluctuations in investment
 - (c) Macro-economic policies
 - (d) Post war reconstruction

4. Those variables that change before the real output changes prior to large economic adjustments are called as_____.
 - (a) Coincident indicator
 - (b) Leading indicator
 - (c) Concurrent indicator
 - (d) Lagging indicator

5. Consumer price index number belongs to which of the following indicator?
 - (a) Leading Indicator
 - (b) Lagging Indicator
 - (c) Coincident Indicator
 - (d) Stock market Indicator

6. In production function, production is a function of:
 - (a) Price
 - (b) Factors of Production
 - (c) Total Expenditure
 - (d) None of these

7. Long-run production function is related to:
 - (a) Law of Demand
 - (b) Law of Increasing Returns
 - (c) Laws of Returns to Scale
 - (d) Elasticity of Demand

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8. Supply curve of labour is_____.
 - (a) upwards sloping
 - (b) downwards sloping
 - (c) backward bending
 - (d) convex

9. Which stage of production is called 'economic absurdity'?
 - (a) Stage 1
 - (b) Stage 2
 - (c) Stage 3
 - (d) Stage 1 & 3

10. Isoquants are also called_____.
 - (a) Equal-product curve
 - (b) Production indifference curve
 - (c) Iso-product curve
 - (d) All of the above

11. Which book is called handbook for King Chandragupta Maurya?
 - (a) Arthashastra
 - (b) Military strategy
 - (c) Diplomacy
 - (d) Economic policy

12. East India company ruled in India from_____.
 - (a) 1757 to 1858
 - (b) 1858 to 1947
 - (c) 1757 to 1947
 - (d) 1757 to 1957

13. Heavy industries such as the iron industry were also established as early as_____ by British Capital.
 - (a) 1930
 - (b) 1914
 - (c) 1814
 - (d) 1885

14. Life expectancy in 1951 in India was_____.
 - (a) 18 years
 - (b) 32 years
 - (c) 35 years
 - (d) 42 years

15. Prime minister Nehru's visualization to build a socialistic society with emphasis on_____.
 - (a) small scale industry
 - (b) heavy industry
 - (c) cottage industry
 - (d) all of the above

16. Presently how many industries are reserved in public sector?
 - (a) two
 - (b) five
 - (c) three
 - (d) eight

17. Which department serve as 'Think Tank' of the government.
 - (a) Planning Commission
 - (b) Competition Commission of India
 - (c) NITI Aayog
 - (d) SEBI

18. Which programme support and promote organic farming?
 - (a) Paramparagat Krishi Vikas Yojana
 - (b) PM Kisan Yojana
 - (c) Pradhan Mantri Fasal Bima Yojana
 - (d) Provision of Soil Health Cards

19. The 'New Industrial Policy' announced by the government on_____.
 - (a) 1st July, 1991
 - (b) 24th July, 1991
 - (c) 21st July, 1985
 - (d) 21st July, 1990

20. The World Investment Report 2022 of UNCTAD places India as the_____ largest recipient of FDI in the top 20 host countries in 2021.
 - (a) fifth
 - (b) sixth
 - (c) seventh
 - (d) eighth

21. Which of the following is the correct definition for the Gross Domestic Product (GDP) of a country?
 - (a) The Gross Domestic Product is the total monetary value of the economic transactions within a country in a given year
 - (b) The Gross Domestic Product is the total value of both monetary and non-monetary goods and services in a country within a given year
 - (c) The Gross Domestic Product is the total value of tradable goods produced in a country within a given year
 - (d) None of the above

22. Which of the following statements accurately describes the consumption function?
 - (a) The consumption function is a relation between income, savings, price and consumption
 - (b) The consumption function is a relation between income and consumption
 - (c) The consumption function is a relation between price, savings and consumption
 - (d) The consumption function is a relation between income, price and savings

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23. Which of the following statements is an accurate description of propensity to consume?
- It is the additional income that gets spent on consumption
 - It denotes the ratio of the consumption to income
 - It defines the tendency of a consumer to consume more than usual
 - It denotes the actual level of income at which is it equal to the consumption expenditure
24. Which of the statements is not true in the case of underemployment equilibrium?
- The aggregate supply is equal to the aggregate demand
 - The resources are fully utilised in an efficient manner
 - The resources are not fully utilised in an efficient manner
 - There is an existence of an excessive production capacity in the economy
25. Which of the following statements is true about excess demand?
- Excess demand can lead to a rise in employment and price levels
 - Excess demand can lead to a fall in employment and price levels
 - Excess demand does not affect the employment and price levels
 - Excess demand does not affect employment but leads to a rise in the price level
26. The following would cause a change in the quantity demanded for a product?
- changing prices of related products
 - changing consumer tastes
 - increasing consumer income
 - decreasing price of product
27. Increase in demand can occur due to:
- Increase in income of the consumer
 - Decrease in price of the complementary good
 - Increase in price of the substitutes
 - All of these
28. There is decrease in price of LED TV after budget announcement from Rs. 60000 to Rs. 50,000. As a result of which demand for it has increases from 1500 units to 2000 units. Elasticity of demand for LED TV will be
- 1.27
 - 1.57
 - 0.63
 - 0.67
29. If the percentage change in demand of good X is -2.5% and the percentage change in income is 5%, then the income elasticity for good X is _____ and the good X will be treated as _____
- 0.5, normal goods
 - 0.5, inferior goods
 - 0.5, normal goods
 - 0.5, inferior goods

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30. Price of 1 can of pepsi is Rs. 25. At this price, 10 cans of pepsi is demanded. If the price of cococola increases from Rs. 20 to Rs. 30 per can, then quantity demanded of pepsi rises from 10 cans to 16 cans. Find the cross-price elasticity of pepsi.
- 1.2
 - 1.25
 - 0
 - 1
31. Which one is not an assumption of Absolute Advantage Theory?
- trade between two countries
 - two countries two commodity
 - costs of commodity is related to amount of labour
 - one country is more efficient in both products
32. Which theory is considered that International trade is only a special case of inter-regional trade.
- theory of comparative costs
 - modern theory
 - absolute advantage theory
 - new trade theory
33. _____ is a combination of an ad valorem and a specific tariff.
- compound duty
 - mixed tariffs
 - variable tariff
 - bound tariff
34. Which tariff is called trigger-price mechanisms?
- tariffs as response to trade distortions
 - anti-dumping duties
 - countervailing duties
 - most-favoured nation tariffs.
35. The WTO's top-level decision-making body is the _____
- Ministerial Conference
 - General Council
 - Goods Council
 - Services Council
36. 1\$ = 85₹ is _____
- a direct quote
 - European currency quotation
 - American currency quotation
 - a and b both
37. In indirect quotation, domestic currency is a _____.
- Counter currency
 - Base currency
 - Both
 - Cross currency

38. Managed Floating System is related to_____.
- (a) Floating exchange rate
 - (b) Free floating exchange rate
 - (c) Fixed exchange rate
 - (d) (a) and (b) both
39. An automobile manufacturing company may acquire an interest in a foreign company that supplies parts or raw materials required for the company is an example of_____.
- (a) horizontal direct investment
 - (b) vertical investment
 - (c) conglomerate investment
 - (d) two-way direct foreign investment
40. Which investment is speculative in nature?
- (a) FDI
 - (b) FPI
 - (c) FII
 - (d) Both (b) and (c)
41. Money not paid out to the owners of the firm for self-owned factors employed in a business and therefore not entered in the books of accounts is considered as_____
- (a) Explicit cost
 - (b) Implicit cost
 - (c) Sunk cost
 - (d) Incremental cost
42. Which one of the following is statement is correct in relation to the profit in accounting and economic sense
- (a) Accounting profit considers explicit and implicit costs.
 - (b) Accounting profit is generally less than the economic profit.
 - (c) Economic profit includes opportunity cost related with self-owned factors.
 - (d) No difference between accounting and economic profit.
43. The fixed cost of a firm is Rs. 300. The average Total cost is Rs. 3 and an average variable cost is Rs. 2.50. the firm's output will be_____
- (a) 850 Units
 - (b) 680 Units
 - (c) 600 Units
 - (d) 150 Units
44. 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
45. Which curve is never U-shaped?
- (a) TFC curve
 - (b) AVC curve
 - (c) AC curve
 - (d) MC curve

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46. When both demand and supply decreases in the same proportion, then equilibrium price will_____.
- Remain the same
 - Rise
 - Fall
 - None of the above
47. Under which market, there are many varieties of product for the consumers?
- Perfect Competition
 - Monopoly
 - Duopoly
 - Monopolistic Competition
48. In which type of Oligopoly, the price leadership exists?
- Full Oligopoly
 - Partial Oligopoly
 - Syndicated Oligopoly
 - Organised Oligopoly
49. Under Perfect Competition, in the long-run, a Firm
- Earns normal profit
 - Earns abnormal profit
 - Have losses
 - None of the above
50. Cross Elasticity of Demand for Monopolist's Product is
- Infinity
 - More than one
 - Less than one
 - Zero
51. According to Keynes, the market value of bonds and the market rate of interest are _____related.
- positive
 - inversely
 - constant
 - (a) and (b) both
52. Risk avoiding theory was given by_____.
- James Tobin
 - Milton Friedman
 - Baumol
 - Keynes
53. In the context of India, measure money supply (M3) as per guidelines published by Reserve Bank of India.

		(In crores of) ₹
(i)	Currency notes and coins with the public	24,637.20
(ii)	Demand deposits of Banks	2,01,589.60
(iii)	Net time deposits with post office saving accounts	28,116.40
(iv)	Other deposits with Reserve Bank	420.10
(v)	Saving deposits with post office saving banks	415.25

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- (a) 2,26,646.9
 (b) 2,54,763.3
 (c) 5,09,941.85
 (d) 2,27,062.15
54. Compute M_2 supply of money from the following RBI data:
- | | |
|---|------------|
| Currency with public | 4,35,656.6 |
| 'Other' deposits with RBI | 1,234.2 |
| Saving deposits with post office saving banks | 647.7 |
| Net time deposits with the banking system | 5,14,834.3 |
| Demand deposits with banks | 2,74,254.9 |
- (a) 4,37,538.5
 (b) 7,11,793.4
 (c) 7,11,145.7
 (d) 7,12,145.8
55. The term 'public' is defined to include_____.
- (a) all economic units (households, firms and institutions)
 (b) producers of money (government and the banking system)
 (c) both (a) and (b)
 (d) only RBI
56. $M_2 = M_1 +$ _____
- (a) time deposit with the banking system
 (b) savings deposit with the post office saving bank
 (c) total deposit with the post office savings organization
 (d) time deposit with post office savings
57. Banks are required to keep aside a set percentage of cash reserves or RBI approved assets are called_____.
- (a) Cash Reserve Ratio
 (b) Statutory Liquidity Ratio
 (c) Reserve Ratio
 (d) Open Market Operations
58. The interest rate at which RBI lends long term funds to banks is referred to as_____.
- (a) Bank rate
 (b) Repo rate
 (c) Reverse Repo rate
 (d) Marginal standing facility
59. The Reserve Bank of India (RBI) Act, 1934 was amended on_____.
- (a) 1st April, 2016
 (b) 1st May, 2016
 (c) 27th June, 2016
 (d) 26th April, 2016
60. Margin requirement is a_____.
- (a) Qualitative tools
 (b) Quantitative tools
 (c) Both (a) and (b)
 (d) None of the above

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61. As per Kinked Demand Curve Theory of Oligopoly, the Kink is formed at –
- Prevailing Price
 - Higher than Prevailing Price
 - Lower than Prevailing Price
 - Origin
62. Monopsony means-
- Where there are large firms
 - There is a single buyer
 - Small number of large buyers
 - Single seller and single buyer
63. Which among the following market situation is known as a 'myth in the market'?
- Duopoly
 - Oligopoly
 - Discriminating
 - Perfect Competition
64. If in a short run perfect competition earn super normal profit then which condition satisfy.
- $ATC > MC$
 - $ATC < MC$
 - $MR < AR$
 - $MR > AR$
65. Extreme Product differentiation is found in which market?
- Perfect Competition
 - Monopoly
 - Monopolistic Competition
 - Oligopoly
66. Monopoly firm faces which demand curve?
- Downward Sloping
 - Horizontal
 - Rising
 - All of these
67. The interaction between long run supply and demand determines_____.
- Long run equilibrium price
 - Normal price
 - Both (a) and (b)
 - Market price
68. Weekly markets (Haat Bazaar) are example of_____.
- Regulated market
 - Unregulated market
 - Wholesale market
 - International market
69. Markets are generally classified into_____.
- Product market and factor market
 - Goods market and service market
 - Both (a) and (b)
 - None of the above

70. Total revenue will be maximum where elasticity is_____.
- (a) Greater than one
 - (b) Less than one
 - (c) Equal to one
 - (d) Zero
71. The competition policies, merger policies etc. affect the structure of industry and commerce are example of_____.
- (a) resource allocation
 - (b) income redistribution
 - (c) macroeconomic stabilization
 - (d) None of the above
72. A firm which offers training to its employees for increasing their skills is an example of_____.
- (a) negative production externality
 - (b) positive production externality
 - (c) positive consumption externality
 - (d) negative consumption externality
73. The act of undisciplined students talking and creating disturbance in a class preventing teachers from making effective instruction is an example of_____.
- (a) negative production externality
 - (b) positive production externality
 - (c) positive consumption externality
 - (d) negative consumption externality
74. An imbalance in information between the buyer and the seller is called_____.
- (a) Incomplete Information
 - (b) Asymmetric Information
 - (c) Moral Hazard
 - (d) negative consumption externality
75. Minimum Support Price is an example of_____.
- (a) Price Floor
 - (b) Price Ceiling
 - (c) Both (a) and (b)
 - (d) None of the above
76. Those receipts which neither create any liability nor cause any reduction in the assets of the government is called_____.
- (a) Capital receipt
 - (b) Revenue receipt
 - (c) Fiscal receipt
 - (d) Capital expenditure
77. The speaker of Lok Sabha puts all the outstanding demands for grants, whether discussed or not, to the vote of the house. This process is popularly known as_____.
- (a) Cut motions
 - (b) Outcome budget
 - (c) Finance bill
 - (d) Guillotine

78. A combination of increase in government spending and decrease in personal income taxes and/or business taxes is called_____.
- (a) Expansionary fiscal policy
 - (b) Contractionary fiscal policy
 - (c) Both (a) and (b)
 - (d) None of the above
79. When the government collects more than what it spends is called_____.
- (a) Balance budget
 - (b) Deficit budget
 - (c) Surplus budget
 - (d) None of the above
80. _____occurs when the outcomes of a policy are not visible for sometime.
- (a) Recognition lag
 - (b) Decision lag
 - (c) Implementation lag
 - (d) Impact lag
81. Calculate the price elasticity of demand if the household increases his demand for commodity x from 80 units to 100 units and price of a product x decreases by 10%.
- (a) 2.5
 - (b) 0.4
 - (c) 10
 - (d) 1.25
82. Utility is generally related to?
- (a) Satisfaction
 - (b) Necessary
 - (c) Useless
 - (d) Useful
83. What does the term 'marginal' in economics mean?
- (a) Additional
 - (b) Unimportant
 - (c) Minimum unit
 - (d) None of the above
84. Why is a consumer's spending restricted?
- (a) Due to the utility maximisation
 - (b) Due to the budget constraint
 - (c) Due to the demand curve
 - (d) Due to the marginal utility
85. A new technique of production reduces the marginal cost of producing paper. How will this affect the supply curve of writing material like notebook, register & notepad etc.?
- (a) Upward movement on same supply curve
 - (b) Downward movement on same supply curve
 - (c) Leftward shift in supply curve
 - (d) Rightward shift in supply curve

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86. Which type of industries not primarily profit oriented but are set by state for the welfare of the community?
 (a) Combined sector
 (b) Private sector
 (c) Independent sector
 (d) Public sector
87. 'The Communist Manifesto' published in 1848 by Karl Max and Fredric Engles propounded the concept of _____
 (a) Capitalist economy
 (b) Socialist economy
 (c) Laissez-faire economy
 (d) Free market economy
88. Resources are _____ in economy
 (a) Scare
 (b) Relatively Scare
 (c) Absolute Scare
 (d) Unlimited
89. _____ wrote "An inquiry into the nature and causes of wealth of nations"
 (a) Pigou
 (b) Marshall
 (c) Adam smith
 (d) Hicks
90. The India's Employment rate has increased in march 2023 as compared to March 2022. The study of this aspect comes under _____.
 (a) Microeconomics
 (b) Macro Economics
 (c) Price theory
 (d) Market Economics
91. $NI + \text{income received but not earned} - \text{income earned but not received} = \text{_____}$.
 (a) Private income
 (b) Personal income
 (c) Personal disposable income
 (d) Private disposable income
92. Calculate sales from the following data:
- | Particulars | Rs. in lakhs |
|--------------------------------|--------------|
| Closing stock | 500 |
| Opening stock | 200 |
| Subsidies | 180 |
| Intermediate consumption | 1,500 |
| Consumption of fixed capital | 350 |
| Net value added at factor cost | 2,000 |
- (a) 3570
 (b) 3470
 (c) 3370
 (d) 3270

93. Following information is related to an economy:

Autonomous consumption	Rs.1,000 crore
Marginal propensity to consume	0.8
Equilibrium level of income	Rs.10,000 crore

You are required to calculate the consumption expenditure of the economy.

- (a) 8,000
(b) 9,000
(c) 10,000
(d) 1,000
94. The equation of 'consumption function' of an economy is as follows:
 $C = \text{Rs.}450 + 0.70y$. You are required to compute the Consumption when disposable income (y) is Rs. 3,500.
(a) 2,700
(b) 2,800
(c) 2,900
(d) 2,950
95. Given the following equations:
 $C = 200 + 0.8Y$
 $I = 1200$
Calculate equilibrium level of National Income.
(a) 5,000
(b) 6,000
(c) 7,000
(d) 8,000
96. Which includes all those income which are difficult to separate?
(a) Compensation of employees
(b) Operating surplus
(c) Mixed income of self-employed
(d) Net factor income from abroad
97. Which of the following is the actual definition of transfer payments?
(a) Transfer payments refer to the payments made as compensation to the employees within an organization
(b) Transfer payments refer to the payments made to workers on transferring from one job to another
(c) Transfer payments refer to the payments made without any exchange of goods and services
(d) None of the above
98. The difference between the National Income and the Net National Product at market price is known as_____.
(a) National debt transfer
(b) Current transfers from the rest of the world
(c) Net indirect taxes
(d) All of the above

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99. Which of the following is not a part of the National Income?
- (a) Undistributed profits
 - (b) Income from government expenditure
 - (c) The interest amount on the unproductive national debt
 - (d) The payments made by a household to a firm for purchasing goods and services
100. What is the consumption of Fixed Capital known as?
- (a) Depreciation
 - (b) Capital Formation
 - (c) Investment
 - (d) All of the above

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