

BUSINESS ECONOMICS**All Questions is compulsory.**

1. In December 1993 in the Uruguay Round, how many countries participated?
 - (a) 151
 - (b) 164
 - (c) 123
 - (d) 139
2. The basis of distinction between market price and factor cost is
 - (a) net factor income from abroad
 - (b) net indirect taxes (i.e., Indirect taxes - Subsidies)
 - (c) net indirect taxes (i.e., Indirect taxes + Subsidies)
 - (d) depreciation (consumption of fixed capital)
3. Mixed income of the self -employed means
 - (a) net profits received by self -employed people
 - (b) outside wages received by self- employed people
 - (c) combined factor payments which are not distinguishable,
 - (d) wages due to non- economic activities
4. Which sector was the major contributor to GDP of the country as well as the biggest employer on the eve of independence?
 - (a) Agriculture
 - (b) Industry
 - (c) Services
 - (d) Manufacturing
5. Ex-ante saving refers to:
 - (a) desired saving during the period of one year
 - (b) planned saving during the period of one year
 - (c) actual saving during the period of one year
 - (d) both (a) and (b)
6. _____ became the 164th member of World Trade Organization (WTO).
 - (a) Kenya
 - (b) Liberia
 - (c) Pakistan
 - (d) Afghanistan
7. Industrial sector reforms under the New Economic Policy (NEP) comprised which of the following?
 - (a) Abolition of industrial licencing
 - (b) De-reservation of production areas
 - (c) Contraction of public sector
 - (d) All of these
8. The impact of an externality is:
 - (a) positive
 - (b) negative

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- (c) either positive or negative
 (d) neither positive nor negative
9. Risk avoiding theory is given by_____
- (a) James Tobin
 (b) Milton Friedman
 (c) Baumol
 (d) Keynes
10. Which of the following statements is true?
- (a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency
 (b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency
 (c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable.
 (d) All the above
11. If $MPC = 0$, the multiplier will be:
- (a) 1
 (b) 0
 (c) 2
 (d) ∞
12. With an increase in margin requirement, availability of credit in the economy:
- (a) increases
 (b) decreases
 (c) unchanged
 (d) none of these
13. Dirty floating is related to:
- (a) fixed system of exchange rate
 (b) flexible system of exchange rate
 (c) both of these
 (d) none of these
14. Landholdings at the time of independence were:
- (a) fragmented
 (b) large
 (c) small
 (d) both (a) and (c)
15. Fiscal Federalism refers to_____.
- (a) Organizing and implementing development plans
 (b) Sharing of political power between centers and states
 (c) The management of fiscal policy by a nation
 (d) Division of economic functions and resources among different layers of the government
16. Which is the leading country in respect of inflow of FDI to India?
- (a) Mauritius
 (b) USA
 (c) Japan
 (d) UK

17. A Pigouvian subsidy
- (a) cannot be present when externalities are present
 - (b) is a good solution for negative externality as prices will increase
 - (c) is not measurable in terms of money and therefore not practical
 - (d) may help production to be socially optimal when positive externalities are present
18. On the eve of independence, India was net exporter of:
- (a) primary products
 - (b) industrial products
 - (c) capital goods
 - (d) all of these
19. If $MPC = MPS$, the value of multiplier will be:
- (a) 0
 - (b) 1
 - (c) 2
 - (d) ∞
20. High powered money is equal to:
- (a) money supplied by the RBI only
 - (b) total supply of money in the economy
 - (c) notes and coins held by the people
 - (d) 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
21. Which statement (s) is (are) correct about crowding out?
- I. A decline in private spending may be partially or completely offset by the expansion of demand resulting from an increase in government expenditure.
 - II. Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector.
 - III. When spending by government in an economy increases government spending would be crowded out.
 - IV. Private investments, especially the ones which are interest –sensitive, will be reduced if interest rates rise due to increased spending by government
- (a) I and III only
 - (b) I, II, and III
 - (c) I, II, and IV
 - (d) III only
22. On the eve of independence, bulk of the population was engaged in
- (a) agriculture sector
 - (b) trade and commerce
 - (c) mining sector
 - (d) industrial sector
23. Which of the following is a capital receipt?
- (a) Licence fee received
 - (b) Sale proceeds from disinvestment
 - (c) Assistance from Japan for covid vaccine
 - (d) Dividend from a public sector enterprise

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24. FIPB stands for _____?
 (a) Foreign Investment Processing Board
 (b) Foreign Investment Promotion Board
 (c) Foreign Institutional Promotion Board
 (d) Foreign Industrial Payment Board
25. Use of chemical fertilizers has led to:
 (a) rise in fallowing
 (b) fall in fallowing
 (c) rise in gross area under cultivation
 (d) both (b) and (c)
26. Which of the following is not a consequence of the policy of privatisation?
 (a) Contraction of public sector
 (b) Disinvestment in public sector enterprises
 (c) Sale of public sector's shares
 (d) Purchase of industrial shares by the government
27. Which of the following does not enter into the calculation of national income?
 (a) Exchange of previously produced goods
 (b) Exchange of second hand goods
 (c) Exchange of stocks and bonds
 (d) All the above
28. Factor endowments theory of international trade is also known as _____
 (a) Theory of absolute advantage
 (b) Theory of comparative advantage
 (c) Hecksher Ohlin Theory
 (d) Theory of mercantilism
29. Merchandise Exports from India Scheme was replaced by -
 (a) Remission of Duties and Taxes on Export Products (RoDTEP) in 2021
 (b) National Logistics Policy (NLP) in 2020
 (c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019
 (d) None of the above
30. If aggregate demand increases, aggregate supply will increase only when there is:
 (a) excess capacity
 (b) under utilisation of the existing resources
 (c) over utilisation of the existing resources
 (d) both (a) and (b)
31. Choose the correct statement
 (a) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of price and profit controls.
 (b) Fiscal policy involves the use of price and profit controls; while monetary policy involves the use of taxation and government spending.
 (c) 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.
 (d) Fiscal policy involves the use of changes in the supply of money and interest rates; while monetary policy involves the use of changes in taxation and government spending.

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32. According to 'New Trade Theory' a firm acquires export competitiveness due to _____.
 - (a) Specialization and economies of scale
 - (b) Being the first mover in the market
 - (c) Government support
 - (d) All of the above
33. Smoking in public is a case of
 - (a) Negative consumption externality
 - (b) Negative production externality
 - (c) Internalising externality
 - (d) None of the above
34. In the quantity theory of money, V represents:
 - (a) The velocity of a money
 - (b) The value of a dollar
 - (c) The velocity of production
 - (d) The value of a good
35. Who supplies money in India?
 - (a) The RBI
 - (b) The commercial banks
 - (c) The government
 - (d) All of these
36. SLR requires the commercial banks to build their liquid assets by way of:
 - (a) reserves of cash
 - (b) reserves of gold
 - (c) reserves of securities
 - (d) all of these
37. In NITI Aayog, NITI stands for
 - (a) National Initiative for Transforming India
 - (b) National Institution for Transforming India
 - (c) National Institute for Technology and Innovation
 - (d) None of the above
38. An expansionary fiscal policy, taking everything else constant, would in the short-run have the effect of
 - (a) a relative large increase in GDP and a smaller increase in price
 - (b) a relative large increase in price, a relatively smaller increase in GDP
 - (c) both GDP and price will be increasing in the same proportion
 - (d) both GDP and price will be increasing in a smaller proportion
39. The Purchasing Power of Money published in _____
 - (a) 1920
 - (b) 1911
 - (c) 1811
 - (d) 1820
40. Under tariff rate quota
 - (a) countries promise to impose tariffs on imports from members other than those who are part of a preferential trade agreement

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- (b) a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate
 - (c) lower tariff is charged from goods imported from a country which is given preferential treatment
 - (d) none of the above
41. The 'Hindu growth rate' is a term used to refer to -
- (a) the high rate of growth achieved after the new economic policy of 1991
 - (b) the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year
 - (c) the low growth of the economy during British period marked by an average of 3.5 percent
 - (d) the growth rate of the country because India is referred to as 'Hindustan'
42. Gross National Product at market prices GNP_{MP} is
- (a) $GDP_{MP} + \text{Net Factor Income from Abroad}$
 - (b) $GDP_{MP} - \text{Net Factor Income from Abroad}$
 - (c) $GDP_{MP} - \text{Depreciation}$
 - (d) $GDP_{MP} + \text{Net Indirect Taxes}$
43. Increase in the level of employment leads to proportionate increase in output, because:
- (a) more efficient technology is used
 - (b) technology remains constant
 - (c) less efficient technology is used
 - (d) none of these
44. Dumping refers to:
- (a) Reducing tariffs
 - (b) Sale of goods abroad at a lower price, below their cost and price in their home market
 - (c) Buying goods at low prices abroad and selling at higher prices locally
 - (d) Expensive goods selling for low prices
45. Which of the following is true in respect of centre and state government finances?
- (a) The centre can tax agricultural income and mineral rights
 - (b) Finance commission recommends distribution of taxes between the centre and states
 - (c) GST subsumes majority of direct taxes and a few indirect taxes
 - (d) IGST is collected by the state governments
46. In Keynesian Theory the market value of bonds and the market rate of interest are _____
- (a) Positively Related
 - (b) Inversely Related
 - (c) Not Related
 - (d) None of the above
47. Credit control means:
- (a) contraction of credit only
 - (b) extension of credit only
 - (c) extension and contraction of money supply
 - (d) none of these

48. The Industrial Policy Resolution (1948) aimed at -
(a) Market oriented economic reforms and opening up of economy
(b) A shift from state led industrialization to private sector led industrialisation
(c) an expanded role for the public sector and licensing to the private sector
(d) an expanded role of private sector a limited role of public sector
49. Which one of the following would you suggest for reducing negative externality?
(a) Production subsidies
(b) Excise duty
(c) Pigouvian taxes
(d) All of the above
50. Which of the following systems is followed by Reserve Bank of India for issuing currency?
(a) Proportionate system
(b) Simple deposit system
(c) Minimum reserve system
(d) Fixed fiduciary issue system
51. Which of the following would be considered a topic of study in Macroeconomics?
(a) The effect of increase in wages on the profitability of cotton industry
(b) The effect on steel prices when more steel is imported
(c) The effect of an increasing inflation rate on living standards of people in India
(d) The effect of an increase in the price of coffee on the quantity of tea consumed
52. _____economics explains economic phenomena according to their causes and effects.
(a) Positive
(b) Normative
(c) Empirical
(d) Applied.
53. Demand has reference to
(a) a given period of time
(b) a given price
(c) a given price and particular time
(d) none of the above
54. The law of demand is the one which
(a) can be completely discarded
(b) has numerous exemptions and therefore not helpful
(c) cannot be verified and therefore unrealistic
(d) is of fundamental importance and leads to broad conclusions.
55. Which of the following falls under micro economics?
(a) National income
(b) General price level
(c) Factor pricing
(d) National saving and investment

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56. Geometric method is also known as :
 - (a) Arc Method
 - (b) Point Method
 - (c) Inductive Method
 - (d) Deductive Method
57. Contraction of supply is the result of decrease in the price of the goods concern.
 - (a) True
 - (b) False
 - (c) Partly True
 - (d) None
58. An economy which is operated by market forces is known as :
 - (a) Controlled Economy
 - (b) Mixed Economy
 - (c) Market Economy
 - (d) Socialist Economy
59. Microeconomics is also called :
 - (a) Output Theory
 - (b) Employment Theory
 - (c) Income Theory
 - (d) Price Theory
60. Marginal utility is :
 - (a) Total minus average utility
 - (b) Addition to total utility
 - (c) Total plus average utility
 - (d) Total utility divided by the number of units
61. The falling part of TU curve shows :
 - (a) Falling Marginal Utility
 - (b) Zero Marginal Utility
 - (c) Negative Marginal Utility
 - (d) Rising Marginal Utility
62. 'Contraction demand' means :
 - (a) Less quantity demanded at a lower price
 - (b) More quantity demanded at a lower price
 - (c) Same quantity demanded at a lower price
 - (d) Less quantity demanded at a higher price
63. If AR curve runs parallel to x-axis it means :
 - (a) $AR > MR$
 - (b) $AR = MR$
 - (c) $AR < MR$
 - (d) $AR = TR$
64. If increase in supply is greater than increase in demand, then the equilibrium price :
 - (a) Decrease
 - (b) Increase
 - (c) Does not change
 - (d) Cannot be determined

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65. Till 19th century, economics was known as :
 - (a) Micro Economy
 - (b) World Economy
 - (c) Scarcity Economy
 - (d) Political Economy
66. Factors of productions refer to_____
 - (a) Inputs
 - (b) Output
 - (c) Cost
 - (d) Satisfaction
67. Labour is_____
 - (a) Perishable
 - (b) An active factor
 - (c) Mobile
 - (d) All of the above
68. Private cost's are_____
 - (a) Explicit in nature
 - (b) Implicit in nature
 - (c) Both a and b
 - (d) Neutral
69. "Upswing" is also called :
 - (a) Peak
 - (b) Contraction
 - (c) Trough
 - (d) Expansion
70. Variables that change after real output changes are :
 - (a) Leading Indicators
 - (b) Lagging Indicators
 - (c) Both (a) and (b)
 - (d) None of the above
71. "Strategic Interdependence" is an important feature of_____
 - (a) Perfect Competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Duopoly
72. _____ is called Sweezy's model
 - (a) Demand Hypothesis
 - (b) Kinked Demand Curve Hypothesis
 - (c) Revenue Hypothesis
 - (d) None of the above
73. "Red Tapism" is found in :
 - (a) Capitalistic Economy
 - (b) Socialistic Economy
 - (c) Mixed Economy
 - (d) None of the above

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74. In monopoly the elasticity is _____
 (a) Highly Elastic
 (b) Inelastic
 (c) Unitary Elastic
 (d) None of the above
75. Supply of industrial products is :
 (a) $e > 1$
 (b) $e < 1$
 (c) $e = 1$
 (d) $e = 0$
76. Cross elasticity of demand between tea and coffee is :
 (a) Positive
 (b) Negative
 (c) Zero
 (d) None of the above
77. Land is :
 (a) Indestructible
 (b) Passive Factor
 (c) Immobile
 (d) All of the above
78. Which stage is considered as the rational stage under the law of variable proportions
 (a) Stage I
 (b) Stage II
 (c) Stage III
 (d) All of the above
79. Which of the following is an assumption of Law of Diminishing Marginal Utility ?
 (a) Perfect Competition
 (b) Continuous Consumption
 (c) Constant Demand
 (d) Ordinal Approach to Utility
80. Consumer is in equilibrium and he keeps purchasing till the point:
 (a) Marginal Utility = Price
 (b) Marginal Utility = Zero
 (c) Marginal Utility = negative
 (d) Marginal Utility = Quantity
81. Which of the following is not an assumption in consumer equilibrium analysis under Indifference Curve Approach?
 (a) There is a give Indifference Map with different levels of satisfaction
 (b) Income of the Consumer is fixed
 (c) Price of Commodities are constant
 (d) Only one commodity is considered for the purposes of analysis
82. Purchasing Power refers to :
 (a) Desire to buy the product
 (b) Necessity to buy the product
 (c) Ability to buy the product
 (d) Utility of the product

83. When a consumer prefers a commodity due to prestige attached to it, it is known as:
(a) Substitution Effect
(b) Demonstration Effect
(c) Income Effect
(d) All of the above
84. At a price of Rs. 300 per month, there are 30,000 subscribers to Cable TV in a Small Town. If the Cable Company raises its price to Rs. 400 per month, the number of subscribers will fall to 20,000. What is the Price Elasticity of Demand for Cable TV ?
(a) 1.4
(b) 0.66
(c) 0.75
(d) 2.0
85. Average total cost to firm is Rs. 600 when it produces 10 units of output and Rs. 640 when the output is 11 units. The MC of the 11th unit is:
(a) 40
(b) 540
(c) 840
(d) 1040
86. When the products are sold through a centralized body, oligopoly is known as
(a) organized oligopoly
(b) partial oligopoly
(c) competitive oligopoly
(d) syndicated oligopoly
87. Business Economics has a Pragmatic Approach which means it is not :
(a) Practical
(b) Realistic
(c) Abstract
(d) All of the above
88. The emphasis of Business Economics is more on
(a) Normative theory only
(b) Positive theory only
(c) More Normative than Positive theory
(d) More Positive than Normative theory
89. 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:
(a) Equal to unity
(b) Greater than unity
(c) Less than unity
(d) Zero
90. Excess capacity is not found under_____.
(a) Monopoly
(b) Monopolistic competition
(c) Perfect competition
(d) Oligopoly

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91. In the long run:
 - (a) Only demand can change
 - (b) Only supply can change
 - (c) Both demand and supply can change
 - (d) None of these
92. Utility is not measured by:
 - (a) Wealth
 - (b) Price
 - (c) Satisfaction
 - (d) Both (a) and (b)
93. The phase of business cycle in which growth rate becomes negative and the level of national income and expenditure declines rapidly resulting in widespread unemployment
 - (a) Contraction
 - (b) Recession
 - (c) Depression
 - (d) Recovery
94. Trade cycles occur as a result of the mismatch between the aggregate demand function and aggregate supply function. Who said this?
 - (a) Pigou
 - (b) Schumpeter
 - (c) Hawtrey
 - (d) Keynes
95. Which of the following characteristics does not belong to expansion path of business cycles?
 - (a) Consumer spending on goods and service tend to rise
 - (b) Business confidence tends to rise
 - (b) Interest rates and profits tend to rise
 - (d) Unemployment tends to rise
96. Which of the following is not an example of cyclical business?
 - (a) Fashion retailers
 - (b) Ensure Builders
 - (c) Restaurants
 - (d) Washing powder
97. Recent example of the Business cycle is the housing bubble of the US economy bubble got bust in
 - (a) 1930
 - (b) 1998
 - (c) 2000
 - (d) 2007
98. According to Monetarists, business cycles occur due to
 - (a) Changes in aggregate expenditure in economy
 - (b) Innovation
 - (c) Unplanned changes in the money supply
 - (d) Waves of optimism & Pessimism

99. Which of the following is extreme or exogenous following that lead to boom or burst
- (a) economic factor
 - (b) social factor
 - (c) natural factor
 - (d) industrial factor
100. Which of the following industries are less sensitive to business cycle?
- (a) Consume goods industry
 - (b) Durable consumer goods industry
 - (c) Travel and Tourism Industries
 - (d) Food Grain processing Industries

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