

CA Foundation Course**DATE: 17.04.2025****(Mock Test Paper – Series : 1)****MAXIMUM MARKS: 100****TIMING: 2 Hours****PAPER 4 : BUSINESS ECONOMICS****All Questions is compulsory.**

1. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has_____.
 - (a) more of one of the goods
 - (b) less of at least one of the goods
 - (c) more of at least one of the goods and less of the other good
 - (d) more of at least one of the goods and no less of the other good
2. At saturation point of TU curve, the slope of TU curve is_____.
 - (a) 1
 - (b) Infinity
 - (c) Zero
 - (d) Positive
3. Budget line or price line is downward sloping because_____.
 - (a) There is inverse relationship between the price and demand of a commodity.
 - (b) If a consumer wants to buy more of one good, he has to buy less of other good at given money income.
 - (c) If a consumer wants to buy more of one goods, he has to buy less of other goods as his money income falls.
 - (d) None of these
4. Supply and stock are_____.
 - (a) same things
 - (b) different
 - (c) having no comparison
 - (d) Both (b) and (c)
5. Which one of the following cost curve is rectangular hyperbola in shape?
 - (a) TFC
 - (b) MC
 - (c) AFC
 - (d) AVC
6. If the price of a product is Rs.20/unit and its price elasticity of demand is 0.25. Its MR will be Rs._____.
 - (a) 60
 - (b) 100
 - (c) - 60
 - (d) None of these
7. If a product has elastic demand, its marginal revenue (MR) will be_____. (Given that the price of the product is Rs. 5/unit).
 - (a) Positive
 - (b) Zero
 - (c) Negative
 - (d) Can't be determined

8. Monopoly equilibrium can be reached when_____.
 - (a) Marginal cost is rising
 - (b) Marginal cost is remaining constant
 - (c) Marginal cost is falling
 - (d) None of these
9. Marginal revenue along with marginal cost helps to determine
 - (a) Profit maximizing output
 - (b) Profit/unit
 - (c) Price/unit
 - (d) Total revenue
10. Monopolistic competition has features of
 - (a) Monopoly but not competition
 - (b) Monopoly and competition with features of competition predominating
 - (c) Monopoly and competition with features of monopoly predominating
 - (d) None of the above
11. A firm reaches a break-even point (normal profit position) where,
 - (a) Marginal revenue curve cuts the horizontal axis.
 - (b) Marginal cost curve intersects the average variable cost curve.
 - (c) Total revenue equals total variable cost.
 - (d) Total revenue and total cost are equal.
12. During an upturn in the business cycle the negative output gap does not become much more negative than it was. This is because of the fact that:
 - (a) Capacity increases because of the rise in investment.
 - (b) Expenditure decreases because of the rise in the interest rate.
 - (c) The government lowers the taxes during an upturn.
 - (d) Labour productivity decreases during upturn.
13. According to British economist J.M. Keynes_____was the main cause of massive decline in income and employment during Great Depression of 1930.
 - (a) Lower aggregate expenditure in the economy.
 - (b) Banking crises and low money supply.
 - (c) Overdebttness.
 - (d) Lower profits & pessimism
14. Post war reconstruction
 - (a) will push the economy to slow down because of excess external debts.
 - (b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income.
 - (c) can cause boom or recession depending upon the policies for reconstruction adopted by govt.
 - (d) None of these
15. When average product is falling it is :
 - (a) Less than marginal product
 - (b) More than marginal product
 - (c) Equal to marginal product
 - (d) Any of the above

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16. _____ is also called free market :
 - (a) Regulated Market
 - (b) Spot Market
 - (c) Unregulated Market
 - (d) Long period Market
17. In case of _____ goods, there is an inverse relationship between income and demand for a product.
 - (a) Substitute goods
 - (b) Complementary Goods
 - (c) Giffen Goods
 - (d) None of the above
18. Which of the following is true, when the firm is at a equilibrium ?
 - (a) $MC < MR$
 - (b) MC Curve cuts the MR curve from below
 - (c) Both a & b
 - (d) None of the above
19. Kinked demand curve is _____
 - (a) Highly elastic at above the prevailing price
 - (b) Inelastic at below the prevailing price
 - (c) Both a & b
 - (d) None of the above
20. Market consists of _____
 - (a) Buyer and seller
 - (b) One Price for one product at a given time
 - (c) Both a and b
 - (d) None
21. Accounting cost will be _____ economic cost.
 - (a) Greater than
 - (b) Less than
 - (c) Equal to
 - (d) None of these
22. If Average cost of a firm is minimum, then Marginal cost will be _____
 - (a) Greater than average cost
 - (b) Equal to average cost
 - (c) Less than average cost
 - (d) None of these
23. In the first stage of law of variable proportions, total product increases at the:
 - (a) Decreasing rate
 - (b) Increasing rate
 - (c) Constant rate
 - (d) Both A and B
24. In the long run any firm will eventually leave the industry if:
 - (a) Price does not at least cover average total cost
 - (b) Price does not equal marginal cost
 - (c) Economies of scale are being reaped
 - (d) Price is greater than long run average cost

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25. The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that
 - (a) the firm has some, but not complete, control over its product price.
 - (b) there are so many buyers and sellers in the market that any individual firm cannot affect the market.
 - (c) each firm produces a homogeneous product.
 - (d) there is easy entry into or exit from the market place.
26. The condition for pure competition is
 - (a) large number of buyer and seller, free entry and exist
 - (b) homogenous product
 - (c) both (a) and (b)
 - (d) large number of buyer and seller, homogenous product, perfect knowledge about the product
27. The trough of a business cycle occurs when _____ hits its lowest point.
 - (a) Inflation in the economy
 - (b) The money supply
 - (c) Aggregate economic activity
 - (d) The unemployment rate
28. A decrease in government spending would cause
 - (a) the aggregate demand curve to shift to the right.
 - (b) the aggregate demand curve to shift to the left.
 - (c) a movement down and to the right along the aggregate demand curve.
 - (d) a movement up and to the left along the aggregate demand curve.
29. An upward shift in marginal cost _____ output and an upward shift in marginal revenue _____ output.
 - (a) Reduces, reduces
 - (b) Reduces, increases
 - (c) Increases, increases
 - (d) Increases, reduces
30. The responsiveness of a good's demand to changes in the Firm's spending on selling cost is called:
 - (a) Demand elasticity
 - (b) Supply elasticity
 - (c) Advertisement elasticity
 - (d) None of the above
31. The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as
 - (a) Oligopoly
 - (b) Duopoly
 - (c) Monopoly
 - (d) Monopolistic competition
32. In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes
 - (a) Profits and new firms join the market
 - (b) Profits and no entry to new firms

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- (c) Makes losses and exit the market
 (d) Quick profit and disappears
33. Capitalist system offer incentives for
 (a) Efficient business decisions
 (b) Efficient government decisions
 (c) Efficient non-government decisions
 (d) Efficient economic decisions
34. Which of the following is not a basic problem of an economy?
 (a) Whether to produce more of consumer goods or capital goods
 (b) Whether to lay emphasis on labour-intensive techniques or on capital intensive techniques
 (c) Whether to produce for rich people or for poor people
 (d) Whether to accept foreign direct investment in the economy
35. The basic problem of scarcity give rise to
 (a) Technological problems
 (b) Social problems
 (c) Cultural problems
 (d) Economic Problems
36. Consumers' sovereignty is a typical feature of _____
 (a) Command economy
 (b) Socialistic economy
 (c) Mixed economy
 (d) Capitalist economy
37. Analysis of impact of Covid-19 on the Indian economy is a subject matter of ____
 (a) Macroeconomics
 (b) Microeconomics
 (c) Economics of slicing
 (d) Normative economics
38. Ram and sons are going for heavy advertisement campaign to enhance their sales. When analysed it was realised that the expenditure on advertisement by the company has gone up from 2,00,000 to 3,00,000 and the sales of this product increased from 10 lakh units to 20 lakh units. What is the advertising elasticity of demand?
 (a) -1
 (b) 4
 (c) 1.66
 (d) 3
39. Which of the following methods calculates elasticity of demand by using the formula
lower segment of demand curve
upper segment of demand curve
 (a) The ARC elasticity method
 (b) Cross elasticity method
 (c) The income elasticity method
 (d) The point elasticity method

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40. If the price of a gel pen increases from Rs. 40 to Rs. 50 and in response to this the quantity demand decreases from 25 units to 20 units. The coefficient of price elasticity will be
 - (a) 1.25
 - (b) - 1.25
 - (c) 0.8
 - (d) - 0.8
41. There is decrease in price of LED TV after budget announcement from Rs. 60000 to Rs. 50000. As a result of which demand for it has increases from 1500 units to 2000 units. Elasticity of demand for LED TV will be
 - (a) 1.27
 - (b) 1.57
 - (c) 0.63
 - (d) 0.67
42. Diminishing marginal return imply:
 - (a) decreasing average variable costs
 - (b) decreasing marginal costs
 - (c) increasing marginal costs
 - (d) decreasing average fixed costs
43. The economist who gave cobb - douglas production function was an_____:
 - (a) Japanese
 - (b) German
 - (c) British
 - (d) American
44. National Income Accounting, pioneered by the Nobel prize-winning economists _____and_____
 - (a) Simon Kuznets and Richard Stone
 - (b) Marshal and Pigou
 - (c) Fisher and Robertson
 - (d) Adam Smith and J.B. Say
45. GDP at current price is called_____
 - (a) Real GDP
 - (b) Nominal GDP
 - (c) Both
 - (d) None of the above
46. Suppose nominal GNP of a country in 2010 is given at Rs. 600 Crores and price index is given as base year 2010 is 100. Now let the nominal GDP increases to Rs. 1200 Crores in 2018 and the price index rises to 110, find out real GDP?
 - (a) 1090.9
 - (b) 990.9
 - (c) 890.9
 - (d) 1080.9
47. Calculate the aggregate value of depreciation when the GDP at market price of a country in a particular year was Rs. 1,100 Crores. Net Factor Income from Abroad was Rs. 100 Crores. The value of Indirect taxes – Subsidies was Rs. 150 Crores and National Income was Rs. 850 Crores.

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- (a) 150 Crores
 - (b) 200 Crores
 - (c) 250 Crores
 - (d) 210 Crores
48. Which approach of Calculating National Income is called Income Disposal Approach
- (a) Income Method
 - (b) Expenditure Method
 - (c) Production Method
 - (d) All of the above
49. Defence and Police Protection are_____
- (a) production that makes us better off
 - (b) production that only prevents us from becoming worse off
 - (c) both
 - (d) these are not production
50. What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
- (a) Achieve Fiscal Surplus
 - (b) Stop Money Laundering
 - (c) Eliminate Fiscal Deficit
 - (d) Eliminate Revenue deficit
51. Contractionary fiscal policy can involve:
- (a) Increasing consumption and investment and taxes.
 - (b) Decreasing government spending and increasing taxes.
 - (c) Increasing government spending and increasing taxes.
 - (d) None of the above.
52. 'Who gave 'The Theory of Public Finance (1959)?
- (a) Adam Smith
 - (b) Richard Musgrave
 - (c) A.C. Pigou
 - (d) Alfred Marshall
53. Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?
- (a) The prices of products responsible for pollution are too high.
 - (b) The output of the commodity is too large.
 - (c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.
 - (d) Too much pollution is produced.
54. Which of the following is true of an imperfect market structure?
- (a) Participants in the market have little or no control over outcome in the market.
 - (b) Consumer surplus is maximized.
 - (c) The maximization of producer surplus may lead to a loss of net benefit for society.
 - (d) Imperfect market structures include monopolies but not cartels.

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55. If the central bank conducts an open market purchase of government securities, what is the likely impact on the money supply?
 - (a) Increase
 - (b) Decrease
 - (c) No change
 - (d) Variable, depending on other factors.
56. What is the purpose of a voluntary export restraint (VER)?
 - (a) To limit the quantity of exports.
 - (b) To encourage foreign producers to export more
 - (c) To reduce the cost of imports.
 - (d) To comply with international trade agreements.
57. Which of the following is an example of an automatic stabilizer in the budget?
 - (a) Discretionary spending
 - (b) Progressive taxation
 - (c) Infrastructure investment
 - (d) Unemployment benefits
58. Which of the following policy measures is typically used by central banks to manage the business cycle?
 - (a) Fiscal policy.
 - (b) Monetary policy.
 - (c) Trade policy.
 - (d) Industrial policy.
59. A central bank that wants to stabilize the economy in the short run should try to:
 - (a) establish a clear inflation target and stick to it no matter what
 - (b) affect aggregate supply through open market operations
 - (c) affect aggregate demand through open market operations
 - (d) concentrate only on long-run goals
60. The quantity of dollars supplied will decrease if:
 - (a) imports into the United States increase.
 - (b) the expected future exchange rate falls.
 - (c) the interest rate in the United States falls.
 - (d) fewer U.S. residents travel abroad.
61. Theory of Mercantilism propagates:
 - (a) Encourage exports and imports
 - (b) Encourage exports and discourage imports
 - (c) Discourage exports and imports
 - (d) Discourage exports and encourage imports
62. What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?
 - (a) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending}$
 - (b) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$
 - (c) $GDP = \text{Consumption} + \text{Investment}$
 - (d) $GDP = \text{Consumption} + \text{Net Exports}$
63. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?

- (a) National debt
 - (b) Budget surplus
 - (c) Fiscal deficit
 - (d) Revenue deficit
64. Which of the following is more sensitive to short-term changes in economic conditions?
- (a) FDI
 - (b) FPI
 - (c) Both FDI and FPI
 - (d) Neither FDI nor FPI
65. The concept of the "multiplier effect" in Keynesian economics refers to:
- (a) The impact of interest rates on investment
 - (b) The magnification of an initial change in spending throughout the economy
 - (c) The impact of taxes on consumer spending
 - (d) The role of exports in economic growth
66. What is the "liquidity trap" in Keynesian theory?
- (a) A situation where interest rates are very high.
 - (b) A situation where interest rates are very low, and savings are hoarded.
 - (c) A situation of hyperinflation
 - (d) A situation of excessive government spending
67. Which international organization is responsible for facilitating trade negotiations and resolving trade disputes among member countries?
- (a) World Health Organization (WHO)
 - (b) International Monetary Fund (IMF)
 - (c) World Trade Organization (WTO)
 - (d) United Nations Educational, Scientific and Cultural Organization (UNESCO)
68. Given $TC = 2000 + 15Q - 6Q^2 + Q^3$. How much is TFC at $Q = 2000$?
- (a) 2000
 - (b) 975
 - (c) 30,000
 - (d) Can't be determined
69. What is the primary goal of countercyclical fiscal policy in budgeting?
- (a) Maximizing government revenue.
 - (b) Stabilizing the economy during economic downturns.
 - (c) Minimizing government intervention.
 - (d) Reducing public debt.
70. According to Keynes, what can cause involuntary unemployment in an economy?
- (a) High interest rates
 - (b) Insufficient aggregate demand
 - (c) Government intervention
 - (d) Excessive savings
71. Public goods are characterized by:
- (a) Excludability and rivalry
 - (b) Excludability and non-rivalry
 - (c) Non-excludability and rivalry
 - (d) Non-excludability and non-rivalry

72. The difference between real and nominal GDP is...
- (a) Nominal GDP only accounts for citizens.
 - (b) Nominal GDP uses price-levels of some base year.
 - (c) Nominal GDP uses actual price-levels.
 - (d) Real GDP also includes services, whereas nominal GDP only takes goods into account.
73. Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government:
- (a) Non-tax expenses
 - (b) Tax expenses
 - (c) Non-tax revenue
 - (d) Tax revenue
74. A good taxation system should be used to:
- (a) finance public services
 - (b) follow higher taxation
 - (c) no taxation
 - (d) finance private services
75. Primary deficit is obtained by deducting interest payments from the:
- (a) Fiscal deficit
 - (b) Revenue deficit
 - (c) Budgetary deficit
 - (d) Monetized deficit
76. According to Cambridge equation, the value of money depends upon:
- (a) Demand for money
 - (b) Supply of money
 - (c) Demand for goods and services
 - (d) All of the above
77. The quantity demanded of money rises:
- (a) As the repo rate increases
 - (b) As the repo rate falls
 - (c) As the supply of money falls
 - (d) As the number of banks rises
78. Which of the following is not an instrument of selective credit control?
- (a) Margin requirements
 - (b) Open market operation
 - (c) Credit rationing.
 - (d) None of the above
79. A lumps sum tax per unit on imports is known as:
- (a) A specific tariff
 - (b) An effective tariff
 - (c) An effective quota
 - (d) A specific quota

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80. A key effect of devaluation is that it:
 - (a) Makes the domestic currency cheaper relative to other currencies
 - (b) Makes the domestic currency dearer relative to other currencies
 - (c) Makes the foreign currency Cheaper relative to other currencies
 - (d) Leaves the relative value unchanged
81. The amount of after-tax income received by households is measured by:
 - (a) discretionary income.
 - (b) national income.
 - (c) disposable income.
 - (d) personal income.
82. Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:
 - (a) Moral Hazard
 - (b) Asymmetric Information
 - (c) Free Riding
 - (d) None of the above
83. What will be the value of Credit Multiplier when the Required Reserve ratio is 50%?
 - (a) 4
 - (b) 2
 - (c) 3
 - (d) 1
84. Which of the following measures involve total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period?
 - (a) Import Quotas
 - (b) Anti-Dumping Duties
 - (c) Escalated Tariffs
 - (d) Embargos
85. E – NAM is –
 - (a) a pan -India electronic trading portal which networks the existing APMC mandis
 - (b) with the objective of creating a unified national market for agricultural commodities
 - (c) Both a & b
 - (d) None of these
86. India's Rank in Ease of Doing Business is:
 - (a) 45
 - (b) 54
 - (c) 63
 - (d) None of these
87. Niti Aayog will work towards the objective:
 - (a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states
 - (b) To foster cooperative federalism
 - (c) To develop mechanisms to formulate credible plans at the village level
 - (d) All the above

88. SEBI was given statutory recognition in:
(a) 1985
(b) 1990
(c) 1992
(d) None of these
89. The WTO comprises majorly:
(a) developed countries
(b) under developed countries
(c) developing countries
(d) None of these.
90. Break even points occurs when:
(a) $Y = S$
(b) $S = 0$
(c) $Y = C$
(d) both (b) and (c)
91. Dirty Floating is related to:
(a) Flexible system of exchange rate
(b) fixed system of exchange rate
(c) Either of these
(d) None of these
92. Which of the following is included in M2, a broader measure of money supply compared to M1?
(a) Currency in circulation
(b) Savings deposits of post office
(c) Demand deposits
(d) Travellers' checks
93. The process of selling of the products at a price less than on going price in the market is known as:
(a) Quota
(b) Tariff
(c) Subsidies
(d) Dumping
94. Terms of trade in developing countries are generally unfavorable because:
(a) They export manufacturing products.
(b) They export primary products.
(c) They export few goods.
(d) Both A and C
95. Most tariffs have:
(a) only revenue effects
(b) only protective effects
(c) both protective and revenue effects
(d) neither protective or revenue effects

96. We can say Indian agriculture has become modern since:
- (a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc.
 - (b) there has been noticeable positive change in the attitude of farmers towards new techniques of production
 - (c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management
 - (d) all of the above.
97. Which of the following tariff is charged on imports on most-favoured nation (MFN) basis:
- (a) bound tariff
 - (b) applied tariff
 - (c) prohibitive tariff
 - (d) None of these
98. Money cost is considered by:
- (a) Modern theory of trade
 - (b) Comparative cost advantage
 - (c) New Trade theory
 - (d) None of these
99. On _____, the apex policy-making body namely planning commission, was replaced by the National Institution for Transforming India (NITI) Aayog.
- (a) 1st January 2015
 - (b) 1st January 2014
 - (c) 1st January 2016
 - (d) 1st January 2017
100. According to the latest estimates, _____ of India's population is directly dependent on agriculture for living.
- (a) 49 Percent
 - (b) 47 Percent
 - (c) 48 Percent
 - (d) 48.9 Percent

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