

CA Foundation – > November 2019  
Question Paper MCC, Jaipur. Based on Memory)

Marks 100

Time : 2 Hours

**"BUSINESS ECONOMICS"**  
**"BUSINESS & COMMERCIAL KNOWLEDGE"**

1. The capitalist economy uses ----- as principle means of allocation of resources-  
(a) Price (b) Demand  
(c) Supply (d) None of the above
2. Consumer sovereignty is found in which economy?  
(a) Capitalist Economy (b) Socialist Economy  
(c) Mixed Economy (d) Communist Economy
3. Capitalist economy uses ..... as principal means of allocating resources  
(a) Demand (b) Supply  
(c) Price (d) All of the above
4. Large production of ..... goods would lead to higher production in future.  
(a) Consumer Goods (b) Capital Goods  
(c) Agricultural Goods (d) Public Goods
5. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of  
(a) Macro-Economics (b) Descriptive Economics  
(c) Micro-economics (d) Normative Economics
6. Which of the following statement does not apply to a market economy?  
(a) Firms decide whom to hire and what to produce  
(b) Firms are maximizing profits  
(c) Households decide which firms to work for and what to buy with their incomes  
(d) Government policies are the primary forces that guide the decisions of firms and households.
7. Factors of production are owned by \_\_\_\_\_ in market economies.  
(a) Govt. (b) Investors  
(c) Privately (d) None
8. Consumer sovereignty is the characteristic of which economy  
(a) Capitalist economy (b) Socialistic Economy  
(c) Mixed Economy (d) None
9. Which of the following is used for allocation of resources?  
(a) Micro-Economics (b) Macro -Economics  
(c) Econometrics (d) Descriptive Economics.

10. Which book of economics is known as first book of modern economics?  
 (a) An Inquiry into Wealth  
**(b) An inquiry into wealth of nation**  
 (c) An inquiry into wealth  
 (d) Wealth of nation.
11. In Economics, we use "scarcity" the term to mean:  
 (a) Absolute scarcity and lack of resources in less developed countries.  
**(b) Relative scarcity i.e. scarcity in relation to the wants of the society.**  
 (c) Scarcity during times of business failure and natural calamities.  
 (d) Scarcity caused on account of excessive consumption by the rich.
12. Which statement is incorrect?  
 (a) Depression of Severe form of trough  
 (b) Depression causes fall in interest rate  
 (c) Peak is highest point  
**(d) All of the above**
13. It is known as electronic cash and digital cash, it uses computer, internet and other networks to execute transactions and transfer funds.  
**(a) Cash** (b) E-Cash  
 (c) E-commerce (d) None
14. Indifference curve slopes downwards as one product increase and another decreases because they give.  
 (a) Equal satisfaction (b) Greater Satisfaction  
 (c) Lesser Satisfaction (d) None
15. Supply of land is:  
 (a) Elastic (b) Perfectly Elastic  
**(c) Perfectly Inelastic** (d) Inelastic
16. Income elasticity of luxury goods  
 (a) Zero  
**(b) Positive and greater than one**  
 (c) Positive and lesser than one  
 (d) Negative and greater than -1
17. Price elasticity of supply refers to change in responsiveness of quantity to change in:  
 (a) Price (b) Price in substitute  
 (c) Income (d) Preference
18. Elasticity of demand under perfect competition is.  
 (a) One (b) Two  
 (c) Zero **(d) Infinite**

19. Which among the following market situation is known as a 'myth in the market'?
- (a) Duopoly (b) Oligopoly  
(c) Discriminating (d) **Perfect Competition**
20. Which of the following is a property of an indifference curve?
- (a) **It is convex to the origin.**  
(b) The marginal rate of substitution is constant as you move along an indifference curve.  
(c) Marginal utility is constant as you move along an indifference curve.  
(d) Total utility is greatest where the 45 degree line cuts the indifference curve.
21. The supply of a good refers to:
- (a) Actual production of the good  
(b) Total existing stock of the good.  
(c) Stock available for sale.  
(d) **Amount of the good offered for sale at a particular price per unit of time.**
22. Which of the following statements about price elasticity of demand is incorrect?
- (a) Price elasticity of demand is a measure of how much the quantity demanded of a good responds to a change in the price of that good.  
(b) Price elasticity of demand is computed as the percentage change in quantity demanded divided by the percentage change in price.  
(c) Price elasticity of demand in the long run would be different from that of the short run.  
(d) **All of the above.**
23. Which of the following statements is incorrect?
- (a) With the help of statistical tools, the demand can be forecasted accurately.  
(b) **The more the number of substitutes of a commodity, more elastic is the demand.**  
(c) Demand for butter is perfectly elastic.  
(d) Gold jewellery will have negative income elasticity.
24. Marginal product is the slope of:
- (a) **Total Product** (b) Average Product  
(c) Marginal Product (d) Implicit Product
25. Which of the following is correct:
- (a)  $TFC = TVC - TC$  (b)  $TC = TVC - TFC$   
(c)  **$TFC = TC - TVC$**  (d)  $TC = TFC - TVC$
26. Total Cost = Explicit cost + Implicit cost +.....
- (a) Super Normal Profit (b) **Normal Profit**  
(c) Super Normal Losses (d) Average Fixed Cost
27. Large scale production is associated with
- (a) **Technical Economies** (b) un-managerial economies  
(c) Commercial Economies (d) Financial Economies

28. Output	TP	MP
0	-	-
1	10	10
2	-	8
3	24	-

What is the MP of 3<sup>rd</sup> unit of output?

- (a) 6 (b) 8  
(c) 10 (d) 11

29. What is the total product of producing 2<sup>nd</sup> unit of output?

- (a) 8 (b) 10  
(c) 18 (d) 24

30. What is the AP of 1<sup>st</sup> three units of output?

- (a) 8 (b) 10  
(c) 18 (d) 72

31. If variable cost of 5 units of output is 100 and fixed cost is 40. Find average cost at 5 units of output.

- (a) 8 (b) 100  
(c) 108 (d) 540

32. Diminishing marginal returns implies:

- (a) Decreasing average variable costs  
(b) Decreasing marginal costs  
(c) **Increasing marginal costs**  
(d) Decreasing average fixed costs

33. Average fixed cost for producing 8 units of output was 60, what is the average Fixed cost at 6 units of output

- (a) 40 (b) 60  
(c) 80 (d) 50

34. For 15 units of output, average cost was ₹250 and fixed cost per unit of output was 125, then the average variable cost per unit at 15 units?

- (a) 25 (b) 50  
(c) 125 (d) 250

35. Diminishing returns occur—

- (a) When units of a variable input are added to a fixed input and total product falls  
(b) **When units of a variable input are added to a fixed input and marginal product falls**  
(c) When the size of the plant is increased in the long run.  
(d) When the quantity of the fixed input is increased and returns to the variable input falls.

36. Which of the following curve is never U shape

- (a) Average cost. (b) Average Variable Cost  
(c) **Average Fixed cost** (d) Marginal Cost

37. The "law of diminishing returns" applies to:
- The short run, but not the longrun.
  - The long run, but not the shortrun.
  - Both the short run and the longrun.
  - Neither the short run nor the longrun.
38. A firm producing 7 units of output has an average total cost of ₹150 and has to pay ₹350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs?
- ₹200
  - ₹60
  - ₹100
  - ₹1,400
39. Marginal Cost changes due to changes in \_\_\_\_\_
- Total cost
  - Average cost
  - Variable cost
  - Quantity of output
40. "Let and live philosophy" concern from which market:—
- Perfect competition
  - Monopoly
  - Oligopoly
  - Monopolistic Competition
41. What is true about the perfect competition market
- $AR = MR = PRICE$
  - $AR = AC = P$
  - $AR > AC$
  - None
42. If a perfect competition firm is making losses then which condition is suitable. To carry on business as long as it covering variable cost.
- Shutdown
  - Expand its plant
  - Do nothing
  - Reduce productions
43. If in a short run perfect competition earn super normal profit then which conditions satisfy.
- $ATC > MC$
  - $ATC < MC$
  - $MR < AR$
  - $MR > AR$
44. Group behaviour from which market belongs:—
- Perfect Competition
  - Monopolistic Competition
  - Monopoly
  - Oligopoly
45. In the long run Monopolistic comp. and perfect comp. are same because of
- Normal Profit
  - Abnormal Production
  - Losses
  - None
46. Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude
- The firm operates in perfectly competitive market
  - The firm can sell all that it was to at the established market price.
  - The XYZ Co. is not a price taker in the market because it must lower price to sell additional units of output.

- (d) The XYZ Co. will not be maximize profits because price and revenue are subject to change.
47. Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence:
- |                       |                       |
|-----------------------|-----------------------|
| (a) 50, 50, 50, 50    | (b) 50, 110, 180, 260 |
| (c) 50, 100, 150, 200 | (d) 50, 90, 120, 140  |
48. Extreme Product differentiation is found in which market?
- |                              |               |
|------------------------------|---------------|
| (a) Monopolistic Competition | (b) Monopoly  |
| (c) Perfect Competition      | (d) Oligopoly |
49. Monopoly firm faces which demand curve?
- |                      |                  |
|----------------------|------------------|
| (a) Downward Sloping | (b) Horizontal   |
| (c) Rising           | (d) All of these |
50. Assume that when price is ₹40, the quantity demanded is 15 units and when price is ₹38, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units-
- |        |        |
|--------|--------|
| (a) 36 | (b) 32 |
| (c) 24 | (d) 08 |
51. A market where there are no restrictions on the transactions is called as-
- |                      |                        |
|----------------------|------------------------|
| (a) Regulated market | (b) Unregulated market |
| (c) Spot market      | (d) Future market      |
52. Under perfect competition, price elasticity of demand of a firm is-
- |              |             |
|--------------|-------------|
| (a) Large    | (b) Slight  |
| (c) Infinite | (d) Extreme |
53. During recession the employment rate \_\_\_\_\_ and output \_\_\_\_\_
- |                 |                 |
|-----------------|-----------------|
| (a) Rises-falls | (b) Rises-rises |
| (c) falls-rises | (d) Falls-falls |
54. The internal cause of business cycle is-
- |                                     |
|-------------------------------------|
| (a) Technology shocks               |
| (b) Fluctuation in effective demand |
| (c) Post war reconstruction         |
| (d) Population Growth               |
55. An unemployment type cause due to structural changes in the economy is which of the following-
- |                     |                      |
|---------------------|----------------------|
| (a) Involuntary     | (b) Ethical friction |
| (c) Full employment | (d) Structural       |
56. At 'trough' the production in the economy reaches at which of the following-
- |              |              |
|--------------|--------------|
| (a) High     | (b) Low      |
| (c) Constant | (d) Negative |

57. According to some economists which is not the prime cause of BusinessCycles?
- (a) Fluctuations in investment
  - (b) Micro Economicpolicy**
  - (c) Impact on aggregate economicactivity
  - (d) Psychologicalfactors
58. The four phases of Business Cycle are-
- (a) Peak, Construction , Depression andBoom
  - (b) Prosperity, Recession, Depression andExpansion
  - (c) Boom, Downswing , Expansion andProsperity
  - (d) Peak, Recession , Trough andRecovery**
59. Chinas recent slowdown causes-
- (a) Cycle of decline and panic across theworld**
  - (b) Countries across the Globe were able to insulate themselvesfromthe crisis
  - (c) Stock markets in the Emerging Economics largely remainedunaffected
  - (d) Old technology fuelled the economicdecline
60. Friction unemployment is the characteristic of which of the following stages-
- (a) **Expansion**
  - (b) Peak
  - (c) Construction
  - (d) Recovery
61. When Total Revenue (TR) is at the peak Marginal Revenue is equalto
- (a) **Zero**
  - (b) Positive
  - (c) Negative
  - (d) More thanone
62. Actual demand stagnates in whichstage.
- (a) **Peak**
  - (b) Trough
  - (c) Recovery
  - (d) Contraction
63. Find the odd one out from the following question Example of coincident indicators are
- (a) Industrialproduction
  - (b) Inflation
  - (c) RetailSales
  - (d) New orders for plant andequipment**
64. Which of the following concern is related to business and commercialknowledge?
- (a) **Sustainability**
  - (b) Sociology
  - (c) Traditional
  - (d) Social Atlarge
65. Which one is not a feature ofLLP
- (a) It is a legal entity separate from itsmember**
  - (b) No limit on maximum no. ofmembers
  - (c) Every partner is only agent offirm
  - (d) Registrar of firm is the administratingauthority

66. Organic objective of business  
 (a) Sales profit  
 (b) Fitness of human resources  
 (c) Product usage and disposal  
 (d) **All of the above**
67. Ideal corresponds to business commercial knowledge  
 (a) Social (b) **Sustainable development**  
 (c) Political (d) Economic
68. Find odd one out. There can be partnership between  
 (a) Natural person  
 (b) **partnership firm**  
 (c) Artificial Person  
 (d) Any Combination of natural and artificial
69. Which of the following is not within the scope of Business Economics?  
 (a) Capital Budgeting (b) Risk Analysis  
 (c) Business Cycles (d) **Accounting Standards**
70. A partnership may be formed to carry on;  
 (a) **Any trade** (b) Profession  
 (c) Occupation (d) Social Enterprise
71. As a price of Rs. 20 the quantity demanded is 10 units. With 5% decrease in price the demand increases by 10%. The marginal revenue for the 11<sup>th</sup> unit will be  
 (a) Rs. 20 (b) Rs. 9  
 (c) **Rs.9** (d) Rs.11
72. Which of the following is not a feature of LLP  
 (a) Legal entity separate from its partners  
 (b) No limit on maximum no of persons  
 (c) Every partners is agent of LLP  
 (d) **Register of firm is the administering authority**
73. Which factor affect demand for companies product?  
 (a) Political (b) Social  
 (c) **Economic** (d) Legal
74. Which analysis is used for proactive and strategic thinking in its decision making?  
 (a) SWOT (b) TOW  
 (c) **PESTLE** (d) None
75. Which pharmaceutical company has the slogan caring for life?  
 (a) Dr.Reddy's  
 (b) Lupin Ltd.  
 (c) **Cipla Ltd.**  
 (d) Sun pharmaceutical Industries.



76. The RBI has been vested with extensive power to control and supervise commercial banking system under the—  
 (a) Reserve Bank of India Act, 1934  
 (b) The Banking Regulation Act, 1949  
 (c) Both (a) and (b).  
 (d) None of the above.
77. A stock that provides a constant dividend and stable earnings in the periods of economic downturn is  
 (a) Defensive Stock (b) Cash Budget  
 (c) Income Stock (c) Listed Stock
78. Curtail all benefits in some particular issue.  
 (a) Restrictive policies (b) Regulatory Policies  
 (c) Facilitating policies (d) None of these
79. A reduction of 45 basis point will be equal to how much of the following?  
 (a) 45% (b) 0.45%  
 (c) 4.5% (d) 450%
80. In which of the following sector (s), FDI is prohibited under both routes  
 (a) Nidhi Company (b) Media  
 (c) Real Estate (d) Shell Company
81. A type of privatization where Government surrenders partial ownership and responsibility and sells the majority stake to one or more entities is called as  
 (a) Delegation (b) Divestment  
 (c) Displacement (d) Disinvestment
82. Which of the following policy is used to curtail benefits related to some public issue?  
 (a) Restrictive (b) Regulatory  
 (c) Facilitating (d) Delegation
83. Which of the following sets as an indicator of bank's liquidity and solvency  
 (a) Statutory liquidity ratio (b) Cash Reserve ratio  
 (c) Repo rate (d) Reserve repo rate
84. It is a loan where the time and cash flow between a short loan and a long term loan is filled up.  
 (a) Debt financing (b) Bridge financing  
 (c) Closure Time (d) None of these
85. The lowest price at which an owner is willing to sell his securities.  
 (a) Sale (b) Ask  
 (c) Auction (d) None

86. Selling a portion of ownership in a public enterprise to private parties
- (a) Delegation (b) Disinvestment  
(c) Divestment (d) Deregulation
87. Excess capacity in capital industries is the characteristics of which of the following stage?
- (a) Trough (b) Recovery  
(c) Depression (d) Peak
88. The form in which government surrendered partial ownership and sold the majority stake to one or more private entities in course of time.
- (a) Disinvestment (b) Displacement  
(c) Divestment (d) Delegation
89. The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:
- (a) Disinvestment (b) Deregulation  
(c) Delegation (d) Decentralization
90. SEBI, RBI and IRDA are :
- (a) Regulatory Institutions (b) Policy institutions  
(c) Satellite institutions (d) Satellite Institutions
91. Which gas company owns India's largest pipeline network?
- (a) Gail (India) Ltd.  
(b) Bharat Petroleum Corporation Ltd.  
(c) Reliance Industries Ltd  
(d) None of the above
92. Carrying forward of transaction from one settlement period to the next payment is called \_\_\_\_\_.
- (a) Badla (b) Beta  
(c) Bluechips (d) None
93. A series of payments of an equal amount at fixed intervals for a specified periods is called
- (a) Amortize (b) Annuity due  
(c) Annuity (d) Arbitrage
94. In a Bull market
- (a) Stock prices are decreasing consistently  
(b) Stock Prices are increasing consistently  
(c) Stock Prices are stable  
(d) Stock Prices are wildly fluctuating
95. Which of the following is not within the scope of Business Economics?
- (a) Risk Analysis (b) Capital Budgeting  
(c) Business Cycle (d) Accounting Standards

96. Budget line is otherwise called as  
 (a) Moneyline (b) Preference line  
 (c) Incomeline (d) **Priceline**
97. What is consolidation?  
 (a) It is expense that is supposed to reflect the loss in value of a fixed asset.  
 (b) **Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.**  
 (c) Costs that can be attributed clearly to the activity you are considering.  
 (d) None
98. \_\_\_\_\_ is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets.  
 (a) Cap (b) Term insurance  
 (c) Arbitrage (d) **Hedge**
99. \_\_\_\_\_ is a combination of several companies working together for a particular purpose for example in order to buy something or build something.  
 (a) **Consortium** (b) Joints Venture  
 (c) Co-opting (d) All of above
100. It is the amount of revenue from sales which exactly equals the amount of expense.  
 (a) Shutdown point (b) **Break –even Point**  
 (c) Profit point (d) None

Naveen

**Answer key**

1	<b>A</b>	21	<b>D</b>	41	<b>A</b>	61	<b>A</b>	81	<b>D</b>
2	<b>A</b>	22	<b>D</b>	42	<b>B</b>	62	<b>A</b>	82	<b>A</b>
3	<b>C</b>	23	<b>B</b>	43	<b>B</b>	63	<b>D</b>	83	<b>A</b>
4	<b>B</b>	24	<b>A</b>	44	<b>D</b>	64	<b>A</b>	84	<b>B</b>
5	<b>A</b>	25	<b>C</b>	45	<b>A</b>	65	<b>A</b>	85	<b>B</b>
6	<b>D</b>	26	<b>B</b>	46	<b>C</b>	66	<b>D</b>	86	<b>C</b>
7	<b>C</b>	27	<b>A</b>	47	<b>D</b>	67	<b>B</b>	87	<b>A</b>
8	<b>A</b>	28	<b>A</b>	48	<b>C</b>	68	<b>B</b>	88	<b>A</b>
9	<b>A</b>	29	<b>C</b>	49	<b>A</b>	69	<b>D</b>	89	<b>D</b>
10	<b>B</b>	30	<b>A</b>	50	<b>D</b>	70	<b>A</b>	90	<b>A</b>
11	<b>B</b>	31	<b>C</b>	51	<b>B</b>	71	<b>C</b>	91	<b>A</b>
12	<b>D</b>	32	<b>C</b>	52	<b>C</b>	72	<b>D</b>	92	<b>A</b>
13	<b>B</b>	33	<b>C</b>	53	<b>D</b>	73	<b>C</b>	93	<b>C</b>
14	<b>A</b>	34	<b>C</b>	54	<b>B</b>	74	<b>C</b>	94	<b>B</b>
15	<b>C</b>	35	<b>B</b>	55	<b>D</b>	75	<b>C</b>	95	<b>D</b>
16	<b>B</b>	36	<b>C</b>	56	<b>B</b>	76	<b>C</b>	96	<b>D</b>
17	<b>A</b>	37	<b>A</b>	57	<b>B</b>	77	<b>A</b>	97	<b>B</b>
18	<b>D</b>	38	<b>C</b>	58	<b>D</b>	78	<b>A</b>	98	<b>D</b>
19	<b>D</b>	39	<b>A</b>	59	<b>A</b>	79	<b>A</b>	99	<b>A</b>
20	<b>A</b>	40	<b>C</b>	60	<b>A</b>	80	<b>A</b>	100	<b>B</b>