

**BUSINESS ECONOMICS**  
**CA Foundation**  
**Full Mock Test Paper**

**Time Allowed: 2 Hours**  
**Maximum Marks: 100**

	<b>Marks</b>
1. Point of satiety can be referred as: (a) Marginal Utility is negative (b) Marginal Utility is Zero (c) Total Utility is rising (d) Total Utility is falling	1
2. What kind of economics explains the phenomenon of cause and effect relationship? (a) Normative (b) Positive (c) Micro (d) Macro	1
3. The MC curve cuts the AVC and ATC curves: (a) at different points (b) at the falling parts of the each curve (c) at their respective minima (d) at the rising parts of each curve	1
4. Relationship between AR, MR and Price elasticity of demand is: (a) $MR = AR + [e-1/e]$ (b) $MR = AR \times [e-1/e]$ (c) $AR = MR \times [e -1/e]$ (d) $MR \ AR \times [e/e -1]$	1
5. Excess capacity is not found under _____ (a) Monopoly (b) Monopolistic competition (c) Perfect competition. (d) Oligopoly	1

6. Demand of commodity can increase from: 1
- (a) An increase in income
  - (b) A decline in the market price
  - (c) An increase in the prices of complements
  - (d) A reduction in the prices of substitutes
7. Cobb-Douglas Production function is applicable on: 1
- (a) Individual firm
  - (b) Whole of manufacturing
  - (c) Both of the above
  - (d) None of the above
8. Condition which holds true for Supernormal profits, when: 1
- (a) Average Revenue is more than average cost
  - (b) Average revenue is equal to average cost
  - (c) Total revenue is equal to total cost
  - (d) Total revenue is equal to variable cost
9. Demand for milk is elastic because \_\_\_\_\_ 1
- (a) it is available at a very high price.
  - (b) it has many substitutes.
  - (c) it has many uses.
  - (d) it is essential for life.
10. Concept of Returns to scale holds for: 1
- (a) short period
  - (b) very short period
  - (c) long period
  - (d) none of these
11. Example of Veblen effect is 1
- (a) Bread
  - (b) Diamond
  - (c) Shares
  - (d) TV
12. Economics is \_\_\_\_\_ in its methodology and \_\_\_\_\_ in its application: 1

- (a) Science, art
  - (b) Art, Science
  - (c) Any of the above
  - (d) None of these
13. An indifference curve is always 1
- (a) Concave to the origin
  - (b) Convex to the origin
  - (c) L- shaped
  - (d) A vertical straight line
14. Oligopoly in which there is absence of price leadership is known as: 1
- (a) Partial
  - (b) Full
  - (c) Organised
  - (d) Imperfect
15. LAC curve is also known as: 1
- (a) Envelop curve
  - (b) Planning curve
  - (c) Both of above
  - (d) None the above
16. Produced means of production is: 1
- (a) Land
  - (b) Labour
  - (c) Capital
  - (d) Entrepreneur
17. Cost-plus pricing is considered appropriate for 1
- (1) Product Tailoring
  - (2) Public Utility Pricing
  - (3) Refusal Pricing
  - (4) Monopoly Pricing
  - (a) 1 and 2 only
  - (b) 1, 2 and 3 only
  - (c) 2, 3 and 4 only
  - (d) 3 and 4 only

18. In case of necessary the marginal utilities of the earlier units are large. In such cases the consumer surplus will be 1
- (a) Infinite
  - (b) Zero
  - (c) Marginally positive
  - (d) Marginally Negative
19. A study of how increases in the corporate income tax rate will affect the national unemployment rate is example of \_\_\_\_\_. 1
- (a) Macro economics
  - (b) descriptive economics.
  - (c) Micro economics.
  - (d) normative economics
20. Normal goods have \_\_\_\_\_? 1
- (a) Zero Income elasticity
  - (b) Negative income elasticity
  - (c) Positive income elasticity
  - (d) Infinite income elasticity
21. The other name of Budget line is. 1
- (a) Demand line
  - (b) Price line
  - (c) Supply line
  - (d) None of the above
22. In economics 'Labour' is defined as: 1
- (a) Any work done without remuneration
  - (b) Any exertion of mind or body to get some reward
  - (c) Helping the mother
  - (d) Helping the friends
23. Which of the following statements is not correct? 1
- (a) Both AP and MP can be calculated from TP
  - (b) When AP rises then  $MP > AP$
  - (c) When AP is maximum then  $MP = AP$
  - (d) When AP falls, MP also falls but  $MP > AP$

24. Marginal cost is defined as: 1
- (a) the change in total cost due to one unit change in output
  - (b) total cost divided by output
  - (c) the change in output due to a one unit change in an input
  - (d) total product divided by the quantity of input
25. When price is less than average variable cost at the profit maximizing level of output, a firm should: 1
- (a) Shut down, since it cannot recover its variable cost
  - (b) Produce where  $MC = MR$ , if operating in short run
  - (c) Produce where  $MC = MR$ , if operating in long run
  - (d) None of the above
26. The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that 1
- (a) the firm has some, but not complete, control over its product price.
  - (b) there are ample buyers & sellers in the market that any individual firm can't affect the market.
  - (c) each firm produces a homogeneous product
  - (d) there is easy entry into or exit from the market place
27. In long run equilibrium the pure monopolist can make pure profits because of: 1
- (a) Blocked entry
  - (b) The high price he charges
  - (c) The low LAC costs
  - (d) Advertising
28. The study of economics is not supposed to answer? 1
- (a) Who produces what?
  - (b) When are goods produced?
  - (c) Who consumes what?
  - (d) How are goods produced
29. Labour intensive technique would get chosen in a 1
- (a) Labour surplus economy
  - (b) Capital surplus economy
  - (c) Developed economy
  - (d) Developing economy

30. In which economic system all the means of production are owned and controlled by private individuals for profit 1
- (a) Socialism
  - (b) Capitalism
  - (c) Mixed economy
  - (d) Communism
31. Comforts lies between the 1
- (a) inferior goods and necessities
  - (b) luxuries and inferior goods
  - (c) necessities and luxuries
  - (d) none of the above
32. Contraction of demand is the result of: 1
- (a) decrease in the number of consumers
  - (b) increase in the prices of the goods concerned
  - (c) increase in the prices of other goods
  - (d) decrease in the income of purchasers
33. If the Mc Donald's raises the price of a burger from ₹ 60 to ₹ 100 and quantity demanded falls from 700 burgers a night to 100 burgers a night, the price elasticity of demand for burger is: 1
- (a) 67
  - (b) 1.5
  - (c) 2.0
  - (d) 3.0
34. The satisfaction which a consumer derives in the consumption of a commodity is equal to ₹ 360. The price of the commodity is ₹ 220. What will be his consumer surplus? 1
- (a) 180
  - (b) 200
  - (c) 140
  - (d) 500
35. Different IC gives \_\_\_\_\_ level of satisfaction: 1
- (a) Same
  - (b) Different
  - (c) Zero
  - (d) All of these

36. Pure oligopoly is based on the \_\_\_\_\_ products: 1
- (a) differentiated
  - (b) homogeneous
  - (c) unrelated
  - (d) None of the above

37. Calculate total cost of 4 units: 1

Units	Total Cost (₹)	Marginal Cost (₹)
2	80	40
4	-	30

- (a) 140
  - (b) 120
  - (c) 50
  - (d) 40
38. Relative price is: 1
- (a) price expressed in terms of money
  - (b) what you get paid for babysitting your cousin
  - (c) the ratio of one money price of another
  - (d) equal to a money price

39. In case the elasticity of demand on an average revenue curve is equal to unity the marginal 1  
revenue will be:
- (a) equal to zero
  - (b) equal to unity
  - (c) equal to fraction of unity
  - (d) more than unity

40. Where TC = Total Cost; Q = Physical Units of the product of the firm. 1  
What would be the level of optimum output?
- (a) 15
  - (b) 12
  - (c) 10
  - (d) 05

41. When indifference curve is L shaped then two goods will be: 1
- (a) Perfect substitute Goods
  - (b) Substitute Goods
  - (c) Perfect complementary goods
  - (d) Complementary goods
42. Cross elasticity of demand in Monopoly market is: 1
- (a) Elastic
  - (b) Zero
  - (c) Infinite
  - (d) One
43. Which of the following statement is true of the relationship among the average cost functions? 1
- (a)  $ATC = AFC = AVC$
  - (b)  $AVC = AFC + ATC$
  - (c)  $AFC = ATC + AVC$
  - (d)  $AFC = ATC - AVC$
44. Which is the first order condition for the profit of a firm to be maximum? 1
- (a)  $AC = MR$
  - (b)  $MC = MR$
  - (c)  $MR = AR$
  - (d)  $AC = AR$
45. If marginal revenue exceeds marginal cost, a monopolist should \_\_\_\_\_. 1
- (a) increase output
  - (b) decrease output
  - (c) keep output the same because profit are maximized when marginal revenue exceeds marginal cost.
  - (d) Raise the price
46. With a given supply curve, a decrease in demand causes: 1
- (a) An overall decrease in price but an increase in equilibrium quantity
  - (b) An overall increase in price but a decrease in equilibrium quantity
  - (c) No change in overall price but a reduction in equilibrium quality
  - (d) An overall decrease in price and decrease in equilibrium quantity



47. Which of the following is a normative statement? 1
- (a) Planned economies allocate resources via government departments
  - (b) Reducing inequality should be a major priorities for mixed economies
  - (c) There is greater degree of consumer sovereignty in market economies
  - (d) Most economies have experienced problems of falling output and rising prices
48. Law of diminishing returns is applicable in 1
- (a) Manufacturing industry
  - (b) Agriculture
  - (c) Neither (a) nor (b)
  - (d) Both of above
49. Accounting profit is equal to 1
- (a) Total Revenue - Total variable cost
  - (b) Total Revenue - Total direct cost
  - (c) Total Revenue - Total accounting cost
  - (d) Total Revenue - Total Explicit cost and Total Implicit Cost.
50. Freedom of choice is the advantage of 1
- (a) Socialism
  - (b) Capitalism
  - (c) Mixed Economy
  - (d) Communism

51. The following information is related to an economy: Amount in (₹) crore 1

Domestic Sales	3600
Opening Stock	800
Exports	1000
Depreciation	300
Closing Stock	200
Net indirect tax	400
Intermediate consumption	600
Net Factor income from abroad	10

Calculate NDP<sub>fc</sub>

- (a) 2500 Cr
- (b) 2700 Cr
- (c) 3000 Cr
- (d) 3600 Cr

52. The following information is given:

1

Particulars	Amount in (₹) crore
Notes in Circulation	25,00,000
Circulation of Rupee Coins	26,000
Circulation of Small Coins	850
Cash on hand with Banks	95,000
Bankers' Deposits with RBI	4,500
Other Deposits with RBI	180
Total Post office Deposits	12,000
Time Deposits with Banks	15,000

You are required to compute 'Currency with the Public'

- (a) Rs. 24,81,350 Cr
- (b) Rs. 24,31,850 Cr
- (c) Rs. 25,26,850 Cr
- (d) Rs. 25,26,000 Cr

53. Calculate Narrow Money(M1) from the following information: (₹in Crore)

1

Currency with public	2,80,000
Demand Deposits with Banks	4,00,000
Time Deposits with Banks	3,40,000
Other deposits with RBI	5,80,000
Post Office Savings Deposits	90,000

- (a) Rs 12,60,000 Cr
- (b) Rs 6,80,000 Cr
- (c) Rs. 8,60,000 Cr
- (d) None of the above

54. Calculate Money Multiplier with the help of the following information:

1

Reserve Ratio (r)	= 10%
Currency	=₹200 billion
Deposits	=₹400billion
Excess Reserve	=₹800 million

- (a) 2
- (b) 1.87
- (c) 2.49
- (d) 3.67

55. Which of the following is not a challenge in measurement of national income 1
- (a) Services of durable goods
  - (b) Issue of transfer payments
  - (c) Valuation of government services
  - (d) Agreed definition of national income
56. Product method is also called 1
- (a) Value added method
  - (b) Industrial origin method
  - (c) Net output method
  - (d) All of the above
57. Non economic activities are 1
- (a) Those activities whose value is excluded from NI as it will involve double accounting
  - (b) Those which produce goods and services, but do not command market value as there is no exchange
  - (c) Those which do not involve production of goods and services
  - (d) Those which result in production for self consumption
58. \_\_\_\_\_ Act as a leakage from the economic system 1
- (a) Taxes
  - (b) Subsidies
  - (c) Savings
  - (d) Consumption
59. Which of the following is not a part of the Keynesian two sector model 1
- (a) Factor inputs
  - (b) Factor payments
  - (c) Transfer payments
  - (d) None of the above
60. Keynesian 'a' is a constant term which denotes the 1
- (a) Positive value of consumption at zero level of disposable income
  - (b) Negative value of consumption at zero level of disposable income
  - (c) Positive value of consumption at high level of disposable income
  - (d) Negative value of consumption at zero level of disposable income

61. \_\_\_\_\_ Policies are likely to have dead weight losses 1
- (a) Stabilization
  - (b) Macroeconomic
  - (c) Allocation
  - (d) Redistribution
62. Which of the following is not a reason for market failure? 1
- (a) Licensing and controls
  - (b) Imperfect competition
  - (c) Monopoly power
  - (d) Externalities
63. When firms do not have to worry about negative externalities, the result is 1
- (a) Private cost
  - (b) Excess production
  - (c) Free-rider problem
  - (d) Adverse selection
64. \_\_\_\_\_ is a situation in which asymmetric information eliminates high-quality goods from the market 1
- (a) Moral hazard
  - (b) Externalities
  - (c) Adverse selection
  - (d) None of the above
65. The tools of fiscal policy are 1
- (a) Taxes
  - (b) Budget
  - (c) Public debt
  - (d) All of the above
66. During \_\_\_\_\_ new taxes can be levied or existing taxes can be raised 1
- (a) Inflation
  - (b) Depression
  - (c) Recession
  - (d) Crowding out

67. Non debt capital receipts include 1
- (a) State provident fund
  - (b) Market loans
  - (c) Treasury bills borrowings
  - (d) Recoveries of advances
68. Price controls make take the form of 1
- (a) Price floor
  - (b) Price ceiling
  - (c) (a) or (b) above
  - (d) None of the above
69. The possible government responses to under-provision of merit goods are 1
- (a) Deregulation
  - (b) Legislation
  - (c) Taxes
  - (d) All of the above
70. This is used in relation to all the fund flows where the government acts as a banker. 1
- (a) Consolidated Fund of India
  - (b) Contingency Fund of India
  - (c) Public account
  - (d) All of the above
71. The Classical Approach is also called 1
- (a) The Quantity Theory of Money
  - (b) Equation of exchange
  - (c) Transaction approach
  - (d) All of the above
72. An increase in the brokerage fee  $\quad$  the marginal cost of bond market transactions 1
- (a) Raises
  - (b) Lowers
  - (c) Does not affect
  - (d) None of the above
73. The  $\quad$  motive reflects people's desire to hold cash to be equipped to exploit any attractive 1  
investment opportunity

- (a) Transaction
  - (b) Speculative
  - (c) Precautionary
  - (d) All of the above
74. Which of the following is incorrect-the optimal average money holding is 1
- (a) A positive function of income
  - (b) A positive function of the price level
  - (c) A positive function of transactions cost
  - (d) A positive function of the nominal interest rate
75. What of the following is not a Qualitative tool 1
- (a) Margin requirements
  - (b) Open market operations
  - (c) Moral suasion
  - (d) Selective credit control
76. Who suggested that RBI abandon the multiple indicator approach for inflation measurement 1
- (a) Narsimhan Committee
  - (b) Urjit Patel Committee
  - (c) Finance Ministry of India
  - (d) None of the above
77. The reserve money is also known as 1
- (a) Central bank money
  - (b) Base money
  - (c) High powered money
  - (d) All of the above
78. Relative contribution of factor owners is measured in 1
- (a) Product method
  - (b) Income method
  - (c) Expenditure method
  - (d) All of the above
79. Which of the following is not included in transfer payments 1
- (a) Indirect tax
  - (b) Social security benefit

- (c) Unemployment compensation
  - (d) Welfare payments
80. Which of the following is not an argument against international trade 1
- (a) Economic exploitation
  - (b) Substantial environmental damage
  - (c) Increased use of automation
  - (d) Amplification of differences between trading countries
81. Which theory advocated maximising exports 1
- (a) Mercantilist's Theory
  - (b) Theory of Absolute Advantage
  - (c) Theory of Comparative Advantage
  - (d) Factor Endowment Theory
82. At any point of time, all markets tend to have the same exchange rate for a given currency due to 1
- (a) Hedge
  - (b) Arbitrage
  - (c) Speculation
  - (d) Currency futures
83. Exchange rate depreciation 1
- (a) Raises the relative prices of a country's exports
  - (b) Lowers output expansion
  - (c) Encourages economic activity
  - (d) Reduces the international competitiveness of domestic industries
84. Which round marked the birth of the WTO? 1
- (a) Uruguay
  - (b) Doha
  - (c) Geneva
  - (d) Tokyo
85. \_\_\_ principle of the WTO rules that imported & locally-produced goods should be treated equally 1
- (a) Most favoured nation
  - (b) National treatment
  - (c) Freer trade
  - (d) Promoting fair competition

86. Which of the following is an example of FPI? 1
- (a) Purchase of an Indian stock by an Indian citizen
  - (b) Purchase of an Indian company by a Japanese company
  - (c) Purchase of an Indian stock by a Japanese institution
  - (d) Purchase of an Indian mutual fund by an Indian citizen
87. Which is not a characteristic of FDI? 1
- (a) Accompanied by technology transfer
  - (b) Speculative in nature
  - (c) Easy to withdraw
  - (d) No abiding interest in management
88. What is a tariff fixed to bring the price of an imported commodity up to the level of the domestic support price? 1
- (a) Mixed tariff
  - (b) Variable tariff
  - (c) Bound tariff
  - (d) Applied tariff
89. What are also known as para-tariff measures? 1
- (a) Financial measures
  - (b) Safe guard measures
  - (c) Trade related investment measures
  - (d) Price control measures
90. The Agreement on TRIMS 1
- (a) Stipulates most favoured nation treatment
  - (b) Relates to simplification of administrative procedures
  - (c) Expands discipline governing investment measures
  - (d) Specifies rules for more consistent customs valuation
91. Which of the following is not a vital element according to Chanakya 1
- (a) The King
  - (b) Fortresses
  - (c) Taxes
  - (d) Allies



92. The IPR 1948 envisaged \_\_\_\_\_ to the private sector. 1
- (a) Licensing
  - (b) Monopoly
  - (c) Priority
  - (d) Expansion
93. The thrust of the first decade post independence was on the production of 1
- (a) Agricultural goods
  - (b) Consumer goods
  - (c) Capital goods
  - (d) All of the above
94. What contributed to the dismal economic performance during the period of 1965-81 1
- (a) Green revolution
  - (b) License raj
  - (c) Open oriented economy
  - (d) Broad banding
95. The Fiscal reforms of 1991 focused on 1
- (a) Ensuring better tax compliance
  - (b) Increasing government expenditure
  - (c) Increase in subsidies
  - (d) Licensing
96. PM MITRA is a scheme to 1
- (a) To facilitate integrated planning of multi-modal logistics
  - (b) To make India a more attractive investment destination
  - (c) To boost local investment and FDI in the textile sector
  - (d) To make available 'plug and play' infrastructure
97. PM KISAN policy provides 1
- (a) Income support to farmers
  - (b) Support for organic farming
  - (c) Support to farmers suffering crop loss
  - (d) Support for farm produce logistics

98. The service sector accounts for nearly \_\_\_\_\_ % of India's GVA 1
- (a) 53.89
  - (b) 30.29
  - (c) 20.74
  - (d) 69.32
99. Which of the following is not a key initiative of NITI Aayog 1
- (a) Shooonya
  - (b) E-Amrit
  - (c) Udyami Bharat
  - (d) Methanol economy
100. During the early reforms, the multi point excise duties were converted in to 1
- (a) RODTEP
  - (b) REER
  - (c) OGL
  - (d) MODVAT