CA WALLAH

CA FOUNDATION

CA PRACTICE LEAGUE

BUSINESS ECONOMICS

55 Marks in 2 Hours

By- LOVE KAUSHIK SIR

TOPICS to be covered

Y

$$\begin{aligned}
1 &\rightarrow 5 \\
2 &\rightarrow 10 \\
3 &\rightarrow 10 \\
4 &\rightarrow 15 \\
\hline
& \quad 40
\end{aligned}$$

micro

5 → 5

10

15

55

Selected

→ SM

→ PYQ

→ Exam Style

→ MTP

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Chap. 1

1776 → Political Eco^{y}

Oikonomia

Greek

Household

Business Eco. ÷ Joel Dean

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S → Science

P → Pragmatic

A → Arts

M → MICRO
↓
Heart of B.E.

M → Macro

I → inter-discipline

N → $\boxed{\text{Normative}}$ — Generally

T → Theory of mkt.

Scarcity

Demand > Supply available

Relative

wish

QUESTION

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#Q. In Economics, we use the term scarcity 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

B

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Central Problem

OR

Problem of Allocation of resources

1. What → goods
2. How → Tech.
3. Whom → Rich - Poor
4. Future → Sustainable Development

Types of Eco^y

1. Capitalistic | mkt → Profit → Inequality
2. Socialistic | Planned → Social welfare
3. Mixed

QUESTION

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#Q. Exploitation and inequality are minimal under:

(A) Socialism ✓ (A)

(B) Capitalism ✓

(C) Mixed economy ✓

(D) None of the above d

QUESTION

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#Q. Administered prices refer to:

(A) Prices determined by forces of demand and supply

(B) Prices determined by sellers in the market

(C) Prices determined by an external authority which is usually the government

(D) None of the above

C

QUESTION

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#Q. In the beginning the name of economics was __________

(A) Economics of wealth

(B) Political economy (B)

(C) Welfare economics

(D) None of these

QUESTION

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#Q. Economic is classified into ___________

A. Normative and positive

B. Micro and macro

C. Internal and external

D. None of the above

B

QUESTION

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#Q. The problem of "what to produce relate to

A The choice of goods and service → what A

B Distribution of income → whom

C The choice of technique → How

D None of these

QUESTION

#Q. The 'Communist Manifesto' was published in:

(A) 1848 A

(B) 1905

(C) 1952

(D) None of these

QUESTION

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#Q. __________ involves the predominance of bureaucracy and resulting inefficiencies and delays

A. Socialistic economy ✓ A

B. Capitalist economy ✗

C. Mixed economy

D. Free market economy

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Chapter- 2

unit-1 Demand

unit-2 Consumer Behaviour

unit-3 Supply

T I P P E R

A

C N G

P	Q.D.
10	100
10	50

P	Q.D.
10	100
20	50

P	Q.D
10	100
5	200

P	Q.D.
10	100
10	200

P	Q.D.
10	100
5	100

10

50

P↓ D↑ → ↑ in Q.D.

(A) ↑ in DD

(B) $\boxed{\downarrow \text{ in DD}}$ B

(C) ↑ in QD ✗

(D) ↓ in Q.D.

QUESTION

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#Q. If the price of Pepsi decreases relative to the price of Coke and 7- UP, the demand for:

P↓ D↓ D↓

$\oplus$

(A) Coke will decrease ↓

(B) 7-Up will decrease ↓

(C) Coke and 7-UP will increase

(D) $\boxed{\text{Coke and 7-Up will decrease}}$ D

Price Elasticity of Demand (E_p)

↓

methods

1. % $\Rightarrow -\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$

2. Arc $\Rightarrow \frac{\Delta Q}{\Delta P} \times \frac{P_1 + P_2}{Q_1 + Q_2}$

3. Graphic — $\frac{LS}{UP}$ — derivative — Point

$$\frac{dQ}{dP} \times \frac{P}{Q}$$

4. Total Exp^n $\Rightarrow$ TE↑ P↑ $E<1$

   ⊖ $E>1$

   C $E=1$ ✓

QUESTION

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#Q. Point elasticity is useful for which of the following situations?

(A) The bookstore is considering doubling the price of notebooks

(B) A restaurant is considering lowering the price of its most expensive dishes by 50 percent

(C) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100

(D) None of the above

C

QUESTION

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#Q. In the case of a Giffen good, the demand curve will usually be:

P ↑ D ↑
P ↓ D ↓

+

I ↑ D ↓
I ↓ D ↑

Inferior

(A) horizontal

(B) downward-sloping to the right

(C) vertical

(D) upward-sloping to the right

1000

↓

700 → mkt. Price ⇒ 300 Saving

Consumer Surplus

QUESTION

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#Q. By consumer surplus, economists mean

(A) The area inside the budget line above the price of the commodity

(B) The area between the average revenue and marginal revenue curves

$\boxed{1000}$

(C) The difference between the maximum amount that a person is willing to pay for a good and its market price 100 C

(D) The difference between the market price and the supply curve

Producer Surplus

100 — 150

50

QUESTION

$-100+10(15) = 50$

#Q. The supply function is given as $\boxed{Q = -100 + 10P}$. Find the elasticity using point method, when price is ₹$\boxed{15}$.

↳ derivative

$$Q = -100 + \boxed{10}P$$

$$\varepsilon = \frac{dQ}{dP} \times \frac{P}{Q}$$

$$= \cancel{10} \times \frac{\cancel{15}^{3}}{\cancel{50}} = 3$$

A) 4

B) –3

C) –5

D) $\boxed{3}$

D

QUESTION

#Q. Suppose the income elasticity of education in private school in India is 3.6. What does this indicate:

(A) Private school education is highly wanted by rich

(B) Private school education is a necessity

(C) Private school education is a $\boxed{\text{luxury}}$

(D) We should have more private schools

C

$\varepsilon_i < 0$ −

$\boxed{\varepsilon_i > 0}$ - Normal

$\boxed{0-1}$ >1

QUESTION

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#Q. Let Q = 1500/P the elasticity of demand of the good when its price falls from INR 8 to INR 2 per unit, will be ____________ (Use Arc Method)

(A) greater than one

(B) less than one

(C) equal to one

(D) can't say

C

$$Q = \frac{1500}{P}$$

$$\frac{1500}{8}$$

P	Q.D.
8	187.5
2	750

$$\frac{562.5}{6} \times \frac{10}{937.5} \quad \frac{937.5}{937.5} = 1$$

QUESTION

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#Q. Marginal utility approach to demand was given by ____________

(A) J R Hicks

(B) Alfred Marshall

(C) Robbins

(D) A C Pigou

B

Utility

MU
OR
Cardinal

Ordinal
OR
IC

QUESTION

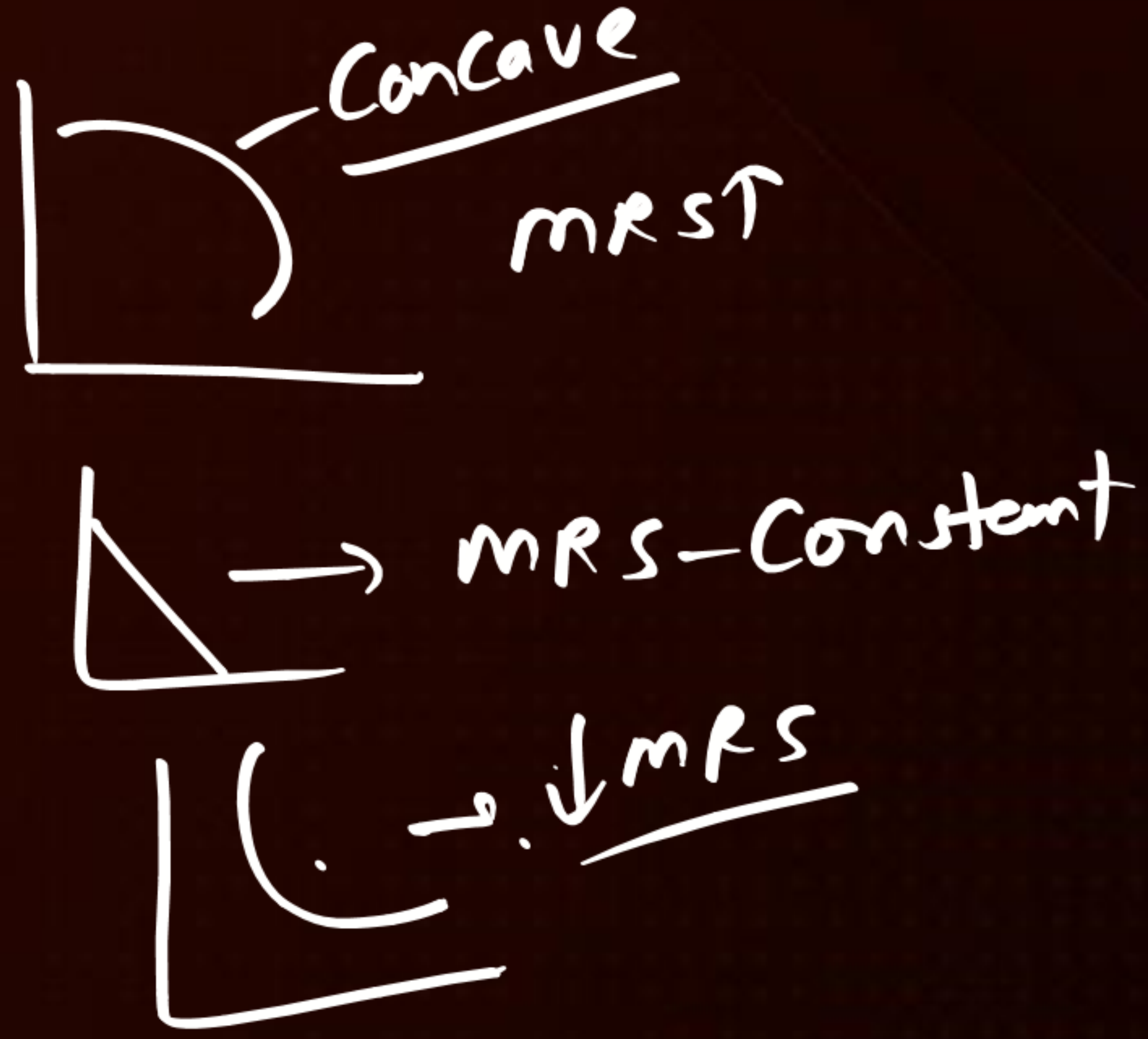
#Q. Indifference curve is convex to the origin due to:

A. Falling MRS A

B. Rising MRS

C. Constant MRS

D. None of the above



QUESTION

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#Q. The "law of diminishing returns" applies to:

Law of returns to scale

Long-run

A

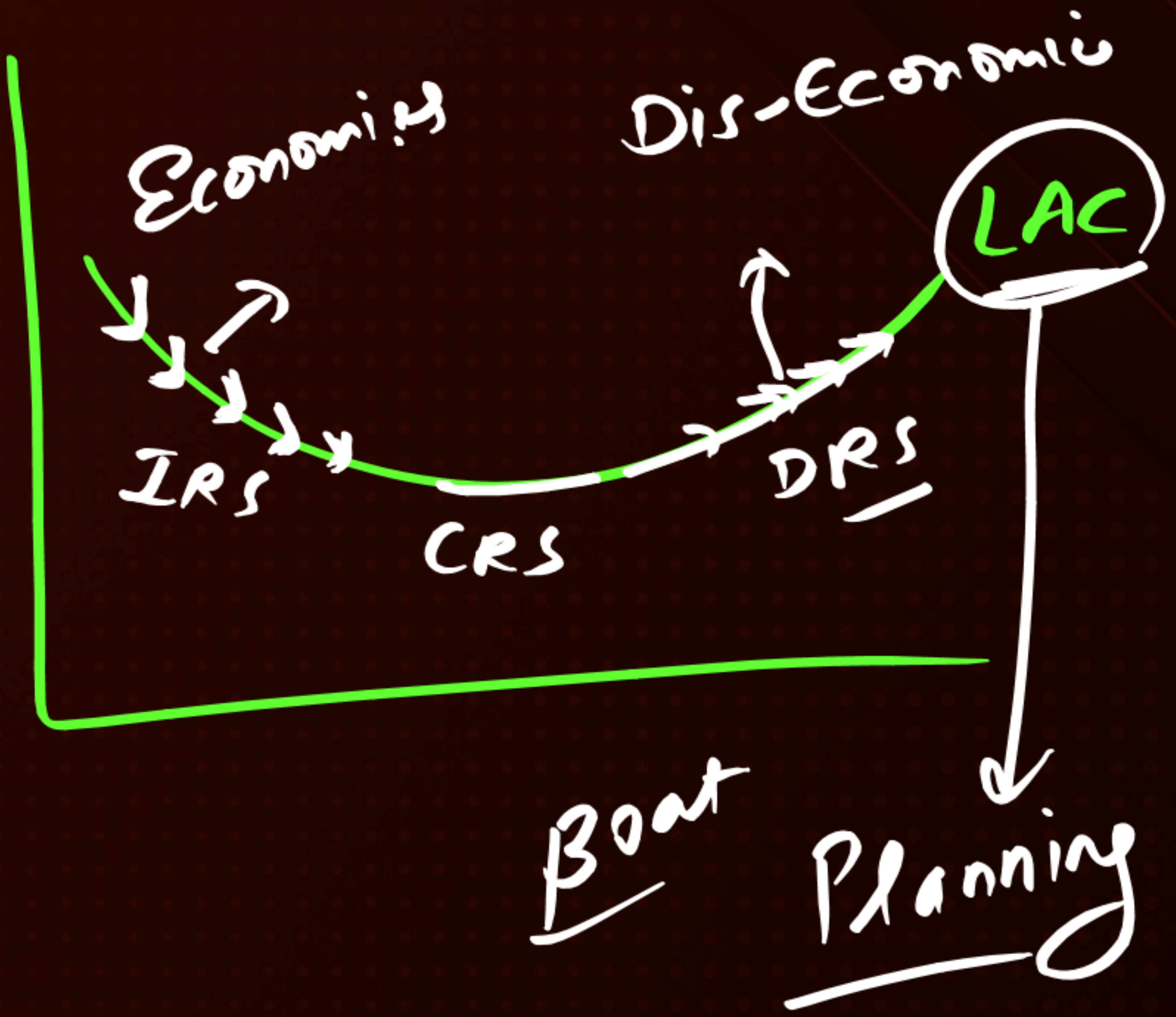
(A) the short run, but not the long run

(B) the long run, but not the short run

(C) both the short run and the long run

(D) neither the short run nor the long run

Input ↑	Output ↑	
10	10	CRS
10	11	IRS
10	9	DRS



QUESTION

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#Q. Which of the following statements describes increasing returns to scale?

IRS

% input↑ < % output

A) Doubling of all inputs used leads to doubling of the output CRS

B) Increasing the inputs by 50% leads to a 25% increase in output DRS

C) Increasing inputs by 1/4 leads to an increase in output of 1/3 IRS

25 33

D) None of the above

QUESTION

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#Q. Marginal cost changes due to changes in ______________

$$MC = TVC_n - TVC_{n-1}$$

$$= \frac{\Delta TVC}{\Delta Q}$$

(A) Total cost

(B) Average cost

(C) Variable cost

(D) Quantity of output

C

QUESTION

#Q. In the third phase of Law of variable proportions, MP becomes-

Absurdity ← I, III

II → operation

(A) Zero

(B) Negative

(C) Positive

(D) None of these

QUESTION

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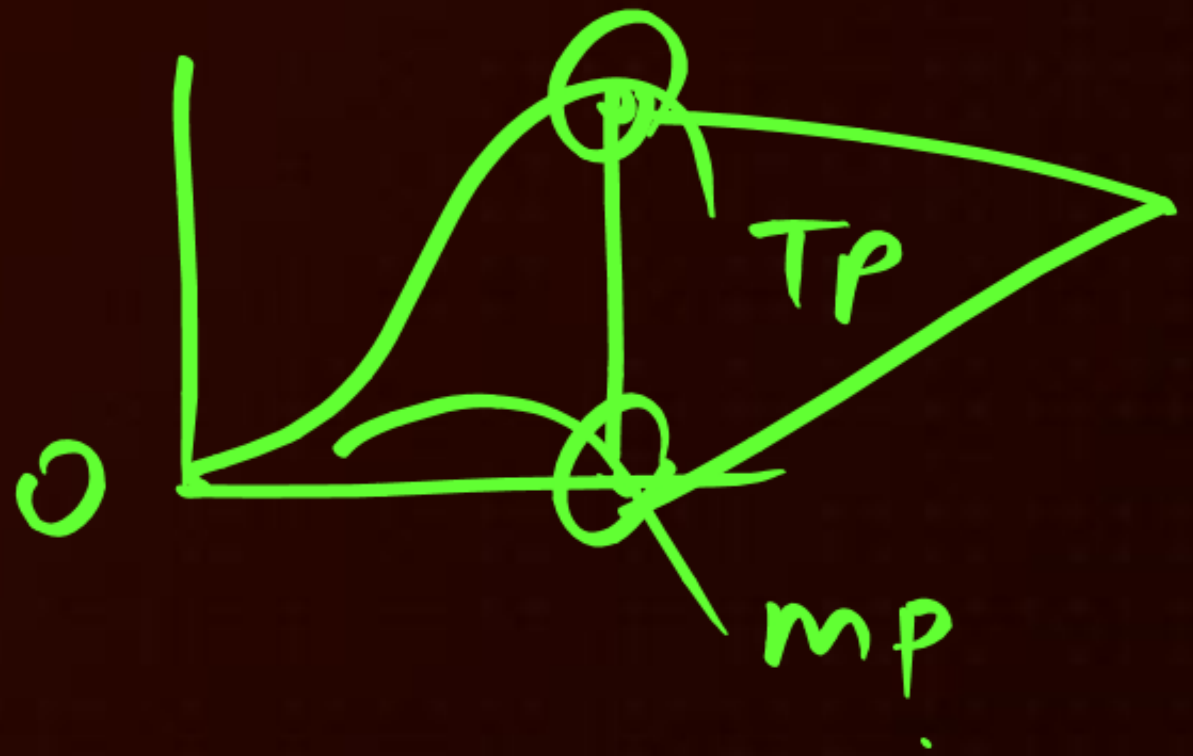
#Q. When Marginal product is zero, then Total product is –



(A) Zero

(B) Falling

(C) Rising

(D) Maximum

D

QUESTION

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#Q. A rational producer will always produce in which stage of law of variable proportion:

I, II, III

A. Stage I

B. Stage II (B)

C. Stage III

D. None of these

QUESTION

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#Q. Linear homogeneous function means:

CRS

↑ = ↑

(A) Input and output increases by same proportions A

(B) Input increases by some proportions some proportions and output increase more than proportionately

(C) Input increase by some proportion and output less than the proportionately

(D) None of these

QUESTION

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#Q. Example of Fixed cost is-

(A) Electricity bill

(B) Interest on loans ✓ B

(C) Expenses on raw material

(D) Wages of daily workers

QUESTION

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#Q. Variable cost includes the cost of

A. Buying land and building

B. Hire charges of machinery

C. Insurance premium

D. Material bought

D

QUESTION

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#Q. Which curve is not affected by fixed cost?

A. $\boxed{\text{MC Curve}}$ (A)

B. TC Curve

C. AC Curve

D. AFC Curve

$AFC = \frac{TFC}{Q}$

QUESTION

#Q. For a price-taking firm:

Perfect compt?

$\boxed{MR = AR}$

(A) marginal revenue is less than price

(B) marginal revenue is equal to price AR (B)

(C) marginal revenue is greater than price

(D) the relationship between marginal revenue and price is indeterminate

$\boxed{P = AR}$

$AR > AC \rightarrow$ Supernormal Profit $\rightarrow$ Economic Profit

$AR = AC \rightarrow$ Normal Profit

$AR < AC \rightarrow$ LOSS

Monopoly — No supply curve

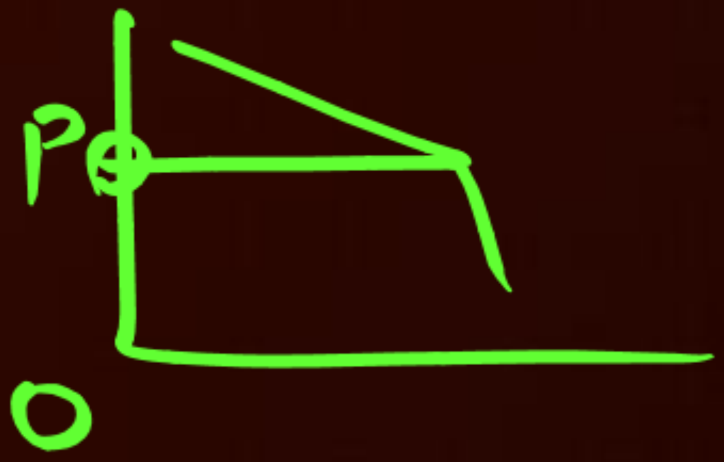
P > MC

MC curve above AVC is SS curve of $\boxed{\text{P.C.}}$

QUESTION

#Q. One characteristic not typical of oligopolistic industry is

A



(A) horizontal demand curve ×

(B) too much importance to non-price competition

(C) price leadership

(D) a small number of firms in the industry

QUESTION

#Q. When e > 1 then MR is

+

$e = 1 \quad MR = 0$

$$\boxed{MR = AR\left(\frac{e-1}{e}\right)}$$

$$= AR\left(\frac{2-1}{2}\right)$$

$$\boxed{MR = AR\left(\frac{1}{2}\right)} \; +$$

(A) zero

(B) negative

(C) positive

(D) one

C

QUESTION

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#Q. Secular period is also known as

Time → Alfred

A very short period

B short period

C very long period (C)

D long period

QUESTION

#Q. Stock exchange market is an example of

A. unregulated market

B. regulated market B

C. spot market

D. none of the above

QUESTION

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#Q. Full capacity is utilized only when there is

A) Monopoly

B) $\boxed{\text{Perfect competition}}$ B

C) Price discrimination

D) Oligopoly

QUESTION

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#Q. In the long run, normal profits are included in the ________ curve.

A LAC A

B LMC

C AFC

D SAC

QUESTION

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#Q. Non-price competition is observed in which type of following market?

A Monopoly

B Monopolistic competition (B)

C Duopoly

D Oligopoly

QUESTION

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#Q. Unique supply curve in monopoly is not due to ____________

A. P > MC (A)

B. P < MC

C. P = MC

D. None of these

QUESTION

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#Q. In the kinked demand curve models, the oligopolists

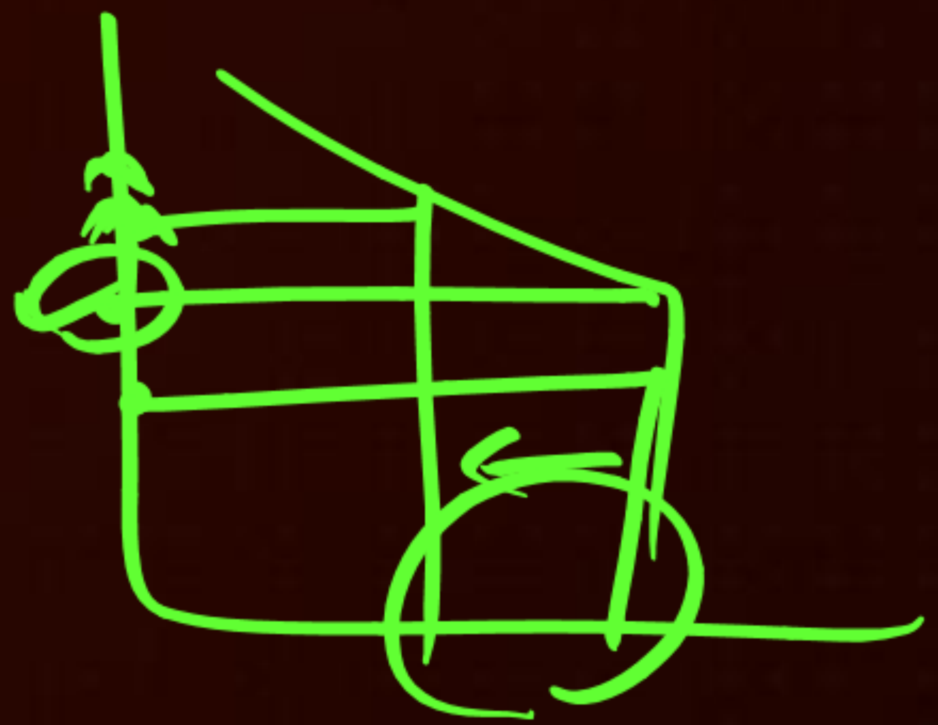
A. Recognize their interdependence

B. Do not collude

C. Tend to keep prices constant

D. All of the above

D



QUESTION

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#Q. ____________ is not an objective of price discrimination

A. To enjoy economics of scale

B. To dispose of surplus stock

C. To escape foreign market

D. To secure equity through pricing

C

QUESTION

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#Q. Economic indicators are -

Future – leading

Past – lagging

Current –

(A) A one stroke solution to check the phase of economy

(B) Indicators showing the movement of economy

(C) Some activities which predict the direction of economy $\boxed{C}$

(D) Just an illusion

QUESTION

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#Q. The cobweb theory was propounded by ____________

monetary

Present Price

future

A Hawtrey

B Adam Smith

C J M Keynes

D Nicholas Kaldor

D

QUESTION

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#Q. According to Keynes, fluctuations in Economic activities are due to-

AD, A.E.

A. Fluctuation in aggregate effective demand A

B. Innovations → Schumpeter

C. Changes in money supply

D. Fluctuation in agricultural output

QUESTION

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#Q. _______ sector is more prone to the adverse effects of the business cycle

Chance

(A) Agriculture

(B) Service

(C) Industrial

(D) Can't say

C

QUESTION

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#Q. If demand for goods and services is more than their supply, the resultant inflation is :

$D > S$

$P \uparrow$

Shortage

A. Cost push inflation

B. stagflation $\longrightarrow$ I + Slow

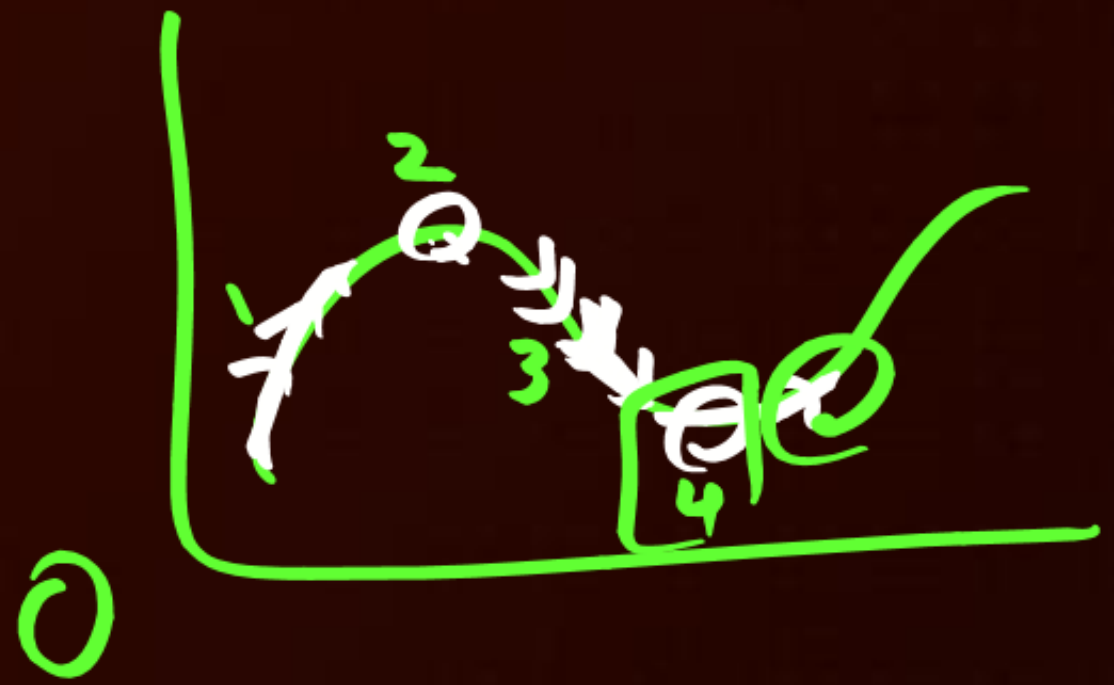
C. deflation – $P \downarrow$

D. $\boxed{\text{demand pull inflation}}$

$\boxed{D}$

QUESTION

#Q. 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 C

(D) Recovery

QUESTION

#Q. Which is not the External Causes of business cycle:

(A) Technology shock

(B) Population Growth

(C) Money Supply

C

(D) Natural Factors

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45 marks

↓

$\boxed{\text{Warm-up}}$ — PYQs, MTP, SM

+

$\boxed{\text{Exam}}$

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$\boxed{\text{Chap\_10}}$

↓

Theory

Before 1947

1947 - 1951

NITI Ayog

Primary

Secondary

Tertiary

→ Programme

QUESTION

#Q. FAME-India Scheme aims to

A Enhance faster industrialization through private participation

B

B to promote manufacturing of electric and hybrid vehicle technology

C to spread India's fame among its trading partners

D None of the above

QUESTION

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#Q. E-NAM is -

(A) An electronic name card given to citizens of India

(B) National Agriculture Market with the objective of creating a unified national market for agricultural commodities

(C) a pan-India electronic trading portal which networks the existing APMC mandis

(D) (B) and (C) above D

QUESTION

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#Q. The 'Hindu growth rate' is a term used to refer to -

1950 – 1980

3 decades → 3.5%

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 (B)

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'

2 Mins Summary

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1. Notes → CA wallah Telegram
2. Revision → $\boxed{\text{Chanakya 2.0}}$
3. Macro → $\boxed{\text{IT, PF, NI, M}}$ ⇒ 45 marks

8:00 Am


THANK
You
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