

EDU JUNCTION
CA FOUNDATION
TEST : ECONOMICS

Q1. At the time of Great depression of 1930, GDP fell around:

- a) 14%
- b) 15%
- c) 20%
- d) 25%

Q2. The indifference curve for two perfect complementary goods is _____.

- a) Z shaped
- b) L shaped
- c) U shaped
- d) Straight line

Q3. The demand curve of the firm and industry will be same in which form of market:

- a) Monopolistic competition
- b) Perfect competition
- c) Monopoly
- d) Oligopoly

Q4. The Delphi technique of demand forecasting is also called:

- a) Expert opinion method
- b) Collective opinion method
- c) Controlled experiments
- d) Barometric method

Q5. Which of the following is not the main feature of business cycle?

- a) Occurs periodically
- b) Profit variation
- c) Worldwide impact
- d) Asynchronous

Q6. 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 Rs.200000 to Rs.300000 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) 2
- d) 3

Q7. Price taker firms _____.

- a) Do not advertise their product because it misleads the customers
- b) Advertise their products to boost the level of demand
- c) Do not advertise but give gifts along with the sold items to attract customers
- d) Do not advertise because they can sell as much as they wish at the prevailing price.

Q8. Economics is ____

- a) Driven by profit
- b) Driven by sentiments
- c) Driven by emotions
- d) Driven by altruism

Q9. At the shut-down point, the price is:

- a) Below ATC
- b) Below AVC
- c) Equal to ATC
- d) Above AVC

Q10. When both demand and supply increase, how does it affect the equilibrium quantity and equilibrium price?

- a) The equilibrium quantity increases but the change in equilibrium price is uncertain
- b) The equilibrium quantity decreases but change in equilibrium price is uncertain
- c) Equilibrium price increases but the change in equilibrium quantity is uncertain
- d) Equilibrium price decreases but the change in equilibrium quantity is uncertain Q11.

Which of the following is demerit of capitalism:

- a) There is precedence of property right over human rights
- b) It functions in domestic frame work
- c) High degree of operative efficiency
- d) None of these

Q12. Which of the following macro-economic variables would you include in an index of leading economic indicators?

- a) Employment
- b) Inflation
- c) Real interest rates
- d) Residential investment

Q13. Which of the following statement is false?

- a) Economic costs include the opportunity costs of the resources owned by the firm.
- b) Accounting costs include only explicit costs.
- c) Economic profit will always less than accounting profit if resources owned and used by the firm have any opportunity costs.
- d) Accounting profit is equal to total revenue less implicit costs.

Q14. Industries that are extremely sensitive to the business cycle are the

- a) Durable goods and service sectors
- b) Non-durable goods and service sectors
- c) Capital goods and non-durable goods sectors
- d) Capital goods and durable goods sectors

Q15. The term socialist economy was coined by

- a) Alfred Marshall
- b) Albert Einstein

- c) Joel Dean
- d) Karl Marx and Friedrich Engels

Q16. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called

- a) Procyclical
- b) Counter cyclical
- c) A cyclical
- d) A leading variable

Q17. Who propounded the price rigidity under kinked demand curve model of oligopoly? a)

Adam Smith

- b) Karl Marx
- c) Keynes
- d) Paul A. Sweezy

Q18. _____ involves the predominance of bureaucracy and resulting in inefficiencies and delays

- a) Socialist economy
- b) Capitalist economy
- c) Mixed economy
- d) Free market economy

Q19. During lockdown due to Covid 19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetables than usual prices. She will buy _____ vegetables than / as her usual demand showing the demand of vegetable is _____

- a) Same ; Elastic demand
- b) Same ; Inelastic demand
- c) Less ; Elastic demand
- d) More ; Inelastic demand

Q20. MC curve of a firm in a perfectly competitive industry depicts ?

- a) Demand curve
- b) Supply curve
- c) Average cost curve
- d) Total cost curve

Q21. The 'communist manifesto' related to socialist economy propounded by Karl Marx and Fredric Engles was published in:

- a) 1950
- b) 1848
- c) 1849
- d) 1951

Q22. Issues requiring decision making in the context of business are:

- a) How much should be the optimum output at what price should the firm sell?
- b) How will the product be placed in the market?
- c) How to combat the risks and uncertainties involved?
- d) All of the above

Q23. The marginal product of a variable input is described as?

- a) The additional output resulting from one unit increase in both the variable and fixed inputs
- b) The additional output resulting from one unit increase in fixed input
- c) The additional output resulting from one unit increase in the variable inputs
- d) The additional output resulting from all unit increase in variable inputs

Q24. Which one of the following factors is an external cause of endogenous factor which may lead to boom or burst?

- a) Economical factor
- b) Social factor
- c) Natural factor
- d) Industrial factor

Q25. The marginal, average and total product curves encountered by the firm producing in the short run exhibit all of the following relationship except _____

- a) When TP is rising, average and marginal product may be either rising or falling
- b) When marginal product is negative, total product and average product are falling
- c) When average product is maximum, marginal product equals average product and total product is rising
- d) When marginal product is at maximum, average product equals marginal product and total product is rising

Q26. "Which of the following is NOT meant by liberalisation"?

- a) Decontrol
- b) Disinvestment of PSUs
- c) Freedom to do business
- d) Deregulation

Q27. When elasticity of demand is equal to one in monopoly, marginal revenue will be _____. a)

Equal to one

- b) Greater than one
- c) Less than one
- d) Zero

Q28. Business economics being _____ in approach tackles practical problems

- a) Interdisciplinary
- b) Normative
- c) Positive
- d) Pragmatic

Q29. Suppose the income elasticity of air conditioners is +1.8, which kind of good is an air conditioner?

- a) Conspicuous goods
- b) Normal good
- c) Inferior good
- d) Superior good

Q30. Monopsony means

- a) Where there are large firms
- b) There is a single buyer
- c) Small number of large buyers
- d) Single seller and single buyer

Q31. Business cycle generally originate in free market economies, what is a free market economy ?

- a) The economy where government is in possession of major assets
- b) The economy where private firms control major assets
- c) The economy where decisions of productions are taken by public sector undertakings
- d) The economy where price is controlled by government

Q32. Scarcity definition of Economics is given by

- a) Alfred Marshall
- b) Samuelson
- c) Robinson
- d) Adam Smith

Q33. A movement along the demand curve for soft drinks is best described as:

- a) An increase in demand
- b) A decrease in demand
- c) A change in quantity demanded
- d) A change in demand

Q34. Which of the following is a normative statement?

- a) Planned economies allocate resources via government departments
- b) Most transitional economies have experienced problems of falling output and rising prices over the past decade
- c) There is a greater degree of consumer sovereignty in market economies than planned economies
- d) Reducing inequality should be a major priority for mixed economies

Q35. Economic recession shares all of these characteristics except

- a) Fall in the levels of investment, employment
- b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
- c) Investor confidence is adversely affected and new investments may not be forthcoming
- d) Increase in the price of inputs due to increased demand for inputs

Q36. Which of the following statement is correct?

- a) Micro economics is important for study of a particular household and a particular firm
- b) Macro economics is important for study of economic conditions of a country
- c) None of the above
- d) Both a and b

Q37. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:

- a) Remain the same
- b) Increase
- c) Decrease
- d) Any of these

Q38. Which of the following best describes a typical business cycle?

- a) Economic expansions are followed by economic contractions
- b) Inflation is followed by rising income and unemployment
- c) Economic expansions are followed by economic growth and development
- d) Stagflation is followed by inflationary economic growth

Q39. The most probable outcome of an increase in the money supply is

- a) Interest rates to rise, investment spending to rise, and aggregate demand to rise
- b) Interest rates to rise, investment spending to fall, and aggregate demand to fall
- c) Interest rates to fall, investment spending to rise, and aggregate demand to rise
- d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

Q40. 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

Q41. Which of the following is true of the relationship between the marginal cost function and the average cost function?

- a) If MC is greater than ATC, then ATC is falling
- b) The ATC curve intersects the MC curve at minimum MC
- c) The MC curve intersects the ATC curve at minimum ATC
- d) If MC is less than ATC, then ATC is increasing

Q42. 'No matter what the price of coffee is, Arjun always spends a total of exactly 100 per week on coffee.' The statement implies that:

- a) Arjun is very fond of coffee and therefore he has an inelastic demand for coffee
- b) Arjun has elastic demand for coffee
- c) Arjun's demand for coffee is relatively less elastic
- d) Arjun's demand for coffee is unit elastic

Q43. Which of the following statements is incorrect?

- a) The LAC curve is also called the planning curve of a firm
- b) Total revenue = price per unit X number of units sold
- c) Opportunity cost is also called alternative cost
- d) If total revenue is divided by the number of units sold, we get marginal revenue Q44.

Which of the following statements is incorrect?

- a) An indifference curve must be downward sloping to the right
- b) Convexity of a curve implies that the slope of the curve diminishes as one moves from left to right
- c) The income elasticity for inferior goods to a consumer is positive
- d) The total effect of a change in the price of a good on its quantity demanded is called the price effect

Q45. Which of the following statements describes increasing returns to scale?

- a) Doubling of all inputs used leads to doubling of the output
- b) Increasing the inputs by 50% leads to a 25% increase in output

- c) Increasing inputs by $\frac{1}{4}$ leads to an increase in output of $\frac{1}{3}$
- d) None of the above

Q46. The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is 15.

- a) 4
- b) -3
- c) -5
- d) 3

Q47. Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that

- a) The firm operates in a perfectly competitive market
- b) The firm can sell all that it wants to at the established market price
- c) 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 able to maximise profits because price and revenue are subject to change

Q48. 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 necessity
- c) Private school education is luxury
- d) We should have more private schools

Q49. Which of the following statements is incorrect?

- a) Even a monopolistic firm can have losses
- b) Firms in a perfectly competitive market are price taker
- c) It is always beneficial for a firm in a perfectly competitive market to discriminate prices
- d) Kinked demand curve is related to an oligopolistic market.

Q50. Suppose that a sole proprietorship is earning total revenues of Rs 1,00,000 and is incurring explicit costs of Rs 75,000. If the owner could work for another company for Rs 30,000 a year, we would conclude that:

- a) The firm is incurring an economic loss
- b) Implicit costs are Rs 25,000
- c) The total economic costs are Rs 1,00,000
- d) The individual is earning an economic profit of Rs 25,000

Q51. Which of the following is not an essential condition of pure competition?

- a) Large number of buyers and sellers
- b) Homogenous product
- c) Freedom of entry
- d) Absence of transport cost

Q52. A monopolistic is a

- a) Price-maker
- b) Price-taker

- c) Price adjuster
- d) None of the above

Q53. Suppose the price of movies seen at a theatre rises from RS 120 per person to Rs 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movie? (use arc elasticity method)

- a) .5
- b) .8
- c) 1.0
- d) 1.2

Q54. A firm encounters its “shutdown point” when:

- a) Average total cost equals price at the profit maximising level of output
- b) Average variable cost equals price at the profit-maximising level of output
- c) Average fixed cost equals price at the profit-maximising level of output
- d) Marginal cost equals price at the profit-maximising level of output

Q55. Under perfect competition, in the long run, there will be no _____

- a) Normal profits
- b) Supernormal profits
- c) Production
- d) Costs

Q56. Combination of monopoly market is called as:

- a) Duopoly market
- b) Oligopoly market
- c) Bilateral monopoly market
- d) Monopolistic market

Q57. When _____, we know that the firms are earning just normal profits

- a) $AC=AR$
- b) $MC=MR$
- c) $MC=AC$
- d) $AR=MR$

Q58. Under monopoly, the degree of control over price is:

- a) None
- b) Some
- c) Very considerable
- d) None of the above

Q59. Which of the following is an example of explicit cost?

- a) The wages a proprietor could have made by working as an employee of a large firm
- b) The income that could have been earned in alternative uses by the resources owned by the firm
- c) The payment of wages by the firm
- d) The normal profit earned by a firm

Q60. Which of the following equation represents profit maximisation condition?

- a) $MC = MR$
- b) $MC > MR$
- c) $MC < MR$
- d) None

Q61. Which of the following is used to measure the total income earned by a country's residents, regardless of their location?

- (a) Gross National Product (GNP)
- (b) Gross Domestic Product (GDP)
- (c) Net National Product (NNP)
- (d) Net Domestic Product (NDP)

Q62. In a country, the total private consumption expenditure for the year 2022 is 1,200 billion. The gross private domestic investment for the year 2022 is 300 billion. The government expenditure on goods and services for the year 2022 is 400 billion, and the net exports (exports minus imports) for the year 2022 are 150 billion. Calculate the Gross Domestic Product (GDP) for the year 2022.

- (a) 1,350 billion
- (b) 1,350 billion
- (c) 1,550 billion
- (d) 1750 billion

Q63. Which government agency is responsible for preparing the System of Regional Accounts in India?

- (a) Ministry of Finance
- (b) Reserve Bank of India (RBI)
- (c) Central Statistical Office (CSO)
- (d) National Institution for Transforming India (NITI Aayog)

Q64. Which of the following best represents the flow of goods and services in the circular flow model?

- (a) Money flows from households to businesses for goods and services.
- (b) Goods and services flow from households to businesses in exchange for money.
- (c) Money flows from businesses to households for factors of production.
- (d) Factors of production flow from businesses to households in exchange for money.

Q65. The concept of the "Multiplier Effect" in the Keynesian theory suggests that:

- (a) Government spending has a larger impact on national income than changes in taxes.
- (b) A change in investment leads to a proportionate change in national income.
- (c) Increases in exports result in higher economic growth and employment.
- (d) Changes in consumption have a direct and immediate impact on investment.

Q66. In an economy, the short-run aggregate supply (SRAS) curve is represented as $SRAS = 2,000 + 100P$, where P is the price level. Calculate the level of aggregate supply when the price level (P) is 10.

- (a) 2,100
- (b) 3,000
- (c) 2,500
- (d) 2,200

Q67. Fiscal policy is a tool used by the government to:

- (a) Control the money supply and interest rates in the economy.
- (b) Regulate international trade and exchange rates.
- (c) Influence the level of economic activity and stabilize the economy through changes in government spending and taxation.
- (d) Manage the balance of payments and foreign exchange reserves.

Q68. The primary function of the government in an economic system is to:

- (a) Maximize profits for businesses.
- (b) Ensure price stability in the market.
- (c) Allocate and manage scarce resources.
- (d) Promote international trade and exports.

Q69. Which of the following is a cause of market failure?

- (a) Perfect competition in the market.
- (b) Government intervention to correct externalities.
- (c) Absence of public goods in the market.
- (d) Equilibrium between supply and demand.

Q70. How can the government address market failure due to externalities?

- (a) By increasing taxes on the affected firms.
- (b) By providing subsidies to the affected firms.
- (c) By implementing regulations and standards.
- (d) By reducing public goods in the market.

Q71. Public goods are non-excludable, which means:

- (a) Individuals can be excluded from using them.
- (b) They are available only to the public sector.
- (c) They are available only to low-income individuals.
- (d) Individuals cannot be excluded from using them.

Q72. Market power refers to the ability of a firm or a group of firms to:

- (a) Minimize production costs and maximize profits.
- (b) Influence market prices and control the quantity of goods produced.
- (c) Compete fairly in the market and offer high-quality products.
- (d) Participate in international trade and expand their market share.

Q73. How are capital receipts different from revenue receipts?

- (a) Capital receipts are used to finance day-to-day expenses, while revenue receipts are used for long-term projects.
- (b) Capital receipts represent funds raised through long-term borrowing or asset sales, while revenue receipts represent funds from regular income sources like taxes and fines.
- (c) Capital receipts are non-tax revenue, while revenue receipts are tax revenue.
- (d) Capital receipts are received from foreign countries, while revenue receipts are domestic receipts.

Q74. The formula to calculate revenue deficit is:

- (a) Revenue Deficit = Total Revenue - Total Expenditure
- (b) Revenue Deficit = Revenue Receipts - Revenue Expenditure
- (c) Revenue Deficit = Capital Receipts - Capital Expenditure

(d) Revenue Deficit = Fiscal Receipts - Fiscal Expenditure

Q75. Who has the authority to make withdrawals from the Contingency Fund of India?

- (a) The President of India
- (b) The Prime Minister of India
- (c) The Finance Minister of India
- (d) The Reserve Bank of India

Q76. Choose the correct statement from the following

- (a) Money is deemed as something held by the public and therefore only currency held by the public is included in money supply.
- (b) Money is deemed as something held by the public and therefore inter-bank deposits are included in money supply.
- (c) Since inter-bank deposits are not held by the public, therefore inter-bank deposits are excluded from the measure of money supply.
- (d) Both (a) and (c) above.

Q77. What is fiat money?

- (a) Money that has intrinsic value based on its physical properties.
- (b) Money that is backed by a commodity, such as gold or silver.
- (c) Money that is declared legal tender by the government and has no intrinsic value.
- (d) Money that is used for online transactions and digital payments.

Q78. What is the speculative motive for holding money?

- (a) It refers to holding money for future investment opportunities.
- (b) It refers to holding money to speculate on future price changes in financial assets.
- (c) It refers to holding money to finance day-to-day transactions and purchases.
- (d) It refers to holding money to preserve wealth

Q79. What happens if a commercial bank's reserves fall below the required reserve ratio set by the central bank?

- (a) The bank can continue to operate normally without any restrictions.
- (b) The central bank will lend additional reserves to the bank.
- (c) The bank may face penalties and restrictions on lending.
- (d) The central bank will lower the reserve ratio for that bank.

Q80. When the government of India reduces its expenditure and the money spent is withdrawn from circulation, what is the likely impact on the money supply?

- (a) The money supply will increase.
- (b) The money supply will decrease.
- (c) The money supply will remain unchanged.
- (d) The money supply will fluctuate.

Q81. How is the money multiplier calculated?

- (a) Money Multiplier = Change in Money Supply / Change in Interest Rates.
- (b) Money Multiplier = Reserve Ratio / Money Supply.
- (c) Money Multiplier = 1 / Reserve Ratio.
- (d) Money Multiplier = Change in Money Supply / Change in Reserve Ratio.

Q82.The interest rate at which the central bank lends to commercial banks is known as:

- (a) The discount rate
- (b) The federal funds rate
- (c) The prime rate
- (d) The benchmark rate

Q83. The Heckscher-Ohlin Theory of International Trade emphasizes that trade is influenced by differences in:

- (a) Absolute advantage between countries.
- (b) Comparative advantage between countries.
- (c) Factor endowments between countries.
- (d) Monetary policies between countries.

Q84. The theory that suggests that a country should specialize in producing goods in which it has an absolute advantage and then trade with other countries to maximize overall efficiency is known as:

- (a) The Theory of Comparative Advantage
- (b) The Theory of Absolute Advantage
- (c) The Theory of Factor Proportions

(d) The Theory of International Product Life Cycle

Q85.What are non-tariff measures (NTMs)?

- (a) Barriers to trade
- (b) Taxes on international trade
- (c) Regulations on international trade
- (d) None of the above

Q86.Can government procurement policies be challenged under international trade rules?

- (a) Yes, they can be challenged under the rules set by the World Trade Organization (WTO)
- (b) No, government procurement policies cannot be challenged under international trade rules
- (c) It depends on the specific country and their trade agreements.

Q87. Which principle of the WTO promotes the removal of trade barriers, such as tariffs and quotas?

- (a) Free trade
- (b) Non-discrimination
- (c) Transparency
- (d) Special and differential treatment

Q88.What is the highest decision-making body of the World Trade Organization (WTO)?

- (a) General Council
- (b) Ministerial Conference
- (c) Appellate Body
- (d) Dispute Settlement Body

Q89.How is the exchange rate determined in a floating exchange rate system?

- (a) It is fixed by the World Bank based on a country's economic performance
- (b) It is determined by supply and demand in the foreign exchange market
- (c) It is set unilaterally by each country's central bank
- (d) It is pegged to the price of gold or another commodity

Q90. What was the primary objective of the economic reforms introduced in 1991?

- (a) To promote import substitution
- (b) To achieve self-sufficiency in food production
- (c) To accelerate economic growth and improve efficiency
- (d) To increase government control over the economy

Q91. The economic reforms of 1991 in India were launched under the leadership of:

- (a) Jawaharlal Nehru
- (b) Rajiv Gandhi
- (c) Indira Gandhi
- (d) P. V. Narasimha Rao

Q92. The reduction of Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) during the financial reforms aimed to:

- (a) Increase the flow of credit and money supply in the economy
- (b) Discourage banks from lending and encourage saving
- (c) Stabilize exchange rates and control inflation
- (d) Restrict foreign investments in the financial sector

Q93. What distinguishes Foreign Direct Investment (FDI) from Foreign Portfolio Investment (FPI)?

- (a) FDI involves investing in a diverse portfolio of foreign stocks and bonds.
- (b) FDI involves short-term investments in foreign money market instruments.
- (c) FDI involves acquiring significant ownership in foreign companies or assets.
- (d) FDI involves lending money to foreign governments.

Q94. How is NITI Aayog different from the Planning Commission?

- (a) NITI Aayog focuses on centralized planning, whereas the Planning Commission focused on decentralized planning.
- (b) NITI Aayog is a statutory body, whereas the Planning Commission was a constitutional body.
- (c) NITI Aayog is more flexible and allows for cooperative federalism, whereas the Planning Commission followed a top-down approach.
- (d) NITI Aayog has a fixed tenure, whereas the Planning Commission had a permanent structure.

Q95. When was NITI Aayog established in India?

- (a) 2000
- (b) 2014
- (c) 2017
- (d) 2020

Q96. In terms of Ease of Doing Business in 2020 India ranks

- (a) 63
- (b) 77
- (c) 45
- (d) None of the above

Q97. 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

Q98. The objective of introducing Monopolies and Restrictive Trade Practices Act 1969 was -

- a) to ensure that the operation of the economic system does not result in the concentration of economic power in hands of a few
- b) to provide for the control of monopolies
- c) to prohibit monopolistic and restrictive trade practice
- d) all the above

Q99. Which one of the following is a feature of green revolution -

- a) use of soil friendly green manure to preserve fertility of soil
- b) grow more crops by redistributing land to landless people
- c) High yielding varieties of seeds and scientific cultivation
- d) Diversification to horticulture

Q100. What does the parameter 'k' in the Cambridge Equation $M_d = kPY$ signify?

- (a) The money supply in the economy.
- (b) The velocity of money.
- (c) The interest rate set by the central bank.
- (d) The proportion of income held as money.