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MOCK TEST PAPER

BUSINESS ECONOMICS

- _____ refers to the process of selecting an appropriate alternative that will provide the most efficient means of attaining a desired end, from two or more alternative courses of action.
 - Decision making
 - Strategy
 - Problem Solving
 - Effectiveness
- Macro-economic is also called economics.
 - Applied
 - Aggregate
 - Micro
 - Experimental
- Ram: My corn harvest this year is poor.
Krishan: Don't worry. Price increases will compensate for the fall in quantity supplied
Vinod: Climate affects crop yields. Some years are bad, others are good.
Madhu: The Government ought to guarantee that our income will not fall.
In this conversation, the normative statement is made by
 - Ram
 - Krishan
 - Vinod
 - Madhu
- Which of the following is considered as a disadvantage of allocating resources using the market system?
 - Income will tend to be unevenly distributed.
 - People do not get goods of their choice.
 - Men of Initiative and enterprise are not rewarded.
 - Profits will tend to be low.
- In a capitalist economy the allocation of resources is performed by:
 - Producers
 - Government
 - Planners
 - Price mechanism

6. The quantity demanded is always expressed_____.
- (a) Separately in isolation
 - (b) Separately with quantity supplied
 - (c) At a given price
 - (d) None of these
7. Two Commodities are called_____when they satisfy the same want and can be used with ease in place of one another.
- (a) Substitutes
 - (b) Complementary
 - (c) Un-related
 - (d) Opposite
8. The price of tomatoes increases and people buy tomato puree. You infer that tomato puree and tomatoes are
- (a) Normal goods.
 - (b) Complements.
 - (c) Substitutes.
 - (d) Inferior goods.
9. In a demand function, the determinants of demand like price, money income, tastes & preferences, etc. may be regarded as
- (a) Dependent Variables
 - (b) Independent Variables
 - (c) Related Variables
 - (d) Complex variables
10. The_____ sloping Demand Curve is in accordance with the law of demand which describes an _____price demand relationship.
- (a) Upward, inverse
 - (b) Downward, Inverse
 - (c) Upward, direct
 - (d) Downward, direct
11. Which one of the following may be Considered as a rationale of the law of demand?
- (a) Price Effect
 - (b) Giffen Goods
 - (c) Returns to Scale
 - (d) None of these
12. Identify the factor which generally keeps the price elasticity of a good Low:
- (a) Variety of uses for that good
 - (b) Very low price of a commodity
 - (c) Close substitutes for that good
 - (d) High proportion of the consumer's income spent on it.

13. The price elasticity of demand for X is 1 and the original quantity demand of X is 90 units, if the price of X decreases from ₹ 300 to ₹ 180 per unit, calculate the new quantity demand of X
- (a) 36 units
 - (b) 120 units
 - (c) 126 units
 - (d) 144 units

14. The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true

City	% Increase in income	% change in demand for Good X	% change in demand for Good Y
A	12	6.5	-2.3
B	9	5.6	1.6

- (a) Both goods are normal goods in both cities A and B
 - (b) Good X is a normal good in both cities; good Y is an inferior good in city A
 - (c) Good X is a normal in both cities; good Y is an inferior good in city B
 - (d) Need more information to make and accurate comment
15. The demand for cement in India is forecasted. It refers to_____.
- (a) Micro level forecasting
 - (b) Long Term forecasting
 - (c) Industry level forecasting
 - (d) Firm level forecasting.
16. The three stages of capital formation are :
- (a) Savings, Mobilization of Savings and investment
 - (b) Mobilization of Saving, Savings, and investment
 - (c) Investment, Saving and mobilization of Saving
 - (d) Saving, Investment and mobilization of savings.
17. The production function:
- (a) Is the relationship between the quantity of inputs used and the resulting quantity of product.
 - (b) Tells us the maximum attainable output from a given combination of inputs.
 - (c) Expresses the technological relationship between inputs and output of a product.
 - (d) All the above.
18. ___ is the total output resulting from the efforts of all the factors of production combined together at any time.
- (a) Total Product
 - (b) Average Product
 - (c) Marginal Product
 - (d) None of the above.

19. Marginal, average and total product of a firm in the short run will not comprise with
- When marginal production is at a maximum, average product is equal to marginal product, and total product is rising
 - When average product is maximum, average product is equal to marginal product, and total product is rising
 - When marginal product is negative, total product and average product are falling
 - When total product is increasing, average product and marginal product may be either rising or falling
20. The "law of diminishing returns" applies to :
- The short run, but not the long run.
 - The long run, but not the short run.
 - Both the short run and the long run.
 - Neither the short run nor the long run.
21. Returns to scale will said to be in operation when quantity of :
- All inputs are changed
 - All inputs are changed in already established proportion
 - All inputs are not changed
 - One input is changed while quantity of all other inputs remain the same
22. An ISO quant shows
- All the alternative combinations of two inputs that can be produced by using a given set of output fully and in the best possible way.
 - All the alternative combinations of two products among which a producer is indifferent because they yield the same profit.
 - All the alternative combinations of two inputs that yield the same total product.
 - Both (b) and (c).
23. In which of the following cases opportunity cost concept applies?
- Resources have alternative uses
 - Resources have limited uses
 - Resources have no use
 - None of the above.
24. Cost function is a function which is obtained from_____.
- Production Function
 - Market Supply of inputs
 - Market Supply of outputs
 - Both (a) & (b)
25. What will be the TVC if we produce 2 units?

Units	0	1	2
Total cost	20	37	50

- 15
- 05
- 17
- 30

26. Stock exchange is example of _____Market.
- (a) Regulated Market
 - (b) Spot Market
 - (c) Forward Market
 - (d) Retail Market
27. Average revenue is equal to.
- (a) The change in P & due to a one unit change in output
 - (b) Nothing but price of one unit of output.
 - (c) The change in quantity divided by change in price
 - (d) Graphically it denotes the firm's supply curve.
28. The Marginal Revenue corresponding to the middle point of the demand curve (or AR Curve) will be_____.
- (a) Zero
 - (b) One
 - (c) Less than one
 - (d) More than one
29. Equilibrium price may be determined through :
- (a) Only demand
 - (b) Only supply
 - (c) Both demand & supply
 - (d) None
30. If demand increases without any corresponding increase in supply, there will be :
- (a) Increase in equilibrium price
 - (b) Quantity sold increases
 - (c) Quantity purchases increases
 - (d) All of the above
31. Conditions for equilibrium of a firm are :
- (a) $MR = MC$
 - (b) MC should cut MR from below
 - (c) $MR = AR$ and MC should cut MR from below
 - (d) $MR = MC$ and MC should have a positive slope
32. Which of the following markets would most closely satisfy the requirements for a perfectly competitive Market?
- (a) Electricity
 - (b) Cable television
 - (c) Cola
 - (d) Milk

33. A firm is said to be in equilibrium when_____.
- (a) It is maximizing its profits
 - (b) It has no incentive to expand production
 - (c) It has not incentive to contract production
 - (d) All of the above
34. In perfect Competition when the firm is a price taker, which curve among the following will be a straight line?
- (a) Marginal Cost
 - (b) Average Cost
 - (c) Total Cost
 - (d) Marginal Revenue
35. Demand curve is horizontal in the case of_____.
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Imperfect Competition
 - (d) Monopolistic Competition
36. In long run equilibrium under perfect completion is satisfied by which condition.
- (a) $MC = MR$
 - (b) $AC = AR$
 - (c) $LMC = LAC = P$
 - (d) All of the above
37. Under monopoly, the degree of control over price is :
- (a) None
 - (b) Some
 - (c) Very considerable
 - (d) None of the above
38. Price discrimination will be profitable only if the elasticity of demand in different sub-markets is:
- (a) Uniform
 - (b) Different
 - (c) Less
 - (d) Zero
39. Who propounded the price rigidity under kinked demand curve model of oligopoly?
- (a) Adam Smith
 - (b) Karl Marx
 - (c) Keynes
 - (d) Paul A. Sweezy

40. Kinked demand hypothesis is designed to explain_____in context of oligopoly.
- (a) Price and output determination
 - (b) Price rigidity
 - (c) Collusion between firm
 - (d) All of the above
41. Greatest depression suffered by economy in which year.
- (a) 1924
 - (b) 1930
 - (c) 2008
 - (d) 2009
42. During_____there is fall in level of investment and employment
- (a) Boom
 - (b) Recovery
 - (c) Contraction
 - (d) Depression
43. In which of the following phase of a business cycle, actual demand stagnates?
- (a) Expansion
 - (b) Peak
 - (c) Contraction
 - (d) Recovery
44. What is the most visible sign of recession in an economy.
- (a) Fall in the level of employment
 - (b) Fall in price level
 - (c) Rise in the inventory cost
 - (d) Weakening stock market
45. In the later stages of expansion, inputs are difficult to find as they are_____of their demand and therefore & input prices _____
- (a) Short, increase
 - (b) Excess, increases
 - (c) Short, decrease
 - (d) Excess, decrease
46. Which of the following is a measure of a country's Gross National Product (GNP)?
- (a) The total value of all goods and services produced within a country's borders in a specific period.
 - (b) The total value of all goods and services produced by a country's residents, both domestically and abroad, in a specific period.
 - (c) The total value of all goods and services sold by a country to other countries in a specific period.
 - (d) The total value of all goods and services produced by a country's domestic companies in a specific period.

47. The Gross Domestic Product (GDP) per capita is used to:
- Measure the overall size of the economy
 - Determine the average income of a country's citizens
 - Calculate the total value of exports and imports
 - Analyze the distribution of wealth in a nation
48. National Disposable income (NDI) is defined as:
- The total income earned by a country's residents including net income from abroad.
 - The total income earned by a country's residents, excluding net income from abroad and indirect taxes.
 - The total income earned by a country's residents, including indirect taxes.
 - The total income earned by a country's residents, excluding depreciation.
49. In a country, the nominal GDP for the year 2022 is ₹ 800 billion, and the GDP deflator for 2022 is 120.0. What is the real GDP for 2022?
- ₹ 480 billion
 - ₹ 666.67 billion
 - ₹ 666.00 billion
 - ₹ 960 billion
50. In a country, the Gross National Product (GNP) at Market Prices for the year 2023 is ₹ 2,000 billion. During the same year, depreciation (Capital Consumption Allowance) amounts to ₹ 250 billion. The Net National Product at Market Prices (NNP_{MP}) for the year 2023 is:
- ₹ 2,250 billion
 - ₹ 1,750 billion
 - ₹ 2,250 billion (adjusted for depreciation)
 - ₹ 1,750 billion (adjusted for depreciation)
51. In a country, the Gross National Product at Factor Cost (GNP_{FC}) for the year 2023 is ₹ 2,500 billion, and the total population is 300 million. Calculate the Per Capita Income for the year 2023. (round off)
- ₹ 8,000
 - ₹ 6,000
 - ₹ 7,500
 - ₹ 5,000
52. Consider a three-stage production process. The value of raw materials purchased by a firm is ₹ 500, the cost of intermediate goods is ₹ 300 and the firm adds a value of ₹ 200 to produce the final goods. Calculate the value added by the firm.
- ₹ 200
 - ₹ 300
 - ₹ 500
 - ₹ 1,000

53. The System of Regional Accounts in India provides data on which of the following aspects at the state level?
- Population and demographic trends
 - Agricultural production and land use
 - Industrial output and manufacturing activities
 - All of the above
54. The central idea of the Keynesian theory is that:
- Government intervention is necessary to stabilize the economy
 - The market forces alone can ensure full employment and economic stability
 - Tax cuts are the most effective tool for economic growth
 - Private investment is the primary driver of economic prosperity
55. In an economy the consumption function is represented as $C = 800 + 0.6Y$, where Y is disposable income. Calculate the level of consumption when disposable income (Y) is ₹ 3,000.
- ₹ 1,000
 - ₹ 2,600
 - ₹ 2,200
 - ₹ 1,400
56. The investment multiplier assumes that:
- The economy is at full employment
 - Consumer spending is constant
 - Government spending is constant
 - There are no leakages in the economy
57. National Income estimates help in international comparisons of countries economies because they:
- Provide information about the military strength of the countries
 - Show the total exports and imports of the countries
 - Indicate the level of technological advancement in the countries
 - Offer a common measure to compare economic performance
58. Which of the following statements is true regarding the usefulness of National Income estimates?
- It helps in predicting the stock market trends.
 - It assists in identifying the environmental challenges faced by a country.
 - It is only relevant for developed countries, not for developing countries.
 - It aids in assessing the contribution of different sectors to the economy.
59. Gross National Product (GNP) is defined as:
- The total value of goods and services produced within a country's borders, excluding depreciation.
 - The total value of goods and services produced by a country's residents, regardless of their location.
 - The total value of goods and services produced within a country's borders, including indirect taxes.
 - The total value of goods and services produced by a country's residents, excluding net income from abroad.

60. Which concept of National Income includes only the value added at each stage of production and avoids double-counting?
- Gross Domestic Product (GDP) at market price
 - Net Domestic Product (NDP)
 - Gross Domestic Product (GDP) at factor cost
 - Gross Value Added (GVA)
61. The allocation function in economics refers to:
- The government's role in distributing subsidies to various industries.
 - The process of allocating resources among different uses to satisfy unlimited wants.
 - The role of financial institutions in allocating credit to the public.
 - The process of allocating goods and services among different regions of the country.
62. The price mechanism in a market economy plays a crucial role in resource allocation because it:
- Determines the level of government spending on public goods.
 - Regulates international trade and exchange rates.
 - Adjusts supply and demand to reach equilibrium prices.
 - Allocates resources based on government subsidies.
63. Government intervention to correct market failure may involve
- Reducing taxes to encourage investment.
 - Providing subsidies to producers to lower costs.
 - Imposing price controls to regulate market prices
 - Correcting externalities through taxes or subsidies.
64. A monopoly exists when:
- There is a single seller, and there are no close substitutes for the product.
 - There are a few dominant sellers, and they collude to set prices.
 - There are multiple sellers offering identical products.
 - The government regulates the prices of goods in the market.
65. The concept of "free-rider" in the context of public goods refers to:
- Individuals who benefit from public goods without contributing to their provision.
 - Individuals who willingly pay for public goods
 - Public sector employees responsible for providing public goods
 - Non-profit organizations that supply public goods.
66. What does "asymmetric information" refer to in economics?
- A situation where buyers and sellers have the same level of information
 - A situation where one party in a transaction has more information than the other
 - A situation where prices are the same for all participants in the market
 - A situation where there is no information available to make decisions

67. Which of the following is a direct tax?
- (a) Goods and Services Tax (GST)
 - (b) Corporate Tax
 - (c) Excise Duty
 - (d) Customs Duty
68. What is the difference between revenue expenditure and capital expenditure?
- (a) Revenue expenditure relates to investments in long-term assets, while capital expenditure includes day-to-day expenses.
 - (b) Revenue expenditure includes day-to-day expenses, while capital expenditure relates to interest payments on public debt.
 - (c) Revenue expenditure is funded through borrowing, while capital expenditure is funded through taxes.
 - (d) Revenue expenditure is incurred on regular operations, while capital expenditure is incurred on long-term assets.
69. How does Fiscal Policy contribute to economic stability?
- (a) By directly controlling interest rates and money supply
 - (b) By influencing the level of aggregate demand and economic activity
 - (c) By regulating foreign exchange rates and trade balances
 - (d) By promoting savings and investments in the economy
70. How does the government implement an Expansionary Fiscal Policy
- (a) By reducing government spending and increasing taxes
 - (b) By reducing interest rates and controlling the money supply
 - (c) By increasing government spending and reducing taxes
 - (d) By regulating foreign exchange rates and trade balances
71. What distinguishes fiat money from commodity money?
- (a) Commodity money is declared legal tender by the government while fiat money has intrinsic value.
 - (b) Commodity money is backed by a commodity, while fiat money has no intrinsic value.
 - (c) Commodity money is used for online transactions, while fiat money is physical currency,
 - (d) Commodity money is widely accepted internationally, while fiat money is limited to domestic use.
72. According to the Classical Quantity Theory of Money (QTM), what is the primary determinant of the price level in an economy?
- (a) The level of income and output.
 - (b) The quantity of money in circulation.
 - (c) The interest rate set by the central bank
 - (d) The level of government spending.

73. What does the parameter 'k' in the Cambridge Equation $M_d = kPY$ signify?
- The money supply in the economy.
 - The velocity of money.
 - The interest rate set by the central bank.
 - The proportion of income held as money.
74. "M3" in the classification of money supply includes:
- Currency held by the public, demand deposits with banks, and time deposits.
 - Currency held by the public, demand deposits with banks, and time deposits, along with certain money market instruments.
 - Currency held by the public, time deposits with banks, and savings deposits, along with certain money market instruments.
 - Currency held by the public, demand deposits with banks, time deposits, and savings deposits, along with certain money market instruments.
75. What role does the central bank play in controlling the money supply?
- The central bank has no control over the money supply.
 - The central bank can directly control the money supply through its policies.
 - The central bank can indirectly influence the money supply through interest rate adjustments.
 - The central bank can control only the currency component of the money supply.
76. The primary source of money supply in an economy is:
- Physical currency held by the public.
 - Currency issued by commercial banks.
 - Foreign currency reserves held by the central bank
 - Demand deposits held by commercial banks.
77. When the Reserve Bank of India (RBI) wants to increase the money supply in the economy, it is likely to:
- Raise the Cash Reserve Ratio (CRR).
 - Lower the Repo Rate.
 - Increase the Statutory Liquidity Ratio (SLR).
 - Conduct open market sales of government securities.
78. The transmission of monetary policy in India refers to:
- The process of formulating monetary policy objectives.
 - The implementation of fiscal policy measures by the government.
 - The process by which changes in monetary policy affect the economy.
 - The coordination between the Ministry of Finance and the Reserve Bank of India.
79. When the Reserve Bank of India (RBI) lowers interest rates, it is likely to impact saving and investment by:
- Encouraging more saving and less investment.
 - Encouraging less saving and more investment.
 - Discouraging both saving and investment.
 - Having no impact on saving and investment.

80. The MPC in India meets at regular intervals to review and decide on monetary policy actions. How often does the MPC typically hold its meetings?
- (a) Monthly
 - (b) Quarterly
 - (c) Biannually
 - (d) Annually
81. The Theory of Absolute Advantage, proposed by Adam Smith, states that a country has an absolute advantage in producing a good if it can:
- (a) Produce the good at a lower opportunity cost than another country.
 - (b) Produce the good using fewer resources than another country.
 - (c) Produce the good using advanced technology and machinery.
 - (d) Produce the good in larger quantities than another country.
82. The Theory of Comparative Advantage is associated with the work of which economist?
- (a) Adam Smith
 - (b) John Maynard Keynes
 - (c) David Ricardo
 - (d) Paul Samuelson
83. What are tariffs in the context of trade policy?
- (a) Subsidies provided to domestic industries for exports.
 - (b) Restrictions on the import of certain goods to protect domestic industries.
 - (c) Trade agreements between countries to promote free trade.
 - (d) Financial incentives offered to foreign companies to invest in the domestic market.
84. Specific tariffs are calculated based on:
- (a) The quantity of imported goods.
 - (b) The weight of imported goods.
 - (c) The value or price of imported goods.
 - (d) The environmental impact of imported goods.
85. Which trade negotiation round led to the establishment of the WTO in 1995?
- (a) Doha Round
 - (b) Tokyo Round
 - (c) Uruguay Round
 - (d) Seattle Round
86. Which of the following is an example of a Regional Trade Agreement?
- (a) GATT (General Agreement on Tariffs and Trade)
 - (b) WTO (World Trade Organization)
 - (c) NAFTA (North American Free Trade Agreement)
 - (d) IMF (International Monetary Fund)

87. What is the impact of a depreciation of a country's currency on its exports?
- (a) Exports decrease because foreign goods become cheaper for domestic consumers
 - (b) Exports increase because domestic goods become cheaper for foreign consumers
 - (c) Exports remain unchanged as the depreciation has no effect on trade
 - (d) Exports increase because foreign goods become more expensive for domestic consumers
88. What is the primary source of Foreign Direct Investment (FDI) in India?
- (a) United States
 - (b) China
 - (c) United Kingdom
 - (d) Singapore
89. What is devaluation of a currency?
- (a) A decrease in the value of a currency relative to other currencies under a fixed exchange rate system
 - (b) An increase in the value of a currency relative to other currencies under a floating exchange rate system
 - (c) A decrease in the value of a currency relative to other currencies under a floating exchange rate system
 - (d) An increase in the value of a currency relative to other currencies under a fixed exchange rate system
90. What is the primary motive behind Overseas Direct Investment (ODI) by Indian companies?
- (a) To exploit nature resources of foreign countries
 - (b) To gain control and ownership over foreign industries
 - (c) To diversify business operations and expand globally
 - (d) To establish dominance in the global financial markets
91. What was the impact of the Great Depression of the 1930s on the Indian economy?
- (a) The Indian economy remained largely unaffected by the global economic crisis
 - (b) India's agriculture sector thrived during the Great Depression
 - (c) The Great Depression caused significant economic hardships and unemployment in India
 - (d) India became a major exporter of manufactured goods during the Depression
92. What were the primary objectives of the economic reforms in India in 1991?
- (a) To strengthen the public sector and promote socialism
 - (b) To attract foreign direct investment and multinational corporations
 - (c) To achieve rapid economic growth and integration with the global economy
 - (d) To prioritize the agricultural sector and promote rural development
93. Which economic concept became central to India's economic strategy during the era of reforms?
- (a) Import substitution
 - (b) Planned development
 - (c) Self-sufficiency
 - (d) Liberalization and globalization

94. 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
95. Which measure was taken to reduce fiscal deficit during the 1991 reforms?
- (a) Increasing public spending on infrastructure projects
 - (b) Introducing higher tax rates for the wealthy individuals
 - (c) Reducing subsidies on essential goods and services
 - (d) Implementing universal basic income for all citizens
96. Which policy measure was taken to strengthen the banking sector during the monetary reforms of 1991?
- (a) Merger of nationalized banks with private banks
 - (b) Deregulation of interest rates for borrowers and depositors
 - (c) Imposition of capital controls to restrict foreign capital inflows
 - (d) Introduction of a fixed exchange rate system
97. The 'New Industrial Policy' aimed to reduce the role of the public sector in industries by:
- (a) Promoting disinvestment of public sector enterprises
 - (b) Providing subsidies and incentives to public sector companies
 - (c) Nationalizing private industries to make them public sector enterprises
 - (d) Imposing high taxes on private sector companies
98. What was the average GDP growth rate in India during the 1990s post the economic reforms?
- (a) 3.5%
 - (b) 5.2%
 - (c) 6.8%
 - (d) 8.3%
99. The primary objective of NITI Aayog is:
- (a) Poverty alleviation and rural development
 - (b) To plan and allocate resources for economic projects
 - (c) To provide technical support to state governments
 - (d) Transforming India by fostering cooperative federalism and sustainable development
100. Which of the following activities is NOT part of the primary sector in the Indian economy?
- (a) Agriculture
 - (b) Mining and quarrying
 - (c) Manufacturing
 - (d) Fishing

ANSWER KEYS

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