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**SEPTEMBER 2024**

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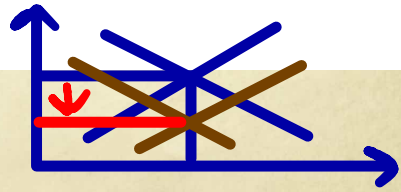
FPY

few sellers

1. Three major smartphone manufacturers, Alpha Tech, Beta Mobile, and Gamma Gadgets, dominate the smartphone market. These companies are in constant competition for market share and innovation. Which type of the market structure has been described in this scenario ?
- (A) Monopoly  
(B) Oligopoly  
(C) Perfect Competition  
(D) Monopolistic Competition
2. If Marginal Revenue (MR) for Unit 1 is ₹ 10, for Unit 2 is ₹ 5, and for Unit 3 is ₹ 3 then what will be the amount of Total Revenue (TR) ?
- (A) ₹ 15  
(B) ₹ 10  
(C) ₹ 8  
(D) ₹ 18
3. Which market covers a wider area such as a few adjacent cities, parts of states, or a cluster of states ?
- (A) Regional Market  
(B) National Market  
(C) International Market  
(D) Local Market
4. When should a competitive firm consider shutting down its operations ?
- (A) When the price is above Total Variable Costs (TVC).  
(B) When the price is below Average Variable Costs (AVC).  
(C) When the price is equal to Total Revenue (TR).  
(D) When the price is constant.
5. The supply curve of a perfectly competitive firm in the short run is
- (A) the portion of the Marginal Cost curve which lies below the minimum point of Average Variable Cost curve.  
(B) the portion of the Marginal Cost curve which lies above the minimum point of Average Variable Cost curve.  
(C) the portion of the Average Cost curve which lies below the minimum point of Average Variable Cost curve.  
(D) the part of the Average Cost curve which lies above the Marginal Cost curve.

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Dem  
Deur  $\left( \begin{matrix} > \\ < \\ = \end{matrix} \right)$  Supply  
Incr



(4)  
FPY

6.  
SWIP

In the case of demand decreasing and supply increasing, what is the expected impact on equilibrium price ?

- (A) Equilibrium price rises
- (B) Equilibrium price falls
- (C) Equilibrium price remains constant
- (D) Equilibrium price remains uncertain

by Qty  $\leftarrow$  Rise  
Fall  
same

7. In Ricardo's view, what does "Exchange Value" represent ?

- (A) The cost of production of a commodity
- (B) The subjective preferences of individuals
- (C) Power in exchange over purchasable commodities in general
- (D) The quantity of labour embodied in a commodity

8.

Talcum powder market is an example of which of the following market ?

- (A) Collusive Oligopoly
- (B) Imperfect Oligopoly
- (C) Open Oligopoly
- (D) Close Oligopoly

9.  
SWIP

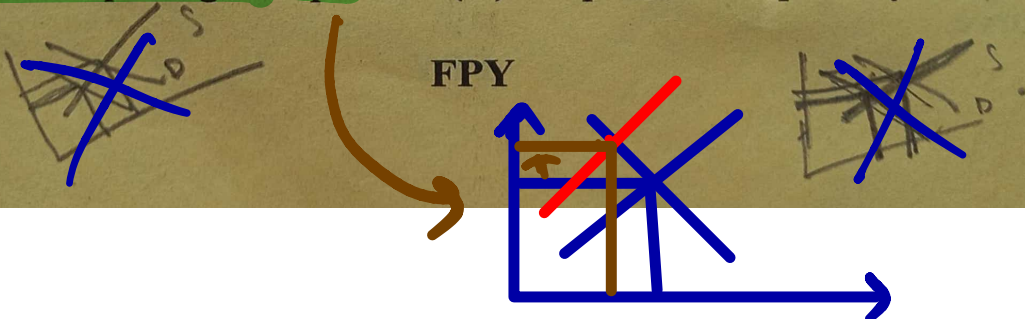
A software company engages in price discrimination for its product. The company identifies different market segments and charges different prices based on perceived differences in willingness to pay. This is possible under which situation ?

- (A) Monopolistic competition
- (B) A Monopoly
- (C) Perfect competition
- (D) Oligopoly competition

10. What happens to the equilibrium price when there is a decrease in supply with no change in demand ?

- (A) Equilibrium price goes down.
- (B) Equilibrium price remains constant.
- (C) Equilibrium price goes up.
- (D) Equilibrium quantity increases.

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(5)

FPY

11. A market structure in which there is only a single buyer and a single seller is known as :
- (A) Monopsony  
(B) Bilateral Monopoly  
(C) Oligopoly  
(D) Duopoly
12. Monopolistic Competition is characterized by
- (A) Many sellers selling identical products to many buyers.  
(B) Many sellers selling differentiated products to many buyers.  
(C) Few sellers selling identical products to many buyers.  
(D) Few sellers selling competing products to selective buyers.
13. Condition for equilibrium of firm under perfect competition :
- (A) Where Marginal Revenue (MR) is equal to the Marginal Cost (MC).  
(B) Where Average Revenue (AR) is equal to the Average Cost (AC).  
(C) MC curve cuts MR curve from below.  
(D) Where  $MR = MC$  and also MC curve cuts MR curve from below.
14. A market structure in which all firms individually are price takers is known as :
- (A) Monopolistic competition  
(B) Monopoly  
(C) Perfect competition  
(D) Oligopoly
15. According to the Kinked demand curve hypothesis, why does the demand curve facing an oligopolist have a 'Kink' at the prevailing price level ?
- (A) To create confusion among competitors  
(B) To make the demand curve visually interesting  
(C) The segment above price is highly elastic, and below it is inelastic  
(D) It is a graphical error in the representation

FPY

$$\text{Inf Rate} = \frac{157.33 - 140.75}{140.75} \times 100 = 11.78\%$$

16. If the GDP Deflator of a country in the year 2020 is 140.75 and in the year 2021 is 157.33, then what is the inflation rate in the year 2021? (6)  
 (A) 9.09%  
 (B) 10.97%  
 (C) 11.78%  
 (D) 12.34%

17. If GDP at market price is ₹ 6,700 crore and depreciation is ₹ 530 crore, then what will be the NDP at market price?  $6700 - 530$   
 (A) ₹ 6,200 crore  
 (B) ₹ 6,170 crore  
 (C) ₹ 7,230 crore  
 (D) ₹ 6,690 crore

18. Suppose the consumption of an economy is given by  $C = 30 + 0.5Y$  and investment  $I = 12 + 0.15Y$ . What will be the equilibrium level of National Income?  
 (A) 120  
 (B) 115  
 (C) 105  
 (D) 112

$Y = C + I$   
 $Y = 30 + 0.5Y + 12 + 0.15Y$   
 $\Rightarrow 0.35Y = 42$   
 $\Rightarrow Y = \frac{42}{0.35} = 120$

19. Which of the following refers to the mixed income of the self-employed?  
 (A) Combined factor payments which are not distinguishable  
 (B) Wages due to non-economic activities  
 (C) Net profits received by self-employed  
 (D) Outside wages received by self-employed

20. What does Disposable Personal Income (DPI) represent?  
 (A) The total income earned by individuals before taxes  
 (B) The income individuals have for consumption or saving  
 (C) The total savings accumulated by individuals  
 (D) The total income of a country's government

21. The ratio between nominal GDP and real GDP is known as:  
 (A) Inflation Rate  
 (B) Gross Domestic Product deflator  
 (C) Gross National Product  
 (D) Net National Product

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(7)

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22. Which of the following is not the limitation in the computation of the national income ?
- (A) Issue of transfer payments
  - (B) Services of durable goods
  - (C) Difficulty of incorporating the distribution of income
  - (D) Quality improvements due to technological innovations
23. Which method measures the contribution of each producing enterprise in the domestic territory of a country over an accounting year by consolidating production of each industry less intermediate purchases from all other industries ?
- (A) Income Disposal Method
  - (B) Value Added Method
  - (C) Income Method
  - (D) Expenditure Method
24. In the three-sector model of a closed economy (neglecting foreign trade), what are the three components of aggregate demand ?
- (A) Consumption, Savings, and Investment
  - (B) Consumption, Exports, and Government Spending
  - (C) Consumption, Investment, and Government Spending  $C + I + G$
  - (D) Consumption, Imports, and Exports
25. According to the Keynesian theory of income and employment, national income depends upon :
- (A) Aggregate Effective Supply
  - (B) Aggregate Effective Savings
  - (C) Aggregate Effective Demand
  - (D) Aggregate Effective Production
26. What are the phases included in the circular flow of income ?
- (A) Production, Saving and Expenditure
  - (B) Production, Income and Taxation
  - (C) Production, Distribution and Disposition
  - (D) Income, Saving and Investment

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27. The state-level estimates are typically prepared by the State Income Units of the respective states. Which organization is primarily responsible for this task?

- (A) Directorates of Economics and Statistics (DESS)
- α (B) Central Statistical Organization (CSO) → assists in preparation
- (C) Ministry of Finance
- (D) Reserve Bank of India

28. What will be the Total Income if the value of Average Propensity to Consume (APC) is 0.45 and Total Consumption = ₹ 900 crores?

- (A) ₹ 2,500 crores
  - (B) ₹ 2,000 crores
  - (C) ₹ 2,050 crores
  - (D) ₹ 2,100 crores
- Handwritten notes:  $APC = \frac{C}{Y}$   
 $\Rightarrow 0.45 = \frac{900}{Y}$   
 $\Rightarrow Y = 2000$

29. What will be the GDP at market price ( $GDP_{MP}$ ) on the basis of following information?

Particulars	Amount (₹) crores
$GNP_{MP}$ — $GDP_{MP}$	1100
Net Factor Income from Abroad	(-) 200
Depreciation	50
Net Indirect Tax	100

Handwritten notes: } 900, 1100 - 200

- (A) ₹ 1,000 crores
- (B) ₹ 1,050 crores
- (C) ₹ 900 crores
- (D) ₹ 1,300 crores

30. Which of the following is not a correct formula to calculate  $NNP_{MP}$ ?

- α (A)  $NNP_{MP} = GNP_{MP} - \text{Depreciation}$
- (B)  $NNP_{MP} = NDP_{MP} + \text{Net Factor Income from Abroad}$
- (C)  $NNP_{MP} = GDP_{MP} + \text{Net Factor Income from Abroad} - \text{Depreciation}$
- (D)  $NNP_{MP} = NDP_{MP} - \text{Depreciation}$

(9)

FPY

31. What is the term for the **lowest point of economic activity** in a business cycle, where unemployment is high, and production is at its lowest ?  
(A) Prosperity  
(B) **Trough and Depression**  
(C) Peak  
(D) Expansion
32. Business whose fortune is closely linked to the rate of economic growth is referred to as :  
(A) **Cyclical Business**  
(B) Seasonal Business  
(C) Static Business  
(D) Dynamic Business
33. During what time, the production of weapons and arms, etc. increase and most of the resources of the country are diverted for their production ?  
(A) Post-War  
(B) Pre-War  
(C) **War**  
(D) Peace
34. In Recovery phase of business cycle, the process of reversal is initially felt in the :  
(A) Capital market  
(B) **Labour market**  
(C) Agriculture market  
(D) Financial market
35. Sarah is considering purchasing a used car from a private seller named John. John claims that the car is in excellent condition and has never been in an accident. However, John is aware that the car had significant damage in the past due to an accident, but he has repaired it without disclosing this information to Sarah. Based on the case described, what concept of economics does this scenario illustrate ?  
(A) Moral Hazard  
(B) **Lemons Problem**  
(C) Market Power  
(D) Government Interventions
36. When there is fall in the levels of investment and employment, producers do not instantaneously recognise the pulse of the economy. What is indicated by this situation ?  
(A) Peak  
(B) Expansion  
(C) **Contraction**  
(D) Trough and Depression

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37. Which Articles of the Indian Constitution contain specific provisions regarding the distribution of finances among states ?

(A) Articles 356 to 369

(B) Articles 248 to 257

(D) Articles 292 to 304

(C) Articles 268 to 281

38. Richard Musgrave introduced a three-branch taxonomy describing the role of government in a market economy. What are these branches ?

(A) Resource allocation, income generation, and price stability

(B) Resource allocation, income redistribution, and macro economic stabilization

(C) Production efficiency, income equality, and fiscal sustainability

(D) Price regulation, employment generation, and fiscal responsibility

39. Under which Supreme Court verdict do the Union and State Legislatures have "equal, simultaneous and unique powers" to make laws on Goods and Services Tax (GST) ?

(A) June 2020 verdict

(B) July 2021 verdict

(C) Feb. 2022 verdict

(D) May 2022 verdict

40. Under institutional responsibility for public debt management, external debt is the responsibility of :

(A) Reserve Bank of India

(B) Ministry of Finance

(C) Department of Economic Affairs

(D) State Government

41. If the primary deficit is ₹ 20,500 crores and the net interest liabilities of a country are ₹ 3,500 crores then what will be the fiscal deficit ?

(A) ₹ 17,000 crores

(B) ₹ 21,500 crores

(C) ₹ 19,500 crores

(D) ₹ 24,000 crores

+

$$PD = FD - \text{Net Interest Liab}$$

$$\Rightarrow 20500 = FD - 3500$$

$$\Rightarrow FD = 24000$$

42. Which of the following are considered tools of fiscal policy ?

- (A) Taxes, subsidies and tariffs  
 (B) Taxes, government expenditure, public debt and the budget  
 (C) Monetary policy, interest rates and inflation targeting  
 (D) Exchange rates, capital controls and quantitative easing

43. The following figures relate to country A for a particular financial year :

Particulars	Amount (₹) in crores
Revenue deficit	10,000
Fiscal deficit	24,000
Net interest liability	2,000
Borrowing	6,000
Expenditure on revenue account	3,000

What will be the primary deficit of country 'A' ?

- (A) ₹ 8,000 crores  
 (B) ₹ 22,000 crores  
 (C) ₹ 18,000 crores  
 (D) ₹ 21,000 crores

44. All revenues received, loans raised and all moneys received by the government in repayment of loans are credited to the :

- (A) Consolidated fund of India  
 (B) Contingency fund of India  
 (C) Public provident fund of India  
 (D) Public Account

45. What actions can be taken during Inflation ?

- (A) Introduce subsidies and reduce tax rates.  
 (B) Implement austerity measures and reduce government spending.  
 (C) Levy new taxes and raise the rates of existing taxes.  
 (D) Increase government borrowing and stimulate demand.

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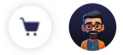
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$$m = \frac{M}{MB} = 4$$

(12)  
FPY

$$MB = 250 \text{ cr}$$

$$M = 1000 \text{ cr}$$

46. If the monetary base in an economy is ₹ 250 crores through an open market operation by the central bank, and the money supply is ₹ 1,000 crores, calculate the money multiplier.

(A) 0.25

(B) 1

(C) 4

(D) 0.40

47. If the reserve ratio (R) is 0.10 and there is an increase in the reserves by ₹ 1,000, what will be the change in the money supply?

(A) ₹ 10,000

(B) ₹ 1,000

(C) ₹ 100

(D) ₹ 10

10%

Deposits

$$m = \frac{1}{r} = \frac{1}{0.1} = 10$$

$$\Delta M = 1000 \times 10$$

$$= 10,000$$

48. Which of the following is NOT a function of money?

(A) Providing a common measure of value

(B) Acting as a medium of exchange

(C) Serving as a unit of account

(D) Easily reproducible by people

49. The concept of "aversion of risk" is propounded by :

(A) James Tobin

(B) Milton Friedman

(C) John Maynard Keynes

(D) Alfred Marshall

50. What type of currency is issued by the central bank?

(A) Commodity money

(B) Digital money

(C) Fiat money

(D) Representative money

51. In an economy, the money supply (M) is ₹ 500 crores, the velocity of money (V) is 5 and the total number of transactions (T) is 10,000. Calculate the average price level (P) in the economy.

(A) ₹ 25 thousand

(B) ₹ 25 lakhs

(C) ₹ 50 lakhs

(D) ₹ 50 thousand

+

FPY

$$MV = PT$$

$$\Rightarrow 500 \times 5 = P \times 10,000$$

$$\Rightarrow P = 0.25 \text{ cr} = 25 \text{ lakhs}$$

$$MV = PT$$

$$500 \times 5 = P \times 10,000$$

(13)

FPY

52. What does RBI **publish every six months**, providing explanations of the sources of inflation and forecasts for the upcoming period of six to eighteen months?

- (A) Economic Outlook Report (B) Financial Stability Report  
**(C) Monetary Policy Report** (D) Inflation Targeting Framework ✓

53. **Reverse Repo rate** is linked to repo rate in the following way :

- (A) Reverse Repo Rate = Repo Rate + 1  
**(B) Reverse Repo Rate = Repo Rate - 1**  
(C) Reverse Repo Rate = Repo Rate  $\times$  0.1%  
(D) Reverse Repo Rate = Repo Rate  $\times$  0.01%

Repo > Reverse Repo

54. Real money refers to :

- (A) Real national income ✓  
(B) Money demanded at given rate of interest ✓  
(C) Nominal GNP divided by price level ✓  
**(D) Nominal money adjusted to the price level** ✓

55. As of 1<sup>st</sup> February 2021, how many Regional Trade Agreements (RTAs) were in force worldwide?

- (A) 239 RTAs (2)  
**(B) 339 RTAs**  
(C) 439 RTAs (D) 539 RTAs

56. Which of the following is the correct formula to calculate Excess Reserves?

- (A) Excess Reserves = Total reserves - Required reserves**  
(B) Excess Reserves = Total reserves + Required reserves ✓  
(C) Excess Reserves = Total reserves / Required reserves ✓  
(D) Excess Reserves = Total reserves  $\times$  Required reserves ✓

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57. What does the principle of Absolute Advantage refer to ?
- (A) The ability to produce a greater quantity of a goods using fewer resources
  - (B) The ability to produce a greater quantity of a goods using the same amount of resources as competitors (Pg 9.5)
  - (C) The ability to produce a lesser quantity of a goods using the same amount of resources as competitors
  - (D) The ability to produce a greater variety of goods than competitors
58. The North American Free Trade Agreement (NAFTA), is a trade agreement signed between :
- (A) United States of America and Canada
  - (B) United States of America, Canada, and Mexico
  - (C) United States of America and Mexico
  - (D) Canada and Mexico
59. What does TRIPS stand for ?
- (A) Trade-Related Agreements on Investment Policies
  - (B) Trade-Related Aspects of Intellectual Property Rights
  - (C) Transnational Regulations for International Product Standards
  - (D) Trade Regulations for International Patent Systems
60. Suppose the exchange rate between INR and EUR changes from  $1 \text{ EUR} = 80 \text{ INR}$  to  $1 \text{ EUR} = 85 \text{ INR}$ . What can be said about the change in the value of the INR relative terms to the EUR ?
- (A) INR has appreciated against EUR.
  - (B) INR has depreciated against the EUR.
  - (C) EUR has no effect against INR.
  - (D) EUR has depreciated against INR.

61. What is the main difference between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) ?

- (A) FDI creates physical assets, while FPI involves only financial assets.
- (B) FDI involves financial assets, while FPI creates physical assets.
- (C) Both FDI and FPI create physical assets.
- (D) Both FDI and FPI involve only financial assets.

62. Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This type of investment is an example of :

- (A) Foreign Portfolio Investment
- (B) Joint Venture
- (C) Foreign Direct Investment
- (D) Strategic Alliance

63. A tariff which a WTO member binds itself with a legal commitment not to raise tariff rate above a certain level is known as :

- (A) Applied tariff
- (B) Bound tariff
- (C) Specific tariff
- (D) Most-favoured nation tariffs

64. Which of the following is covered under Technical Barriers to Trade (TBT) ?

- (A) Only food products.
- (B) Only non-food traded products.
- (C) Only technical standard products.
- (D) Both food and non-food traded products.

65. What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say X and Y, and X and Z) ?

- (A) Bid rate
- (B) Ask rate
- (C) Spot rate
- (D) Cross rate

66. Which of the following is a feature of green revolution ?
- (A) Grow more crops by redistributing land to landless people  
 (B) Use of soil friendly green manure to preserve fertility of soil  
 (C) Diversification to horticulture  
 (D) Use of high yielding varieties of seeds and scientific cultivation
67. On which date was the 'New Industrial Policy' announced by Government of India ?
- (A) 15<sup>th</sup> August 1947  
 (B) 24<sup>th</sup> July 1991  
 (C) 26<sup>th</sup> January 1950  
 (D) 5<sup>th</sup> September 1992
68. On which date was the apex policy-making body, the Planning Commission, replaced by the National Institution for Transforming India (NITI) Aayog ?
- (A) 1<sup>st</sup> April 2015  
 (B) 1<sup>st</sup> July 2015  
 (C) 1<sup>st</sup> January 2015  
 (D) 1<sup>st</sup> July 2016
69. Which government scheme supports and promotes organic farming, as well as the improvement of soil health ?
- (A) National Rural Employment Guarantee Act (NREGA) ✓  
 (B) Rashtriya Krishi Vikas Yojana (RKVY) ✓  
 (C) Pradhan Mantri Fasal Bima Yojana (PMFBY) → (X)  
 (D) Paramparagat Krishi Vikas Yojana (PKVY)
70. Which initiative aims at the empowerment of Micro Small and Medium Enterprises (MSMEs) ?
- (A) Udyami Bharat  
 (B) Start-up India ✓  
 (C) Make in India  
 (D) Digital India
71. Transportation and storage, real estate service, public administration and education are the activities in India which are covered by :
- (A) Primary sector  
 (B) Secondary sector  
 (C) Tertiary sector  
 (D) Private sector

+

↓  
Service

FPY



(17)

FPY

72.

What is the full form of DPIIT ?

- (A) Department for Promotion of Industry and International Trade
- (B) Department for Promotion of Industrial and Internal Trade
- (C) Directorate for Promotion of Industry and Internal Trade
- (D) Department for Promotion of Industry and Internal Trade

73.

Which of the following is not the aim of 'Methanol Economy' programme ?

- (A) Converting coal reserves and municipal solid waste into methanol.
- (B) Reducing Greenhouse gas (GHG) emissions.
- (C) Reducing India's oil import bill.
- (D) Converting industrial waste into methanol.

74.

Which of the following statement is true in relation to the object of The National Data and Analytics Platform (NDAP) ?

- (A) To ensure data security.
- (B) To facilitate and improve access to Indian government data.
- (C) To convert all government data in electronic form.
- (D) To formulate a national cyber security law.

75.

The India Development Update (IDU) report published in November 2022 is published by :

↳ EIU UNP 10 → Conclusion

- (A) United Nations Development Programme (UNDP)
- (B) International Monetary Fund (IMF)
- (C) World Bank
- (D) Asian Development Bank (ADB)

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76. Sarah runs a lemonade stall, her decision-making process involves assessing the demand for her lemonade, pricing strategies, and maximizing her profit within the limited scope of her small business. Which level of the economy does Sarah's lemonade stall represent?
- (A) Macro Economy (B) Global Economy  
(C) Micro Economy (D) National Economy
77. In which economy, the material means of production i.e. factories, capital, mines, etc. are owned by the whole community represented by the State?
- (A) Socialist Economy (B) Capitalist Economy  
(C) Mixed Economy (D) Communist Economy
78. Which of the following is related with the total arrangements for the production and distribution of goods and services in a society?
- (A) Economic Problem (B) Economic Choice  
(C) Economic System (D) Economic Institution
79. Business Economics is basically concerned with :
- (A) Applied Economics (B) Managerial Economics  
(C) Micro Economics (D) Macro Economics
80. Suppose the price elasticity of demand of a firm for its product is 1.2. If the price of the product is increased by 5%, then it is most probable that :
- (A) Both total revenue and profit would increase.  
(B) Both total revenue and profit would decrease.  
(C) Total revenue would decrease but profit may increase.  
(D) Total revenue would increase but profit may decrease.
81. Price in capitalist economy is determined by :
- (A) Small private firms  
(B) Big corporates  
(C) Market forces of demand and supply  
(D) Government

related

↓  
elastic  
TR ↓  
PA

82. With respect to the properties of indifference curve which of the following statement is false?

- (A) Higher indifference curve represents higher level of satisfaction.
- (B) Indifference curve is a negatively sloped line.
- (C) Intersecting point of two indifference curves represents highest level of satisfaction.
- (D) An indifference curve is convex to the origin.

83. The price of a commodity is ₹ 10 per unit. At this price quantity supplied is 500 units. Price elasticity of supply of the commodity is 1.25. At what price the quantity to be supplied would be 20% more?

$10 + 16\% = 11.60$

- (A) ₹ 8.40
- (B) ₹ 11.60
- (C) ₹ 12.50
- (D) ₹ 7.50

$\frac{P}{Q} = \frac{10}{500} \times 20\% \uparrow$   
 $E_s = 1.25$   
 $\frac{P}{Q} = \frac{?}{600} \times 20\% \uparrow$

$E_s = \frac{20\%}{\% \Delta P} \Rightarrow \% \Delta P = 16\%$

84. Mr. X and Mr. Y are rich rivals and, in a party, Mr. X wears an expensive dress and on seeing it Mr. Y who also has the same dress decided to reject the expensive one. Which effect affects Mr. Y?

- (A) Bandwagon Effect
- (B) Demonstration Effect
- (C) Snob Effect
- (D) Veblen Effect

85. If the income elasticity of a specific types of goods is greater than one, what does it suggest about the goods?

- (A) It is an inferior goods.
- (B) It is a normal goods.
- (C) It is a necessity goods.
- (D) It is a luxury goods.

86. The demand function of a product X (in kg.) is expressed as  $Q = 1000 - 50P$ , where Q is the quantity demanded and P is the price of the product. When price of X is ₹ 10 per kg., its price elasticity will be :

- (A) -1
- (B) 1
- (C) -2
- (D) 2

$50 \times \frac{10}{500}$

$Q = 1000 - 50(10)$   
 $= 500$

$E_p = -\frac{dQ}{dP} \times \frac{P}{Q}$

$= -50 \times \frac{10}{500} = -1$

87. Which tool does the ordinal utility approach uses to analyse consumer behaviour and is based on consumer preferences?

- (A) Indifference Curve Analysis
- (B) Law of Diminishing Marginal Utility
- (C) Elasticity of Demand
- (D) Consumer Surplus

88. The price of 1 kg. of tea is ₹ 50. At this price, 10 kg. of tea is demanded. If the price of coffee rises from ₹ 30 to ₹ 40 per kg., the quantity demanded of tea rises from 10 kg. to 15 kg. What will be the cross price elasticity of tea?

- (A) +1
- (B) -1.5
- (C) +1.5
- (D) -1

$$E_c = \frac{\frac{P_c}{Q_c}}{\frac{P_c}{Q_c}} = \frac{\frac{40}{15}}{\frac{30}{10}} = \frac{2.67}{3} = 0.89$$

$$E_c = \frac{50\%}{31.33\%} = +1.5$$

89. If change in quantity demanded is 60% and change in advertisement expenditure is 20% then what will be the advertisement elasticity?

- (A) 3
- (B) 0.33
- (C) 6
- (D) 20

$$E_a = \frac{60\%}{20\%} = 3$$

90. At higher levels of output average total cost curve and average variable cost curve come closer because:

- (A) Average fixed cost remains constant.
- (B) Average variable cost remains constant.

(C) Average fixed cost accounts for relatively smaller percentage of average total cost.

(D) Average variable cost accounts for relatively smaller percentage of average total cost.

91. An increase in consumer surplus is likely to occur when:

- (A) There is a rise in price of goods.
- (B) There is a fall in price of goods.
- (C) Demand decreases.
- (D) Supply increases.

$$CS = MU - Price$$

92. How is production in the economic sense distinguished from non-market activities performed within a household?
- (A) Involvement of love and affection
  - (B) Exchange in the market
  - (C) Voluntary nature of the activity
  - (D) Intangible outputs

5 unit - AFC = 4  
 10 - AC = 7  
 = TC = 70  
 Avg = ?

93. A firm produces 5 units of output at average fixed cost of ₹ 4 per unit. For production of 10 units of output average cost is ₹ 7 per unit. Average variable cost for producing 10 units of output is:

- (A) ₹ 4
- (B) ₹ 5
- (C) ₹ 6
- (D) ₹ 10

AC = 7  
 TC = 70

AFC<sub>5</sub> = 4  
 TFC = 20  
 AC<sub>10</sub> = 7  
 AFC<sub>10</sub> = 20/10 = 2  
 AVC<sub>10</sub> = ?  
 AVC<sub>10</sub> = 7 - 2 = ₹ 5

Use the following information to answer questions 94-95.

Hours of Labour	Total Product	Average Product	Marginal Product
0	-	-	-
1	20	20	20
2	50	25	30
3	90	30	40
4	120	30	30

94. What is the average product for the third hour of labour?
- (A) 25
  - (B) 30
  - (C) 35
  - (D) 40

95. What is the marginal product of the second hour of labour?
- (A) 10
  - (B) 20
  - (C) 30
  - (D) 40

IRS DRS CRS

Output Increased

FPY

96. What is the primary characteristic of Decreasing Returns to Scale ?

- (A) Total output increases at an increasing rate
- (B) Total output increases at a decreasing rate
- (C) Total output remains constant
- (D) Total output decreases

97. What term is used to describe costs that remain fixed over a certain range of output but suddenly jump to a new higher level when output goes beyond a given limit ?

- (A) Variable cost
- (B) Semi-variable cost
- (C) Stair-step variable cost
- (D) Sunk cost

98. Which of the following expenses is included in cost of production and termed as accounting cost ?

- (A) Wages paid to workers employed in the factory.
- (B) Expenses incurred on Research & Development. → Sunk cost
- (C) Expenses incurred on advertising. → Non-Traceable
- (D) Common costs incurred for general operation of business.

99. What will be the total amount of sunk cost on the basis of following information ?

Particulars	Amount (₹) crores
Fuel and power	1000
Research and development ✓	150
Rent	9
Wages	10
Advertisement ✓	5

+ 5  
150  
155  
9

- (A) ₹ 1,150 crores
- (B) ₹ 155 crores
- (C) ₹ 159 crores
- (D) ₹ 164 crores

100. When does the Law of Variable Proportions, or the Law of Diminishing Returns, become relevant ?

- (A) In the long run
- (B) In the short run
- (C) In both the short and long run
- (D) Only when all factors are variable

↓  
Long Run

+

FPY

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