



CA Foundation – New Syllabus
Business Economics

MCQ Compiler

5th Edition

by CA Mohnish Vora (MVSIR)

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Hi,

I am delighted to share with you the **5th Edition of MCQ Compiler of Business Economics** for CA Foundation new syllabus exams.

This book contains all the Multiple Choice Questions (MCQs) given in-

- ✓ **ICAI Study Material of Micro & Macro Economics (All Chapters)**
- ✓ **23 Mock Test Papers** – (Mar 2018, Aug 2018, Oct 2018, Mar 2019, Apr 2019, Oct 2019, May 2020, Oct 2020, Mar 2021, Apr 2021, Mar 2022, Apr 2022, Nov 2022, Dec 2022, May 2023, Apr 2023, Nov 2023, Dec 2023, Apr 2024, May 2024, June 2024, July 2024, August 2024)
- ✓ **Self Examination Questions- SEQs** (Given by ICAI)
- ✓ **Additional Questions- AQs** (Given by ICAI)
- ✓ **Important questions from Jun 2022, Dec 2022, Jun 2023, Dec 2023, June 2024, Sep 2024 exams** (Past Year Questions-PYQs)
- ✓ **ICAI Extra MCQs**
- ✓ **Extra MCQs of Micro & Macro Economics (All Chapters) specially prepared by MVSIR**

and this is the reason, that this book is **ONE STOP SOLUTION** for **MCQ practice** of Business Economics subject

Salient Features of this book are-

- **More than 2800+ MCQs** of Micro & Macro Economics
- All MCQs are arranged **chapter-wise & concept-wise** too
- Every MCQ is unique, i.e., **repetitive MCQs have been merged** into 1 MCQ,
- **Source** of each MCQ is mentioned
- **Answer key** is provided.

I would like to thank from the bottom of my heart to

- **My Parents & my sister**, I am what I am today, because of them
- **My wife, Aishwarya Vora**, who motivated me throughout and contributed immensely towards preparing this book
- **My brother, Chirag Vora**, who worked tirelessly in making my website and guided me in the technical aspects
- **My dear students**, who have shown so much love and appreciation. My CA Foundation pre-exam marathon classes usually have the highest live viewership in India for economics subject.

My aim is to help CA aspirants clear their exams with utmost ease and conceptual clarity. I have always tried to do so and will keep trying to get better.

Thank you.

Happy Studying,
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MICRO ECONOMICS - MCQs

Chp No.	Chapter Name	Unit	No. of MCQs	Approx Marks	Page No.
1	Nature & Scope of Business Economics	Unit 1 Introduction	89	5 Marks	1.1 – 1.12
		Unit 2 Basic Problems of an Economy & Role of Price Mechanism	56		1.14 – 1.21
		Latest MTP & PYQ MCQs	38		1.22 – 1.26
2	Theory of Demand & Supply	Unit 1 Theory of Demand	276	10 – 15 Marks	2.1 – 2.42
		Unit 2 Consumer Behaviour	106		2.43 – 2.58
		Unit 3 Theory of Supply	77		2.59 – 2.69
		Latest MTP & PYQ MCQs	56		2.70 – 2.77
3	Theory of Production & Cost	Unit 1 Theory of Production	123	10 – 15 Marks	3.1 – 3.18
		Unit 2 Theory of Cost	120		3.19 – 3.35
		Latest MTP & PYQ MCQs	48		3.36 – 3.41
4	Price Determination in Different Markets	Unit 1 Meaning and Types of Markets	72	15 Marks	4.1 – 4.10
		Unit 2 Determination of Prices	18		4.11 – 4.14
		Unit 3 Price Output Determination under Different Market Forms	240		4.15 – 4.49
		Latest MTP & PYQ MCQs	70		4.50 – 4.58
5	Business Cycles	-	102	5 Marks	5.1 – 5.14
		Latest MTP & PYQ MCQs	31		5.15 – 5.18
Total			1,522 MCQs	45 – 50 Marks	

Note: Index of Macro-Economics MCQs is given separately at the end of Micro-Economics MCQs

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Chapter 1 **Introduction to Business Economics**

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Chapter 1

UNIT 1
Basic

A.Q., MTP Apr 23

1 In the beginning the name of economics was _____

- a) Economics of wealth
- b) Political economy
- c) Welfare economics
- d) None of these

MTP May 23

2 "The wealth of Nation" Considered as the first modern work of Economics was written by :

- a) Marx
- b) Adam-Smith
- c) Lipsey
- d) Allen

ICAI SM

3 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.

ICAI SM

4 Economic goods are considered scarce resources because they

- a) cannot be increased in quantity.
- b) do not exist in adequate quantity to satisfy the requirements of the society.
- c) are of primary importance in satisfying social requirements.
- d) are limited to man made goods

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Chapter 1

MTP Apr 21, ICAI SM

12 The managerial economics

- a) Is Applied Economics that fills the gap between economic theory and business practice
- b) Is just a theory concept
- c) Trains managers how to behave in recession
- d) Provides the tools which explain various concepts

A.Q., MTP Mar 18, MTP Apr 19

13 The law of scarcity

- a) does not apply to rich developed countries
- b) applies only to the less developed countries
- c) implies that consumers wants will be satisfied in a socialistic system
- d) implies that consumers wants will never be completely satisfied

A.Q.

14 Which of the following is/are limitation(s) of the wealth definitions of economics given by classical economists?

- a) By considering the problem of production distribution & exchange of wealth, they focused attention on important issues with which economics is concerned.
- b) By restricting the definition of wealth to material wealth & the neglect of immaterial services, they narrowed down the scope of economics.
- c) Both (A) and (B)
- d) None of these

A.Q.

8 According to which of the following definitions, economics studies human behavior regarding how he satisfied his wants with scarce resources?

- a) Robbin's definition
- b) Marshall's definition
- c) J.B. Say's definition
- d) Adam Smith's definition

MTP Oct 20, ICAI SM

9 The definition "Science which deals with wealth of Nation" was given by

- a) Alfred Marshall
- b) A C Pigou
- c) Adam Smith
- d) J B Say

MTP Mar 18

10 Economics is a Science which deals with wealth' was referred by

- a) Alfred Marshall
- b) J.B. Say
- c) Adam Smith
- d) A.C. Pigou.

MTP Oct 20, Nov 23, ICAI SM

11 Scarcity definition of Economics is given by

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

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Chapter 1

MTP Apr 19, Oct 20, ICAI SM	
15	There is need of economic study, because a) The resources are limited b) The wants are unlimited c) The resources are unlimited d) Both a and b
MTP Dec 22, A.Q.	
16	"If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce." On the basis of the above statement, which of the following conclusion can be made? a) The possession of goods and services by USA has enormously increased to exceed their wants. b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants remain a head of their increased resources and capacity to produce. c) The affluent and developed countries are not facing the problem of scarcity. d) None of these
ICAI SM	
17	Business Economics is a) Abstract and applies the tools of Microeconomics. b) Involves practical application of economic theory in business decision making. c) Incorporates tools from multiple disciplines. d) (b) and (c) above
A.Q.	
18	In the beginning the name of economics was ____ word a) French b) Latin c) Greek d) German
A.Q.	
19	Business economics is a field in ____ which uses economic theory and quantitative methods to analyze business enterprises a) Welfare Economics b) Development Economics c) Applied economics d) None of these
MTP Dec 22, A.Q.	
20	Economics is a branch of ____ focused on the production, distribution and consumption of goods and services. a) Natural science b) Physical science c) Social science d) None of these
MTP Apr 21	
21	Scarcity of resources occurs due to: a) High demand of resources b) Absence of Substitutes c) Mismanagement and inequality d) All of these
MTP May 23	
22	Who defined Business economics in terms of use of economic analysis in formulation of business policies? a) Adam Smith b) Robbins c) Joel Dean d) Alfred Marshall

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Chapter 1

Extra MCQ	
23	Business Economics is not only valuable to business decision makers, but also useful for managers of 'not-for-profit' org a) True b) False c) Partly True d) Partly False
MTP Mar 18, MTP Mar 19	
24	Which of the following is a cause of an economic problem? a) Scarcity of Resources b) Unlimited wants c) Alternative uses d) All of the above.
MTP Oct 20	
25	The economic analysis expects the consumer to behave in a manner which is: a) Rational b) Irrational c) Emotional d) Indifferent
MTP Apr 19, Oct 20, ICAI SM	
26	The benefit of economic study is a) It ensure that all problems will be appropriately tackled b) It helps in identifying problems c) It enable to examine a problem in its right perspective d) It gives exact solutions to every problem
MTP Nov 22, MTP Aug 18, MTP Oct 20	
27	____ expressed the view the "Economics is neutral between end". a) Robbins b) Marshall c) Pigou d) Adam Smith
MTP Jun 22	
28	Most of the economic problems are of ____ nature and are affected by ____ a) Complex, Several forces b) Simple, Several forces c) Simple, single factor d) Complex, Single factor
MTP Nov 22	
29	Which of the following statements is true? a) The study of economics ensures that all problems will be appropriately tackled. b) The study of economics cannot ensure that all problems will be appropriately tackled. c) The study of economics does not enable a student to examine a problem in its right perspective. d) None of these
PYQ Jun 22, Jun 23	
30	Which of the following is the central problem of the economy? a) Unemployment b) Poverty c) Scarcity of resources d) Inflation
Decision Making	
ICAI SM	
31	Economists regard decision making as important because: a) The resources required to satisfy our unlimited wants and needs are finite, or scarce. b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs. c) Resources have alternative uses. d) All the above

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ICAI SM	
32	Which of the following is not subject matter of Business Economics? a) Should our firm be in this business? b) How much should be produced and at price should be kept? c) How will the product be placed in the market? d) How should we decrease unemployment in the economy?
MTP Mar 21	
33	Rational decision making requires that a) one's choice be arrived at logically and without error. b) one's choice be consistent with one's goal. c) one's choice never vary. d) the consumer plan's to attain the highest possible level of satisfaction.
MTP Jun 22, July 24	
34	survival and success of any business depends on sound____ a) Mind b) Environment c) Decisions d) None of these
Micro Vs. Macro Economics	
PYQ Jun 23	
35	Economic is classified into____ a) Normative and positive b) Micro and macro c) Internal and external d) None of the above
ICAI SM, MTP Apr 23	
36	Macroeconomics is also called____ economics. a) applied b) aggregate c) experimental d) none of the above
MTP May 20, ICAI SM	
37	A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of a) Macro-Economics. b) Descriptive Economics. c) Micro-economics. d) Normative economics
ICAI SM	
38	Which of the following does not suggest a macro approach for India? a) Determining the GNP of India. b) Finding the causes of failure of ABC Ltd. c) Identifying the causes of inflation in India. d) Analyse the causes of failure of industry in providing large scale employment
ICAI SM, MTP Mar 22, May 23, Nov 23	
39	The branch of economic theory that deals with the problem of allocation of resources is a) Micro-Economic theory. b) Macro-economic theory. c) Econometrics. d) none of the above

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ICAI SM	
40	Which of the following would be considered a topic of study in Macroeconomics? a) The effect of increase in wages on the profitability of cotton industry b) The effect on steel prices when more steel is imported c) The effect of an increasing inflation rate on living standards of people in India d) The effect of an increase in the price of coffee on the quantity of tea consumed
ICAI SM	
41	Macro Economics is the study of____ a) all aspects of scarcity. b) the national economy and the global economy as a whole. c) big businesses. d) the decisions of individual businesses and people.
ICAI SM	
42	Which of the following statements 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
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ICAI SM	
43	Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using? a) Micro economics b) Macro economics c) None of the above d) Both a and b
A.Q.	
44	Micro-economics is concerned with a) the economy as a whole b) the electronics industry c) the study of individual economic behaviour d) the interactions within the entire economy
MTP Oct 18, A.Q.	
45	Which of the following statements is incorrect? a) Unlike normative economics, positive economics is based on objective analysis of economic issues. b) The opportunity cost of a good is the quantity of other goods sacrificed to get another unit of that good. c) Microeconomics emphasizes interactions in the economy as a whole. d) None of the above

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Chapter 1

46	Which of the following falls under Micro Economics ?	A.Q.
a)	National Income	
b)	General Price level	
c)	Factor Pricing	
d)	National Saving and Investment	

47	Which of the following statements is correct?	A.Q.
a)	Employment and economic growth are studied in micro-economics.	
b)	Micro economics deals with balance of trade	
c)	Economic condition of a section of the people is studied in micro-economics	
d)	External value of money is dealt with in micro-economics	

a)	Employment and economic growth are studied in micro-economics.	
b)	Micro economics deals with balance of trade	
c)	Economic condition of a section of the people is studied in micro-economics	
d)	External value of money is dealt with in micro-economics	

48	Which of the following is/are correct about micro economics?	A.Q.
a)	Micro economics studies the economy in its totality.	
b)	In micro economics we make a microscopic study of the economy	
c)	Micro economics deals with the division of total output among industries and firms & the allocation of resources among competing uses.	
d)	Both (B) and (C)	

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MTP Oct 20, MTP Aug 18

49	Which of the following is not a subject matter of Micro-economics?	
----	--	--

- a) The price of mangoes.
- b) The cost of producing a fire truck for the fire department of Delhi, India.
- c) The quantity of mangoes produced for the mangoes market.
- d) The national economy's annual rate of growth

MTP Mar 19

50	Macroeconomics is the study of-	
----	---------------------------------	--

- a) Inflation
- b) Unemployment
- c) Growth
- d) All of the above

MTP Mar 18

51	When we study why saving rates are high or low, we are studying :	
----	---	--

- a) Macro Economics
- b) Micro Economics
- c) Econometrics
- d) Both (a) and (b)

MTP Apr 18

52	We mainly study the following in Micro Economics:	
----	---	--

- a) Location of a Industry
- b) Study of firms
- c) Factor pricing
- d) All of the above

MTP Apr 18

53	Macro economics doesn't include one example from the following:	
----	---	--

- a) National Income and output
- b) Study of firms
- c) General Price Level
- d) Saving and Investment

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Chapter 1

Extra MCQ

54	The long-run trends in business world are determined by prevailing ____	
----	---	--

- a) microeconomic factors
- b) macroeconomic factors
- c) Both (a) & (b)
- d) None of the above

Extra MCQ

55	Consumer behaviour & location of industry are areas under ____	
----	--	--

- a) Macro environment
- b) Micro environment
- c) Both (a) & (b)
- d) None of the above

MTP Dec 2022

56	Microeconomic theory studies how a free-enterprise economy determines	
----	---	--

- a) the price of goods
- b) the price of services
- c) the price of economic resources
- d) all of the above.

MTP Dec 2022

57	Which of the following is not studied in micro economics?	
----	---	--

- a) Factor pricing
- b) Location of Industry
- c) Consumer Behaviour
- d) External value of currency

PYQ Jun 22, Jun 23

58	Which of the following is not a subject matter of micro economics ?	
----	---	--

- a) Behaviour of firms
- b) Location of industry
- c) Consumer behaviour
- d) Foreign exchange rate

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Nature of Business Economics

ICAI SM

59	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.

ICAI SM

60	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	
----	--	--

- a) Ram
- b) Krishan
- c) Vinod
- d) Madhu

MTP Oct 19, ICAI SM

61 Which of the following is a normative economic statement?

- a) Unemployment rate decreases with industrialization
- b) Economics is a social science that studies human behaviour.
- c) The minimum wage should be raised to Rs. 200/- per day
- d) India spends a huge amount of money on national defence.

MTP May 20, ICAI SM

62 The difference between positive and normative Economics is:

- a) Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
- b) Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.
- c) Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
- d) Positive Economics prescribes while normative Economics describes.

MTP Oct 20, ICAI SM

63 Which of the following statements is incorrect?

- a) Business economics is normative in nature.
- b) Business Economics has a close connection with statistics.
- c) Business Economist need not worry about macro variables.
- d) Business Economics is also called Managerial Economics

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64 Which of the following statements is normative?

- a) Large government deficits cause an economy to grow more slowly.
- b) People work harder if the wage is higher.
- c) The unemployment rate should be less.
- d) Printing too much money causes inflation

A.Q.
65 Which of the following falls within the domain of Normative Economics?

- a) How national income between different individuals is distributed?
- b) What actual wage rate is determined under monopsony in labour market?
- c) What wage should be paid to the labourers so that they should not be exploited?
- d) None of these

MTP Nov 22, Nov 23, Dec 23, July 24, Aug 24, A.Q.

66 _____ is concerned with welfare proposition

- a) Normative Economics
- b) Positive Economics
- c) Both (A) and (B)
- d) None of these

A.Q.
67 Business economics is based on micro economics in two categories _____ and _____

- a) Positive, Normative
- b) Qualitative, Quantitative
- c) Both (A) and (B)
- d) None of these

MTP Apr 21

68 Which of the following is a normative statement?

- a) Health care basic facilities to be provided to all citizens.
- b) With Industrialisation, unemployment rate decreases.
- c) On national defence India spent huge amount of money.
- d) None of these

A.Q.

69 Business economics is _____ in its approach

- a) Idealistic
- b) Pragmatic
- c) Both (A) and (B)
- d) None of these

A.Q.

70 "A business manager must know the external forces working over his business environment." State whether the above statement is _____

- a) True
- b) False
- c) Partly True
- d) Partly False

MTP Apr 19

71 Questions like what should be the level of national income, what should be the wage rate fall within the scope of:

- a) Positive Science
- b) Normative Science
- c) Both (a) and (b)
- d) None of the above

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A.Q.

72 "Generally a business manager is concerned with problems of his own business units. He does not study the economic problems of an economy as a whole." State whether the above statement is _____

- a) True
- b) False
- c) Partly True
- d) Partly False

MTP Aug 18, MTP May 20

73 Which of the following statements would you consider to be a normative one?

- a) Faster economic growth should result if an economy has a higher level of investment.
- b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
- c) Higher levels of unemployment will lead to higher levels of inflation.
- d) The average level of growth in the economy was faster in the 1990s than the 1980s

MTP Nov 22, Nov 23, ICAI SM

74 An example of 'positive' economic analysis would be:

- a) an analysis of the relationship between the price of food and the quantity purchased.
- b) determining how much income each person should be guaranteed.
- c) determining the 'fair' price for food.
- d) deciding how to distribute the output of the economy

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MTP Apr 19	
75	Which of the following statements is correct?
a) As normative science, Economics involves value judgments b) Robbins has made economics as a form of welfare economics c) The Law of Demand is always true d) None of the above	
MTP Mar 22, May 23, Apr 23	
76	Which of the following are the characteristics of Business Economics:
a) It is a normative Science b) It is inter disciplinary c) Pragmatic in Nature d) All of the above	
MTP Mar 22, Dec 22, Dec 23	
77	Taxation involves which aspects of normative economics:
a) Incidence b) Fairness c) Incentive to work d) All of the above	
MTP Apr 23	
78	Normative economics can be best explained through:
a) Fairness to tax b) Incidence to tax c) Effect of tax on incentives to work d) None of these	
PYQ Jun 22, Jun 23	
79	Which of the following is not a correct statement?
a) Business economics is normative science b) Business economics is an art c) Business economics is based largely on micro economics d) Business economics does not incorporate elements of macro economic analysis	
MTP Nov 22	
80	Business economics is _____
a) science b) An art c) Both science and art d) None of these	
PYQ Jun 22	
81	Normative science suggests which of the following?
a) What should be b) What to produce c) How to produce d) When to produce	
PYQ Jun 23	
82	Which of the below enables application of economic logic and analytical tool to bridge the gap between theory and practice
a) Macro economics b) Micro economics c) Business economics d) Traditional economics	
PYQ Jun 22	
83	Business Economics is pragmatic in approach because of which of the following cause?
a) Based on assumptions b) Tackles practical problems c) Considers profit only d) Considers internal value	

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Chapter 1

Scope of Business Economics	
MTP Mar 18, May 20, May 23, ICAI SM	
84	Which of the following is not within the scope of Business Economics?
a) Capital Budgeting b) Risk Analysis c) Business Cycles d) Accounting Standards	
A.Q.	
85	The scope of business economics includes _____
a) Demand analysis b) Cost analysis c) Inventory management d) All of these	
86	Management of the firm _____ control over macro-economic factors.
a) has b) has no c) has partial d) None of these	
MTP Dec 22	
87	Which of the following is not a correct statement?
a) Business economics is a normative science b) Business economics is an art c) Business economics is based largely on micro economics d) Business economics does not incorporate elements of macro economic analysis	
Extra MCQs	
88	Which of the following is NOT a basic problem of an economy?
a) Whether to produce more of consumer goods or capital goods b) Whether to lay emphasis on labour intensive techniques or on capital intensive techniques c) Whether to produce for rich people or for poor people d) Whether to accept foreign direct investment in the economy	
89	The basic problem of scarcity gives rise to
a) Technological problems b) Social problems c) Cultural problems d) Economic problems	

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Answer Key – Economics Chapter 1 – Unit 1

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

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UNIT 2

Central Economics Problems

PYQ Jun 23

1 Which of the following refers to the sum total of arrangements for the product and distribution of goods and services in society?

- a) Economic system
- b) Business system
- c) Capitalist economic system
- d) Socialist economic system

ICAI SM

2 The central problem in economics is that of

- a) comparing the success of command versus market economies.
- b) guaranteeing that production occurs in the most efficient manner.
- c) guaranteeing a minimum level of income for every citizen.
- d) allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.

MTP May 20, ICAI SM

3 Capital intensive technique would get chosen in a

- a) labour surplus economy where the relative price of capital is lower.
- b) capital surplus economy where the relative price of capital is lower.
- c) developed economy where technology is better.
- d) developing economy where technology is poor.

ICAI SM

4 Which of the following is not one of the four central questions that study of economics is supposed to answer?

- a) Who produces what?
- b) When are goods produced?
- c) Who consumes what?
- d) How are goods produced?

ICAI SM

5 Larger production of _____ goods would lead to higher production in future.

- a) consumer goods
- b) capital goods
- c) agricultural goods
- d) public goods

A.Q.

6 "A wise individual or a society likes to provide for its growth of productive capacity." This requires that a part of its resources should be devoted to the production of _____

- a) Consumer goods
- b) Capital goods
- c) Defense goods
- d) None of these

MTP Nov 22, A.Q.

7 The greater the inequalities in the distribution of money incomes, the _____ the inequalities in the distribution of national output.

- a) greater
- b) lesser
- c) (A) or (B)
- d) None of these

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MTP Mar 21	
8	Problem what to produce relates to:
a) choice of goods and services b) distribution of Income c) choice of technique d) market value of goods and services	

MTP Dec 22, A.Q.	
9	Capital intensive technique of production is used in _____
a) Developed Economy b) Underdeveloped Economy c) Labour surplus economy d) Capital surplus economy	

MTP Dec 22	
10	The problem of "what to produce relate to
a) The choice of goods and service b) Distribution of income c) The choice of technique d) None of these	

MTP Apr 19, Oct 20, ICAI SM	
11	In Economics, the central economic problem means:
a) Output is restricted to the limited availability of resources b) Consumer do not have as much money as they would wish c) There will always be certain level of unemployment d) Resources are not always allocated in an optimum way	

Capitalist Economy	
ICAI SM, MTP Apr 24	
12	Which of the following is considered as a disadvantage of allocating resources using the market system?
a) Income will tend to be unevenly distributed b) People do not get goods of their choice. c) Men of Initiative and enterprise are not rewarded. d) Profits will tend to be low.	

MTP Nov 22, MTP Apr 19, Oct 20	
13	Which of the following is not one of the features of capitalist economy?
a) Right of private property b) Freedom of choice by the consumers c) No profit, No Loss motive d) Competition	

ICAI SM	
14	Which of the following statements does not apply to market economy?
a) Firms decide whom to hire and what to produce. b) Firms aim at maximizing profits. c) Households decide which firms to work for and what to buy with their incomes. d) Government policies are the primary forces that guide the decisions of firms and households.	

ICAI SM, PYQ Jun 23	
15	The economic system in which all the means of production are owned and controlled by private individuals for profit.
a) Socialism b) Capitalism c) Mixed economy d) Communism	

ICAI SM, MTP Mar 22, MTP Apr 24	
16	Freedom of choice is the advantage of
a) Socialism b) Capitalism c) Communism d) None of the above.	

Extra MCQ	
17	Precedence of property rights over human rights is demerit of
a) Socialist Economy b) Mixed Economy c) Capitalist Economy d) All of the above	

MTP Jun 22, Nov 22, Nov 23, June 24	
18	The regulatory mechanism of the market system is-
a) Self interest b) Private property c) Competition d) Specialization	

PYQ Jun 23	
19	Capitalist economy solve their economic problems through which of the following
a) Central planning authority b) Price mechanism c) Administered prices d) Voting done by customers	

A.Q.	
20	If there is no central planning authority to make the fundamental economic decisions and thus to allocate productive resources, how can then free enterprise or capitalist economy solve its central problems?
a) Through the power of God b) On the basis of decision taken by industrial groups. c) The free market economy uses the impersonal forces of the market to solve its central problems d) None of these	

A.Q.	
21	The Industrialization and economic development of the USA, Great Britain and other Western European countries have taken place under the condition of _____?
a) Socialism and planned structure b) Capitalism and laissez faire c) Mixed economic structure d) None of these	

MTP Apr 21	
22	Which of the following is not a demerit of Capitalism?
a) The pattern of demand does not represent the real need of the society. b) Strikes and lockdown are very common under capitalism c) Capitalism usually functions in a democratic framework. d) None of these	

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ICAI SM, MTP May 23	
23	In free market economy, allocation of resources is determined by a) Voting done by consumers b) a central planning authority. c) consumer preferences. d) the level of profits of firms.
MTP Oct 20, ICAI SM	
24	capitalist economy uses _____ as principal means of allocating resources. a) demand b) supply c) efficiency d) Prices
MTP Dec 22	
25	Consumer is sovereign under a) Free Economy b) Mixed Economy c) Controlled Economy d) Both (a) and (b)
MTP Jun 22	
26	Demand and _____ are the forces that make market economies work. a) Elasticity of demand b) Quantity demanded c) Supply d) Quantity supplied
MTP Dec 22	
27	The Characteristics of capitalist economies does not include? a) Right to Private property b) Freedom of economic choice c) Absence of Consumer choice d) Competition

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MTP Nov 22, May 23	
28	Which one of the following countries does not follow Capitalist economic system? a) USA b) UK c) Germany d) India
PYQ Jun 22	
29	Which of the following economic system is self regulating and run by invisible hands? a) Mixed economic system b) Socialistic economic system c) Capitalist economic system d) Planned economic system
MTP Apr 23	
30	Which of the following is not the demerit of Capitalism: a) There is usually high degree of operative efficiency under capitalism b) Under Capitalism there is precedence of property right over human rights c) Due to income inequality the pattern of demand does not represent the real needs of the society. d) Capitalism leads to formation of monopolies
Socialistic Economy	
PYQ Jun 22	
31	In a socialist economy the allocation of resources is done by a) Market Price b) Consumer preferences c) A central planning authority d) The level of corporate profits

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Chapter 1

PYQ Jun 22	
32	A socialist economy is called as which of the following? a) Command economy b) Military economy c) Behaviorist economy d) Applied economy
MTP Mar 18, May 20, May 23, ICAI SM	
33	Exploitation and inequality are minimal under a) Socialism b) Capitalism c) Mixed economy d) None of the above.
MTP May 20, ICAI SM	
34	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.
ICAI SM	
35	_____ is also called as command economy a) Socialist b) Capitalist c) Mixed economy d) None of the above
MTP Dec 22, A.Q.	
36	A socialist economy is a system of production where goods and services are produced _____ a) to generate profit b) directly for use c) Both (A) and (B) d) None of these

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A.Q.	
37	Which one of the following statements is correct regarding socialist economy? a) Production is planned or coordinated and suffers from the business cycle b) Production suffers from business cycle c) Production is planned and does not suffers from business cycle d) None of these
A.Q.	
38	Which of the following is not a merit of socialist economy? a) It provides equal access to health care and education b) Workers are no longer exploited because they own the means of production c) Profits are not spread equitably among all workers according to their individual contributions. d) Natural resources are preserved for the good of the whole
MTP Apr 21	
39	Socialist economy does have: a) Right to work & minimum standard to living b) Absence of competition c) Right to private property d) Both a and b
A.Q.	
40	In planned or command economy all economic decisions are taken by a) Workers b) Consumers c) Voters d) Government

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Chapter 1

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Chapter 1

MTP Apr 21
41 Administered price are determined in socialism by:

- a) Market Forces
- b) Government
- c) Both (a) and (b)
- d) None of these

MTP Mar 19
42 Which economy is now a myth only, as no country in the world is having that type of economy?

- a) Capitalist Economy
- b) Socialist Economy
- c) Mixed Economy
- d) None of the above

Mixed Economy

ICAI SM
43 In a mixed economy

- a) all economic decisions are taken by the central authority.
- b) all economic decisions are taken by private entrepreneurs.
- c) economic decisions are partly taken by the state and partly by the private entrepreneurs.
- d) none of the above.

A.Q.
44 Which of the following is/are the merit(s) of mixed economic system?

- a) Entrepreneurs able to make profit
- b) Progressive taxes to reduce inequality
- c) Government's provision of public goods
- d) All of the above

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MTP Aug 14
45 Which of the following is correct?

- a) Normative economics is not concerned with value judgment.
- b) A market is a process that reconciles consumer decision, production decisions and labour decisions.
- c) A mixed economy has a certain level of government intervention in the economy along with private sector ownership of the economy.
- d) Both (b) and (c)

A.Q.
46 Which of the following statements is/are correct about mixed economic system?

- a) Mixed economic system depends on both markets and governments for allocation of resources
- b) Mixed economy is not always a golden path between capitalism and socialism.
- c) It is very difficult to maintain a proper balance between private and public sectors.
- d) All of the above

Extra MCQs

47 Which of the following statements is correct?

- a) In a two-good economy, the production possibilities frontier reflects the maximum amount of one good that can be produced when a given amount of the other good is produced.
- b) Microeconomics is the study of the behavior of the economy as a whole.
- c) Positive economics focuses on the welfare of the people of a society.
- d) None of the above

48 Which of the following statement is correct?

- a) Mixed economy is not always a 'golden path' between capitalistic and socialistic economy
- b) Socialistic economy is not always a 'golden path' between mixed economy and capitalism
- c) Capitalistic economy is not always a 'golden path' between mixed economy and socialism
- d) Local economy is not always a 'golden path' between internal and international economy

49 Which of the following statements is not correct?

- a) Scarcity of resources is the key problem of all economies
- b) Economic inequalities lead to wide differences in economic opportunities to people
- c) Economic instability is very common under capitalism
- d) Freedom of enterprise is one of the main characteristics of command economy

A.Q.
50 Capitalist system offers incentives for

- a) Efficient business decisions
- b) Efficient government decisions
- c) Efficient non-governmental decisions
- d) Efficient economic decisions

MTP May 23, Apr 23

51 The Central Economic Problem is:

- a) What to Produce?
- b) What Provision (if any) are to be made for economic growth?
- c) How to Produce?
- d) All the above

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MTP May 23
52 The 'Communist Manifesto' was published in:

- a) 1848
- b) 1905
- c) 1952
- d) None of these.

PYQ Jun 23

53 Under which of the following economy the consumer have limited freedom of choice

- a) Socialist
- b) Mixed
- c) Capital
- d) Restricted

PYQ Jun 23

54 Encourage enterprise and risk taking is considered as a merit of which of the following economy?

- a) Social economy
- b) Political Economy
- c) Mixed Economy
- d) Managerial economy

PYQ Jun 22

55 involves the predominance of bureaucracy and resulting inefficiencies and delays

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

PYQ Jun 23

56 Which of the following is one of the merits of socialism

- a) Importance given to personal efficiency
- b) Importance given to productivity
- c) Incentive for economic decisions
- d) Rapid growth and balanced economic development

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Chapter

Answer Key – Economics Chapter 1 – Unit 2

1	A	11	A	21	B	31	C	41	B	51	D
2	D	12	A	22	C	32	A	42	B	52	A
3	B	13	C	23	C	33	A	43	C	53	A
4	B	14	D	24	D	34	C	44	D	54	C
5	B	15	B	25	D	35	A	45	D	55	A
6	B	16	B	26	C	36	B	46	D	56	D
7	A	17	C	27	C	37	C	47	A		
8	A	18	C	28	D	38	C	48	A		
9	D	19	B	29	C	39	D	49	D		
10	A	20	C	30	A	40	D	50	D		

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Business Economics

Chapter 1
Introduction to Business
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MTP Apr 24

1 Which of the following is a limitation of using GDP as a measure of economic well-being?

- a) It includes only monetary transactions.
- b) It does not account for income distribution.
- c) It considers both market and non-market activities.
- d) It is not affected by inflation.

MTP Apr 24

2 Concept of business economics was given by:

- a) Joel Dean
- b) Alfred Marshall
- c) Adam Smith
- d) L. Robbins

MTP Apr 24

3 The choice between labour and capital intensive techniques is related with:

- a) What to produce?
- b) How to produce?
- c) For whom to produce
- d) All of the above

MTP Apr 24

4 Which of the following is NOT a central issue in macroeconomics?

- a) How should the central bank of a country fight inflation?
- b) What is responsible for high and persistent unemployment?
- c) How do tax changes influence consumers' buying choices?
- d) What factors determine economic growth?

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5 Which of the following are the features of a mixed economy?

- a) Planned economy
- b) Dual system of pricing exists
- c) Balance regional development
- d) All of the above

MTP Apr 24

6 Which of the following matters is/are fundamentally connected to economic analysis?

- a) Economic prosperity
- b) Higher standard of living
- c) Changes in price of a commodity
- d) All of the above

PYQ Dec 23

7 _____ wrote "An inquiry into the nature and causes of wealth of nations"

- a) Adam Smith
- b) Marshall
- c) Pigou
- d) Hicks

PYQ Dec 23

8 The communist Manifesto published in 1848 by Karl Marx and Frederic Engels Propounded the concept of _____

- a) Capitalist economy
- b) Socialist economy
- c) Laissez-faire economy
- d) Free market economy

PYQ Dec 23

9 What implications does the resource scarcity of economy have?

- a) Political problems
- b) Economic problems
- c) Geographical problems
- d) Cultural problems

PYQ Dec 23

10 In which type of central economic problem, an economy must decide whether more Indian electric toys should be produced and how many units of each toy should be produced.

- a) How to produce
- b) What to produce
- c) For whom to produce
- d) What provision should be made for economic growth

PYQ Dec 23

11 Which one of the following is not a scope of business economics

- a) Demand forecasting & Analysis
- b) Cost and production analysis
- c) Profit analysis
- d) Capital budgeting

PYQ Dec 23

12 Impact of balances of trade and balances of payments on GDP are studied as a part of _____

- a) Microeconomics
- b) Consumer economics
- c) Trade economics
- d) Macro economics

PYQ Dec 23

13 In a _____ the producer is free to set up any type of firms produce goods and services of his choice.

- a) Capitalist economy
- b) Command Economy
- c) Centrally planned economy
- d) Planned economy

PYQ Dec 23

14 Match the following.

Types of economic system	Tool to solve economic problem
a) Capitalist economy	i) Central planning
b) Mixed economy	ii) Price mechanism
c) Socialist economy	iii) Mix of price mechanism and central planning

- a) (a)-(i); (b)-(ii); (c)-(iii)
- b) (a)-(iii); (b)-(i); (c)-(ii)
- c) (a)-(i); (b)-(iii); (c)-(ii)
- d) (a)-(ii); (b)-(iii); (c)-(i)

PYQ Dec 23

15 The India's Employment rate has increased in march 2023 as compared to march 2022. The study of this aspect comes under _____

- a) Microeconomics
- b) Macro Economics
- c) Price theory
- d) Market Economics

PYQ Dec 23

16 The word economics owes its origin with the Greek word oenomania which means

- a) Commodity
- b) Price
- c) Household
- d) Consumer expectations

PYQ Dec 23

17 Which type of industries not primarily profit oriented but are set by state for the welfare of the community?

- a) Combined sector
- b) Private sector
- c) Independent sector
- d) Public sector

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Chapter 1

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Chapter 1

18 Which of these country is a purely socialist economy?

- a) USSR
- b) China
- c) Vietnam
- d) None of these

19 Microeconomics deals primarily with:

- a) comparative statics, general equilibrium, and positive economics
- b) comparative statics, partial equilibrium, and normative economics
- c) dynamics, partial equilibrium, and positive economics
- d) comparative statics, partial equilibrium, and positive economics.

20 What is economic planning?

- a) It refers to Central planning authority.
- b) It refers the planning of agricultural production.
- c) It means development in the seller's market.
- d) A process through which targets are being achieved as per need & means of the economy

21 What is the merit of Capitalism?

- a) It promotes self-interest & economic growth.
- b) It leads economic balance in the country
- c) It leads to equitable distribution of wealth.
- d) It leads to income equality

22 Normative economics is also known as -

- a) Prescriptive Economics
- b) Positive Economics
- c) Applied Economics
- d) None of these

23 In a market economy, resource allocation is primarily determined by:

- a) Central planning by the government
- b) Consumer demand and supply in the marketplace
- c) The decisions of a few large corporations
- d) International trade agreements

24 Which of these countries is a purely socialist economy?

- a) USSR
- b) China
- c) Vietnam
- d) None of these

25 Business Economics is basically concerned with:

- a) Applied Economics
- b) Managerial Economics
- c) Micro Economics
- d) Macro Economics

26 Sarah runs a lemonade stall, her decision-making process involves assessing the demand for her lemonade, pricing strategies and maximizing her profits 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

27 Price in capitalist economy is determined by:

- a) Small private firms
- b) Big corporates
- c) Market forces of demand and supply
- d) Government

PYQ June 2024

28 Micro economics is abstract and purely ____ nature and takes ____ assumptions

- a) Pragmatic, Unrealistic
- b) Practical, Realistic
- c) Theoretical, Unrealistic
- d) Theoretical, Realistic

PYQ June 2024

29 Mr. X had been given a task to segregate normative and non-normative statements. Help him to identify which one of these is normative economic statement?

- a) Pollution level is rising day by day because of urbanization
- b) The part time working hours of students should be increased to 25 hours per week
- c) Due to the increased number of cars on roads, people will be stuck in traffic jams
- d) The government has allotted a major portion of revenue in defense.

PYQ June 2024

30 What is the nature of business economics, which is an applied branch of economics?

- a) It is positive in nature
- b) It is normative in nature
- c) It is neutral in nature
- d) It is both positive as well as normative in nature.

PYQ June 2024

31 Which statement differentiates business economics from economics?

- a) It is abstract in nature
- b) It is broader concept than economics
- c) It is no different from economics
- d) It is pragmatic in nature

MTP May 2024

32 In a capitalist economy, profit is socially desirable because it:

- a) reallocates wealth from small firms to large firms.
- b) attracts resources to the most desirable types of production.
- c) allows firms to operate at higher levels of cost.
- d) permits firms to hire more workers and thereby reduces the unemployment rate.

MTP May 2024

33 What social function is served by profits in a capitalist economic system?

- a) Taxes on profits support government programs.
- b) They provide an incentive for the reallocation of resources.
- c) Profits allow individuals to accumulate wealth and engage in capital investment.
- d) Profits result in higher levels of employment.

MTP May 2024

34 Positive economics means:

- a) Does not depend on market interactions,
- b) only looks at the best parts of the economy.
- c) Examines how economy works (as opposed to how it should work)
- d) is very subjective.

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Chapter 1

MTP June 2024	
35	Scarcity of resources exist at:
a) Micro level b) Macro level c) Micro as well as Macro d) None of these	
MTP June 2024	
36	The Characteristics of Production Possibility Curve:
a) Slopes downwards from left to right b) PPC is concave to the origin c) Both A and B d) None of these	

MTP June 2024	
37	Problem of choice is the basis of:
a) Economic Problem b) (b) Social Problem c) (c) Political Problem d) (d) None of these	
MTP June 2024	
38	Under which system Freedom of choice is an advantage:
a) Capitalism b) Mixed economy c) Socialism d) None of these	

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Answer Key – Economics Chapter 1 – MTP & PYQ MCQs

1	B	6	D	11	D	16	C	21	A	26	C	31	D	36	C
2	A	7	A	12	D	17	D	22	A	27	C	32	B	37	A
3	B	8	B	13	A	18	D	23	B	28	C	33	B	38	A
4	C	9	B	14	D	19	D	24	D	29	B	34	C		
5	D	10	B	15	B	20	D	25	C	30	B	35	C		

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