



CA Foundation Sampurna September 2025

Business Cycle

Notes

Introduction

1. The term business cycle refers to: [Jan. 2021]
 - (a) The ups and downs in production of commodities.
 - (b) The fluctuating levels of economic activity over a period of time.
 - (c) Decline in economic activities over prolonged period of time.
 - (d) Increasing unemployment rate and diminishing rate of savings.
 2. Which of the following statement is correct for a business cycle? [June 2022]
 - (a) A Typical feature of depression is the rise in the interest rate.
 - (b) A typical feature of depression is the constant interest rate.
 - (c) Recession is the severe form of depression.
 - (d) Depression is the severe form of recession.
 3. Greatest depression suffered by economy in which year? [CA CPT May 2018]
 - (a) 1924 (b) 1930
 - (c) 2008 (d) 2009
 4. According to _____ trade cycle is a purely monetary phenomenon. [Dec. 2021]
 - (a) Schumpeter (b) Nicholas Kaldor
 - (c) Keynes (d) Hawtrey
 5. Which is not related to great depression of 1930? [CA CPT May 2019]
 - (a) It stated in USA
 - (b) John Maynard Keynes regarded lower aggregate expenditure as the cause
 - (c) Excess Money Supply
 - (d) Both (a) and (b)
 6. Which of the following is not correct about the business cycles ? [June 2022]
 - (a) Business cycles have distinct phase of expansion, peak, contraction and trough
 - (b) Business cycles generally originate in capitalist economies
 - (c) Business cycles are contagious and are internal in character
 - (d) All sectors of the economy are adversely affected in a equal proportion
 7. The world economy suffered the longest deepest and most widespread depression of the 20th century during _____. [Jan. 2021]
 - (a) 1934 (b) 1928
 - (c) 1930 (d) 1932
 8. Which among the following is not a feature of Business Cycles? [Dec. 2021]
 - (a) Business Cycles are sporadic in nature.
 - (b) Business Cycles have serious consequence on the well-being of the society.
 - (c) Business Cycles are exceedingly complex Phenomena.
 - (d) Business Cycles are contagious.
 9. The rhythmic fluctuations in aggregate economic activity that an economy experiences over a period of time is called: [July 2021]
 - (a) Business cycle (b) Recession
 - (c) Contraction phase (d) Recovery
- ### Phases of Business Cycle
10. Which statement is correct? [Nov. 2019]
 - (a) Depression of Severe form of trough.
 - (b) Depression causes fall in Interest rate.
 - (c) Peak is highest point.
 - (d) All of the above.



11. When aggregate economic activity is increasing in an economy, the economy is said to be in _____. [Dec. 2021]
 (a) Peak (b) Contraction
 (c) Expansion (d) Trough
12. During the phase of trough of business cycle, the growth rate became _____. [Nov. 2020]
 (a) Negative (b) Zero
 (c) High (d) Low
13. When aggregate economic activity is expanding it is said to be in : [Dec. 2021]
 (a) Contraction (b) Expansion
 (c) At turning point (d) A peak
14. During _____ there is fall in level of investment and employment. [Nov. 2020]
 (a) Boom (b) Recovery
 (c) Contraction (d) Depression
15. The term refers to the top or the highest point of business cycle. [Dec. 2021]
 (a) Top (b) Expansion
 (c) Peak (d) Equilibrium
16. Select the odd out:
 (a) Expansion (b) Boom
 (c) Upswing (d) Trough
17. In which phase of Business Cycles levels of investment & employment falls: [June 2023]
 (a) Peak (b) Recession
 (c) Expansion (d) Contraction
18. Which one of the following is not a phase of business cycle? [June 2023]
 (a) Peak (b) Trough
 (c) Expansion (d) Reconstruction
19. Actual demand stagnates in which of the following stage of a business cycle? [June 2022]
 (a) Expansion (b) Peak
 (c) Contraction (d) Recovery
20. Which one of the following is not for expansion phase of the business cycle? [Dec. 2023]
 (a) Involuntary unemployment is almost zero
 (b) Price and costs also tend to rise faster
 (c) Increase in capital and consumer expenditure
 (d) Supply exceeds demand
21. Which indicators coincide or occur simultaneously with the business cycle movements? [Nov. 2020]
 (a) Legal (b) Lagging
 (c) Leading (d) Concurrent
22. Expansion phase is characterized by increases in _____. [Dec. 2021]
 (a) National output, employment and demand
 (b) Excessive investment over pro. duction
 (c) Unemployment, workers accept work at lower wages
 (d) Decrease in input demand and prices fall down
23. Which business cycle phases are collectively known as Turning Points? [July 2021, Dec. 2023]
 (a) Trough and Depression
 (b) Peak and Trough
 (c) Expansion and Contraction
 (d) Peak and Boom
24. _____ sector cannot be included as 'cyclical' businesses. [June 2022]
 (a) Electric goods (b) House builder
 (c) Agriculture (d) Restaurants



25. The four phases of the business cycle are: [Nov. 2019/2020]
 (a) peak, recession, trough and boom
 (b) peak, depression, trough and boom
 (c) peak, recession, trough and recovery
 (d) peak, depression, bust and boom
26. Expansion phase of business cycle depicts characteristics except _____. [June 2022]
 (a) Consumer spending on goods and services tend to rise
 (b) Business confidence tends to rise
 (c) Interest rates and profits tend to rise
 (d) Unemployment tends to rise
27. At 'trough' the production in the economy reaches at which of the following: [Nov. 2019]
 (a) High (b) Low
 (c) Constant (d) Negative
28. The lowest level of economic activity is called: [Dec. 2021]
 (a) Depression (b) Boom
 (c) Expansion (d) Contraction
29. Production of new and better goods and services using new technology: [Dec. 2023]
 (a) Troughs in business cycle
 (b) Loss of employment
 (c) Expansion of employment
 (d) Reduced need of investment
30. Which phase of business cycle is characterized by increase in national output, employment, aggregate demand, capital and consumer expenditure sales, profits etc.? [July 2021]
 (a) Depression (b) Contraction
 (c) Trough (d) Expansion
31. A typical feature of depression is _____ in the interest rate [June 2022]
 (a) Rise (b) Constant
 (c) Fall (d) Infinity
32. Increase in national output and other economic variables is a characteristic of _____ in Business Cycles. [June 2023]
 (a) Trough
 (b) Depression
 (c) Contraction
 (d) Expansion
33. Actual demand stagnates in which stage: [Nov. 2019]
 (a) Peak (b) Trough
 (c) Recovery (d) Contraction
34. In which stage of the business cycle involuntary unemployment is almost zero? [June 2022]
 (a) Expansion
 (b) Peak
 (c) Contraction
 (d) Recovery
35. In which of the following phase of a business cycle, actual demand stagnates? [July 2021]
 (a) Expansion
 (b) Peak
 (c) Contraction
 (d) Recovery
36. Which is not an example of coincident indicator? [Nov. 2020]
 (a) Inflation
 (b) GDP
 (c) Financial market trend
 (d) Interest rate
37. Variables that change before the real output changes are called as: [July 2021]
 (a) Trade cycle
 (b) Business cycle
 (c) Leading indicators
 (d) Lagging indicators



- 38.** According to law trey, which of the following is correct? [Jan. 2021]
 (a) Trade Cycle occurs as a result of innovation
 (b) Trade Cycle is purely monetary phenomenon
 (c) Fluctuation in economy activity is due to fluctuation in demand
 (d) Fluctuation in government expenditure
- 39.** During recession, the unemployment rate _____ and output _____. [Nov. 2019/Jan. 2021]
 (a) rises; falls (b) rises; rises
 (c) falls; rises (d) falls; falls
- 40.** Excess capacity in capital industries is the characteristics of which of the following stage? [Nov. 2019, June 2024]
 (a) Trough (b) Recovery
 (c) Depression (d) Peak
- 41.** An unemployment type cause due to structural changes in the economy is which of the following: [Nov. 2019]
 (a) Involuntary (b) Ethical friction
 (c) Full employment (d) Structural
- 42.** Chinas recent slowdown causes: [Nov. 2019]
 (a) Cycle of decline and panic across the world.
 (b) Countries across the Globe were able to insulate themselves from the crisis.
 (c) Stock markets in the Emerging Economics largely remained unaffected.
 (d) Old technology fuelled the eco-nomic decline.
- 43.** What is the most visible sign of recession in an economy? [Nov. 2020]
 (a) Fall in the level of employment
 (b) Fall in price level
 (c) Rise in the inventory cost
 (d) Weakening stock market
- 44.** Which of the following is an internal cause of business cycles? [Nov. 2020]
 (a) Population growth
 (b) Wars
 (c) Natural factors
 (d) Fluctuations in the effective demand
- 45.** The most feature of business cycles: [Nov. 2020]
 (a) Pervasive nature (b) Regular length
 (c) Periodic intensity (d) None of these
- 46.** Feature of _____ is fall in interest rates and people's demand for holding liquid money. [Jan. 2021]
 (a) Contraction
 (b) Peak
 (c) Trough & Depression
 (d) Recovery
- 47.** Business that are more vulnerable to charges in business cycle and whose fortunes are closely linked to rate of economic growth are called as: [Jan. 2021]
 (a) Vulnerable Business
 (b) Cyclical Business
 (c) Leading Business
 (d) Lagging Business
- 48.** Boom and depreciation in business cycles are: [CA CPT May 2019]
 (a) Turning points
 (b) Equilibrium points
 (c) Both (a) and (b)
 (d) None of the above
- 49.** Which of the following is not the phase of business cycles? [CA CPT May 2019]
 (a) Prosperity (b) Upswing
 (c) Reconstruction (d) Depression



- 50.** Which of the following is not a variable in the index of leading indicators? [Dec. 2021]
 (a) Prime Rate
 (b) Delayed Deliveries
 (c) Construction permits
 (d) New consumer goods orders
- 51.** Which of the following is not an example of coincident indicator? [Nov. 2019]
 (a) Industrial production
 (b) Inflation
 (c) Retail sales
 (d) New orders for plant and equipment
- 52.** Those variables that change before the real output changes are called: [Nov. 2021]
 (a) Leading indicators
 (b) Lagging indicators
 (c) Concurrent indicators
 (d) Business indicators
- 53.** Friction unemployment is the characteristic of which of the following stages: [Nov. 2019]
 (a) Expansion (b) Peak
 (c) Construction (d) Recovery
- 54.** Identify which among the following is an example of a lagging indicator? [Dec. 2021]
 (a) Stock market prices
 (b) Gross domestic product
 (c) Unemployment
 (d) Industrial production
- 55.** Leading economic indicators:
 (a) Are used to forecast probable shifts in economic policies.
 (b) Are generally used to forecast economic fluctuations.
 (c) Are indicators of stock prices existing in an economy.
 (d) Are indicators of probable recession and depression.
- 56.** Variables that give information about the rate of change of the expansion or contraction of an economy more or less at the same time it happens are called: [Dec. 2021]
 (a) Lagging indicators
 (b) Coincident indicators
 (c) Leading indicators
 (d) Economic indicators
- 57.** A measurable economic factor that changes before the economy starts to choose a particular pattern is _____. [Dec. 2023]
 (a) Coincident indicator
 (b) Leading indicator
 (c) Cyclical indicator
 (d) Lagging indicator
- 58.** A leading indicator is:
 (a) A variable that tends to move along with the level of economic activity.
 (b) A variable that tends to move in advance of aggregate economic activity.
 (c) A variable that tends to move consequent on the level of aggregate economic activity.
 (d) None of the above.
- 59.** Coincident indicators are also known as: [Jan. 2021]
 (a) Lagging indicators
 (b) Concurrent indicators
 (c) Effective indicators
 (d) Leading indicators
- 60.** Consumer price index number belongs to which of the following indicator? [Dec. 2023]
 (a) Leading Indicator
 (b) Lagging Indicator
 (c) Coincident Indicator
 (d) Stock market Indicator



61. Which of the following is a coincident indicator?
[Dec. 2023]
- New order of plant and equipment
 - Corporate Profits
 - GDP
 - Labour Cost per Unit
62. Those variables that change after the real output changes are called as:
[June 2022]
- Lagging indicators
 - Leading indicators
 - Concurrent indicators
 - Coincident indicators
63. The variable that changes after the real income changes is known as _____ indicator.
[June 2024]
- Leading
 - Lagging
 - CO-incident
 - They do not indicate anything
64. From the following variance that change after real output changes areas _____. [June 2024]
- Coincide indicator
 - Coincide economy indicator
 - Lagging indicator
 - Concurrent indicator
65. Which of the following is not an example of lagging indicator?
[June 2023]
- Consumer price index
 - Labour cost price per unit
 - Commercial lending
 - Personal income
66. _____ is measurable economics factor that changes before economy starts to follow a particular pattern of trend.
[Nov. 2020]
- Lagging indicators
 - Leading indicators
 - Coincident indicators
 - Concurrent indicator
67. A measurable economic factor that changes before the economy starts follows particulars pattern/trend is:
[Jan. 2021]
- Leading Factor
 - Lagging Factor
 - Coincident Factor
 - Concurrent Factor
68. Coincident economic indicators are also called as which of the following?
[June 2022]
- Leading indicators
 - Concurrent indicators
 - Headed indicators
 - Capacity indicators
69. Those variables that change before the real output changes prior to large economic adjustments are called as _____.
[June 2023]
- Coincident indicator
 - Leading indicator
 - Concurrent indicator
 - Lagging indicator
70. Coincident indicators are also called as:
[June 2023]
- Lagging indicator
 - Leading indicator
 - Concurrent indicators
 - None
- Features of Business Cycles**
71. Industries that are extremely sensitive to the business cycle are the: [CA CPT May 2018]
- Durable goods and service sectors.
 - Non-durable goods and service sectors.
 - Capital goods and non-durable goods sectors.
 - Capital goods and durable goods sectors.
72. Business Cycle occurs: [CA CPT May 2019]
- Periodically
 - In different phases
 - Both (a) and (b)
 - None of the above



84. The internal causes of business cycle is:
[CA CPT May 2019]

- (a) Fluctuation in effective demand
- (b) Technology shocks
- (c) Both (a) and (b)
- (d) None

85. The internal cause of business cycle is:[Nov.2019]

- (a) Technology shocks
- (b) Fluctuation in effective demand
- (c) Post war reconstruction
- (d) Population Growth

86. According to _____ trade cycles occur due to onset of innovations. [Jan. 2021]

- (a) Hawtrey
- (b) ADAM Smith
- (c) JM Keynes
- (d) Schumpeter

87. Find the correct option [June 2024]

- | | |
|----------------|--------------------------------|
| (1) Hawtrey | (a) Innovation |
| (2) Pigou | (b) Money supply |
| (3) Schumpeter | (c) Psychological factors |
| (4) Keynes | (d) Effective aggregate demand |
| (a) a, b, c, d | (b) b, c, a, d |
| (c) a, b, d, c | (d) b, a, d, c |

88. Optimistic and Pessimistic mood of business community also affects the economic activities is view of _____. [Jan. 2021]

- | | |
|-------------|----------------|
| (a) Hawtrey | (b) Schumpeter |
| (c) Pigou | (d) Marshall |

89. According to whom "Business fluctuations are the outcome of some psychological states of mind of business community"? [July 2021]

- | | |
|----------------|----------------|
| (a) Marshall | (b) A.C. Pigou |
| (c) J.K. Hicks | (d) Schumpeter |

Relevance of Business Cycles in Business decision making

90. How many phases are their in business cycle?
[CA CPT Nov. 2018]

- | | |
|----------|----------|
| (a) Four | (b) Five |
| (c) One | (d) Many |

91. Which of the following industries are less sensitive to business cycle? [June 2023]

- (a) Consume goods industry
- (b) Durable consumer goods industry
- (c) Travel and Tourism Industries
- (d) Food Grain processing Industries

92. The world economy suffered the longest, deepest and most widespread depreciation of the 20th century during? [CA CPT Nov. 2018]

- | | |
|----------|----------|
| (a) 1934 | (b) 1928 |
| (c) 1930 | (d) 1932 |

93. XYZ is an Advertisement Agency. Its future projects are closely related to the rate of economic growth. Then XYZ business referred to as _____. [Dec. 2023]

- (a) Durable business
- (b) Non-Durable business
- (c) Cyclical business
- (d) Non-Cyclical business

94. During the upswing phase of business cycle, the involuntary unemployment is _____. [May 2025]

- | | |
|-------------|------------------|
| (a) Highest | (b) Almost Zero |
| (c) Lowest | (d) Not affected |

95. The level of national income and expenditure declines rapidly during which phase of the busine? [May 2025]

- (a) Upswing
- (b) Downswing
- (c) Recovery
- (d) Through and Depression



- 96.** In all kind of businesses, the different phases of business cycle generally occurs as : [May 2025]
- (a) Having perfectly timed cycles
 - (b) No fixed time cycles but are regular
 - (c) Boom have longer period than Depression
 - (d) Depression have longer period than Boom
- 97.** There is a war going between Country A and Country B for last two years. Now in the current year both countries have signed a peace agreement and war has come to an end. Now both countries have started to rebuild the losses caused due to war out of their own funds. Which type of cause of change in business cycle is this for Country A? [May 2025]
- (a) Internal Cause
 - (b) External Cause
 - (c) Both Internal and External Cause
 - (d) This is not a cause of change in business cycle
- 98.** An indicator which gives information about the rate of change of the expansion or contraction of an economy is called _____. [May 2025]
- (a) Leading Indicator
 - (b) Lagging Indicator
 - (c) Both Leading and Lagging Indicator
 - (d) Co-Incident Indicator
- 99.** Which of the following is not a characteristic of business cycle? [Jan. 2025]
- (a) They occur periodically.
 - (b) They are recurrent.
 - (c) They occur at regular intervals.
 - (d) They have distinct phases of expansion, peak, contraction and trough.
- 100.** Which of the following is not an internal cause of business cycles? [Jan. 2025]
- (a) Fluctuations in effective demand
 - (b) Fluctuation in investment
 - (c) Variations in government spending
 - (d) Technology shock
- 101.** Changes in stock price, new orders for capital and consumer goods are examples of: [Jan. 2025]
- (a) Leading indicators
 - (b) Lagging indicators
 - (c) Coincident indicators
 - (d) Non-economic indicators
- 102.** Variables that change after the real output changes are called: [Jan. 2025]
- (a) Leading indicators
 - (b) Lagging indicators
 - (c) Coincident indicators
 - (d) Non-economic indicators



Answer Key

- | | | |
|---------|---------|----------|
| 1. (b) | 35. (b) | 69. (b) |
| 2. (d) | 36. (d) | 70. (c) |
| 3. (b) | 37. (c) | 71. (d) |
| 4. (d) | 38. (b) | 72. (c) |
| 5. (c) | 39. (a) | 73. (d) |
| 6. (d) | 40. (a) | 74. (d) |
| 7. (c) | 41. (d) | 75. (c) |
| 8. (a) | 42. (a) | 76. (a) |
| 9. (a) | 43. (b) | 77. (b) |
| 10. (d) | 44. (d) | 78. (d) |
| 11. (c) | 45. (a) | 79. (d) |
| 12. (a) | 46. (c) | 80. (d) |
| 13. (b) | 47. (b) | 81. (c) |
| 14. (c) | 48. (a) | 82. (d) |
| 15. (c) | 49. (c) | 83. (a) |
| 16. (d) | 50. (a) | 84. (a) |
| 17. (d) | 51. (d) | 85. (b) |
| 18. (d) | 52. (a) | 86. (d) |
| 19. (b) | 53. (a) | 87. (b) |
| 20. (d) | 54. (c) | 88. (c) |
| 21. (d) | 55. (b) | 89. (b) |
| 22. (a) | 56. (b) | 90. (a) |
| 23. (b) | 57. (b) | 91. (d) |
| 24. (c) | 58. (b) | 92. (c) |
| 25. (c) | 59. (b) | 93. (c) |
| 26. (d) | 60. (c) | 94. (b) |
| 27. (b) | 61. (c) | 95. (d) |
| 28. (a) | 62. (a) | 96. (b) |
| 29. (c) | 63. (b) | 97. (b) |
| 30. (d) | 64. (c) | 98. (d) |
| 31. (c) | 65. (d) | 99. (c) |
| 32. (d) | 66. (b) | 100. (d) |
| 33. (a) | 67. (a) | 101. (a) |
| 34. (a) | 68. (b) | 102. (b) |



Hints and Solution

1. (b)
2. (d)
3. (b)
4. (d)
5. (c)
6. (d)
7. (c)
8. (a)
9. (a)
10. (d)
11. (c)
12. (a)
13. (b)
14. (c)
15. (c)
16. (d)
17. (d)
18. (d)
19. (b)

20. (d)
In the expansion phase of the business cycle, **Supply exceeds demand** is not a characteristic. During expansion, there is typically an increase in demand, leading to higher production, employment, and prices. The characteristic of supply exceeding demand is more indicative of a recessionary phase.
21. (d)
22. (a)
23. (b)
The phases of the business cycle that are collectively known as Turning Points are **Peak & Trough**. These points represent the shifts from expansion to contraction and vice versa in the business cycle.
24. (c)
25. (c)
26. (d)
27. (b)
28. (a)
29. (c)
Expansion of employment is a result of the production of new and better goods and services using new technology, Technological advancements often create new job opportunities and expand employment.
30. (d)
31. (c)



- 32. (d)
- 33. (a)
- 34. (a)
- 35. (b)
- 36. (d)
- 37. (c)
- 38. (b)
- 39. (a)
- 40. (a)
- 41. (d)
- 42. (a)
- 43. (b)
- 44. (d)
- 45. (a)
- 46. (c)
- 47. (b)
- 48. (a)
- 49. (c)
- 50. (a)
- 51. (d)
- 52. (a)
- 53. (a)

- 54. (c)
- 55. (b)
- 56. (b)
- 57. (b)

A measurable economic factor that changes before the economy starts to follow a particular pattern is a Leading indicator. **Leading indicators** are used to predict the future movements of an economy and typically change before the economy as a whole change.
- 58. (b)
- 59. (b)
- 60. (c)

The **Consumer Price Index (CPI)** number is a **Coincident Indicator**. It measures the average change over time in the prices paid by consumers for a market basket of consumer goods and services.
- 61. (c)

A coincident indicator is one that moves at the same time as the economy of the options provided, **GDP** is a coincident indicator as it reflects the current state of the economy.
- 62. (a)
- 63. (b)
- 64. (c)
- 65. (d)
- 66. (b)
- 67. (a)
- 68. (b)
- 69. (b)



70. (c)

71. (d)

72. (c)

73. (d)

The length of each phase is definite is not a feature of business cycles. Business cycles are characterized by fluctuations in economic activity, but the duration and length of each phase (expansion, peak, recession, and trough) can be unpredictable and vary each time.

74. (d)

75. (c)

76. (a)

77. (b)

78. (d)

79. (d)

An external cause of business cycles is Technological shocks. Technological changes can have significant impacts on the economy, causing fluctuations in economic activity.

80. (d)

81. (c)

82. (d)

83. (a)

84. (a)

85. (b)

86. (d)

87. (b)

88. (c)

89. (b)

90. (a)

91. (d)

92. (c)

93. (c)

XYZ, an Advertisement Agency, whose future projects are closely related to the rate of economic growth, is referred to as a **Cyclical business**. These businesses are highly sensitive to the cycles of the economy, flourishing in economic booms and suffering in downturns.

94. (b)

95. (d)

96. (b)

97. (b)

98. (d)

99. (c)

100. (d)

101. (a)

102. (b)

