

JUNE 2024

CA FOUNDATION ECONOMICS EXAM PAPER

NATURE & SCOPE OF BUSINESS ECONOMICS

- Q.1. Under pragmatic approach, micro economics is abstract and purely _____ in nature and takes _____ assumptions
- | | |
|------------------------------|----------------------------|
| (a) Pragmatic, Unrealistic | (b) Practical, Realistic |
| (c) Theoretical, Unrealistic | (d) Theoretical, Realistic |
- Q.2. Which of the following is the subject matter of macroeconomics?
- | | |
|---|--------------------|
| (a) Behavior of firms | (b) Factor Pricing |
| (c) Overall level of savings and investments | |
| (d) The economic condition of section of people | |
- Q.3. MrX 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. | |
- Q.4. 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. | |
- Q.5. Which statement differentiates Business Economics from Economics?
- | | |
|---|--|
| (a) It is abstract in nature | |
| (b) It is a narrower concept than Economics | |
| (c) It is no different from Economics | |
| (d) It is pragmatic in nature | |

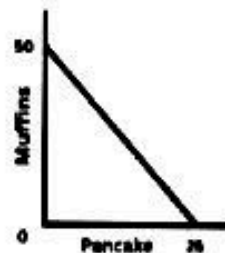
THEORY OF DEMAND

- Q.6. Consumption of highly priced goods by status seeking rich people for conspicuous consumption is called as _____
- | | |
|--------------------------|----------------------|
| (a) Snob effect | (b) Bandwagon effect |
| (c) Demonstration effect | (d) Veblen effect |
- Q.7. If the quantity demanded of coffee increased by 8% the price of tea increase by 25% the cross elasticity of demand between coffee and tea is _____
- | | | | |
|-----------|----------|-----------|------------|
| (a) -0.32 | (b) 0.32 | (c) 3.125 | (d) -3.125 |
|-----------|----------|-----------|------------|

- Q.8 Calculate the price elasticity of demand, when the price increases from Rs.20 to Rs22 and quantity demanded falls from 3000 to 2000 units (Midpoint method)
 (a) 4.2 (b) -4.2 (c) 4 (d) -4
- Q.9 Mr. Z went to a stationery shop to buy pens. The price of pen decreased from ₹5 to ₹3 per unit. If the price elasticity of demand for pen is 2.5 and the original quantity demand for pen is 20, then how much is the new quantity of demanded.
 (a) 10 (b) 40 (c) 30 (d) 20

THEORY OF CONSUMER BEHAVIOUR

- Q.10 Ram wanted to purchase an Apple tab at Rs12,000/-. Actual price in the market(MRP) is Rs11,000/- and discount was given at 20%. Also there is an additional cash discount of Rs300, Find consumers surplus.
 (a) 3200 (b) 3500 (c) 1000 (d) 3300
- Q.11 When the total income of a consumer is Rs.750 find out the prices of pancake & muffins respectively.



- (a) 15,30 (b) 30,15 (c) 50,25 (d) 25,50
- Q.12 A point above the budget line of a consumer represents
 (a) Represents costs less than the whole consumers income
 (b) Represents combination of goods which costs whole of consumers income
 (c) Represents a combination which is totally unattainable
 (d) Represents a combination that is attainable

THEORY OF SUPPLY

- Q.13. When factors other than price changed causes the supply curve to shift to the left, then it is
 (a) Expansion of supply (b) Contraction of supply
 (c) Increase in supply (d) Decrease in supply

THEORY OF PRODUCTION

- Q.14. Circulating capital means _____
 (a) Capital is durable source which gives returns for a specific period
 (b) Interest generated from capital and reinvested to earn more interest
 (c) Capital performs its production function in single use and not used further
 (d) Used for series of services over a period of time
- Q.15. A person went to buy a land, and he thought one among the following is wrong feature with regarding to land
 (a) Homogeneous (b) Heterogeneous
 (c) Immobile (d) Limited in Supply



Production Analysis

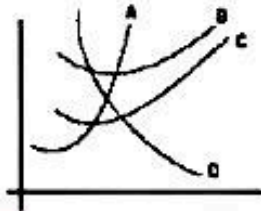
L	TP	MP
1	200	200
2	380	180
3	-	160
4	680	-
5	-	120

- Q.16. What is the marginal production of 4th unit?
(a) 170 (b) 140 (c) 120 (d) 160
- Q.17. What is the total output at 3rd unit?
(a) 520 (b) 680 (c) 540 (d) 600
- Q.18. What is the Average product of 5th unit?
(a) 200 (b) 160 (c) 190 (d) 800\
- Q.19. Which of the following defines all those combinations of inputs which are capable of producing the same level of output is _____
(a) Indifference curve (b) Iso quant
(c) Iso cost (d) Budget line

THEORY OF COST

- Q.20. Which of the following is called envelope curve?
(a) Average fixed cost curve (b) Short run average cost curve
(c) Long run average cost curve (d) Average variable cost curve
- Q.21. Find out A and B from, the following table
- | Q | Total Cost | Fixed Cost | Variable Cost | Marginal Cost |
|----|------------|------------|---------------|---------------|
| 10 | 1300 | 500 | 800 | - |
| 20 | 1900 | 500 | 1400 | 60 |
| 35 | A | 500 | 2100 | B |
- (a) 2600, 46.7 (b) 2600, 50 (c) 2660, 46.7 (d) 2660, 47
- Q.22. The shape of long run average cost curve depends upon _____
(a) Law of returns (b) Returns to scale
(c) Diminishing returns (d) Law of variable proportions
- Q.23. The normal returns on money capital invested by the entrepreneur himself in his own business is an example of _____
(a) Explicit cost (b) External cost
(c) Private cost (d) Implicit cost
- Q.24. The money cost of production incurred by the firm such as wages, lightning, lease payment etc., are _____ cost.
(a) Implicit cost (b) Opportunity cost
(c) Outlay cost (d) Economic cost

Q.25. From the diagram answer the following:



- (a) $A = MC, B = ATC, C = AVC, D = AFC$
 (b) $A = AC, B = MC, C = AVC, D = AFC$
 (c) $A = AFC, B = ATC, C = AVC, D = MC$
 (d) $A = MC, B = AVC, C = ATC, D = AFC$

PRICE DETERMINATION IN DIFFERENT MARKET

Q.26. When the Marginal revenue = 0, then total revenue is _____ if the slope of TR is 0

- (a) Maximum (b) Minimum
 (c) Increasing (d) Decreasing

Q.27. Increase in demand and decrease in supply causes _____

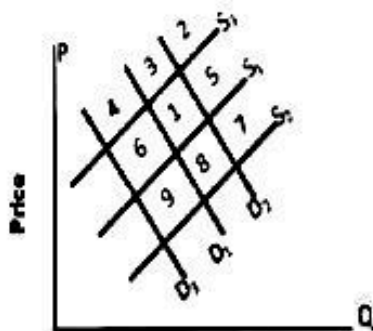
- (a) Equilibrium Price uncertain, Equilibrium quantity falls
 (b) Equilibrium Price rises, Equilibrium quantity falls
 (c) Equilibrium Price rises, Equilibrium quantity uncertain
 (d) Equilibrium Price falls, Equilibrium quantity uncertain

Q.28. Find the marginal revenue (MR) of markets A and B respectively. Where the AR in both the market is 21 and elasticities of demand in market A and B are 3 and 7 respectively

- (a) 13.9, 17.9 (b) 14, 18
 (c) 17, 18 (d) 12, 18

D1 & S1 are original demand and supply curve, D1, D3, D2, S2, S3 are possible new demand and supply curves. Starting for eq point (1), what is the new eq for each change.

Q.29. P visited supermarket for purchasing Jam. If the income of P increases and Prices of factor reduces, what is new eq price



- (a) 7 (b) 2 (c) 4 (d) 9

- Q.30. Heavy storm in Tamil Nadu caused damage to crops. What is new eq price & quantity.
 (a) 4 (b) 3 (c) 2 (d) 6
- Q.31. Edward expects a rise in price of motorcycles in next year. What is new eq price.
 (a) 5 (b) 4 (c) 6 (d) 9
- Q.32. In which market the price elasticity of demand is infinity?
 (a) Perfect competition (b) Monopolistic competition
 (c) Oligopoly (d) Monopoly
- Q.33. Strategic interdependence is a characteristic of which type of market?
 (a) Monopoly (b) Perfect competition
 (c) Monopolistic competition (d) Oligopoly
- Q.34. Relation between AR and MR in a monopoly is stated as
 (a) AR can be zero, MR can be zero or negative
 (b) AR and MR both are upward sloping
 (c) AR curve lies halfway between MR and y-axis
 (d) Slope of MR is twice that of AR
- Q.35. In which form of market, patents and copyrights is given by the government to protect the intellectual property rights?
 (a) Perfect competition (b) Monopoly
 (c) Monopolistic competition (d) Oligopoly
- Q.36. Which feature of monopolistic competition differs from perfect competition?
 (a) Larger number of sellers (b) Freedom of entry and exist
 (c) Product differentiation (d) Differentiation activity
- Q.37. If electricity department is charging Rs.3 per unit to farmers and Rs7 per unit to industries it is described as
 (a) Product differentiation (b) Price discrimination
 (c) Monopoly (d) Differentiation activity
- Q.38. When few firms of the oligopolistic market come to a common understanding with each other in fixing price and output, it is called _____
 (a) Syndicate oligopoly (b) Collusive oligopoly
 (c) Perfect oligopoly (d) Open oligopoly

BUSINESS CYCLES

- Q.39. Which is the external cause of business cycle?
 (a) Variations in government spending
 (b) Macroeconomic policies
 (c) Psychological factors (d) Technological shocks
- Q.40. The variable that changes after the real income changes is known as _____ indicator.
 (a) Leading (b) Lagging
 (c) Coincident (d) They do not indicate anything

Q.41. Find the correct option

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

DETERMINATION OF NATIONAL INCOME

Q.42. When NFIA is positive, then

- (a) $GNP_{mp} < GDP_{mp}$ (b) $GNP_{mp} < GDP_{mp}$
(c) $GDP_{mp} < GNP_{mp}$ (d) $GDP_{mp} > GNP_{mp}$

Q.43. GDP at Market Price =

- (a) GDP at Factor cost plus net indirect taxes
(b) NNP at market price minus indirect taxes
(c) GNP at market price plus net factor income from abroad
(d) None

Q.44. Gross Value added at market price (GVAm_p) =

- (a) Value of Output + Change in stock
(b) Value of Output + Intermediate consumption
(c) Value of Output + Change in stock - Intermediate consumption
(d) Value of Output - Intermediate consumption

Q.45. Disposable personal Income

- (a) Total personal income left after tax deduction at source
(b) Personal Income - Direct Taxes paid by individual - indirect taxes paid by individual
(c) Personal income - personal income taxes - non tax payments
(d) Personal income - indirect taxes paid by individual

Using the following information

Q.46. Calculate the GDP Deflator for the year 2022 and 2023

Year	Nominal GDP in crores (Rs)	Real GDP in Crores (Rs)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940

- (a) 147.06 & 159.57 (b) 100 & 161.54
(c) 68 & 62.67 (d) 400 & 560

Q.47. The inflation rate between the years 2022 and 2023 is _____

- (a) -7.84 (b) -8.51 (c) 8.51 (d) 7.84

Q.48. Income received by household sector including non-profit institution serving household is called _____

- (a) Per capita income (b) Personal income
(c) National income (d) Disposal income

Q.49. Joseph had a shoe company in US. The profits earned from its manufacturing unit operating in India will comes under

- (a) GDP of India and GNP of US (b) GDP of US and GNP of India
(c) GNP of US and GNP of India (d) GDP of US and GDP of India

- Q.60. When smoking is completely banned by the government in public places like bus stand, schools, parks etc., then it is an example of
- Direct control on negative production externality.
 - Direct control on positive production externality.
 - Command solution
 - Direct control on positive consumption externality
- Q.61. Externalities leads to market failure because
- They always result in negative outcomes for markets causing market failure
 - They represent cost or benefit which are not reflected in the market price
 - They are always associated with public goods and services
 - They prevent the production of private goods harming mankind.
- Q.62. Fiscal federalism in India is maintained by?
- Central Government
 - State government
 - RBI
 - Finance Commission
- Q.63. The policy designed to restrain the level of economic activities of the economy during the inflationary phase is known as
- Expansionary fiscal policy
 - Contractionary fiscal policy
 - Taxation policy
 - Budgetary policy
- Q.64. In the period of sluggish economic activities, when the rate of utilization of resources is less, fiscal policy aims to compensate the deficiency in by boosting
- Demand, private investment
 - Supply, export activities
 - Effective demand, aggregate spending
 - Production, supply

MONEY MARKET

- Q.65. If Velocity=20, Average Price = 120 and volume of transactions $T = 150Cr$ then money supply will be
- 2500 Cr
 - 25 Cr
 - 900 Cr
 - 1000 Cr
- Q.66. Which of the following is a fiat money?
- Gold Coins
 - Silver Coins
 - Currency Notes
 - Gold coins, Silver Coins as well as currency notes
- Q.67. The transactionary demand for money is directly proportional to and is a positive function of
- Level of price
 - Level of income
 - Level of demand
 - Level of interest rate
- Q.68. People's desire to hold cash in order to be equipped to exploit any attractive investments opportunity requiring cash expenditure reflects
- Transaction Motive
 - Speculative motive
 - Precautionary motive
 - Personal and business exchange

Q.69. What does the concept of liquidity trap mean?

- (a) Liquidity trap is a situation where the desire to hold bonds is very low and approaches zero; and the demand to hold money in liquid form as an alternative approaches infinity
- (b) Even if the public fear adverse events (deflation, war), then they prepare to hold only bonds at a given rate of interest.
- (c) The speculative money demand curve becomes parallel to the Y axis
- (d) None

Q.70. Calculate broad money M3?

- (a) Currency with public + demand deposits with banks
- (b) Currency with public + demand deposits with banks + net time deposits with the banking system
- (c) Currency with public + Savings with government banks
- (d) Currency with public + Demand Deposits with banks + Other deposits with RBI

Q.71. Calculate currency with public

Particulars	(In crores)
Notes with public in circulation	23,26,500
Currency of small coins in circulation	500
Currency of rupee coins in circulation	34,500
Cash in hand with banks	80,615

- (a) 22,80,885 Crores
- (b) 24,42,115 Crores
- (c) 22,45,885 Crores
- (d) 23,62,000 Crores

Q.72. Money Multiplier means

- (a) It decreases the total money supply for a given monetary base
- (b) It dictates interest rates set by RBI
- (c) The ratio of money supply to monetary base
- (d) It controls amount of gold reserves held by bank

Q.73. Which of the following is not a channel of monetary transmission mechanism?

- (a) Savings & investments channel
- (b) Cash Flow Channel
- (c) Exchange rate channel
- (d) International Trade Channel

Q.74. Open Market purchases of government securities by RBI will

- (a) Reduce the Money Supply
- (b) Reduce the reserves
- (c) Increase reserves
- (d) Reduce the reserves and there by reduces the money supply

Q.75. Theory of Comparative cost advantage is _____ in nature and it _____ take into account of factor price difference

- (a) Positive; does
- (b) Normative; does not
- (c) Positive; does not
- (d) Normative; does

INTERNATIONAL TRADE

- Q.76. Mercantilism advocates
- (a) Aggressive exports over imports to accumulate wealth
 - (b) Comparative advantage
 - (c) Absolute cost advantage
 - (d) Factor endowment
- Q.77. GATT was established in the year
- (a) 1945
 - (b) 1948
 - (c) 1995
 - (d) 2014
- Q.78. Under WTO agreements, the countries cannot normally discriminate between their trading partners. This is referred to as
- (a) National Treatment (NT)
 - (b) Most Favoured Nation (MFN)
 - (c) Promoting Fair Competition (PFC)
 - (d) Free Trade through negotiation (FTN)
- Q.79. Group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries is referred as
- (a) Trading Block
 - (b) Free-trade area
 - (c) Customs union
 - (d) Economic and monetary union.
- Q.80. A total ban imposed by the government on imports or export of some or all commodities to particular country or regions for a specified or indefinite period is termed as
- (a) Embargos
 - (b) Safeguard measure
 - (c) Distribution restrictions
 - (d) Restrictive measures
- Q.81. Which of the following is levied as a fixed/constant percentage on the money value of an imported or exported good?
- (a) Advalorem Tariff
 - (b) Compound Tariff
 - (c) Specific Tariff
 - (d) Bound Tariff
- Q.82. Which of the following is not a negative outcome of tariff?
- (a) Decreases revenue to the government
 - (b) Producers of the importing country increases the well being
 - (c) Domestic consumers suffer a loss in consumer surplus
 - (d) By ignoring comparative advantage, tariffs discourage efficient production in the rest of the world
- Q.83. An increase in Real Effective Exchange Rate indicates
- (a) A loss in trade competitiveness
 - (b) An increase in trade competitiveness
 - (c) Exports become more cheaper
 - (d) Imports become more costlier
- Q.84. Number of units of a foreign currency can be exchanged for one unit of local currency is referred to as _
- (a) Direct Quote
 - (b) Indirect Quote
 - (c) European Currency
 - (d) Cross Quotes

Q.85. Not a component of FDI according to IMF:

- | | |
|---------------------------|---------------------------|
| (a) Equity capital | (b) Reinvestment earnings |
| (c) Portfolio investments | (d) Intra company loans |

INDIAN ECONOMY

Q.86. E-amrit is related to ____

- (a) One-stop destination for all information on electric vehicles
- (b) Facilitates and improve access to Indian government data
- (c) Improves air quality in India by accelerating the deployment of electronic vehicles.
- (d) Provides a stimulus to exports and economic growth

Q.87. Which revolution was materialized by innovative farm technologies including high yielding seed varieties and intensive use of water, fertilizers & pesticides?

- | | |
|--------------------------------|--------------------------|
| (a) The Green revolution | (b) The Kisan revolution |
| (c) The Agriculture revolution | (d) The Fasal revolution |

Q.88. PM Gati Shakti is related to

- (a) Empowerment of MSMEs
- (b) Data based decisions related to integrated planning of multimodal infrastructure there by reducing the logistic cost.
- (c) Manufacturing of electric and hybrid vehicle technology
- (d) Automatic route for FDI

Q.89. Which of the following Sector contributes maximum to India's Gross Value Added?

- | | |
|---------------------|----------------------|
| (a) Primary sector | (b) Secondary sector |
| (c) Tertiary sector | (d) All of the above |

Q.90. APEDA- full form

- (a) Agricultural Product Export Development Agency
- (b) Agricultural Produce Economic Development Association
- (c) Animal Product Export Development Authority
- (d) Agricultural & Processed Food Export Development Authority

Q.91. What does the E-NAM (Electronic National Agriculture Market) aim to achieve?

- (a) Increase farm productivity
- (b) Create a unified national market for agricultural commodities
- (c) Provide financial support to farmers
- (d) Promote organic farming

Q.92. Which of the following cause is reducing the ability of Indian agriculturalists to participate in domestic as well as export market?

- (a) Low farming productivity and subsistence farming.
- (b) Large amount of marketable surplus with farmers
- (c) Dominated by big farmers and farm productivity
- (d) Big landholdings by small farmers

- Q.93. What is the main cause attributed to the immediate need for economic reforms in 1991?
- Fiscal deficit was financed by huge amounts of domestic and external debts
 - Forex reserves touched the highest point
 - Persistent huge deficit led to declining public debt
 - Government's revenue expenditure consistently lowering revenue receipts.
- Q.94. The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the route.
- Automatic
 - Green channel route
 - Priority route
 - Trade route
- Q.95. To develop the mechanism to formulate credible plans at village level and aggregate these progressively at higher level of government is an objective of
- Ministry of rural development
 - NITI Aayog
 - Commission of policy and planning
 - Planning commission
- Q.96. MRTP act, 1969, is aimed at regulation of which had relatively market power.
- Large Firms, large
 - Large firms, small
 - Small firms, small
 - Small firms, medium

ANSWER SHEET JUNE 2024

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