

PAPER –4
Business Economics and Business and Commercial Knowledge
QUESTION

TOTAL MARKS : 100

PART I: BUSINESS ECONOMICS

Marks : 60

1. “Image building” objectives are common in _____ type of market structure?
 - a) Oligopoly
 - b) Competition
 - c) Monopoly
 - d) Monopsony

2. The low point in the business cycle is referred to as the
 - a) Expansion.
 - b) Boom.
 - c) Trough.
 - d) Peak.

3. Which of the following has the lowest price elasticity of supply?
(a) Luxury (b) Necessities (c) Salt (d) Perishable goods

4. Relationship between AR, MR and Price elasticity of demand is
 - (a) $MR = AR + [e-1/e]$
 - (b) $MR = AR \times [e-1/e]$
 - (c) $AR = MR \times [e-1/e]$
 - (d) $MR = AR \times [e/e -1]$

5. A firm has variable cost of Rs. 1,000 at 5 units of output. If fixed cost are Rs. 400, what will be the average total cost at 5 units of output?
(a) 380 (b) 280 (c) 60 (d) 400

6. The opportunity cost of a good is
 - (a) the time lost in finding it
 - (b) the quantity of other goods sacrificed to get another unit of that good
 - (c) the expenditure on the good
 - (d) the loss of interest in using saving

Read the following data and answer Questions Number 7-12

XYZ are three commodities where X and Y are complements whereas X and Z are substitutes. A shopkeeper sells commodity X at Rs. 40 per piece. At this price he is able to sell 100 pieces of X per month. After some time he decreases the price of X to Rs. 20. Following the price decrease : He is able to sell 150 pieces of X per month The demand for Y increases from 25 units to 50 units. The demand for commodity Z decreases from 150 to 75 units.

7. The price elasticity of demand when the price of X decreases from Rs 40 per piece to RS 20 per piece will be equal to:

- (a) 1.5 (b) 1.0 (c) 1.66 (d) 0.6

8. The cross elasticity of monthly demand for Y when the price of X decrease from Rs 40 to Rs 20 is equal to:

- (a) +1 (b) -1 (c) -1.5 (d) +1.5

9. The cross-elasticity of Z when the price of X decreases from 40 to 20 is equal to:

- (a) -0.6 (b) +0.6 (c) -1 (d) +1

10. What can be said about price elasticity of demand for X?

- (a) Demand is unit elastic (b) Demand is highly elastic
(c) Demand is perfectly elastic (d) Demand is inelastic

11. Suppose income of the residents of locality increase by 50% and the quantity of X commodity increases by 20%. What is income elasticity of demand for commodity X?

- (a) 0.6 (b) 0.4 (c) 1.25 (d) 1.35

12. We can say that commodity X in economics is a/an

- (a) luxury good (b) inferior Good (c) normal Good (d) none of the above

13. Capital is a :

- (a) Stock concept (b) Flow Concept (c) Both (a) and (b) (d) None of the above

14. In case of an inferior good the income elasticity of demand is:

- (a) Zero (b) Positive (c) Negative (d) None of the above

15. When quantity demanded changes by larger percentage than does price, elasticity is termed as:

- (a) Inelastic (b) Elastic (c) Perfectly Elastic (d) Perfectly Inelastic

16. When the consumer is in equilibrium his price line is _____ to indifference curve

- (a) Parallel (b) At right angle (c) Diagonally opposite (d) Tangent

17. Accounting profit is equal to:

- (a) Total Revenue – Total variable cost
(b) Total Revenue – Total direct cost
(c) Total Revenue – Total Cost
(d) Total Revenue – Total Explicit cost and Total Implicit Cost

18. MR curve under Monopoly lies between AR and Y – axis because, the rate of decline of the MR is

- (a) Just half of the rate of decline of AR
(b) Just equal to the rate of decline of AR
(c) Just triple the rate of decline of the average revenue
(d) Just double the rate of decline of the average revenue

19. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for T.V. rises by 20%

- (a) + .5 (b) -.5 (c) + 2 (d) -2

20. When is average product at its maximum point?

- (a) When AP intersects MP
(b) When AP intersects TP
(c) When MP is highest
(d) At the point of inflexion

21. Consumer Surplus is:

- (a) What a consumer is ready to pay + what he actually pays
(b) What a consumer is ready to pay – what he actually pays
(c) What he actually pays – what a consumer is ready to pay
(d) None of the above

22. Economic goods are goods which:

- (a) Cannot be increased in quantity
- (b) Obey the law of Micro Economics
- (c) Are limited in supply and are scarce
- (d) Are limited to man-made goods

23. If a competitive firm doubles its output, its total revenue:

- (a) doubles.
- (b) more than doubles.
- (c) less than doubles.
- (d) cannot be determined because the price of the good may rise or fall.

24. Marginal cost is defined as :

- (a) the change in total cost due to one unit change in output
- (b) total cost divided by output
- (c) the change in output due to a one unit change in an input
- (d) total product divided by the quantity of input

25. If the price of Banana rises from Rs. 30 per dozen to Rs. 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is:

- (a) .7
- (b) -.67
- (c) .65
- (d) .77

26. Lesser production of _____ would lead to lesser production in future

- (a) Public goods
- (b) Consumer goods
- (c) Agricultural goods
- (d) Capital goods

27. When aggregate economic activity is increasing the economy is said to be in

- (a) An expansion
- (b) a contraction
- (c) A peak
- (d) A turning point.

28. In perfect competition in the long run there will be _____

- (a) Normal Profits
- (b) Super Normal Profit
- (c) Less production
- (d) Cost will be falling

29. An economy achieves "productive efficiency" when:

- (a) The best quality goods are produced
- (b) The highly skillful resources in the country are fully employed

- (c) All resources are utilized and goods and services are produced at least cost
- (d) None of the above

30. Which of the following is considered production in Economics?

- (a) Teaching CA students in CA Institute by a teacher
- (b) Singing a song before friends
- (c) Flying kite for pleasure
- (d) Teaching to friends in a library any concept of Economics

31. If two goods are complementary, like pen and ink, then the cross elasticity is:

- (a) Positive
- (b) Zero
- (c) Negative
- (d) Less than one

32. A condition needed for a perfectly competitive industry to exist is that:

- (a) Buyers are able to influence the price of the commodity
- (b) Any units of commodity are considered by buyers to be different
- (c) Buyer discriminates in their purchases based on non-price factors.
- (d) There are no obstacles to the free mobility of resources

33. The structure of the tooth paste industry in India is best described as:

- (a) Perfectly competitive
- (b) Monopolistic
- (c) Monopolistically competitive
- (d) Oligopolistic

34. One characteristic not typical of oligopolistic industry is:

- (a) Too much importance to non-price competition
- (b) Price leadership
- (c) Horizontal demand curve
- (d) A small number of firms in the industry

35. The price of hot dogs increases by 22% and the quantity of hot dog demanded falls by 25%. This indicates that demand for hot dog is

- (a) elastic
- (b) inelastic
- (c) unitarily elastic
- (d) perfectly elastic.

36. At shut down point :

- (a) Price is equal to AVC
- (b) Total revenue is equal to TVC
- (c) Total loss of the firm is equal to TFC
- (d) All of the above

37. In the long run under which competition a firm may earn super normal profits?

- (a) Monopolistic competition
- (b) Perfect competition
- (c) Oligopoly
- (d) Monopoly

38. An expansion in the supply of a good is caused by a:

- (a) Rise in the price of good
- (b) Fall in the prices of other goods
- (c) Fall in the prices of factors of production
- (d) All of the above

39. For the prices-taking firm:

- (a) Marginal revenue is less than price
- (b) Marginal revenue is equal to price
- (c) Marginal revenue is greater than price
- (d) The relationship between marginal revenue and price is indeterminate

40. In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at y-axis of the line would be equal to

- (a) 1
- (b) infinity
- (c) 3
- (d) 1.25

41. The indifference curve approach does not assume:

- (a) Rationality on the parts of consumers
- (b) Ordinal measurement of satisfaction
- (c) Consistent consumption pattern behavior of consumers
- (d) Cardinal measurement of utility

42. In short run, a firm in monopolistic competition

- (a) always earns profits
- (b) Incurs losses
- (c) earns normal profit only
- (d) may earn normal profit, supernormal profit or incur losses

43. In the case of a Giffen good, a fall in its price tends to

- a) Demand remain constant
- b) demand increases
- c) Reduce the demand
- d) Abnormal change in demand.

44. Which shows various combinations of two products that give same amount of satisfaction?

- (a) Iso-cost curve.
- (b). Marginal utility curve.

- (c) Iso-quant.
- (d) Indifference curve.

45. which is not a phase of business cycle?

- (a) Depression.
- (b) Accumulation.
- (c) Recession.
- (d) recovery.

46. Market ----- occurs where demand and supply are equal.

- (a) Equilibrium
- b) utility
- c) elastic
- d) none of these

47. The IC analysis explains the demand for inferior goods and solves

- a) Veblen effect
- b) Giffen paradox
- c) speculative effect
- d) all the above

48. Under monopoly which cost curve is parallel to ox-axis?

- a) AVC
- B) FC
- C) MC
- d) AC

49. In the foreign trade of a country, which of the following must always balance?

- a) the balance of trade
- b) the balance of current account
- c) the balance of payments
- d) the balance on current account minus the balance on capital account.

50. BOP on capital account does not include

- a) Balance of private direct investment.
- B) Govt. loans to foreign govt.
- c) private portfolio investments
- d) Govt. subsidies and incentives.

51. Which is not an indirect tax?

- a) Wealth tax
- b) Excise duties
- c) Customs duties
- d) Sales tax

52. Which steps improve adverse BOP?

- a) over valuation
- b) Devaluation
- c) demonetization
- d) None of these

53. In perfect competition, a firm increases profit when ----- exceeds

- a) TC, TR
- b) MC, MR
- c) AR, AC
- d) TR, TFC

54. A monopolist is able to maximize his profits when:

- (a) His output is maximum

- (b) He charges high price
- (c) His average cost is minimum
- (d) His marginal cost is equal to marginal revenue

55. In Imperfect competition:

- (a) Excess capacity always exists
- (b) Excess capacity never exists
- (c) Excess capacity may or may not exist
- (d) None of the above

56. If the demand curve for good X is downward-sloping, an increase in the price will result in

- (a) A decrease in the demand for good X.
- (b) No change in the quantity demanded for good X.
- (c) A larger quantity demanded for good X.
- (d) A smaller quantity demanded for good X.

57. Which of the following is not a characteristic of a “price-taker”?

- (a) $TR = P \times Q$
- (b) $AR = Price$
- (c) Negatively – sloped demand
- (d) $Marginal Revenue = Price$

58. Yesterday, seller A supplied 400 units of a good X at Rs 10 per unit. Today, seller A supplies the same quantity of units at Rs 5 per unit. Based on this evidence, seller A has experienced a (an)

- (a) Decrease in supply.
- (b) Increase in supply
- (c) Increase in the quantity supplied.
- (d) Decrease in the quantity supplied

59. 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

60. A rational person does not act unless _____.

- (a) the action is ethical.
- (b) the action produces marginal costs that exceed marginal benefits.
- (c) the action produces marginal benefits that exceed marginal costs.
- (d) the action makes money for the person

PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

MARKS-40

1. What is a cap?

- a. A cap is a limit that regulates the increase or decrease in the rate of interest and installments of an adjustable rate mortgage.
- b. A cap is the total amount of cash that is present in the bank account and can also be withdrawn immediately.
- c. A cap is the certificate of savings deposit that promises the depositor the sum back along with appropriate interest.
- d. A cap is a loan where the time and cash flow between a short term loan and a long term loan is filled up.

2. What are mutual funds?

- a. A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings.
- b. A number of shares which are less than or greater than but not equal to the board lot size.
- c. A company's first issue of shares to general public.
- d. None of the above

3. Indene LPG is the product of which corporation in India?

- a. IOCL b. NTPC c. ONGC d. PGCIL

4. By what name are the Education and Stationary products by ITC known in India?

- a. Camel b. Apsara c. Natraj d. Classmate

5. Competition is beneficial to the competing firms besides benefiting the_____?

- a) Intermediaries b) Customers c) Producers d) Financiers

6. Through SWOT analysis :

- a) Strengths and weakness existing within the environment can be matched with opportunities and threats in the organization
- b) Strengths and weakness existing outside the organisation can be matched with opportunities and threats with the internal environment.
- c) Strengths and weakness existing outside the organisation can be matched with opportunities and threats with the external environment.
- d) Strengths and weakness existing within an organisation can be matched with opportunities and threats in the environment

7. What is the kind of response that businesses should make e-orts to exploit the opportunity and thought the threats:

- a) Strategic Responses
- b) Least resistance
- c) Diversify
- d) Simplify

8. Bid is the opposite of

- a. Ask/offer
- b. Call
- c. Equity
- d. None of the above

9. The method of FDI other than Automatic route is called :

- a. NRI Route
- b. Government Route
- c. Institutional Route
- d. Priority Route

10. Which of the following statements characterises the best non-economic activities?

- a. Non-economic activities do not require any investment of resources
- b. These activities do not entail any operational costs
- c. These activities are undertaken by ascetics
- d. The underlying purpose of these activities is not earning of a livelihood but social, psychological or spiritual satisfaction

11. PESTLE refers to:

- (a) Political, Economic, Social, Technological, Legal & Environmental factors affecting business.
- (b) All these are external factors.
- (c) All these constitute macro environment.
- (d) All of the above.

12. What is consolidation?

- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.

- (b) combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.
- (c) Potential liability arising from a past transaction or a subsequent event.
- (d) Costs that can be attributed clearly to the activity you are considering.

13. Which pharmaceutical company has the slogan 'caring for life'?

- (a) Dr. Reddy's
- (b) Lupin Ltd.
- (c) Cipla Ltd.
- (d) Sun Pharmaceutical Industries Ltd

14. Economic Reforms introduced in India in 1992 are called LPG, that refers to

- (a) Liquidation of loss making units
- (b) Popularize Public private partnership
- (c) Good governance
- (d) None of the above

15. SWOT refers to:

- (a) Strength, Worry, Option, Threat
- (b) Strength, Weakness, Opportunity, Threat
- (c) Strong, Weak, Option, Threat
- (d) Strong, Weakness, Opportunity, Think

16. Which company ranked 1st in Fortune 500 Companies list in 2018?

- (a) Apple
- (b) Walmart
- (c) Microsoft
- (d) United Health Group

17. Which of the following is an economic activity:

- (a) Social interest
- (b) Social security
- (c) Selfless concern
- (d) Self interest

18. Which IT company acquired Beats Electronics in 2014?

- a. Microsoft Corporation
- b. Apple
- c. Intel Corporation
- d. IBM Corporation

19. Which Bank provides the digital service PayZapp?

- a. Axis Bank Limited
- b. HDFC Bank Limited
- c. ICICI Bank Limited
- d. SBI

20. FDI is allowed in:

- a. Tea Plantation
- b. Coconut Plantation
- c. Sugarcane Plantation
- d. None of the above

21. When was SEBI constituted?

- a. 1988
- b. 1990
- c. 1986
- d. 1989

22. Sustainable development/ businesses imply:

- a. Consistent economic performance
- b. Attention to social problems
- c. Harmony with nature
- d. All of the above

23. A HUF is a body corporate.

- a. true
- b. false

24. Under the income tax Act, A HUF cannot earn income from:

- (a) House property
- (b) Salary
- (c) Profits
- (d) Other sources

25. Who regulates the currency in the country?

- a. SEBI
- b. RBI
- c. Central Bank
- d. Finance Ministry

26. A _____ emanates from decision and decision is taken in line with _____. Identify the right expression to fill in the blanks:

- a. Policy ; Goal
- b. Budget; Plan
- c. Plan; Budget
- d. Goal; Plan

27. Carrying forward of transaction from one settlement period to the next without effecting delivery or payment is called_____.

- a. Badla b. Beta c. Blue chips d. Basket trading

28. Public policies are of three types:

- (a) Restrictive, Regulatory, Participative
(b) Restrictive, Regulatory, Facilitating
(c) Voluntarily, Participative, Facilitating
(d) Regulatory, Voluntarily, Continuous

29. Mark incorrect: Partnership implies

- (a) Contractual ownership of business
(b) Liability of partner is limited to the extent of one's share capital
(c) The contract is an agreement enforceable at law is called deed
(d) Deed may be registered in India under the Partnership Act, 1932

30. Setting low prices in order to discourage or deter potential new entrants to the suppliers market: (a) Pre-Emptive Pricing

- (b) Price Sensitivity
(c) Price Discrimination
(d) Price Elasticity

31. Trading implies buying for the purposes of selling. Applying this criterion, tell which of the following activities would not qualify as trading?

- a. Purchase of goods in bulk quantity from the manufacture and sale in smaller quantities to the retailers
b. Buying from the wholesaler and selling it to the consumers
c. Buying from the retailer for self-consumption
d. Purchase of raw materials from the suppliers for further processing in the factory

32. Blackrock invested 30 million USDs as a portfolio investor in Indian stock market. This may be a case of:

- a. FDI b. FII investment c. Indirect investment d. NRI investment

33. Who is the current CEO of ICICI Bank's?

- a. Sandeep Bakshi
b. Chanda Kochhar
c. Vijay Channdok

d. Shweta Bansal

34. Who is the present chairman of Bajaj Auto Ltd.?

- a. Mr. Rahul Bajaj
- b. Mr. Rajiv Bajaj
- c. Jamnalal Bajaj
- d. Kevin P D's a

35. Which one of the following is NOT a FMCG company?

- (a) ITC
- (b) Dabour
- (c) HUL
- (d) Maruti

36. Which of the following is NOT a function of RBI?

- (a) Monopoly of Note issue
- (b) Banker to the Government
- (c) Advancing loan to large business houses
- (d) Controller of Credit

37. Which one is not correct about Bank rate?

- (a) It is a quantitative measure.
- (b) It differs from repo rate
- (c) It is also known as discount rate.
- (d) It influences credit availability to particular sector.

38. The RBI has been vested with extensive power to control and supervise commercial banking system under the-

- (a) Reserve Bank of India Act, 1934
- (b) The Banking Regulation Act, 1949
- (c) Both (a) and (b)
- (d) The Companies Act, 2013

39. SEBI has its Western Regional Office in:

- a. Pune
- b. Mumbai
- c. Ahmedabad
- d. Surat

40. Which Section of IRDAI Act, 1999 lays down the duties, powers and functions of IRDAI?

- a. Section 10
- b. Section 12
- c. Section 14
- d. Section 5