Mock Test Paper - Series I: April 2024

Date of Paper: 2nd May, 2024

Time of Paper: 2 P.M. to 4 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
   (a) Achieve Fiscal Surplus
   (b) Stop Money Laundering
   (c) Eliminate Fiscal Deficit
   (d) Eliminate Revenue deficit
2. Contractionary fiscal policy can involve:
   (a) Increasing consumption and investment and taxes.
   (b) Decreasing government spending and increasing taxes.
   (c) Increasing government spending and increasing taxes.
   (d) None of the above.
3. 'Who gave 'The Theory of Public Finance (1959)?
   (a) Adam Smith
   (b) Richard Musgrave
   (c) A.C. Pigou
   (d) Alfred Marshall
4. The stabilization function is concerned with the performance of the aggregate economy in the term of-
   (a) Overall output & income
   (b) General price level
   (c) Balance of international payments
   (d) All of these
5. Which of the following is an example of market failure?
   (a) Externalities
   (b) Low prices
   (c) Excess supply
   (d) Excludable and rival goods

6. Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?

   (a) The prices of products responsible for pollution are too high.

   (b) The output of the commodity is too large.

   (c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.

   (d) Too much pollution is produced.

7. Which of the following is true of an imperfect market structure?

   (a) Participants in the market have little or no control over outcome in the market.

   (b) Consumer surplus is maximized.

   (c) The maximization of producer surplus may lead to a loss of net benefit for society.

   (d) Imperfect market structures include monopolies but not cartels.

8. Which of the following is not an example of a policy designed to encourage competition?

   (a) Deregulation

   (b) Trade liberalisation

   (c) Reducing income tax

   (d) Anti-monopoly regulations

9. Who defined Business economics in terms of the use of economic analysis in the formulation of business policies?

   (a) Adam Smith

   (b) Robbins

   (c) Joel Dean

   (d) Alfred Marshall

10. Marshallian theory of consumer's behaviour is based on:

    (a) Hypothesis of additive utilities.

    (b) Hypothesis of independent utilities.

    (c) Both (A) and (B)

    (d) Weak ordering

11. Successful business firms spend considerable time, energy, and efforts in analyzing the _____ for their products.

    (A) Supply

    (b) Price

    (c) Demand

(d) None of these

12. By way of an optimal choice, a consumer tends to:

(a) save money

(b) purchase large quantity

(c) maximize satisfaction

(d) maximize satisfaction subject to constraints like tastes and preferences.

13. The economist's concept of demand is _____ as desire or need or choice or preference or order.

(a) the same thing

(b) not the same thing

(c) (a) or (b)

(d) None of these

14. The demand for labour in response to the wage rate is _____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____ .

(a) Derived Demand, Direct Demand

(b) Direct Demand, Derived Demand

(c) Individual Demand, Market Demand

(d) Company Demand, Industry Demand

15. **Assertion (A):** In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.

Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.

(a) (A) is true and (R) is false

(b) Both (A) and (R) are true & (R) is the correct explanation of (A)

(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(d) (A) is false and (R) is true

16. Which of the following groups of goods have inelastic demand?

(a) Salt, Smart Phone and Branded Lipstick

(b) School Uniform, Branded Goggles and Smart Phone

(c) Salt, School Uniform and Medicine

(d) Medicine, Branded Sports Shoes, and Diamond ring

17. If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will ___

(a) Decrease

(b) Increase

(c) Remain same

(d) Can't Say

18. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____.

(a) more of one of the goods

(b) less of at least one of the goods

(c) more of at least one of the goods and less of the other good.

(d) more of at least one of the goods and no less of the other good.

19. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is _____.

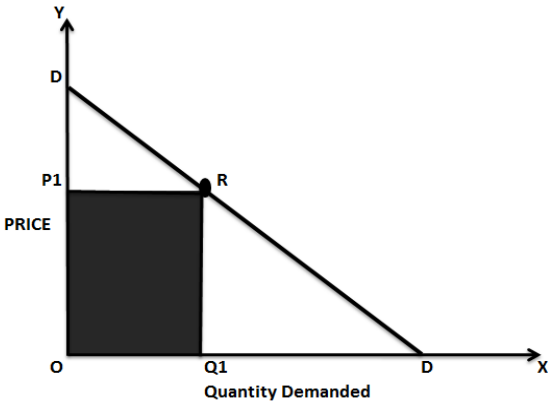
(a) more, inelastic demand

(b) less, elastic demand

(c) same, inelastic demand

(d) same, elastic demand

20. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP_1RQ_1 is _____.



(a) Total Revenue (TR)

(b) Marginal Revenue (MR)

(c) Total Cost (TC)

(d) None of these

21. Marginal revenue of a firm is constant throughout under:

(a) Perfect Competition

(b) Monopolistic Competition

(c) Oligopoly

(d) All the above

22. Monopolistic competition constitutes:
    (a) Single firm producing close substitutes
    (b) Many firms producing close substitutes
    (c) Many firms producing differentiated substitutes
    (d) Few firms producing differentiated substitutes
23. ‘Interdependence Between Firms’ is a feature of which type of market form:
    (a) Oligopoly
    b) Monopolistic Competition
    (c) Monopoly
    (d) Perfect Competition
24. 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.
25. If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country:
    (a) Is a net exporter.
    (b) Is a net importer.
    (c) Has a trade surplus
    (d) Has a trade deficit
26. If the central bank conducts an open market purchase of government securities, what is the likely impact on the money supply?
    (a) Increase
    (b) Decrease
    (c) No change
    (d) Variable, depending on other factors.
27. Which of the following is included in M2, a broader measure of money supply compared to M1?
    (a) Currency in circulation
    (b) Savings deposits
    (c) Demand deposits
    (d) Travellers’ checks

28. What is the purpose of a voluntary export restraint (VER)?
    (a) To limit the quantity of exports.
    (b) To encourage foreign producers to export more
    (c) To reduce the cost of imports.
    (d) To comply with international trade agreements.
29. Which of the following is an example of an automatic stabilizer in the budget?
    (a) Discretionary spending
    (b) Progressive taxation
    (c) Infrastructure investment
    (d) Unemployment benefits
30. Which of the following policy measures is typically used by central banks to manage the business cycle?
    (a) Fiscal policy.
    (b) Monetary policy.
    (c) Trade policy.
    (d) Industrial policy.
31. Concept of Business Economics was given by:
    (a) Joel Dean
    (b) Alfred Marshall
    (c) Adam Smith
    (d) L. Robbins
32. 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.
33. 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.
34. 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

35. 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?

36. Which of the following is a FALSE statement?

(a) The very long run focuses on the growth of productive capacity

(b) In the very long run, the productive capacity is assumed to be given

(c) In the very short run, shifts in aggregate demand determine how much output is produced

(d) Fluctuations in the rates of inflation and unemployment are important long-run issues

37. In the very long-run AD-AS model, if the AD-curve shifts to the left, then:

(a) prices and output will both decrease

(b) prices and output will both increase

(c) prices will decrease but output will remain the same

(d) output will decrease but prices will remain the same

38. The concept of diminishing marginal returns implies that:

(a) output cannot decrease as long as labour is substituted for capital

(b) output decreases if either labour or capital is decreased

(c) output increases but at a decreasing rate as the amount of labour is increased and the amount of capital remains fixed

(d) if the capital stock is kept constant, output cannot increase even if more labour is available

39. Countries with higher saving rates may have higher equilibrium growth rates since:

(a) people who save more also are more industrious

(b) higher income allows for more savings

(c) a higher saving rate allows for more investment in human capital which ultimately enhances economic growth

(d) having more capital equipment is more important than having better capital equipment

40. Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true?
    (a) consumption and government purchases went up since you bought a used car and government bonds
    (b) consumption and investment went up since you bought a used car and government bonds
    (c) investment and government purchases went up since you built a new house and bought government bonds
    (d) investment went up since you built a new house
41. A central bank that wants to stabilize the economy in the short run should try to:
    (a) establish a clear inflation target and stick to it no matter what
    (b) affect aggregate supply through open market operations
    (c) affect aggregate demand through open market operations
    (d) concentrate only on long-run goals
42. Inflation occurs whenever:
    (a) aggregate demand rises.
    (b) the price of any given commodity rises.
    (c) the average price of most goods and services rises.
    (d) the tax rate is lower than the government spending rate.
43. The quantity of dollars supplied will decrease if:
    (a) imports into the United States increase.
    (b) the expected future exchange rate falls.
    (c) the interest rate in the United States falls.
    (d) fewer U.S. residents travel abroad.
44. Quantitative restrictions refer to limits set by countries to curb:
    (a) Imports
    (b) Exports
    (c) Imports & exports
    (d) None of the above
45. The expenditure multiplier is used to calculate the change in:
    (A) spending caused by a change in income
    (b) equilibrium income caused by a change in autonomous spending
    (c) intended spending caused by a change in consumption
    (d) disposable income caused by a change in saving

46. Theory of Mercantilism propagates:
    (a) Encourage exports and imports
    (b) Encourage exports and discourage imports
    (c) Discourage exports and imports
    (d) Discourage exports and encourage imports
47. What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?
    (a) GDP = Consumption + Investment + Government Spending
    (b) GDP = Consumption + Investment + Government Spending + Net Exports
    (c) GDP = Consumption + Investment
    (d) GDP = Consumption + Net Exports
48. Which component of National Income represents the income earned by individuals and businesses before taxes and other deductions?
    (a) Personal Income
    (b) Disposable Income
    (c) Gross National Product (GNP)
    (d) Gross Domestic Product (GDP)
49. In modern fiat money systems, the value of money is primarily based on:
    (a) Gold reserves
    (b) Government authority and public trust
    (c) Exchange rates
    (d) Digital transactions
50. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?
    (a) National debt
    (b) Budget surplus
    (c) Fiscal deficit
    (d) Revenue deficit
51. Which of the following is an example of an automatic stabilizer in the budget?
    (a) Discretionary spending
    (b) Progressive taxation
    (c) Infrastructure investment
    (d) Unemployment benefits

52. Which of the following is more sensitive to short-term changes in economic conditions?
    (a) FDI
    (b) FPI
    (c) Both FDI and FPI
    (d) Neither FDI nor FPI
53. Which type of investment is more influenced by government regulations and policies?
    (a) FDI
    (b) FPI
    (c) Both FDI and FPI equally
    (d) Neither FDI nor FPI
54. The concept of the "multiplier effect" in Keynesian economics refers to:
    (a) The impact of interest rates on investment
    (b) The magnification of an initial change in spending throughout the economy
    (c) The impact of taxes on consumer spending
    (d) The role of exports in economic growth
55. What is the "liquidity trap" in Keynesian theory?
    (a) A situation where interest rates are very high.
    (b) A situation where interest rates are very low, and savings are hoarded.
    (c) A situation of hyperinflation
    (d) A situation of excessive government spending
56. Which international organization is responsible for facilitating trade negotiations and resolving trade disputes among member countries?
    (a) World Health Organization (WHO)
    (b) International Monetary Fund (IMF)
    (c) World Trade Organization (WTO)
    (d) United Nations Educational, Scientific and Cultural Organization (UNESCO)
57. The law of consumer surplus is based on:
    (a) indifferent curve analysis
    (b) revealed preference theory
    (c) law of substitution
    (d) the law of diminishing marginal utility

58. The industrial sector depends on the agricultural sector because:
    (a) the agricultural sector provides food and other products for the consumption purposes of industrial sector
    (b) the agricultural sector provides raw materials for the development of agro-based industries of the economy
    (c) the agricultural sector provides market for the industrial products
    (d) all of the above
59. If the price of apples rises from ₹ 30 per kg to ₹ 40 per kg and the supply increases from 240 kg to ₹ 300 kg. Elasticity of supply is:
    (a) .77
    (b) .67
    (c) (–) .67
    (d) (–) .77
60. The producer is in equilibrium at a point where the cost line is:
    (a) above the isoquant
    (b) below the isoquant
    (c) cutting the isoquant
    (d) tangent to isoquant
61. A monopolist is able to maximize his profits when:
    (a) his output is maximum
    (b) he charges a high price
    (c) his average cost is minimum
    (d) his marginal cost is equal to marginal revenue
62. Agricultural goods markets depict characteristics close to:
    (a) Perfect competition
    (b) Oligopoly
    (c) Monopoly
    (d) Monopolistic competition
63. Which of the following is a function of an entrepreneur?
    (a) Initiating a business enterprise
    (b) Risk bearing
    (c) Innovating
    (d) All of the above

64. Which of the following statements is true of the relationship among the average cost functions?
    (a) ATC = AFC = AVC
    (b) AVC = AFC + ATC
    (c) AFC = ATC + AVC
    (d) AFC = ATC – AVC
65. For a Price taking firm:
    (a) Marginal revenue is less than Price
    (b) Marginal revenue is equal to Price
    (c) The relationship between behavior marginal revenue and Price is indeterminate
    (d) Marginal revenue is greater than price
66. Coincident indicator is not indicated as:
    (a) Inflation
    (b) Industrial Production
    (c) Retail Sales
    (d) New order for Plant and equipment
67. Indifference Curve analysis is superior to utility analysis:
    (a) It dispenses with the assumption of measurability
    (b) It segregates income effect and substitution effect
    (c) It does not assume constancy of marginal utility of money
    (d) All of the above
68. Perfectly Competitive firm and industry are both in long run equilibrium when:
    (a) P = MR = SMC = LMC
    (b) P = MR = Lowest point on the LAC
    (c) P = MR = SAC = LAC
    (d) All of the above
69. Economy's historical performance was reflected by:
    (a) Lagging indicating
    (b) Leading indicating
    (c) Either (a) or (b)
    (d) None of these
70. Opportunity cost is _____.
    (a) A cost that cannot be avoided.

(b) The cost incurred in the past before we make a decision about what to do in the future.

(c) That which we forgo or give up when we make a choice or a decision.

(d) The additional benefit of buying an additional unit of a product.

71. Given TC = 2000 + 15Q – 6Q2 + Q3. How much is TFC at Q = 2000?

(a) 2000

(b) 975

(c) 30,000

(d) Can't be determined

72. Different business cycles _____ in duration and intensity.

(a) differ

(b) similar

(c) consistent

(d) Can't say

73. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:

(a) uniform

(b) different

(c) less

(d) zero

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(a) uniform

(b) different

(c) less

(d) zero

75. ____ expressed the view the "Economics is neutral between end".

(a) Robbins

(b) Marshall

(c) Pigou

(d) Adam Smith

76. Price Rigidity explained by Sweezy's model is related to which market form:

(a) Monopoly

(b) Oligopoly

(c) Monopolistic competition

(d) Perfect Competition

77. Which of the following is not a determinant of the firm's cost function?
    (a) Taxes
    (b) The Production Function
    (c) The Price of the firm's output
    (d) Subsidies
78. Demand for complementary goods are:
    (a) Derived Demand
    (b) Autonomous demand
    (c) Aggregate Demand
    (d) None of these
79. Consumers get maximum variety of goods under:
    (a) Perfect Competition
    (b) Monopolistic Competition
    (c) Monopoly
    (d) None of these
80. What is the primary goal of countercyclical fiscal policy in budgeting?
    (a) Maximizing government revenue.
    (b) Stabilizing the economy during economic downturns.
    (c) Minimizing government intervention.
    (d) Reducing public debt.
81. According to Keynes, what can cause involuntary unemployment in an economy?
    (a) High interest rates
    (b) Insufficient aggregate demand
    (c) Government intervention
    (d) Excessive savings
82. The concept of "animal spirits" in Keynesian theory refers to:
    (a) The unpredictable behavior of financial markets
    (b) Psychological factors influencing economic decisions
    (c) Government regulations affecting business confidence
    (d) The impact of interest rates on investment
83. Which trade policy tool is designed to directly support domestic producers by reducing the cost of exporting goods?
    (a) Export subsidy

(b) Import quota

(c) Voluntary export restraint

(d) Export tariff

84. Public goods are characterized by:

(a) Excludability and rivalry

(b) Excludability and non-rivalry

(c) Non-excludability and rivalry

(d) Non-excludability and non-rivalry

85. Which of the following is a common solution to the problem of common resources being overused?

(a) Government regulation

(b) Privatization

(c) Subsidies

(d) Free-market competition

86. If the reserve requirement is 20%, what is the potential maximum expansion of the money supply when a new deposit of $1,000 is made?

(a) $5,000

(b) $2,000

(c) $1,000

(d) $500

87. Which of the following is a factor income?

(a) Profits

(b) Transfer payments

(c) Subsidies

(d) Indirect taxes

88. 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

89. Management of the firm _____ control over macro-economic factors.

(a) has

(b) has no

(c) has partial

(d) None of these

90. After reaching the saturation point, consumption of additional units of the commodity cause:

(a) Total utility to fall and marginal utility to increase.

(b) Total and marginal utility both to increase.

(c) Total utility to fall and marginal utility to become negative.

(d) Marginal utility to fall and total utility to become negative.

91. Which of the following statements is correct?

(a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.

(b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.

(c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.

(d) None of these

92. Computers and computer software are____.

(a) Substitute goods

(b) Complementary goods

(c) Independent goods

(d) Normal goods

93. Which of the following statement(s) is/are true about the slope of budget line?

(a) The slope of budget line is determined by the relative prices of two goods.

(b) The slope of budget line is equal to price ratio of two goods.

(c) The slope of budget line measures the rate at which the consumer can trade one good for the other.

(d) All of the above

94. Traditional approach of law of demand was propounded by____.

(a) Giffen

(b) Paul A Samuelson

(c) Alfred Marshall

(d) Pique

95. Under the law of variable proportion, stage I is known as the stage of increasing returns because:

(a) Marginal product of the variable factor increases throughout this stage

(b) Average product of the variable factor increases throughout this stage

(c) Marginal product increases at increasing rate throughout this stage

(d) Total increases at increasing rate throughout this stage

96. Production function: Q = 4L1/2k2/3 exhibits:

(a) increasing returns to scale

(b) decreasing returns to scale

(c) constant returns to scale

(d) increasing returns to a factor

97. A mathematical relationship showing the maximum output that can be produced by each and every combination of inputs is called _____.

(a) Production equation

(b) Production function

(c) Production schedule

(d) Production identity

98. In economics, generally the classification of the markets is made on the basis of:

(a) Time

(b) Geographic area

(c) Volume of business

(d) All of these

99. Decrease in input demand ____.

(a) Doesn’t affect inputs prices

(b) Pushes inputs prices up

(c) Pulls inputs prices down

(d) Either (B) or (C)

100. Freedom of choice is the advantage of ____.

(a) Socialism

(b) Capitalism

(c) Communism

(d) None of the above

Mock Test Paper - Series II: May, 2024

Date of Paper: 29th May, 2024

Time of Paper: 2 P.M. to 4 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. When rent control is imposed above the current market price it will:
   (a) increase the quantity of rental housing demanded.
   (b) reduce the quality of rental housing.
   (c) create a shortage of rental housing.
   (d) create no impact on the market.
2. 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.
3. The tendency for managers to operate a firm in a way that maximizes their personal utility rather than the firm's profits is referred to as the:
   (a) consumer utility incentive.
   (b) principal–agent problem.
   (c) hidden agenda scenario.
   (d) Modigliani hypothesis.
4 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.
5. If we notice that an increase in the price of product X causes reductions in the demand for product Y, then we can conclude that these two products are:
   (a) complements in consumption.
   (b) substitutes in consumption.
   (c) complements in production.

(d) substitutes in production.

6. If we assume the following scenario: as the average income of the consumer increases the demand for “fast” food decreases, then we can assume that “fast” food is:

   (a) a normal good.

   (b) an inferior good.

   (c) None of the above is correct.

   (d) Either of these

7. The price elasticity of demand for a good will tend to be more elastic if:

   (a) the good is broadly defined (e.g., the demand for food as opposed to the demand for carrots).

   (b) the good has relatively few substitutes.

   (c) a long period of time is required to fully adjust to a price change in the good.

   (d) None of the above is true.

8. If cross-price elasticity between goods A and B is determined to be exactly zero, which of the following statements is correct?

   (a) Goods A and B are substitutes

   (b) Goods A and B are complements

   (c) Goods A and B are comparatives

   (d) Goods A and B are independent

9. If supply increases while demand decreases:

   (a) the equilibrium price will definitely increase.

   (b) the equilibrium quantity will definitely increase.

   (c) the equilibrium price will definitely decrease.

   (d) the equilibrium quantity will definitely decrease.

10. If marginal product of labour is below average product of labour, then:

    (a) average product of labour is flat.

    (b) average product of labour is increasing.

    (c) average product of labour is decreasing.

    (d) may be increasing, decreasing or flat

11. Inputs that cannot be easily varied during the time period under consideration are called:

    (a) short run inputs.

    (b) long run inputs.

    (c) fixed inputs.

(d) variable inputs.

12. By using computers to design and manufacture products, firms are able to:
    (a) reduce production costs.
    (b) reduce the optimal lot size.
    (c) reduce the time required to introduce new products.
    (d) All of the above are correct.
13. The law of diminishing returns begins at the level of output where:
    (a) marginal cost is at a minimum.
    (b) average variable cost is at a minimum.
    (c) average fixed cost is at a maximum.
    (d) None of the above is correct.
14. If a firm has a downward-sloping long-run average cost curve, then:
    (a) it is experiencing decreasing returns to scale.
    (b) it is experiencing decreasing returns.
    (c) it is a natural monopoly.
    (d) marginal cost is greater than average cost.
15. Price discrimination is a situation when a producer:
    (a) Charge same price
    (b) Charges may prices
    (c) Charges different prices in different market
    (d) None of these.
16. One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm to:
    (a) employ more specialized machinery.
    (b) obtain bulk purchase discounts.
    (c) employ a greater division of labor.
    (d) All of the above are correct.
17. If the firm's total costs are INR 2,200,000 and total variable costs are INR 1,300,000, what are the total fixed costs?
    (a) 900,000
    (b) 1,200,000
    (c) 4,500,000
    (d) None of the above.

18. Which type of market structure does not typically have a negatively sloped market demand curve?
    (a) Monopoly
    (b) Perfect competition
    (c) Oligopoly
    (d) All of the above typically have negatively sloped market demand curves.
19. The restaurant industry has a market structure that comes closest to:
    (a) monopolistic competition.
    (b) oligopoly.
    (c) perfect competition.
    (d) monopoly.
20. Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure?
    (a) The stock market
    (b) The market for agricultural commodities such as wheat or corn
    (c) The market for petroleum and natural gas
    (d) All of the above come close to satisfying the assumptions of perfect competition.
21. Which of the following industries is most likely to be monopolistically competitive?
    (a) The automobile industry
    (b) The steel industry
    (c) The car repair industry
    (d) The electrical generating industry
22. Some economists have suggested that oligopolists tend to maintain stable prices when there are changes in the demand for their products or in their costs of production. Which of the following models provides an explanation for this type of behavior?
    (a) Price leadership
    (b) Centralized cartel
    (c) Prisoners' dilemma
    (d) Kinked demand curve
23. Which of the following is a zero-sum game?
    (a) Prisoners dilemma
    (b) Competition for market share
    (c) Pricing strategy

(d) None of the above is correct.

24. Which of the following is NOT an example of a transfer payment in the sense of the national income accounts?

(a) Government family allowances

(b) Public unemployment insurance benefits

(c) Dividends paid by corporations to stockholders

(d) Disability pensions paid from the social insurance system

25. The difference between real and nominal GDP is...

(a) Nominal GDP only accounts for citizens.

(b) Nominal GDP uses price-levels of some base year.

(c) Nominal GDP uses actual price-levels.

(d) Real GDP also includes services, whereas nominal GDP only takes goods into account.

26. A recession is a decline in:

(a) The unemployment rate that lasts six months or longer

(b) Real GDP that lasts six months or longer

(c) Potential GDP that lasts six months or longer

(d) The inflation rate that lasts six months or longer

27. For a person to keep his real income steady at a certain level from one year to the next, his nominal income must:

(a) Stay the same as the price index rises

(b) Rise as fast as the price index

(c) Fall if the price index rises

(d) Rise if the price index falls

28. If the GDP gap is positive, then:

(a) The inflation rate is falling

(b) Actual GDP is greater than potential GDP

(c) Potential GDP is greater than actual GDP

(d) The unemployment rate is rising

29. The government makes the provision of which goods those cannot be provided through the market:

(a) private and public goods

(b) public and merit goods

(c) public and necessary goods

(d) Giffen and merit goods

30. Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government:
    (a) Non-tax expenses
    (b) Tax expenses
    (c) Non-tax revenue
    (d) Tax revenue
31. A good taxation system should be used to:
    (a) finance public services
    (b) follow higher taxation
    (c) no taxation
    (d) finance private services
32. Primary deficit is obtained by deducting interest payments from the:
    (a) Fiscal deficit
    (b) Revenue deficit
    (c) Budgetary deficit
    (d) Monetized deficit
33. According to Cambridge equation, the value of money depends upon:
    (a) Demand for money
    (b) Supply of money
    (c) Demand for goods and services
    (d) All of the above
34. The quantity demanded of money rises:
    (a) As the repo rate increases
    (b) As the repo rate falls
    (c) As the supply of money falls
    (d) As the number of banks rises
35. When the Central Bank intends to expand the credit, it should:
    (a) Raise the margin requirements
    (b) Raise the variable reserve ratio
    (c) Lower the bank rate
    (d) Purchase government securities in the open market
36. Which of the following is not an instrument of selective credit control?
    (a) Margin requirements
    (b) Open market operation

(c) Credit rationing.

(d) None of the above

37. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?

(a) Bank rate

(b) Discount window.

(c) Marginal Standing facility

(d) Overnight rate

38. The process of selling of the products at a price less than on going price in the market is known as:

(a) Quota

(b) Tariff

(c) Subsidies

(d) Dumping

39. Comparative advantage is determined by**:**

(a) the amount of resources needed to produce a good

(b) the money cost of producing any good

(c) The opportunity cost of producing any good

(d) Absolute advantage and production possibilities combined.

40. A lumps sum tax per unit on imports is known as:

(a) A specific tariff

(b) An effective tariff

(c) An effective quota

(d) A specific quota

41. A key effect of devaluation is that it:

(a) Makes the domestic currency cheaper relative to other currencies

(b) Makes the domestic currency dearer relative to other currencies

(c) Makes the foreign currency Cheaper relative to other currencies

(d) Leaves the relative value unchanged

42. Central Government can impose the safeguard duty if it is satisfied that:

(a) Any article is imported into India in increased quantities

(b) Such increased importation is causing or threatening to cause serious injury to domestic industry

(c) Either A or B

(d) Both A&B

43. Countervailing duty shall not be levied unless it is determined that:

(a) The subsidy relates to export performance.

(b) The subsidy relates to the use of domestic goods over imported goods in the export article

(c) The subsidy has been conferred on a limited number of persons engaged in the manufacture, production or export of articles.

(d) All the above

44. Terms of trade in developing countries are generally unfavorable because:

(a) They export manufacturing products.

(b) They export primary products.

(c) They export few goods.

(d) Both A and C

45. Most tariffs have:

(a) only revenue effects

(b) only protective effects

(c) both protective and revenue effects

(d) neither protective or revenue effects

46. Which of the following statements is/are correct regarding FDI under automatic route?

a. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.

b. Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

47. What is a Global Depository Receipt?

(a) It is a receipt issued by multinational banks on deposit of money.

(b) It is a receipt issued by stock exchange to bank clearing mechanism.

(c) It is a receipt issued by an overseas bank is lieu of shares of a domestic company.

(d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

48. Any act of interference by a Central Bank like the RBI in influencing the exchange rate is referred to as which of the following in India?
    (a) Dirty Floats
    (b) Managed Floats
    (c) Fixed Floats
    (d) Market Stabilization Floats
49. Which of the following is a FALSE statement?
    (a) the very long run focuses on the growth of productive capacity
    (b) in the very long run, the productive capacity is assumed to be given
    (c) in the very short run, shifts in aggregate demand determine how much output is produced
    (d) fluctuations in the rates of inflation and unemployment are important long-run issues
50. Positive economics means:
    (a) Does not depend on market interactions,
    (b) only looks at the best parts of the economy.
    (c) Examines how the economy works (as opposed to how it should work)
    (d) is very subjective.
51. A nation's gross domestic product (GDP):
    (a) can be found by summing C + I + G + Xn.
    (b) is the dollar value of the total output produced by its citizens, regardless of where they are living.
    (c) can be found by summing C + S + G + Xn.
    (d) is always some amount less than its NDP.
52. Gross investment refers to:
    (a) private investment minus public investment.
    (b) net investment plus replacement investment.
    (c) net investment after it has been "inflated" for changes in the price level.
    (d) net investment plus net exports.
53. The amount of after-tax income received by households is measured by:
    (a) discretionary income.
    (b) national income.
    (c) disposable income.
    (d) personal income.

54. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?
    (a) National debt
    (b) Budget surplus
    (c) Fiscal deficit
    (d) None of these
55. What is the primary goal of countercyclical fiscal policy in budgeting?
    (a) Maximizing government revenue.
    (b) Stabilizing the economy during economic downturns.
    (c) Minimizing government intervention.
    (d) None of these
56. Which type of investment is more susceptible to capital flight during times of economic instability?
    (a) FDI
    (b) FPI
    (c) Both FDI and FPI equally
    (d) Neither FDI nor FPI
57. The concept of "animal spirits" in Keynesian theory refers to:
    (a) The unpredictable behaviour of financial markets
    (b) psychological factors influencing economic decisions.
    (c) Government regulations affecting business confidence.
    (d) The impact of interest rates on investment
58. Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:
    (a) Moral Hazard
    (b) Asymmetric Information
    (c) Free Riding
    (d) None of the above
59. Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?
    (a) Pump Priming
    (b) Deficit Financing
    (c) Compensatory Spending
    (d) Public Spending

60. What will be the value of Credit Multiplier when the Required Reserve ratio is 50%?

(a) 4

(b) 2

(c) 3

(d) 1

61. Which of the following measures involve total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period?

(a) Import Quotas

(b) Anti-Dumping Duties

(c) Escalated Tariffs

(d) Embargos

62. Which of the following is not one of the features of New Trade Theory by Paul Krugman?

(a) Countries which trade in similar goods are natural trade partners

(b) It is based on labour theory of value

(c) Network effect as means of engaging in international trade

(d) It focuses more on economies of scale

63. A seller cannot influence the market price under:

(a) Perfect Competition

(b) Monopoly

(c) Monopolistic Competition

(d) All of the above

64. Railways is an example of:

(a) Perfect Competition

(b) Monopolistic Competition

(c) Monopoly

(d) Oligopoly

65. Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:

(a) Huge Selling Costs

(b) Freedom of Entry and Exit

(c) Presence of Close Substitutes

(d) Large Number of Firms

66. Which of the following is a lagging economic indicator?
    (a) Consumer confidence index.
    (b) Stock market performance.
    (c) Unemployment rate.
    (d) New housing starts.
67. We can say Indian agriculture has become modern since:
    (a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc.
    (b) there has been noticeable positive change in the attitude of farmers towards new techniques of production
    (c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management
    (d) all of the above.
68. The law of consumer surplus is based on:
    (a) indifferent curve analysis
    (b) revealed preference theory
    (c) law of substitution
    (d) the law of diminishing marginal utility
69. Which one is a component of profit?
    (a) Dividend
    (b) Undistributed Profit
    (c) Corporate Profit Tax
    (d) All of these
70. The particular level of AD which is equal to AS is called_____.
    (a) equilibrium demand
    (b) effective demand
    (c) derived demand
    (d) None of the above
71. What is meant by the “institutional framework” of an economy?
    (a) The maximum capacity of the economy in the production process
    (b) The level of investment in human capital
    (c) The system of formal laws, regulations and procedures that shape economic activity in the economy
    (d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy

72. What are the Internal causes of Business Cycle?
    (a) Fluctuations in effective demand.
    (b) Macroeconomic Policies
    (c) Money Supply
    (d) All the above
73. According to Hawtrey trade cycle is a _
    (a) Monetary Phenomenon
    (b) Unplanned Phenomenon
    (c) Fiscal Phenomenon
    (d) All the above
74. The Distinction between Selling Cost and Production cost was made by:
    (a) Chamberlin
    (b) Sweezy
    (c) Mrs Joan Robinson
    (d) None of these
75. Envelope curve is also called:
    (a) Long Run Average Cost curve
    (b) Short Run Average Cost curve
    (c) Average Fixed Cost
    (d) None of these
76. Collectively peaks and troughs together is known as:
    (a) Turning Points
    (b) Contraction
    (c) Expansion
    (d) A trough
77. E – NAM is –
    (a) a pan -India electronic trading portal which networks the existing APMC mandis
    (b) with the objective of creating a unified national market for agricultural commodities
    (c) Both a & b
    (d) None of these
78. India's Rank in Ease of Doing Business is:
    (a) 45
    (b) 54

(c) 63

(d) None of these

79. Niti Aayog will work towards the objective:

(a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states

(b) To foster cooperative federalism

(c) To develop mechanisms to formulate credible plans at the village level

(d) All the above

80. SEBI was given statutory recognition in:

(a) 1985

(b) 1990

(c) 1992

(d) None of these

81. The Three component of FDI is:

(a) equity capital

(b) reinvested earnings

(c) Intra company loans

(d) All the above

82. Which of the following tariff is charged on imports on most-favoured nation (MFN) basis:

(a) bound tariff

(b) applied tariff

(c) prohibitive tariff

(d) None of these

83. Money cost is considered by:

(a) Modern theory of trade

(b) Comparative cost advantage

(c) New Trade theory

(d) None of these

84. First mover advantage theory is related to:

(a) Absolute advantage theory

(b) Comparative cost advantage theory.

(c) New trade theory

(d) None of these

85. The Reverse repo rate is:
    (a) RBI borrows from the government.
    (b) Commercial banks lends money to RBI
    (c) Commercial banks rediscount the bills of exchange with RBI
    (d) None of these
86. Under which union they have or follow a common monetary policy and fiscal policy:
    (a) Economic Union
    (b) Custom Union
    (c) Common market
    (d) None of these
87. The WTO comprises majorly:
    (a) developed countries
    (b) under developed countries
    (c) developing countries
    (d) None of these.
88. Money Supply is directly proportional to:
    (a) Cash reserve ratio (r)
    (b) Monetary base (H)
    (c) currency deposit ratio (k)
    (d) Money Multiplier (m)
89. Reserve money is supplied by:
    (a) RBI
    (b) Government
    (c) Commercial banks
    (d) World bank
90. A firm makes an investment in unrelated business then it is called:
    (a) Horizonal investment
    (b) Vertical investment
    (c) Conglomerate
    (d) None of these
91. Gross value method is employed in India:
    (a) To avoid double counting.
    (b) To avoid the impact of inflation.

(c) To capture the consumption levels.

(d) To calculate the exports.

92. Consumer Price Index is calculated:

(a) Once in 45 days

(b) Once in 3 months

(c) Once in fortnight

(d) Once in a month

93. The Producer is in equilibrium at a point there the cost line is:

(a) above the isoquant

(b) cutting the isoquant

(c) Tangent to isoquant

(d) None of these

94. Break even points occurs when:

(a) Y= S

(b) S=0

(c) Y=C

(d) both (b) and (c)

95. Deficient demand leads to:

(a) inflationary gap

(b) deflationary gap

(c) both (a) and (b)

(d) None of these

96. Which of the following is not a variable in the index of leading indicators?

(a) Prime rate

(b) New building permits

(c) Delayed deliveries

(d) None of these

97. Dirty Floating is related to:

(a) Flexible system of exchange rate

(b) fixed system of exchange rate

(c) Either of these

(d) None of these

98. Which of the following are capital receipts of the government?

(a) Recovery of loans

(b) Disinvestment

(c) Borrowing

(d) All of the above

99. On the basis of volume of Business the market can be classified as:

(a) Wholesale Market

(b) Retail Market

(c) Both a & b

(d) None of these

100. Which of the following cost wherein curve ‘u’ shaped?

(a) Average fixed cost curve

(b) Average cost curve

(c) Marginal cost curve

(d) None of these

Mock Test Paper - Series III: June, 2024

Date of Paper: 12th June, 2024

Time of Paper: 2 P.M. to 4 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Scarcity of resources exit at:
   (a) Micro level
   (b) Macro level
   (c) Micro as well as Macro
   (d) None of these
2. Central Problems of an Economy:
   (a) What to Produce
   (b) How to Produce
   (c) For Whom to Produce
   (d) All the above
3. 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
4. Problem of choice is the basis of:
   (a) Economic Problem
   (b) Social Problem
   (c) Political Problem
   (d) None of these
5. Marginal Utility is ____ when total utility diminishes.
   (a) Positive
   (b) Negative
   (c) Zero
   (d) Infinity
6. Budget Line indicates:
   (a) Income Ratio
   (b) Price Ratio

(c) Cost Ratio

(d) None of these

7. Avaibility of close Substitutes makes the demand:

(a) more elastic

(b) less elastic

(c) Parallel to Y Axis

(d) None of these

8. When Total product is 100 and units of variable factor are 4, average product will be:

(a) 400

(b) 25

(c) 104

(d) None of these

9. When average cost (AC) is falling:

(a) MC < AC

(b) MC > AC

(c) MC = AC

(d) None of these

10. Which of the following describe a Typical Business Cycle?

(a) Economic Expansions are followed by Contraction's.

(b) Inflation is followed by rising Income and Unemployment.

(c) Economic Expansion are followed by economic growth and development.

(d) Stagflation is followed by Inflationary growth.

11. Law of Production does not include ___

(a) least Cost Combination of factors

(b) Law of variable proportion

(c) Law of diminishing returns to a factor

(d) Return to scale

12. Demand Curve in the monopolistic competition is ___

(a) Infinitely elastic

(b) Downward sloping and highly inelastic

(c) Downward sloping and more elastic demand curve.

(d) None of these.

13. The Stages in law of variable proportion is:
    (a) 1
    (b) 2
    (c) 3
    (d) 4
14. The Price in Collusive Oligopoly is decided by:
    (a) The Firm
    (b) Price leader
    (c) The Industry
    (d) None of these
15. Rationale of the law of demand is:
    (a) Price effect of a fall in price
    (b) Different uses
    (c) Arrival of new consumers
    (d) All of these
16. The Pure monopolist in the long run can make pure profit due to:
    (a) High Selling Price
    (b) Advertising
    (c) Low LAC Cost
    (d) Blocked entry
17. Which of the following is the exception to the law of demand:
    (a) Speculative goods
    (b) Conspicuous necessities
    (c) Future expectation about prices
    (d) Income effect
18. Innovation theory is propounded by:
    (a) Schumpeter
    (b) Nicholas Kaldor
    (c) Keynes
    (d) None of these
19. Globalization indicate rapid ___ between Countries:
    (a) Competition
    (b) Investment
    (c) Integration
    (d) None of these

20. Which is not the External Causes of business cycle:
    (a) Technology shock
    (b) Population Growth
    (c) Money Supply
    (d) Technology Shock
21. GDP includes:
    (a) neither intermediate nor final goods.
    (b) both intermediate and final goods.
    (c) intermediate, but not final, goods.
    (d) final, but not intermediate, goods.
22. Which of the following is a final good or service?
    (a) diesel fuel bought for a delivery truck
    (b) fertilizer purchased by a farm supplier
    (c) a haircut
    (d) Chevrolet windows purchased by a General Motors assembly plant
23. Transfer payments are:
    (a) excluded when calculating GDP because they only reflect inflation.
    (b) excluded when calculating GDP because they do not reflect current production.
    (c) included when calculating GDP because they are a category of investment spending.
    (d) included when calculating GDP because they increase the spending of recipients.
24. Value added refers to:
    (a) any increase in GDP that has been adjusted for adverse environmental effects.
    (b) the excess of gross investment over net investment.
    (c) the difference between the value of a firm's output and the value of the inputs it has purchased from others.
    (d) the portion of any increase in GDP that is caused by inflation as opposed to an increase in real output.
25. Personal income is most likely to exceed national income:
    (a) when gross and net investment are equal.
    (b) during a period of recession or depression.
    (c) when gross investment exceeds net investment.
    (d) during a period of extended inflation.

26 Indian financial system is skewed towards Commercial Banks with no interdependence on NBFCs:

(a) Yes

(b) No

(c) Partly Right

(d) None of the above

27. Among the following canons of taxation which one has been given by Adam Smith?

(a) Canon of Uniformity

(b) Canon of productivity

(c) canon of diversity

(d) canon of equity

28. The quantity of dollars supplied will decrease if:

(a) imports into the United States increase.

(b) the expected future exchange rate falls.

(c) the interest rate in the United States falls.

(d) fewer U.S. residents travel abroad.

29. Theory of Mercantilism propagates:

(a) Encourage exports and imports

(b) Encourage exports and discourage imports

(c) Discourage exports and imports

(d) Discourage exports and encourage imports

30. The condition for pure competition to be fulfilled are –

(a) large numbers of buyers and sellers

(b) products are homogeneous

(c) firms are free from entry and exit from the market

(d) all the above

31. The concept of price rigidity in Sweezy's model is related to which market form:

(a) oligopoly market

(b) perfect competition market

(c) monopoly market

(d) monopolistic market

32. The Relationship between AR, MR and Price Elasticity –

(a) MR = AR X e-1 ÷ e

(b) AR = MR X e-1 ÷e

(c) A R – MR = e-1 ÷e

(d) None of these

33. The relationship between price and quantity supplied in law of supply is:

(a) proportionate

(b) homogenous

(c) inverse

(d) direct

34. The Government offer minimum assured price to the farmers to purchase their output is called:

(a) market Price

(b) support Price

(c) equilibrium Price

(d) ceiling Price

35. Under which system Freedom of choice is an advantage:

(a) Capitalism

(b) Mixed economy

(c) Socialism

(d) None of these

36. For Giffen good the Engel curve is:

(a) Positive sloped

(b) Vertical

(c) horizontal

(d) Negative sloped

37. If the monopolist incur losses in the short run then in the long run:

(a) It will stay in the business

(b) Go out of business

c) Will break even

(d) Any of the above is possible

38. 'Time' element in market was conceived by:

(a) Alfred Marshall

(b) Pigou

(c) Allen

(d) None of these

39. Full Capacity is utilized in the which market condition_____.

(a) Perfect Competition

(b) Monopoly

(c) Oligopoly

(d) None of these

40. The regulatory mechanism of the market system is:

(a) Self interest

(b) Private property

(c) Competition

(d) Specialization

41. Marshallian theory of consumer's behaviour is based on:

(a) Hypothesis of additive utilities.

(b) Hypothesis of independent utilities.

(c) Both (A) and (B)

(d) Weak ordering

42. Consider the following statements and select the correct answer from the given options:

Assertion (A): Demand curve is vertical when elasticity of demand is zero.

Reason (R): Marginal utility of a product is increasing

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true but (R) is false

(d) (A) is false but (R) is true

43. The oldest approach to the theory of demand is _____.

(a) the total utility approach

(c) the cardinal utility approach

(c) the ordinal utility approach

(d) None of these

44. Which one of the following is not an internal economies of scale?

(a) Technical economies

(b) Financial economies

(c) Economies due to localization of industries

(d) Marketing economies

45. In economics, generally the classification of the markets is made on the basis of:

(a) Time

(b) Geographic area

(c) Volume of business

(d) All of these

46. Peak is the _____ stage of expansion.

(a) Later

(b) Earlier

(c) Either (A) or (B)

(d) None of the above

47. Which of the following statements is correct regarding business cycles?

(a) Business cycles are contagious and international in character.

(b) Business cycles begin in one country and spread to other countries through trade relations.

(c) Business cycles have serious consequences on well-being of the societies.

(d) All of the above

48. X, Y and Z are confused with the formula for defining TC:

(a) X Says: TC = TVC +TFC

(b) Y Says: TC = AC X output

(c) Z Says: TC = ZMC + TFC

Identify who amongst them is correct.

(a) X

(b) Y

(c) Z

(d) All of them

49. Interest on own capital is a _____.

(a) Explicit Cost

(b) Implicit Cost

(c) Future Cost

(d) None of these

50. Consumers get maximum variety of goods under:

(a) Perfect Competition

(b) Monopolistic Competition

(c) Monopoly

(d) Pure Competition

51. “The increase in demand of a commodity due to the fact that others are also consuming the same commodity” is known as_____.

(a) Veblen effect

(b) Bandwagon effect

(c) Snob effect

(d) Demonstration effect

52. In the Cobb-Douglas production function given as: Q = A La k1-a the share of labour in total production is:

(a) a

(b) 1 - a

(c) A

(d) a .L

53. The budget line is also known as:

(a) Production Possibility Curve

(b) Consumption Possibility Curve

(c) Iso Utility Curve

(d) None of these

54. Secular Period is also known as:

(a) Short Period

(b) Very Long Period

(c) long Period

(d) Very short Period

55. At the Point of Inflexion:

(a) Total Product is maximum

(b) Average Product is maximum

(c) Marginal Product is maximum

(d) Marginal Product is zero

56. The Firm and Industry are same in:

(a) Duopoly

(b) Monopoly

(c) Oligopoly

(d) None of these

57. Cost Incurred which has no relevance to future planning is called:

(a) Marginal cost

(b) Sunk cost

(c) Average cost

(d) None of these

58. If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will _____

(a) Decrease

(b) Increase

(c) Remain same

(d) Can't Say

59. Which of the following groups of goods have inelastic demand?

(a) Salt, Smart Phone and Branded Lipstick

(b) School Uniform, Branded Goggles and Smart Phone

(c) Salt, School Uniform and Medicine

(d) Medicine, Branded Sports Shoes and Diamond ring

60. The economist's concept of demand is _____ as desire or need or choice or preference or order.

(a) the same thing

(b) not the same thing

(c) (A) or (B)

(d) None of these

61. Most tariffs have:

(a) only revenue effects

(b) only protective effects

(c) both protective and revenue effects

(d) neither protective or revenue effects

62. A key effect of devaluation is that it:

(a) Makes the domestic currency Cheaper relative to other currencies

(b) Makes the domestic currency dearer relative to other currencies

(c) Makes the foreign currency Cheaper relative to other currencies

(d) Leaves the relative value unchanged

63. According to Cambridge equation, the value of money depends upon:

(a) Demand for money

(b) Supply of money

(c) Demand for goods and services

(d) All of the above

64. A production function with constant returns to scale for capital alone implies that:

(a) there are increasing returns to scale for all factors of production taken together

(b) if all inputs are doubled then output will more than double

(c) smaller firms are more efficient than larger firms

(d) both A) and B)

65. Macro-Prudential Policy Measures can help to overcome:

(a) Systemic Risk

(b) Credit Risk

(c) Inflation risk

(d) None of these

66. Foreign Portfolio Investment (FPI) involves:

(a) Investment in tangible assets in a foreign country

(b) Investment in financial assets such as stocks and bonds of foreign companies

(c) Establishing subsidiaries or acquiring stakes in foreign companies

(d) Long-term commitment to a foreign market

67. Which of the following is/are the components of the Fiscal Deficit?

1. Budgetary Deficit
2. Market Borrowings
3. Expenditure made from Pradhan Mantri Rahat Kosh

(a) Only 1

(b) Only 2

(c) Only 3

(d) All 1, 2 and 3

68. Which of the following is key operational target in a Budget?

(a) Fiscal Deficit

(b) Revenue Deficit

(c) The General Government Debt

(d) The Central Government Debt

69. If a Ministry falls short of approved budget in a scheme, what is the process to get additional budget through Parliament?

(a) Supplementary

(b) Re-appropriation

(c) Transfer of balances

(d) Vote on account

70. Budget of the government generally impacts.

(a) The resource allocation in the economy

(b) Redistribution of income and enhance equity.

(c) Stability in the economy by measures to control price fluctuations.

(d) All of the above

71. Short -term credit from the Reserve bank to state government:

(a) RBI credit to states

(b) Commercial credit of RBI

(c) Ways and Means Advances

(d) Short term facility

72. Which of the following is/are the components of Public Debt?

1. Market Loans
2. External Loans
3. Outstanding against saving schemes/ provident funds

(a) only 1

(b) only 2

(c) Both 1 and 2

(d) only 3

73. The External Debt has been shown at the exchange rate applicable at the time of:

(a) Contracting the debt.

(b) Expanding the debt.

(c) Both a & b

(d) None of the above

74. Which of the followings is not an element of good public expenditure management?

(a) Elasticity

(b) Economy

(c) Productivity

(d) Deficit

75. The share of agriculture in India's national income has _____ over the years.

(a) Remained constant.

(b) Decreased.

(c) Increased.

(d) First decreased and then increased.

76. FEMA stands for:

(a) Foreign Exchange Management Act.

(b) Founds Exchange Management Act.

(c) Finance Enhancement Monetary Act.

(d) Future Exchange Management Act.

77. Broad money refers to:

(a) M_1

(b) M_2

(c) M_3

(d) M_4

78. The effect of increase CRR will be reduced or nullified if:

(a) Bank rate is reduced.

(b) Securities are sold in the open market.

(c) SLR is increased.

(d) People do not borrow from non-banking institutions.

79. The pre-condition for privatization to be successful requires:

(a) Liberalization and de-regulation of the economy.

(b) Capital markets should be sufficiently developed.

(c) None of the above.

(d) (a) & (b) both.

80. During depression, it is advisable to:

(a) Lower Bank Rate and purchase securities in the market.

(b) Increase Bank Rate and purchase securities in the open market.

(c) Decrease Bank Rate and sell securities in the open market.

(d) Increase Bank Rate and sell securities in the open market.

81. Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?

(a) Lowering national debt

(b) Cause a budget surplus

(c) Increase employment rates in that sector and improve the current account balance

(d) Increase employment rates in that sector and worsen the current account balance

82. Which one is included in three-sector model?

(a) Family

(b) Firm

(c) Government

(d) All of these

83. Ricardo explained the law of comparative advantage on the basis of:
    (a) opportunity costs
    (b) economies of scale
    (c) the labour theory
    (d) None of these
84. Factor abundance is considered to be part of international trade:
    (a) Heckscher Ohlin theory of international trade
    (b) Comparative cost advantage theory
    (c) New Trade theory
    (d) Factor Equalization theorem
85. Under which union they have or follow a common monetary policy and fiscal policy:
    (a) Economic Union
    (b) Custom Union
    (c) Common market
    (d) All the above
86. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
    (a) uniform
    (b) different
    (c) less
    (d) zero
87. Nationalization means:
    (a) Selling of government stake to private sector
    (b) Selling of government companies to private sector
    (c) Government purchasing 26% shares in private companies
    (d) Taking of full control and management from Private Sector by the Government
88. The 'Diamond Water' controversy is explained by:
    (a) Total utility
    (b) Marginal utility
    (c) Price offered
    (d) Quantity supplied
89. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?
    (a) Shortages in the market

(b) Problem of allocation of limited supplies among large number of consumer.

(c) Black marketing

(d) All of the above

90. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the:

(a) level of full employment income.

(b) less than full employment level of income.

(c) equilibrium level of income which may or may not be full employment level of income.

(d) autonomous level of income which may not be full employment level of income.

91. Open Market Operations imply:

(a) Buying and selling securities by RBI

(b) Buying and selling securities by commercial banks

(c) Buying and selling securities by Investors

(d) Buying and selling securities by government

92. At the shut-down point:

(a) P = AVC

(b) TR = TVC

(c) the total losses of the firm equal TFC

(d) all of the above.

93. If the income elasticity of demand is greater than 1, the commodity is:

(a) a necessity,

(b) a luxury,

(c) an inferior good, or

(d) a nonrelated good.

94. What can be the minimum value of investment multiplier?

(a) 10

(b) 1

(c) infinity

(d) 0

95. Which one is included in National Income?

(a) Transfer Earnings

(b) Sale proceeds of Shares and Bonds

(c) Black Money

(d) None of the Above

96. The stabilization function is concerned with the performance of the aggregate economy in the term of:

(a) Overall output & income

(b) General price level

(c) Balance of international payments

(d) All of these

97. "If the price of oranges falls due to good crop from Rs. 20 per dozen to Rs.10 per dozen, the household that was purchasing 3 dozen oranges may now afford to purchase 6 dozen oranges by spending the same amount of money."

The above statement is depicting -

(a) Income effect

(b) Substitution effect

(c) Price effect

(d) Both (A) and (C)

98. "Returns to a factor" refers to the effect on total output of changes in:

(a) One factor only

(b) Various inputs separately

(c) All the inputs simultaneously

(d) None of the above

99. Which one of the following is not an internal economies of scale?

(a) Technical economies

(b) Financial economies

(c) Economies due to localization of industries

(d) Marketing economies

100. The firm can attain its equilibrium in _____ stage of the law of variable proportion.

(a) 1st

(b) 2nd

(c) 3rd

(d) Any of the above

Mock Test Paper - Series I: July 2024

Date of Paper: 5th August 2024

Time of Paper: 10.30 A.M. to 12.30 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. If a farmer sells wheat to miller for ₹ 600 and miller sells flour to baker for ₹ 800. The baker sells bread to consumer for ₹ 1300, then the total value added in the process is:
   (a) ₹ 600
   (b) ₹ 800
   (c) ₹ 700
   (d) ₹ 1200
2. Which investment is made without any reference to level of income or profits?
   (a) Induced
   (b) Autonomous
   (c) Inventory
   (d) Gross
3. The Value of National Income adjusted for inflation is called?
   (a) Disposable income
   (b) Per capita income
   (c) Inflation adjusted income.
   (d) Real national Income
4. Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand?
   (a) Reduction in Taxes
   (b) Increase in Govt. Expenditure
   (c) Reduction in Public Debt
   (d) All of these
5. What is the value of Investment Multiplier when saving function is represented as S = -60 + 0.2Y?
   (a) 2
   (b) 5
   (c) 4

(d) 0.2

6. "What could be the cause of the increase in Aggregate Demand within an economy?"

   (a) Increase in Imports

   (b) Decrease in Govt. Expenditure

   (c) Rise in Investment Expenditure

   (d) Decrease in Exports

7. Which of the following will cause a leakage in the National Income of an economy?

   (a) Decrease in Expenditure

   (b) Decrease in Taxation

   (c) Increase in Imports

   (d) Both a & c

8. The Government adopting Progressive taxation system to tax people on the level of their income is an example of which function of public finance?

   (a) Redistribution Function

   (b) Allocation Function

   (c) Normative Function

   (d) Stabilization

9. The increase in cost of food, fuel and fertilizers in countries due to production of weapons in the war between Russia & Ukraine results in which type of externality?

   (a) Positive Production Externality

   (b) Negative Production Externality

   (c) Positive Consumption Externality

   (d) Negative Consumption Externality

10. Mr. Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:

    (a) Moral Hazard

    (b) Asymmetric Information

    (c) Free Riding

    (d) None of the above

11. Which of the following is not true regarding The Minimum Support Price (MSP) mechanism in India?

    (a) MSP works on the principle of Price Ceiling

(b) MSP works on the principle of Price Flooring

(c) At the price fixed, there exists excess supply

(d) Govt. procures the excess supply of farmers.

12. Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?

(a) Pump Priming

(b) Deficit Financing

(c) Compensatory Spending

(d) Public Spending

13. The per capita income in country Y increased from ₹ 50,000 to ₹ 65,000 while the per capita consumption increased from ₹ 37,500 to ₹ 48,750. Calculate the spending multiplier for this economy.

(a) 5

(b) 4

(c) 2.5

(d) 8

14. Which of the following is used to counter recession as part of Expansionary Fiscal Policy?

(a) Increase in interest rate.

(b) Decrease in Taxes

(c) Deficit Financing

(d) Both b & c

15. Mr. A, who is self-employed decided to keep more money in his savings account, considering the prevailing economic & political conditions. What is the motive for such a move by A?

(a) Transactions Motive

(b) Speculative Motive

(c) Precautionary Motive

(d) Conservative Motive

16. Which of the following is true with regards to Liquidity Trap?

(a) Speculative Demand is parallel to X-Axis.

(b) Desire to hold bond is infinity.

(c) Ineffective Monetary Policy

(d) Both a & c

17. Among the following identified by Friedman, which one is not one of the four determinants of demand for money?
    (a) Average return on five asset classes
    (b) Price level in the economy
    (c) Inflation Rate
    (d) Forex Trade
18. According to whom, rational behaviour induces individuals to hold an optimally structured wealth portfolio which is comprised of both bonds and money?
    (a) Tobin
    (b) Baumol
    (c) Keynes
    (d) Alfred Marshall
19. Which of the following monetary instruments are indirect instruments of Monetary Policy?
    (a) Cash Reserve Ratio
    (b) Open Market Operations
    (c) Repo Rate
    (d) Both (b) & (c)
20. Which of the following is a disadvantage of international trade?
    (a) Increased choice for consumers
    (b) Risk of dependence on imports
    (c) Increased specialization
    (d) None of the above
21. Which of the following is an example of a local content requirement?
    (a) A limit on the quantity of imports
    (b) A subsidy for domestic producers
    (c) A requirement that a certain percentage of a product be produced domestically.
    (d) All of these
22. Which of the following measures involve total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period?
    (a) Import Quotas
    (b) Anti-Dumping Duties
    (c) Escalated Tariffs
    (d) Embargos

23. The central bank of a country is concerned about the high level of household debt and its potential impact on the economy. Which of the following actions can it take to address the issue?

    (a) Increase the reserve requirement ratio to reduce lending.

    (b) Decrease the reserve requirement ratio to increase lending.

    (c) Increase the interest rate on loans to discourage borrowing.

    (d) Decrease the interest rate on loans to encourage borrowing.

24. ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?

    (a) Joint Venture

    (b) Brownfield Investment

    (c) Greenfield Investment

    (d) Licensing

25. The First Order Condition for the Profit of a firm to be maximum?

    (a) AC = MR

    (b) MC = MR

    (c) MR = AR

    (d) AC = AR

26. Which of the following is not one of the features of New Trade Theory by Paul Krugman?

    (a) Countries which trade in similar goods are natural trade partners.

    (b) It is based on labour theory of value

    (c) Network effect as means of engaging in international trade.

    (d) It focuses more on economies of scale.

27. Which organization is accountable for calculating the Gross Domestic Product of India?

    (a) Indian Statistical Institute

    (b) Reserve Bank of India

    (c) National Statistical Office

    (d) Ministry of Commerce and Industry

28. The survival and success of any business depends on sound____

    (a) Mind

    (b) Environment

    (c) Decisions

    (d) None of these

29. In economics, generally the classification of the markets is made on the basis of:

(a) Time

(b) Geographic area

(c) Both (a) and (b)

(d) None of these

30. During an expansion phase of the business cycle, which of the following is likely to occur?

(a) Decrease in consumer spending.

(b) Increase in business bankruptcies.

(c) Increase in job opportunities.

(d) Decrease in government spending.

31. Which of the following phases of the business cycle is characterized by increasing economic activity, rising employment, and growing consumer spending?

(a) Expansion.

(b) Recession.

(c) Trough.

(d) Recovery.

32. Post war reconstruction:

(a) will push the economy to slow down because of excess external debts.

(b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income.

(c) can cause boom or recession depending upon the policies for reconstruction adopted by govt.

(d) None of these

33. _____ is concerned with welfare proposition.

(a) Normative Economics

(b) Positive Economics

(c) Both (a) and (b)

(d) None of these

34. Under Monopoly, selling costs are incurred for:

(a) Persuading customers for not buying competitor's product

(b) Informative purpose

(c) Promoting sales of the product

(d) None of these

35. Which of the following is incorrect formula?

(a) TC = AC × Q

(b) $\sum MC$ = TC

(c) $\sum MC$ = TVC

(d) $\sum MC$ + TFC = TC

36. Diminishing returns are due to _____and increasing returns are due to ____.

(a) Internal diseconomies, Internal economies

(b) Internal economies, Internal diseconomies

(c) External diseconomies, Internal economies

(d) Internal diseconomies, external economies

37. The kinked demand curve theory explains that even when the demand conditions _____the price _____.

(a) Change, changes

(b) Change, remains stable

(c) Remain stable, changes

(d) Remain stable, falls

38. "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 to 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

39. A firm reaches a break-even point (normal profit position) where,

(a) Marginal revenue curve cuts the horizontal axis.

(b) Marginal cost curve intersects the average variable cost curve.

(c) Total revenue equals total variable cost.

(d) Total revenue and total cost are equal.

40. In an economy C = 300+ 0.5Y and I = ₹ 600(where C is consumption, Y is income or investment). The Equilibrium level of income will be:

(a) 1800

(b) 1500

(c) 1400

(d) None of these

41. When Investment in an economy increases from ₹ 10000 crores to ₹ 14000 crores and as a result of this national income rises ₹ 80000 to ₹ 92000 crores, Investment Multiplier will be:

(a) 5

(b) 3

(c) 2

(d) None of these

42. Calculate National Income from the following data:

	₹ in Crores
Consumption	1000
Investment	500
Government Purchases	200
Exports	200
Imports	400

(a) 1500

(b) 1800

(c) 600

(d) None of these

43. Firms cooperate with each other in determining price or output or both.It is a feature of:

(a) Pure Oligopoly

(b) Non-Collusive Oligopoly

(c) Imperfect Oligopoly

(d) Collusive Oligopoly

44. 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.

45. When both the price of a substitute and the price of a complement of commodity X rise, the demand for X:

(a) rises

(b) falls

(c) remains unchanged

(d) all of the above are possible.

46. A consumer who is below the personal budget line (rather than on it):

(a) is not spending all personal income

(b) is spending all personal income

(c) may or may not be spending all personal income

(d) is in equilibrium.

47. When the law of diminishing returns begins to operate, the TVC curve begins to:

(a) fall at an increasing rate

(b) rise at a decreasing rate

(c) fall at a decreasing rate

(d) rise at an increasing rate

48. Which of the following is not an essential condition of pure competition?

(a) large number of buyers and sellers

(b) homogeneous product

(c) freedom of entry

(d) absence of transport cost

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

(a) positive

(b) zero

(c) negative

(d) infinite

50. The share of concessional debt in total external debt of India has:

(a) remained the same

(b) doubled

(c) reduced

(d) increased

51. The Indian industry faced the process of retrogression and deceleration because of:

(a) unsatisfactory performance of agriculture

(b) slackening of real investment in public sector

(c) narrow market for industrial goods, especially in rural areas

(d) all the above.

52. _____ is an implicit cost of production.
    (a) Wages of the labour.
    (b) Charges for electricity.
    (c) Interest on owned money capital.
    (d) Payment for raw material.
53. Export led growth strategy does not include:
    (a) outward oriented growth
    (b) export promotion
    (c) import restrictions
    (d) emphasising comparative advantage
54. In both the Chamberlin and kinked demand curve models, the oligopolists
    (a) recognize their independence
    (b) do not collude
    (c) tend to keep prices constant
    (d) all the above
55. _____ depicts complete picture of consumer's tastes and preferences
    (a) Budget line
    (b) Average cost curve
    (c) Indifference map
    (d) Marginal revenue curve
56. Budgetary deficit can be expressed as:
    (a) the excess of public expenditure over public revenue
    (b) the sum of deficit on revenue account and deficit on capital account
    (c) that portion of government expenditure which is financed through the sale of 91 days Treasury Bills and drawing down of cash balances
    (d) all the above
57. The degree of monopoly power is measured in terms of difference between:
    (a) Marginal cost and the price
    (b) Average cost and average revenue
    (c) Marginal cost and average cost
    (d) Marginal revenue and average cost
58. The MC curve cuts the AVC and ATC curves:
    (a) at different points
    (b) at the falling parts of each curve

(c) at their respective minimas

(d) at the rising parts of each curve

59. Firm's supply curve is the _____ part of the _____ starting from above the point minimum AVC.

(a) rising; AC curve

(b) falling; AC curve

(c) rising; MC curve

(d) falling; MC curve

60. Under monopoly condition, the firm is able to sell more units of output_____.

(a) at the same price

(b) at higher price

(c) at constant price

(d) at constant price

61. What is hedging?

(a) Protection against extreme weather condition

(b) Protection against risk related to variation in Price movement in an asset.

(c) When exchange rate is unlocked for future supplies of foreign exchange

(d) None of these

62. 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

63. 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 equitable distribution of wealth

64. Agrarian reforms in Agriculture brought:

(a) Institutional reforms

(b) Technical reforms

(c) Land reforms

(d) All the three mentioned

65. Interest Rate Policy is a part of:
    (a) Fiscal Policy
    (b) Industrial Policy
    (c) Monetary Policy
    (d) None of the above
66. What is the expansion of the term NITI in NITI Aayog?
    (a) National Institution for Transforming India
    (b) National Institution for Total Improvement
    (c) National Institution for Technological Improvement
    (d) None of these
67. One of the reasons mentioned below doesn't justify imposition of tariffs:
    (a) It will enhance consumer sovereignty
    (b) It helps in curbing BoP deficit.
    (c) It raises government revenue.
    (d) It is used to protect domestic industry from subsidized imports.
68. _____ refers to that portion of total deposits that a commercial bank is required to keep with RBI in the forms of reserves.
    (a) Compulsory Reserve Ratio
    (b) Statutory Liquid Ratio
    (c) Legal Reserve Ratio
    (d) Cash Reserve Ratio
69. Which one makes GDP an improper index of welfare?
    (a) Non-monetary transaction
    (b) Externalities
    (c) Composition &distribution of GDP
    (d) All of these
70. Interest on national debt is treated as:
    (a) Transfer payment
    (b) Domestic payment
    (c) Govt. payment
    (d) None of these
71. Are fiscal & monetary policies opposite of each other?
    (a) Yes, they are opposite to each other
    (b) Fiscal policy is superior to monetary policy.

(c) No, these policies are complementary to each other.

(d) None of these

72. The level of consumption at which marginal utility of a commodity reaches zero is called:

(a) Point of Satiety

(b) Point of Equilibrium

(c) Point of breakeven

(d) None of these

73. Following is not a factor affecting price elasticity of demand:

(a) Price level

(b) Cost of Production

(c) Availability of substitutes

(d) Time period

74. Under monopoly condition, the firm is able to sell more units of output_____.

(a) at the same price

(b) at higher price

(c) at constant price

(d) at lower price

75. Which of the following statements is false:

(a) When MP rises, TVC increases at an increasing rate.

(b) When MP rises, TVC increases at a diminishing rate.

(c) When MP becomes constant, TVC increases at a constant rate.

(d) When MP falls, TVC increases at a increasing rate.

76. "A firm can earn only normal profits in long the run." It is an implication of following feature.

(a) Large number of buyers & sellers.

(b) Free entry and exit

(c) Availability of substitutes

(d) Full or partial control over price

77. Calculate M1 from the following money aggregates:

Information	**Amount in crores**
Currency with Public	5,02,738
Other deposits with the RBI	7016
Banker's deposits with the RBI	202,508

Demand deposits	423,120
Time deposits	23,73636

(a) 9,32,874 Cr

(b) 3,306,510 Cr

(c) 9,25,858 Cr

(d) 7,05,246Cr

78. Banks earn a profit on the difference between:

(a) Interest charged to depositors and interest offered to borrowers.

(b Interest charged on loans and interest paid on deposits.

(c) Deposit and loan balances

(d) Liabilities and deposits

79. Under which union they have or follow a common monetary policy and fiscal policy:

(a) Economic Union

(b) Custom Union

(c) Perfect Competition

(d) None of these

80. New Industrial Policy was announced on _____.

(a) 24th July 1991

(b) 15th August 1990

(c) 10th January 1995

(d) None of these

81. Measure of fiscal reforms includes:

(a) Ensuring better tax compliance

(b) Encouraging private sector participation

(c) Reduction in subsidies and abolition of unnecessary subsidies

(d) All of these

82. As per the economic survey 2023-24 the contribution of service sector is _____.

(a) 55%

(b) 60%

(c) 45%

(d) None of these

83. Quantitative casing is the common name for?
    (a) Asset selling by a Central Bank
    (b) Asset purchasing by a Central Bank
    (c) Lowering at the interest rate for commercial bank lending
    (d) None of these
84. Parallel economy emerges because of what?
    (a) Tax Estimation
    (b) Tax Compliance
    (c) Tax Avoidance
    (d) Tax Evasion
85. Which among the following shows a correct descending order of liquidity of M_1, M_2, M_3?
    (a) $M_1 > M_2, > M_3$
    (b) $M_2 > M_1 > M_3$
    (c) $M_3 > M_2 > M_1$
    (d) $M_1 > M_3 > M_2$
86. Which of the following is not a money market instrument?
    (a) Treasury bills
    (b) Commercial Paper
    (c) Certificate of Deposit
    (d) Equity Share
87. Dumping Refers to:
    (a) Reducing tariffs
    (b) Sale of goods abroad at a lower price below their cost and price in their home market
    (c) Buying goods at low prices abroad and selling at higher price locally
    (d) Expenditure goods selling for low prices
88. Which of the following theories suggests that firms seek to penetrate new markets over time?
    (a) Theory of comparative advantage
    (b) Product Market theory
    (c) Imperfect Market theory
    (d) None of these
89. Who Propounded the Price Equalization Theorem?
    (a) Paul Samuelson

(b) Alfred Marshall

(c) Irving Fisher

(d) Marx

90. On all points of rectangular hyperbola demand curve, elasticity of demand is:

(a) equal to unity

(b) zero

(c) less than unity

(d) greater than unity

91. Imposition of GST, shifts the supply curve:

(a) to the left

(b) to the right

(c) to the right as well as the left

(d) None of these

92. Normative economics is also known as -

(a) Prescriptive Economics

(b) Positive Economics

(c) Applied Economics

(d) None of these

93. Implicit cost added in _____ cost

(a) Economic

(b) Simple

(c) Accounting

(d) None of the above

94. The Word Trade Organization (WTO) was established to implement the final act of round agreement of GATT.

(a) Geneva

(b) Uruguay

(c) Tokyo

(d) None of these

95. The Government accounts are maintained namely in :

(a) Consolidated fund of India

(b) Contingency fund of India

(c) Public Account

(d) All of these

96. By convention in an election year the budget may be presented:
    (a) Twice
    (b) Once
    (c) Thrice
    (d) Quarterly
97. Deficit financing includes:
    (a) Borrowing from the central bank
    (b) Issues of new currency by the Government
    (c) Withdrawal of past accumulated cash balance by the Government
    (d) All the above
98. Primary deficit means:
    (a) Fiscal deficit -- interest payment
    (b) Fiscal deficit + revenue deficit
    (c) Budgetary deficit
    (d) Revenue deficit -- interest payments
99. The most important aim of fiscal policy in a developing country is :
    (a) economic stability
    (b) economic development
    (c) regional balance
    (d) None of these
100. Which economic indicator is required to predict the turning point of business cycle?
    (a) Leading Indicator
    (b) Lagging Indicator
    (c) Coincident
    (d) All of the above

Mock Test Paper - Series II: August 2024

Date of Paper: 24th August 2024

Time of Paper: 10.30 A.M. to 12.30 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Which aspect of taxation involves Normative Economics?
   (a) the incidence of the tax
   (b) the effect of the tax on incentives to work
   (c) the "fairness" of the tax
   (d) all the above.
2. When the price of a substitute of commodity X falls, the demand for X:
   (a) rises
   (b) falls
   (c) remains unchanged
   (d) any of the above
3. If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is:
   (a) >1
   (b) = 1
   (c) < 1
   (d) 0
4. A consumer who is below the personal budget line:
   (a) is not spending all personal income
   (b) is spending all personal income
   (c) may be spending all personal income
   (d) is in equilibrium
5. If the income elasticity of demand is greater than 1, the commodity is:
   (a) a necessity
   (b) a luxury
   (c) an inferior good
   (d) a non-related good

6. The substitution effect for a fall in the price of a commodity (ceteris paribus) is given by:
   (a) a movement up a given IC
   (b) a movement from a higher to a lower IC
   (c) a movement down a given IC
   (d) any of the above
7. If the MRTSLK equals 2, then the MPK/MPL is:
   (a) 2
   (b) 1
   (c) 2
   (d) 4
8. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
   (a) always
   (b) never
   (c) often
   (d) sometimes
9. At the shut-down point:
   (a) P = AVC
   (b) TR = TVC
   (c) the total losses of the firm equal TFC
   (d) all the above.
10. If the monopolist incurs losses in the short run, then in the long run:
   (a) the monopolist will go out of business
   (b) the monopolist will stay in business
   (c) the monopolist will break even
   (d) any of the above
11. In monopolistic competition, we have:
   (a) few firms selling a differentiated product
   (b) many firms selling a homogeneous product
   (c) few firms selling a homogeneous product
   (d) many firms selling a differentiated product
12. In both the Chamberlin and the kinked demand curve models, the oligopolists:
   (a) recognize their interdependence

(b) do not collude
(c) tend to keep prices constant
(d) all the above.

13. Who gave the theory of price discrimination?
(a) Marshall
(b) Pigou
(c) Cournot
(d) Simon

14. If a good has a price elasticity of demand greater than 1, it is considered:
(a) Price inelastic
(b) Price elastic
(c) Unit price elastic
(d) Price neutral

15. The income elasticity of demand measures:
(a) The responsiveness of quantity demanded to change in price
(b) The responsiveness of quantity demanded to change in income
(c) The responsiveness of quantity supplied to change in price
(d) The responsiveness of quantity supplied to change in income

16. Which of the following factors does NOT influence supply?
(a) Production costs
(b) Technological advancements
(c) Prices of inputs
(d) Consumer preferences

17. 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

18. During a recession, the economy experiences:
(a) A decrease in prices and inflation
(b) High levels of economic growth and expansion
(c) A decline in employment and economic activity
(d) Increased business investments and consumer spending

19. Which of the following policy measures is typically used by central banks to manage the business cycle?
    (a) Fiscal policy
    (b) Monetary policy
    (c) Trade policy
    (d) Industrial policy
20. Which of the following is a lagging economic indicator?
    (a) Consumer confidence Index
    (b) Stock market performance
    (c) Unemployment rate
    (d) New housing starts
21. Price Elasticity of Demand of a good is (-) 3. It shows that:
    (a) When price falls by 1%, demand rises by 3%
    (b) When price rises by 1%, demand falls by 3%
    (c) Either (a) or (b)
    (d) Neither (a) nor (b)
22. The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
    (a) Proportionately large fall in quantity demanded
    (b) No change in quantity demanded
    (c) Proportionately small fall in quantity demanded
    (d) Infinite change in quantity demanded
23. Which of the following is not a reason for operation of increasing returns to a factor?
    (a) Better utilisation of fixed factor
    (b) Limitation of fixed factor
    (c) Increase in efficiency of variable factor
    (d) Indivisibility of fixed factor
24. At the Point of Inflexion:
    (a) Total Product is maximum
    (b) Average Product is maximum
    (c) Marginal Product is maximum
    (d) Marginal Product is zero

25. Cost function is a _____ concept:
    (a) Economical
    (b) Functional
    (c) Financial
    (d) Technical
26. Demand curve of a firm under monopoly is:
    (a) Downward sloping
    (b) Indeterminate
    (c) Upward sloping
    (d) Perfectly elastic
27. Demand curve under Oligopoly is:
    (a) Less elastic
    (b) Perfectly elastic
    (c) Highly elastic
    (d) Indeterminate
28. In a commodity market, excess demand exists when:
    (a) market price is greater than equilibrium price
    (b) equilibrium price is greater than market price
    (c) equilibrium price is not equal to market price
    (d) government fixes the price
29. A few Big sellers is a Characteristics of:
    (a) Perfect Competition
    (b) Monopolistic Competition
    (c) Oligopoly
    (d) None of the above
30. The cost curve, which is Inversely S-shaped is:
    (a) Average Cost Curve
    (b) Total Fixed Cost Curve
    (c) Total Variable Cost Curve
    (d) Marginal Cost Curve
31. Fiscal deficit can be remedied by:
    (a) Borrowing money
    (b) Printing Currency
    (c) Both (a) and (b)

(d) Neither (a) nor (b)

32. The cost which is never zero even when production is stopped is known as:
    (a) Supplementary Cost
    (b) Prime Cost
    (c) Explicit cost
    (d) None of these
33. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:
    (a) Selling costs are zero
    (b) There is freedom of entry and exit
    (c) Firm is a price-taker
    (d) None of these
34. Which of these countries is a purely socialist economy?
    (a) USSR
    (b) China
    (c) Vietnam
    (d) None of these
35. According to Hawtrey trade cycle is a ___
    (a) Monetary phenomenon
    (b) Unplanned phenomenon
    (c) Fiscal phenomenon
    (d) All the above
36. Dynamic fare charged by Indian railways is an example of:
    (a) Pure Monopoly
    (b) Discriminating Monopoly
    (c) Perfect Competition
    (d) None of these
37. The Interest on own capital is:
    (a) Implicit Cost
    (b) Future Cost
    (c) Explicit Cost
    (d) None of these
38. The Firm and Industry are same in:
    (a) Duopoly

(b) Monopoly

(c) Oligopoly

(d) None of these

39. Opportunity Cost is _____.

(a) A cost that cannot be avoided.

(b) The cost incurred in the past before we make a decision about what to do in the future.

(c) That which we forgo or give up when we make a choice or a decision.

(d) The additional benefit of buying an additional unit of a product.

40. Assertion (A): An iso-cost line is a straight line.

Reason (R): The market rate of exchange between the two inputs is constant.

(a) (A) is true and (R) is false

(b) Both (A) and (R) are true & (R) is the correct explanation of (A)

(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(d) (A) is false and (R) is true

41. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:

(a) 0

(b) > 0 but < 1

(c) 1

(d) > 1

42. ____ is concerned with welfare proposition.

(a) Normative Economics

(b) Positive Economics

(c) Both (a) and (b)

(d) None of these

43. Economy's historical performance was reflected by:

(a) Lagging indicator

(b) Leading indicator

(c) Either (a) or (b)

(d) None of these

44. Collectively peaks and troughs together is known as:

(a) Turning Points

(b) Contraction

(c) Expansion

(d) None of these

45. In Oligopoly the firms may collude in order to:

(a) Increase Competition

(b) Prisoner dilemma for buyers

(c) To raise the price of the good they offer

(d) None of these

46. Successful business firms spend considerable time, energy, and efforts in analyzing the _____ for their products.

(a) Supply

(b) Price

(c) Demand

(d) None of these

47. By way of an optimal choice, a consumer tends to:

(a) save money

(b) purchase large quantity

(c) None of these

(d) maximize satisfaction subject to constraints like tastes and preferences.

48. The economist concept of demand is _____ as desire or need or choice or preference or order.

(a) the same thing

(b) not the same thing

(c) (a) or (b)

(d) None of these

49. The demand for labour in response to the wage rate is _____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____.

(a) Derived demand, Direct demand

(b) Direct demand, Derived demand

(c) Individual demand, Market demand

(d) Company demand, Industry demand

50. Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.

Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.

(a) (A) is true and (R) is false

(b) Both (A) and (R) are true & (R) is the correct explanation of (A)

(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(d) (A) is false and (R) is true

51. Which of the following groups of goods have inelastic demand?

(a) Salt, Smart phone

(b) School uniform, branded goggles and smart phone

(c) Salt, school uniform and medicine

(d) Medicine, branded sports shoes and diamond ring

52. If the price of a commodity is raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will ___ .

(a) decrease

(b) Increase

(c) remain same

(d) can't Say

53. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____.

(a) more of one of the goods

(b) less of at least one of the goods

(c) more of at least one of the goods and less of the other good.

(d) more of at least one of the goods and no less of the other good.

54. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____vegetables than/as her usual demand showing the demand of vegetables is _____.

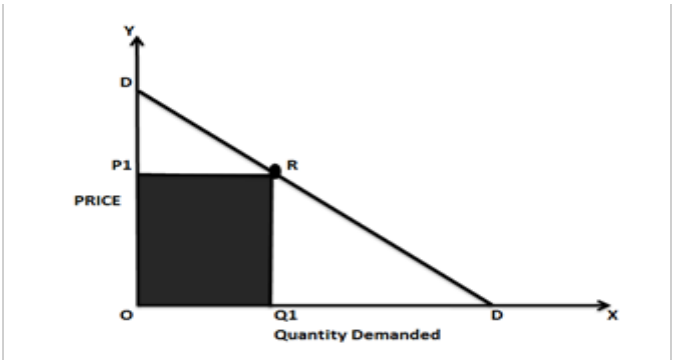
(a) more, inelastic demand

(b) less, elastic demand

(c) same, inelastic demand

(d) same, elastic demand

55. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP1RQ1 is _____.



(a) Total Revenue (TR)

(b) Marginal Revenue (MR)

(c) Total Cost (TC)

(d) None of these

56. Which of the following is not the mandatory Statement under FRBM Act 2003?

(a) Macro Economic Framework Statement

(b) Medium Term Fiscal Policy Statement

(c) Debt Statement

(d) None of these

57. Secular Period is also known as:

(a) long period

(b) Short period

(c) Very long period

(d) None of these

58. An Industry comprised of a very large number of sellers producing a standardized product is known as:

(a) Pure competition

(b) Pure monopoly

(c) Monopolistic competition

(d) None of these

59. Cost Incurred which has no relevance to future planning is called:

(a) Marginal cost

(b) Sunk cost

(c) Average cost

(d) None of these

60. Being ____ utility varies with different persons:

(a) Subjective

(b) Absolute

(c) Objective

(d) None of these

61. Kinked demand was propounded by?

(a) Paup K. Sweezy

(b) Marshall

(c) Adam Smith

(d) None of these.

62. Average revenue curve is also known as –

(a) Indifference Curve

(b) Demand Curve

(c) Average Cost Curve

(d) None of these

63. Which one is not a tool of Fiscal Policy:

(a) Taxation

(b) Public Expenditure

(c) Interest Rate

(d) Public Debt

64. In a Public good context, it is difficult to measure impact of real income because:

(a) Public goods are generally free to the Public

(b) They make up a small percentage of total GDP

(c) It is hard to measure how people value to public good

(d) Inflation decreases the value of the good

65. The Cobweb theory was propounded by –

(a) Nicholas Kaldor

(b) Adam Smith

(c) J M Keynes

(d) None of these.

66. The nominal and real GDP respectively of a country in a particular year are ₹ 3000 cr. and ₹ 4500 cr respectively. The GDP deflator will be:

(a) 55.55

(b) 66.66

(c) 44.45

(d) None of these.

67. An increase in investment by 600 cr leads to increase in national income by 1800 cr. The MPC will be –

(a) 3

(b) 4

(c) 5

(d) None of these

68. Consumption expenditure according to Keynes is determined by:
    (a) Disposable income
    (b) Level of interest rate
    (c) Extent of government taxes and subsides
    (d) None of these
69. Macro- economic stability is said to exist when:
    (a) When inflation is low and stable
    (b) The economy's total spending matches its total output
    (c) The economy's labour resources are fully exposed
    (d) All the above
70. Statutory Grants in aid form the Union to certain states is based on the constitutional provisions as:
    (a) Article 275
    (b) Article 282
    (c) Article 293
    (d) Article 270
71. Government failure occurs when -
    (a) Government intervention is ineffective and produces fresh and more serious problem
    (b) A government is unable to get re-elated
    (c) Both (a) and (b)
    (d) None of these
72. The Institution responsible for management of external debt is:
    (a) RBI
    (b) Ministry of Finance
    (c) SEBI
    (d) All of above.
73. The Cambridge approach to quantity theory is also known as:
    (a) Classical approach
    (b) Cash balance approach
    (c) Fisher's theory of money
    (d) None of these

74. _____ considered demand for money is an application of a more general theory of demand for capital assets.

(a) Baumol

(b) Milton Friedman

(c) J M Keynes

(d) None of these

75. If commercial banks reduce their holdings of excess reserves:

(a) The money supply increases

(b) The money base falls

(c) The money supply falls

(d) None of these

76. RBI provides financial accommodation to the commercial banks through repos/ reverse repos under:

(a) Statutory Liquidity Ratio (SLR)

(b) Market stabilisation scheme (MSC)

(c) Liquidity adjustment facility (LAF)

(d) None of these

77. Ricardo explained the law of comparative advantage on the basis of-

(a) Economies of scale

(b) The labour theory of value

(c) Opportunity costs

(d) None of these

78. Escalated tariffs refer to:

(a) Nominal tariff rate on raw materials which are greater than tariffs on mfg. product

(b) A tariff which is escalated to prohibit imports of a particular good to protect domestic Industries

(c) Normal tariff rate on mfg. products which are greater than tariffs on raw material

(d) None of these

79. The most controversial topic in the yet to conclude Doha Agenda is:

(a) Trade in agricultural goods

(b) Trade in manufactured goods

(c) market access to goods from developed countries

(d) None of these

80. “Vehicle currency “refer to

(a) A currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties.

(b) a currency that is traded internationally and therefore is in high demand

(c) either a or b

(d) None of these

81. Creation of fresh assets and production are included in which type of FDI:

(a) Strategic Alliance

(b) Merger and Acquisition

(c) Brownfield Investment

(d) Greenfield Investment

82. Characteristic of Oligopoly market is ----

(a) Strategic Independence

(b) Importance of Advertising and selling costs

(c) Group Behaviour

(d) All of above

83. The growth rate of population is higher than the rate of economic growth there will be __ in the economy.

(a) Lesser savings

(b) More savings

(c) No effect on savings

(d) None of these

84. Inferior goods are those whose income effect is:

(a) Positive

(b) Zero

(c) Negative

(d) None of these

85. Availability of close substitute makes the demand:

(a) more elastic

(b) Less elastic

(c) Parallel to X axis

(d) None of these

86. When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be:

(a) 30

(b) 20

(c) 15

(d) None of these.

87. _____ is the exception to law of demand.

(a) Income

(b) Price

(c) Giffen Good

(d) Fashions

88. The IInd Stage in Law of Returns to Scale is :

(a) Positive Returns

(b) Constant Return

(c) Negative return

(d) None of these

89. Nationalization means:

(a) Selling of government stake to private sector

(b) Selling of government companies to private sector

(c) Government purchasing 26% shares in private companies

(d) Taking of full control and management from Private Sector by the Government

90. Huge selling costs are incurred in which form of market?

(a) Monopolistic competition

(b) Perfect competition

(c) Monopoly

(d) None of these

91. What is 'price ceiling?

(a) Minimum price that can be charged for a good

(b) Maximum price that can be charged for a good

(c) Minimum support price

(d) Both (a) and (b)

92. Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India?

(a) Likely to increase

(b) Likely to fall

(c) No impact

(d) None of these

93. Which of the following does not cause inflation:

(a) Easy finance facility

(b) Growth of Black Money

(c) Decrease in public i.e. government expenditure

(d) High growth rate of population

94. PSUs are mainly driven by:

(a) Profit

(b) Industrialization

(c) Social welfare

(d) None of these

95. Who are the normal residents of the country?

(a) A resident who has own house in that country

(b) A resident with a bank account in that country

(c) Ordinary residents with economic interest lying in that country

(d) None of these

96. Suppose in a country investment increases by ₹ 100 crores and consumption is given by C= 10 +0.6Y. How much increase will there take place in income?

(a) 250

(b) 200

(c) 150

(d) None of these

97. Which of the following Policy instruments RBI normally resorts to for managing inflation in the economy

(a) Bank Rate

(b) Cash Reserve Ratio

(c) Statutory liquidity Ratio

(d) Repo rate

98. A chemical factory has full information regarding the risks of a product but continues to sell it. This is possible because of:

(a) moral hazard

(b) Free riding

(c) asymmetric information

(d) None of these

99. Which of the following is not a criterion for determining distribution of Central taxes among the states for 2021-2026 period:

(a) Infrastructure performance

(b) Forest and ecology

(c) Tax and fiscal efforts

(d) Demographic performance

100. Suppose the price of a commodity X increases from ₹ 2000 per unit to ₹ 2100 per unit and consequently the quantity supplied rises from ₹ 2500 to ₹ 3000 units. Calculate the elasticity of supply.

(a) 4

(b) 6

(c) 8

(d) None of these

Mock Test Paper - Series I: December 2024

Date of Paper: 24th December, 2024

Time of Paper: 10.30 A.M. to 12.30 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Which of the following is key operational target in a Budget?
   (a) Fiscal Deficit
   (b) Revenue Deficit
   (c) The General Government Debt
   (d) The Central Government Debt
2. The External Debt has been shown at the exchange rate applicable at the time of:
   (a) Contracting the debt.
   (b) Expanding the debt.
   (c) Both a & b
   (d) None of the above
3. Which of the following is not a classification of public expenditure?
   (a) Functional classification
   (b) Revenue and Capital
   (c) Voted and Charged
   (d) Plan and Non Plan
4. Which of the following curve cannot be u-shaped?
   (a) Average total cost
   (b) Average variable cost
   (c) Average fixed cost
   (d) Marginal cost
5. Which of the following assumptions is correct in connection with oligopoly?
   1. If an oligopolist increases his price his rivals will follow.
   2. If an oligopolist increases his price his rivals will not follow.
   3. If an oligopolist increases his price his rivals will lower their prices.
   4. If an oligopolist decreases his price his rivals will not react.
   (a) 1 only

(b) 2 only

(c) 1 & 3 only

(d) 4 only

6. Business cycle emerge in _____.

(a) Socialist economy

(b) Free market economy

(c) Mixed economic system

(d) None of the above

7. Which of the following does not enter the calculation of national income?

(a) Exchange of previously produced goods

(b) Exchange of second-hand goods

(c) Exchange of stocks and bonds

(d) All the above

8. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the :

(a) level of full employment income.

(b) less than full employment level of income.

(c) equilibrium level of income which may or may not be full employment level of income

(d) autonomous level of income which may not be full employmentlevel of income

9. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?

(a) Shortages in the market

(b) Problem of allocation of limited supplies among large number of consumers

(c) Black marketing

(d) All of the above

10. Nationalization means:

(a) Selling of government stake to private sector

(b) Selling of government companies to private sector

(c) Government purchasing 26% shares in private companies

(d) Taking of full control and management from Private Sector by the Government

11. While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be-

(a) $\frac{P_P}{P_N}$

(b) $\frac{P_N}{P_P}$

(c) $\frac{M}{P_N}$

(d) $\frac{M}{P_P}$

[Where, P_p – Price of Pepsi, P_N - Price of Nachos & M – Money income of consumer]

12. Net domestic expenditure is consumption expenditure plus

(a) Net foreign investment

(b) Net foreign investment plus net domestic investment

(c) Net domestic investment

(d) Replacement expenditure

13. Which of the following measures of meeting deficit in a budget, leads to an increase in money supply in the economy.

(a) Disinvestment

(b) Loan from World Bank

(c) Deficit Financing

(d) All of these

14. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:

(a) Substitution Effect

(b) Income Effect

(c) Law of Demand

(d) Law of diminishing Returns

15. Which of the following conditions would violate the consumer equilibrium in a two-good world?

(a) The marginal rate of substitution between the two goods equals the ratio of their prices.

(b) The marginal utility per dollar spent on each good is equal.

(c) The consumer's indifference curve is steeper than the budget line at the chosen bundle.

(d) The consumer is spending their entire budget.

16. **Assertion (A):** Consumer surplus is the difference between the potential price and actual price.

Reason (R): There exists an inverse relationship between the price and consumer surplus.

Codes:

(a) Both A and R are true, and R is the correct explanation of A

(b) Both A and R are true, but R is not the correct explanation of A

(c) A is true but R is false

(d) A is false but R is true

17. The point at which the total product curve begins to flatten out indicates:

(a) The onset of diminishing marginal returns

(b) Maximum efficiency in production

(c) A decrease in fixed costs

(d) The end of increasing returns to scale

18. **Assertion (A):** Sunk costs are not relevant in economic decisions.

Reason (R): The opportunity cost of such resources is zero.

Codes:

(a) Both A and R are true, and R is the correct explanation of A

(b) Both A and R are true, but R is not the correct explanation of A

(c) A is true but R is false

(d) A is false but R is true

19. In an oligopoly, price determination is often influenced by:

(a) The actions of a single firm

(b) The collective behavior of a few dominant firms

(c) Government-imposed price floors

(d) The elasticity of supply alone

20. In a monopoly, the lack of close substitutes for the product typically results in:

(a) Perfect elasticity of demand

(b) A downward-sloping demand curve for the monopolist

(c) Constant returns to scale

(d) The ability to practice price discrimination

21. Which of the following is NOT included in the calculation of GDP using the expenditure approach?
    (a) Consumption expenditure
    (b) Government purchases
    (c) Business investment
    (d) Transfer payments

22 Which organization is primarily responsible for compiling and publishing regional accounts data in India?
    (a) Reserve Bank of India (RBI)
    (b) National Sample Survey Organization (NSSO)
    (c) Central Statistical Office (CSO)
    (d) Ministry of Finance

23. Which of the following components is used to assess the regional economic performance in India?
    (a) Poverty Ratio
    (b) Employment Rate
    (c) Per Capita Income
    (d) All of the above

24. If government wants to contribute to capital formation, then revenue surplus should be :
    (a) Negative
    (b) Positive
    (c) Zero
    (d) None of the above

25. What is the primary purpose of the Finance Commission in India?
    (a) To formulate monetary policy
    (b) To allocate central taxes to state governments
    (c) To recommend measures for economic planning
    (d) To audit the accounts of the government

26. What is the purpose of a debt-to-GDP ratio in public debt management?
    (a) To measure the government's annual revenue
    (b) To evaluate the proportion of debt relative to the country’s economic output
    (c) To assess the level of inflation in the economy
    (d) To determine the amount of currency in circulation

27. In the Cambridge equation for money demand, what does "k" represent?
    (a) The velocity of money
    (b) The money supply
    (c) The income elasticity of money demand
    (d) The proportion of income held as money
28. Which measure of the money supply includes M1 and all other forms of near money that are less liquid than M1?
    (a) M3
    (b) M2
    (c) L
    (d) M0
29. Most Favoured Nation (MFN) clause was introduced by:
    (a) WTO
    (b) GATT
    (c) ADB
    (d) IBRD
30. Which term describes the movement of capital from one country to another to exploit investment opportunities?
    (a) Foreign Direct Investment (FDI)
    (b) Foreign Portfolio Investment (FPI)
    (c) Exchange Rate Speculation
    (d) Capital Flight
31. What is the primary objective of the Indian government's "Make in India" initiative?
    (a) To increase imports from other countries
    (b) To promote local manufacturing and attract foreign investment
    (c) To reduce domestic production costs
    (d) To expand the agricultural sector
32. Which of the following is NOT a function of NITI Aayog?
    (a) Formulating five-year plans
    (b) Promoting sustainable development
    (c) Facilitating cooperative federalism
    (d) Providing policy and technical advice to the central and state governments

33. The Indian government's policy of "Import Substitution Industrialization" (ISI) primarily aimed to:
    (a) Increase imports to stimulate economic growth
    (b) Reduce dependence on foreign goods by promoting domestic industries
    (c) Encourage foreign investment in local industries
    (d) Expand the agricultural sector for export
34. Which economic indicator is commonly used to measure inflation in India?
    (a) Gross Domestic Product (GDP)
    (b) Consumer Price Index (CPI)
    (c) Producer Price Index (PPI)
    (d) Index of Industrial Production (IIP)
35. In a mixed economy resources are used as a result of:
    (a) The decisions of consumers
    (b) The decisions of firms only
    (c) The decisions of consumers and firms
    (d) The decisions of consumers and firms and government
36. If students' expenditures on airline travel increase as a consequence of more heavily discounted fares, students' demand for airline travel must be:
    (a) income elastic.
    (b) income inelastic.
    (c) price elastic.
    (d) price inelastic
37. Shift in demand is caused by changes in the…….
    (A) non-price factors
    (B) price of a good alone
    (C) cost of production
    (D) raw material prices
38. Let QX = $\frac{\mathbf{1500}}{\mathbf{P_X}}$, the elasticity of demand of the good X when its price falls from $ 8 to $ 2 per unit, will be-
    (a) greater than one
    (b) less than one
    (c) equal to one
    (d) can't say

39. With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve.
    (a) at one given point
    (b) at intercepts on X-axis & Y-axis
    (c) between two points
    (d) Any of the above
40. According to British economist J. M. Keynes _____ was the main cause of massive decline in income and employment during Great Depression of 1930.
    (a) Lower aggregate expenditure in the economy.
    (b) Banking crises and low money supply.
    (c) Overdebtness.
    (d) Lower profits & pessimism
41. Which of the following is a zero-sum game?
    (a) Prisoners dilemma
    (b) Competition for market share
    (c) Pricing strategy
    (d) None of the above is correct.
42. Which of the following elasticities measure a movement along a curve rather than a shift in the curve?
    (a) The price elasticity of demand.
    (b) The cross elasticity of demand.
    (c) The income elasticity of demand.
    (d) The price elasticity of supply.
43. If only part of the labour force employed by a firm can be dismissed at any time and without pay, the total wages and salaries paid out by the firm must be considered:
    (a) a fixed cost
    (b) a variable cost
    (c) partly a fixed and partly a variable cost
    (d) any of the above.
44. When the law of diminishing returns begins to operate, the TVC curve begins to:
    (a) fall at an increasing rate
    (b) rise at a decreasing rate
    (c) fall at a decreasing rate
    (d) rise at an increasing rate.

45. At the shut-down point:
    (a) P =AVC,
    (b) TR =TVC,
    (c) the total losses of the firm equal TFC,
    (d) all of the above
46. When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve:
    (a) Always,
    (b) never,
    (c) sometimes,
    (d) cannot say.
47. In both the Chamberlin and the kinked demand curve models, the oligopolists:
    (a) recognize their interdependence,
    (b) do not collude,
    (c) tend to keep prices constant,
    (d) all of the above.
48. In India agricultural income is calculated by :
    (a) Income method
    (b) Output method
    (c) Expenditure method
    (d) None of them.
49. Savings represent
    (a) An injection to the circular flow of income
    (b) A withdrawal into the circular flow
    (c) Both an injection and a withdrawal
    (d) None of the above.
50. In Heckscher Ohlin theory factors of production are---in number.
    (a) one
    (b) two
    (c) three
    (d) four
51. A period of expansion and contraction measured by real GDP is called:
    (a) Business cycle
    (b) Expansion

(c) Recession

(d) Contraction

52. Who maintains a buffer stock of foodgrains in India ?

(a) FCI

(b) NAFED

(c) Ministry of Agriculture

(b) None of these

53. The minimum support price is declared by :

(a) Ministry of Agriculture

(b) Ministry of Finance

(c) The Cabinet Committee on economic affairs

(d) None of these

54. Atal Tinkering lab is an initiative by which of the following institution ?

(a) Niti Aayog

(b) CBSE

(c) National Ayush Mission

(d) Reserve bank of India

55. Which of the following are the major taxes in India?

(a) Corporation Tax

(b) Stamp Duty and Registration

(c) Customs duty

(d) None of these

56. Fiscal Policy is formulated by _____ in India?

(a) Finance Ministry

(b) RBI

(c) Different Banks

(d) None of these

57. A Substantial increase in capital expenditure or revenue expenditure leads to _____

(a) Fiscal deficit

(b) Budgetary deficit

(c) Primary deficit

(d) None of these

58. Tax reforms are concerned with the reforms in the government taxation and public expenditure policies which are collectively known as its __

(a) Financial reform

(b) Fiscal Policy

(c) Financial Policy

(d) None of these

59. Goods and services tax (GST) was enacted by parliament vide ___ Constitutional Amendments Act 2016.

(a) 103rd

(b) 105th

(c) 101

(d) None of these

60. When some people start investing money in share market then many people start following the same without considering its advantage and disadvantages is called:

(a) Demonstration effect

(b) Snob effect

(c) Veblan effect

(d) None of these

61. Which of the following cost curve is never U Shaped?

(a) Marginal cost curves

(b) Average cost curve

(c) Average fixed cost curve

(d) None of these

62. The most important function of an entrepreneur is to:

(a) Innovate

(b) Bear the sense of responsibility

(c) Finance

(d) None of these

63. Game theory is oligopoly was developed by:

(a) Von Neumann and Oskar Morgenstern

(b) Maltas

(c) Adam Smith

(d) Robinson

64. If the growth rate of population is higher than the rate of economic growth, there will be ___ in the economy:
    (a) more saving
    (b) lesser saving
    (c) no effects on saving
    (d) None of these
65. Macroeconomic stabilization may be achieved through:
    (a) Free market economy
    (b) Fiscal Policy
    (c) Monetary Policy
    (d) Both (b) & (c)
66. Fiscal Federalism refers to:
    (a) Organising and Implementing development plan
    (b) The management of Fiscal Policy by a nation
    (c) Division of economic functions and resources among different layers of the government
    (d) None of these
67. The major reason for market failure:
    (a) Market Power
    (b) Externalities
    (c) Public Good
    (d) All the above
68. The Public debt management cell was created in:
    (a) 2016
    (b) 2015
    (c) 2020
    (d) 1995
69. Which of the following policies is likely to shift the economy's aggregate demand curve to the right?
    (a) Increase in government spending
    (b) Increase in taxes
    (c) A tax cut along with increase in public expenditure
    (d) All the above

70. ___ considered demand for money is an application of a more general theory of demand for capital assets

    (a) Baumol

    (b) Milton Friedman

    (c) J M Keynes

    (d) None of these

71. The ratio that relates the change in the money supply to a given change in the monetary base is called the:

    (a) required reserve ratio

    (b) money multiplier

    (c) Deposit ratio

    (d) None of these

72. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports:

    (a) Capitalism

    (b) Socialism

    (c) Mercantilism

    (d) None of these

73. Which of the following is not a non-tariff barrier:

    (a) Complex documentation requirement

    (b) Countervailing duties charged by importing country

    (c) Pre -Shipment product inspection and certification on requirements

    (d) None of these

74. At any point of time all markets tend to have the same exchange rate for a given currency due to:

    (a) Hedging

    (b) Arbitrage

    (c) Speculation

    (d) None of these

75. Inflationary gap:

    (a) raises the level of output

    (b) does not impact the level of output

    (c) raises the general price level

    (d) both (b) and (c)

76. Which of the following component of monetary policy can be adopted to correct excess demand?
    (a) Increase in repo rate
    (b) Increase in CRR
    (c) Increase in margin requirement
    (d) All of these
77. Reverse repo rate:
    (a) generate interest income
    (b) is increased to curb inflation
    (c) is not a policy rate
    (d) both (a) & (b)
78. The RBI is mandated to Publish a monetary policy report every:
    (a) Six months
    (b) Three months
    (c) Twelve months
    (d) None of these
79. The argument for education subsidy is based on:
    (a) Education is costly
    (b) The ground that education is merit good
    (c) Education creates positive externalities
    (d) (b) & (c)
80. Public financial management system in the central government and matters connected with state finance is managed by:
    (a) The department of expenditure
    (b) The department of financial services
    (c) The department of economic affairs
    (d) None of these
81. The Liquidity Trap is the extreme effect of:
    (a) Monetary Policy
    (b) Fiscal Policy
    (c) Either (a) or (b)
    (d) None of these
82. Which of the following is an intermediate good?
    (a) The Purchase of gasoline for a ski trip to colorado
    (b) The Purchase of Pizza by a college student

(c) The Purchase of baseball uniform by a professional baseball team

(d) The Purchase of Jogging Shoes by a Professor

83. National Income accountants can avoid multiple counting by:

(a) including transfers in their calculation

(b) only counting final goods

(c) counting both intermediate and final Good

(d) only counting intermediate goods

84. Gross Investment refers to:

(a) Private investment minus Public Investment

(b) Net Investment plus replacement investment

(c) net investment after it has been inflated for changes in the price level

(d) net investment plus net exports

85. If an oligopolist incur losses in the short run then in the long run:

(a) The oligopolist will go out of the business

(b) The oligopolist will stay in business

(c) The Oligopolist will break even

(d) any of the above is possible

86. In the long run, all production costs are

(a) Fixed

(b) Sunk

(c) Variable

(d) Marginal

87. Assertion (A). New Economic Policy is to expand the economic wings of the country. Reason

(R): Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes a. Both Assertion

(a) and Reason(R) are true, and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason(R) are true, and Reason(R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true, but Reason (R) is false.

(d) Assertion (A) is false but Reason(R) are is true.

88. Given Consumption Function is C = 300 + 0.75 Y; Investment = ₹ 800; Net Imports = ₹ 100. The equilibrium level of output is:

(a) 4000

(b) 5000

(c) 8000

(d) None of these

89. What is the value of Investment Multiplier when saving function is represented as S= -60 + 0.2Y?

(a) 2

(b) 5

(c) 4

(d) 0.2

90. If a bank has deposits of INR 50,00,000 and a reserve requirement of 10%, what is its excess reserves?

(a) INR 55,00,000

(b) INR 30,00,000

(c) INR 45,00,000

(d) INR 5,00,000

91. What will be the value of Credit Multiplier when the Required Reserve ratio is 50%?

(a) 4

(b) 2

(c) 3

(d) 1

92. Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?

(a) Pump Priming

(b) Deficit Financing

(c) Compensatory Spending

(d) Public Spending

93. From the following data, calculate “Gross value added at factor cost”.

S. No.	Particulars	₹ In Crore
1.	Sale	180
2.	Rent	5
3.	Subsidy	10
4.	Change in Stock	15
5.	Purchase of Raw Material	100

6. Profits 25

(a) 105

(b) 210

(c) 185

(d) None of these

94. If the required reserve ratio is 20 percent, currency in circulation is ` 800 billion, demand deposits are ` 2000 billion, and excess reserves total ` 2 billion, find the value of money multiplier

(a) 2.50

(b) 2.90

(c) 2.60

(d) 2.40

95. Money Supply is directly proportional to:

(a) Cash reserve ratio (r)

(b) Monetary base (H)

(c) currency deposit ratio (k)

(d) Money Multiplier (m)

96. A group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries:

(a) Free trade area

(b) Custom union

(c) Trade bloc

(d) Regional preferential trade agreements

97. National Treatment Principle (NTP) says :

(a) Imported goods and domestic goods should be treated equally

(b) Exported goods and imported goods should be treated equally.

(c) Imported goods and domestic goods should be treated differently

(d) Internal trade is more important than international trade

98. The terms revaluation is applied to:

(a) Flexible exchange rate

(b) Fixed exchange rate

(c) Gold

(d) ECB

99. Any act of interference by a Central Bank like the RBI in influencing the exchange rate is referred to as which of the following in India?

(a) Dirty Floats

(b) Managed Floats

(c) Fixed Floats

(d) Market Stabilization Floats

100. According to Cambridge equation, the value of money depends upon :

(a) Demand for money

(b) Supply of money

(c) Demand for goods and services

(d) All of the above

Mock Test Paper - Series II: January, 2025

Date of Paper: 4th January 2025

Time of Paper: 10.30 A.M. to 12.30 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 hours **Marks: 100**

1. Which of the following is NOT a function of public finance?
   (A) Allocation of resources for public goods
   (B) Income redistribution to achieve social equity
   (C) Providing tax relief to corporates to boost economic growth
   (D) Stabilization of the economy through fiscal measures
2. Which of the following is NOT a part of the money supply in an economy?
   (A) Currency held by the central bank
   (B) Demand deposits in commercial banks
   (C) Saving accounts in commercial banks
   (D) Time deposits in commercial banks
3. Which of the following is NOT a typical tool of monetary policy used by a central bank?
   (A) Open market operations
   (B) Changing the reserve requirements of commercial banks
   (C) Adjusting the tax rates in the economy
   (D) Changing the discount rate
4. Which of the following is the most effective monetary policy tool for managing short-term fluctuations in the economy?
   (A) Open market operations
   (B) Changing tax rates
   (C) Changing government expenditure
   (D) Price control measures
5. According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:
   (A) Require labour-intensive techniques if the country has a surplus of capital.

(B) Utilize abundant factors of production that the country has in large supply.

(C) Require advanced technology in which the country is technologically superior.

(D) Require high labour costs in a country with low wages.

6. Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)?

(A) To reduce foreign competition in domestic markets

(B) To gain access to new markets and resources

(C) To avoid taxes in the home country

(D) To lower labour costs by outsourcing to developing countries

7. Which of the following would be an effect of a revaluation of a country's currency?

(A) Increased demand for the country's exports

(B) A decrease in the cost of imports for consumers

(C) Increased competitiveness of the country's exports in the global market

(D) A higher cost of living for consumers due to decreased purchasing power

8. In the context of trade negotiations, the term "Most-Favoured-Nation (MFN)" status refers to:

(A) A preferential treatment granted to one country over others in trade agreements.

(B) The obligation to trade exclusively with a particular country.

(C) A policy that allows countries to impose tariffs on imports from specific nations.

(D) A requirement to offer the same trade terms to all trading partners.

9. Which of the following is a primary objective of India's Five-Year Plans?

(A) To regulate and control foreign trade

(B) To promote balanced economic growth across all regions

(C) To discourage the private sector in favour of public enterprises

(D) To ensure foreign aid and capital inflows into the country

10. The Green Revolution in India focused primarily on increasing the production of:

(A) Oilseeds

(B) Food grains, especially wheat and rice

(C) Fruits and vegetables

(D) Cash crops like cotton and sugarcane

11. Which of the following policies has the Indian government adopted to promote small-scale industries?

(A) Granting subsidies to large multinational corporations

(B) Providing financial and technical assistance to small businesses

(C) Encouraging imports of capital goods for industrial use

(D) Abolishing labour laws to increase industrial output

12. Which of the following is the most important source of India's foreign exchange earnings?

(A) Industrial exports

(B) Remittances from Indians working abroad

(C) Tourism

(D) Services exports, especially IT and software

13. The current account deficit (CAD) in India refers to the excess of:

(A) Imports over exports

(B) Exports over imports

(C) Total investment over savings

(D) Government expenditure over revenue

14. Which of the following is a correct measure of unemployment in India?

(A) Labour force participation rate

(B) Gross Domestic Product per capita

(C) Inflation rate

(D) Poverty headcount ratio

15. Which of the following is the primary objective of India's fiscal policy?

(A) To regulate foreign exchange rates

(B) To control inflation through market mechanisms

(C) To manage government expenditure and tax collection to influence the economy

(D) To encourage high savings rates among citizens

16. Which of the following is a major issue associated with the fiscal deficit in India?

(A) Increased foreign exchange reserves

(B) Higher government borrowing leading to inflation

(C) Reduced taxation leading to a decrease in government revenue

(D) Increase in foreign direct investments

17. Which of the economists below most likely advocated activist government policies?

(A) Milton Friedman

(B) John Maynard Keynes

(C) Robert Lucas

(D) Thomas Sargent

18. Which of the following refers to the study of the total or aggregate level of output, income, employment, consumption, investment, and prices for the economy viewed as a whole?

(A) Managerial economics

(B) Microeconomics

(C) Macroeconomics

(D) Econometrics

19. Implicit cost is equal to:

(A) business profit minus economic profit.

(B) business profit plus economic profit.

(C) economic profit minus business profit.

(D) economic profit minus explicit cost.

20. If the demand curve for a firm's output is perfectly elastic, then the firm is:

(A) a monopolist.

(B) perfectly competitive.

(C) an oligopolist.

(D) monopolistically competitive.

21. The type of industry organization that is characterized by recognized interdependence and nonprice competition among firms is called:

(A) monopoly

(B) perfect competition.

(C) oligopoly.

(D) monopolistic competition.

22. Short-run average variable cost is equal to:

(A) total variable cost divided by output.

(B) average total cost minus average fixed cost.

(C) the cost per unit of the variable input divided by the average product of the variable input.

(D) All of the above are correct.

23. The restaurant industry has a market structure that comes closest to:

(A) monopolistic competition.

(B) oligopoly

(C) perfect competition.

(D) monopoly.

24. Which of the following statements is true?

(A) NDP is greater than GDP if prices are falling

(B) NDP is greater than GDP if prices are rising

(C) NDP can be greater than GDP but only if the economy is growing

(D) NDP cannot be greater than GDP

25. The difference between gross domestic investment and net domestic investment is equal to:

(A) unwanted inventory changes

(B) the difference between NDP and national income

(C) the addition to the capital stock

(D) the difference between GDP and NDP

26. Which of the following marks the beginning of a contraction in the business cycle:

(A) Peak

(B) Expansion

(C) Recession

(D) Trough

27. A recession can manifest itself with:

(A) a decrease in industrial production.

(B) a decrease in consumer spending.

(C) a lengthy period of falling GDP.

(D) all the above.

28. Economic globalization has seen:

(A) business cycles in the rest of the world synchronize with those of India.

(B) financial markets become more integrated over time.

(C) financial disruptions spread more easily among countries.

(D) all the above.

29. Which one of the following is not an assumption of law of variable proportion?

(A) Technology of production remains unchanged.

(B) Only physical inputs & output are considered.

(C) All units of variable factors are different.

(D) The must be some inputs whose quantity is kept fixed.

30. Which of the following is an example of market failure?

(A) Perfect competition in the economy

(B) Non-exclusion in public goods

(C) All firms making profits in a perfectly competitive market

(D) Optimal allocation of resources by private individuals

31. When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called:

(A) Monopoly

(B) Externalities

(C) Public Goods

(D) Market Equilibrium

32. In the budget-making process, what is the term used to describe the government's planned expenditure exceeding its expected revenue?

(A) Budget surplus

(B) Budget deficit

(C) Balanced budget

(D) National Debt

33. Which of the following is the correct sequence of stages in the budget-making process?

(A) Presentation, Drafting, Execution, Approval

(B) Drafting, Presentation, Approval, Execution

(C) Execution, Presentation, Approval, drafting

(D) Presentation, Approval, Execution, drafting

34. Which of the following is a tool of expansionary fiscal policy?

(A) Increasing taxes

(B) Cutting government spending

(C) Reducing subsidies on essential goods

(D) Increasing government spending to stimulate demand

35. What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?

(A) Achieve Fiscal Surplus

(B) Stop Money Laundering

(C) Eliminate Fiscal Deficit

(D) Eliminate Revenue deficit

36. Which one is a component of profit?

(A) Dividend

(B) Undistributed Profit

(C) Corporate Profit Tax

(D) All of these

37. Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance?

(A) The government maximizes profits by privatizing public goods.

(B) The government ensures the efficient distribution of resources in competitive markets.

(C) The government allocates resources to public goods like defence and infrastructure.

(D) The government avoids intervening in resource allocation to maintain market efficiency.

38. Which of the following situations best demonstrates a market failure due to asymmetric information?

(A) A monopolist exploiting market power by reducing supply

(B) Consumers buying substandard products because they lack information about quality

(C) The government providing public goods like street lighting

(D) A natural monopoly were economies of scale drive market concentration

39. Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending?

(A) Balanced budget

(B) Expansionary budget

(C) Contractionary budget

(D) Surplus budget

40. Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession?

(A) Increasing taxes and reducing government spending

(B) Cutting taxes and increasing government expenditure

(C) Reducing the public debt by increasing savings

(D) Avoiding changes in taxes and government spending

41. Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities?

(A) Implementing taxes on consumption of the good

(B) Subsidizing the production of the good

(C) Imposing strict regulations on production

(D) Reducing government spending on the good

42. Which of the following factors does NOT directly affect the demand for money?

(A) Interest rates

(B) The level of income or output

(C) The price level in the economy

(D) The government's fiscal deficit

43. The transaction motive for holding money implies that money is held to:

(A) Make speculative investments in financial markets

(B) Provide liquidity for daily transactions and purchases

(C) Protect wealth against inflationary risks

(D) Save for future investment in assets

44. In an economy, a change in the reserve ratio will directly affect the:

(A) Level of interest rates in the market

(B) Supply of money in circulation

(C) Demand for money at different income levels

(D) Government's budgetary balance

45. Which of the following is the primary objective of monetary policy in a country?

(A) To reduce government expenditure

(B) To regulate the money supply to achieve macroeconomic goals like controlling inflation

(C) To provide interest-free loans to the private sector

(D) To balance the national budget

46. According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:

(A) Decrease

(B) Increase proportionately

(C) Stay the same

(D) Increase, but unpredictably

47. If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be:

(A) A decrease in the money supply

(B) An increase in the money supply

(C) No change in the money supply

(D) A reduction in interest rates without affecting money supply

48. Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy?

(A) Decrease the interest rate

(B) Increase the money supply

(C) Raise the reserve ratio for commercial banks

(D) Lower the statutory liquidity ratio

49. If the central bank wants to decrease the money supply, which of the following tools of monetary policy is most likely to be used?

(A) Lowering the discount rate

(B) Conducting open market purchases of government bonds

(C) Increasing the reserve requirement for commercial banks

(D) Reducing taxes to increase consumer spending

50. Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?

(A) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.

(B) Resources are immobile between countries but mobile within a country.

(C) Trade occurs only due to differences in technology between countries.

(D) Both countries in trade can benefit even if one country is less efficient in producing both goods.

51. Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?

    (A) Increased inflation due to higher government expenditure

    (B) Reduction in technological transfer to local industries

    (C) Creation of employment opportunities and skill development

    (D) Increased dependence on foreign companies for resources

52. If a country's currency is depreciating, it means that:

    (A) The domestic currency is increasing in value relative to foreign currencies.

    (B) The country's exports will become more expensive to foreign buyers.

    (C) The country's exports become cheaper for foreign buyers, potentially boosting trade.

    (D) The central bank is actively increasing the supply of money.

53. In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?

    (A) To increase tariffs and protect domestic industries

    (B) To reduce trade barriers and promote free trade

    (C) To restrict foreign competition through quotas

    (D) To enhance domestic subsidies for agricultural sectors

54. Which of the following is an example of a multilateral trade agreement?

    (A) North American Free Trade Agreement (NAFTA)

    (B) European Union (EU) Trade Policies

    (C) World Trade Organization (WTO) agreements

    (D) Bilateral Trade Agreement between two countries

55. Which of the following is the primary objective of bilateral trade agreements?

    (A) To create trade barriers between the two countries involved

    (B) To establish free trade between two countries by eliminating tariffs and restrictions

    (C) To focus on mutual military cooperation between the countries

    (D) To standardize monetary policies between two countries

56. Which of the following is not an example of a policy designed to encourage competition?

    (A) Deregulation

    (B) Trade liberalization

(C) Reducing income tax

(D) Anti-monopoly regulations

57. Which of the following is considered a major challenge to the Indian agricultural sector?

(A) Over-reliance on capital-intensive machinery

(B) Low level of technological adoption and irrigation facilities

(C) Excessive imports of agricultural products

(D) Lack of foreign investments in the sector

58. Which of the following sectors saw the highest growth rate after the economic reforms of 1991 in India?

(A) Agriculture

(B) Industrial Sector

(C) Services Sector

(D) Mining and Quarrying

59. Which of the following is the most accurate reason for the persistence of poverty in India despite economic growth?

(A) Low level of foreign investment in rural areas

(B) High inequality in the distribution of income and resources

(C) Limited development in urban sectors

(D) Lack of a social security system for the working population

60. With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve.

(A) at one given point

(B) at intercepts on X-axis & Y-axis

(C) between two points

(D) Any of the above

61. 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.

62. Which of the following is a primary objective of India's monetary policy?

(A) To reduce the overall level of taxation in the economy

(B) To control the money supply and curb inflation

(C) To promote export-led growth through currency devaluation

(D) To ensure a balanced budget for the government

63. Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?

(A) Lowering national debt

(B) Cause a budget surplus

(C) Increase employment rates in that sector and improve the current account balance

(D) Increase employment rates in that sector and worsen the current account balance

64. In describing a given production technology, the short run is best described as lasting:

(A) Up to six months from now.

(B) Up to five years from now.

(C) As long as all inputs are fixed.

(D) As long as at least one input is fixed.

65. Which of the following is NOT dealt with in microeconomics?

(A) the effect of agricultural subsidies on the price of milk

(B) differences between the market for skilled labour versus the market for unskilled labour

(C) issues related to the structure and performance of the health care sector

(D) policies that affect the level of aggregate consumption

66. Which of the following areas of study refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its aims or objectives most efficiently?

(A) Business economics

(B) Microeconomics

(C) Macroeconomics

(D) Econometrics

67. Assertion (A): An iso-cost line is a straight line.

Reason (R): The market rate of exchange between the two inputs is constant.

(A) (A) is true and (R) is false

(B) Both (A) and (R) are true & (R) is the correct explanation of (A)

(C) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(D) (A) is false and (R) is true

68. Assume that corn and wheat are substitutes in production; that is, the same inputs can be used to produce either one of these two commodities. Also assume that the laws of supply and demand apply in both markets. If the demand for one of these commodities increases, what will likely happen in the other market?

(A) The demand will increase.

(B) The demand will decrease.

(C) The supply will increase.

(D) The supply will decrease.

69. If we notice that an increase in the price of product X causes reductions in the demand for product Y, then we can conclude that these two products are:

(A) complements in consumption.

(B) substitutes in consumption.

(C) complements in production.

(D) substitutes in production.

70. For Giffen good the angle Curve is:

(A) Vertical

(B) Horizontal

(C) Negatively Sloped

(D) Positively Sloped

71. The Pure monopolist in the long run can make pure profit due to:

(A) High Selling Price

(B) Advertising

(C) Low LAC Cost

(D) Blocked entry

72. The management of firm A observed that every time there is an increase in the price charged by firm B, the level of sales of firm A declines. But when firm C increases its price, the level of sales of firm A increases. From this we can conclude that:

(A) firms A and B produce substitutes in consumption.

(B) firms A and C produce substitutes in consumption.

(C) firms A and B produce unrelated in consumption products.

(D) firms A and C produce unrelated in consumption products

73. A cartel which is market sharing will reach the monopoly situation:

(A) Always when the product is homogenous

(B) Always when the product is differentiated

(C) Sometime

(D) None of these

74. According to Hawtrey trade cycle is a ___

(A) Monetary phenomenon

(B) Unplanned phenomenon

(C) Fiscal phenomenon

(D) All the above

75. Which of the following statements is incorrect?

(A) In a recession, normal goods manufacturers are expected to have reductions in the demand.

(B) In a recession, inferior goods manufacturers are not expected to have reductions in the demand.

(C) All producers are going to be negatively affected in a recession.

(D) None of the above is correct.

76. At the Point of Inflexion:

(A) Total Product is maximum

(B) Average Product is maximum

(C) Marginal Product is maximum

(D) Marginal Product is zero

77. Which of the following is not a determinant of the demand for a good?

(A) Its cost of production

(B) Expectations

(C) The prices of related products

(D) Preferences

78. Why is the supply of eggs inelastic?

(A) eggs cannot be stored

(B) eggs are perishable

(C) Both (A) and (B)

(D) None of these

79. If the price of a good increases, then:

(A) the demand for complementary goods will increase.

(B) the demand for the good will increase.

(C) the demand for substitute goods will increase.

(D) the demand for the good will decrease.

80. Firms in an industry that produces a differentiated product:

(A) are either monopolists or oligopolists.

(B) are either monopolistically competitive or perfectly competitive.

(C) are either monopolistically competitive or oligopolists

(D) are either perfectly competitive or oligopolists.

81. If an input is owned and used by a firm, then its:

(A) explicit cost is zero.

(B) implicit cost is zero.

(C) opportunity cost is zero

(D) economic cost is zero.

82. Short-run average variable cost is equal to:

(A) total variable cost divided by output.

(B) average total cost minus average fixed cost.

(C) the cost per unit of the variable input divided by the average product of the variable input.

(D) All of the above are correct.

83. One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm to:

(A) employ more specialized machinery.

(B) obtain bulk purchase discounts.

(C) employ a greater division of labour.

(D) All of the above are correct.

84. Economies of scope refers to the decrease in average total cost that can occur when a firm:

(A) produces more than one product.

(B) has monopoly power in world markets.

(C) controls the raw materials used as inputs.

(D) narrows the scope of its regional markets.

85. Which type of market structure does not typically have a negatively sloped market demand curve?

(A) Monopoly

(B) Perfect competition

(C) Oligopoly

(D) All of the above typically have negatively sloped market demand curves.

86. If the market demand curve for a commodity has a negative slope, then the market structure must be:

(A) perfect competition.

(B) monopoly.

(C) imperfectly competitive.

(D) The market structure cannot be determined from the information given.

87. If a firm sells its output on a market that is characterized by many sellers and buyers, a homogeneous product, unlimited long-run resource mobility, and perfect knowledge, then the firm is:

(A) a monopolist.

(B) an oligopolist.

(C) a perfect competitor.

(D) a monopolistic competitor.

88. If a firm sells its output on a market that is characterized by many sellers and buyers, a differentiated product, and unlimited long-run resource mobility, then the firm is :

(A) a monopolist.

(B) an oligopolist.

(C) a perfect competitor.

(D) a monopolistic competitor.

89. Which of the following is not a barrier to entry that typically results in monopoly?

(A) The firm controls the entire supply of a raw material.

(B) Production of the industry's product is subject to economies of scale over a broad range of output.

(C) Production of the industry's product requires a large initial capital investment.

(D) The firm holds an exclusive government franchise.

90. Increases in unwanted business inventories are counted as:

(A) a decrease in the capital stock

(B) an increase in consumption

(C) an increase in investment

(D) an increase in depreciation

91. Which of the following factors does NOT contribute to economic growth?

(A) the availability of resources such as labour and capital

(B) increases in the size of the population

(C) the availability of new and better technology

(D) increased knowledge gained through education or work experience

92. A consumption function of the form C = Co + c YD has a positive vertical intercept Co, which indicates that:

(A) some consumption is unaffected by changes in disposable income

(B) the MPC will increase as disposable income increases

(C) the APC will always increase as disposable income increases

(D) the APC will always be less than the MPC

93. Economic indicator of contraction and expansionary phase by measuring real GDP is:

(A) Business cycle

(B) Technical indicator

(C) Leading indicator

(D) Lagging indicator

94. National income accountants can avoid multiple counting by:

(A) Counting both intermediate and final goods.

(B) Only counting final goods.

(C) Only counting intermediate goods.

(D) Including transfers in their calculations.

95. In a business cycle, a period from peak to trough may be referred to as:

(A) an expansion.

(B) a recurrence.

(C) a contraction.

(D) a stagflation.

96. In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called?

(A) Elasticity

(B) Return to scale

(C) Total Product

(D) Marginal Revenue

97. When goods are complementary the Indifference Curve is:

(A) Is a straight line

(B) Is Convex to the origin

(C) Consist of two straight lines with a right angle bent.

(D) None of these

98. Long Run Average Cost (LAC) is:

(A) U Shaped

(B) Is also called envelope curve

(C) Both a and b

(D) None of These

99. Price discrimination is possible when

(A) The Seller should have some control over the supply of the Product

(B) The Price elasticity of the Product should be different in different sub market

(C) The seller should be able to divide his market into two or more Submarket

(D) None of these

100. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?

(A) + 1.5

(B) -1.5

(C) 2.5

(D) None of these

Mock Test Paper - Series I: April 2025

Date of Paper: 25th April 2025

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Which of the following statements is correct regarding business cycles?
   (a) Business cycles always affect all sectors uniformly.
   (b) Business cycles may affect all sectors uniformly.
   (c) Business cycles do not affect all sectors uniformly.
   (d) None of these
2. Business cycle emerge in _____.
   (a) Socialist economy
   (b) Free market economy
   (c) Mixed economic system
   (d) None of the above
3. If the price elasticity of demand of a product is (-) 3, what should be the price of the product for its MR to be ₹20?
   (a) ₹ 10/unit
   (b) ₹ 20/unit
   (c) ₹ 30/unit
   (d) ₹ 40/unit
4. While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be-
   (a) PP/ PN
   (b) PN /PP
   (c) M/ PN

(d) M /PP [Where, Pp – Price of Pepsi, PN - Price of Nachos & M – Money income of consumer]

5. Theory of Mercantilism propagates

(a) Encourage exports and imports

(b) Encourage exports and discourage imports

(c) Discourage exports and imports

(d) Discourage exports and encourage imports

6. EVA digital assistance Robot of HDFC Bank is:

(a) An intermediate good

(b) A consumer good

(c) A capital good

(d) None of these

7. Which of the following statement is incorrect, -

In the simple Keynesian model, -

(a) MPC+MPS=1

(b) APC+ APS=1

(c) Both (a) and (b)

(d) Neither (a) nor (b).

8. National income accountants can avoid multiple counting by:

(a) including transfers in their calculations.

(b) counting both intermediate and final goods.

(c) only counting final goods.

(d) only counting intermediate goods.

9. Gross investment refers to:

(a) private investment minus public investment.

(b) net investment plus replacement investment.

(c) net investment after it has been "inflated" for changes in the price level.

(d) net investment plus net exports.

10. The largest component of national income is:
    (a) compensation of employees.
    (b) rents.
    (c) interest.
    (d) corporate profits.
11. Transfer payments are:
    (a) excluded when calculating GDP because they only reflect inflation.
    (b) excluded when calculating GDP because they do not reflect current production.
    (c) included when calculating GDP because they are a category of investment spending.
    (d) included when calculating GDP because they increase the spending of recipients.
12. Price Floor is the price fixed by the government, which is:
    (a) Equal to Equilibrium Price
    (b) Below the Equilibrium Price
    (c) Above the Equilibrium Price
    (d) None of these
13. When actual price of a commodity is less than equilibrium price, its price:
    (a) starts rising
    (b) starts falling
    (c) starts fluctuating
    (d) remains constant
14. The cost which is never zero even when production is stopped is known as:
    (a) Supplementary Cost
    (b) Prime Cost
    (c) Explicit cost
    (d) Implicit cost
15. At the Point of Inflexion:
    (a) Total Product is maximum

(b) Average Product is maximum

(c) Marginal Product is maximum

(d) Marginal Product is zero

16. The Indian Government imposed heavy taxes on commodity to reduce its consumption by the public. Such heavy taxes will decrease the demand of the commodity only when:

(a) ed = 0

(b) ed > 1

(c) $E_d<1$

(d) ed = 1

17. What does the term "cascading effect" in taxation refer to?

(a) Tax on tax, leading to increased costs

(b) Double taxation of the same income

(c) A uniform tax rate across all commodities

(d) A system where indirect taxes are completely avoided

18. Which characteristic of money refers to its ability to hold value over time?

(a) Divisibility

(b) Durability

(c) Portability

(d) Store of value

19. What is the purpose of a capital budget?

(a) Funding day-to-day government operations

(b) Financing long-term investments and projects

(c) Managing short-term financial needs

(d) Controlling inflation

20. According to Keynes, what is the role of the government in maintaining full employment?

(a) Limited role, as the market will self-adjust

(b) Active role through fiscal and monetary policies

(c) Passive role, focusing on international trade

(d) No role, as unemployment is a natural part of the business cycle

21. Keynesian economics emphasizes the importance of:

(a) Market self-regulation

(b) Government intervention

(c) International trade

(d) Laissez-faire policies

22. Which of the following factors does NOT directly affect the demand for money?

(a) Interest rates

(b) The level of income or output

(c) The price level in the economy

(d) The government's fiscal deficit

23. In an economy, a change in the reserve ratio will directly affect the:

(a) Level of interest rates in the market

(b) Supply of money in circulation

(c) Demand for money at different income levels

(d) Government's budgetary balance

24. Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending?

(a) Balanced budget

(b) Expansionary budget

(c) Contractionary budget

(d) Surplus budget

25. Which of the following is the most important source of India's foreign exchange earnings?

(a) Industrial exports

(b) Remittances from Indians working abroad

(c) Tourism

(d) Services exports, especially IT and software

26. The Green Revolution in India focused primarily on increasing the production of:

(a) Oilseeds

(b) Food grains, especially wheat and rice

(c) Fruits and vegetables

(d) Cash crops like cotton and sugarcane

27. Which of the following is a primary objective of India's Five-Year Plans?

(a) To regulate and control foreign trade

(b) To promote balanced economic growth across all regions

(c) To discourage the private sector in favor of public enterprises

(d) To ensure foreign aid and capital inflows into the country

28. In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?

(a) To increase tariffs and protect domestic industries

(b) To reduce trade barriers and promote free trade

(c) To restrict foreign competition through quotas

(d) To enhance domestic subsidies for agricultural sectors

29. Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?

(a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.

(b) Resources are immobile between countries but mobile within a country.

(c) Trade occurs only due to differences in technology between countries.

(d) Both countries in trade can benefit even if one country is less efficient in producing both goods.

30. According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:

(a) Decrease

(b) Increase proportionately

(c) Stay the same

(d) Increase, but unpredictably

31. Which of the following situations best demonstrates a market failure due to asymmetric information?

(a) A monopolist exploiting market power by reducing supply

(b) Consumers buying substandard products because they lack information about quality

(c) The government providing public goods like street lighting

(d) A natural monopoly where economies of scale drive market concentration

32. When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called:

(a) Monopoly

(b) Externalities

(c) Public Goods

(d) Market Equilibrium

33. When e > 1 the MR is

(a) One

(b) Negative

(c) Positive

(d) Zero

34. Price discrimination will be profitable only if the elasticity of demand in different sub market is :

(a) different

(b) uniform

(c) zero

(d) less

35. When the Output of the firm increases in the Short run, its average fixed cost :

(a) Decreases

(b) Increases

(c) First decline and then rise

(d) remains constant

36. A vertical supply curve parallel to Y axis implies that the elasticity of supply is:

(a) Infinity

(b) Zero

(c) Greater than zero but less than infinity

(d) Equal to one

37. Inequality and Exploitation is minimal under:

(a) Mixed economy

(b) Capitalism

(c) Socialism

(d) None of these

38. Comfort lie between:

(a) inferior goods and necessities

(b) luxuries and inferior goods

(c) necessities and luxury

(d) None of these

39. Which of the following is not a determinant of the firm's cost function?

(a) Taxes

(b) The Production Function

(c) The Price of the firm's output

(d) None of these

40. Which of the following is correct about Cartel?

(a) There are few firms

(b) All of which are similar in size

(c) Most Cartels have only a Subset of producers

(d) All of the above

41. Secular Period is also known as :

(a) Short Period

(b) Very Long Period

(c) long Period

(d) Very short Period

42. Price Rigidity explained by Sweezy's model is related to which market form:

(a) Monopoly

(b) Oligopoly

(c) Monopolistic competition

(d) None of these

43. In business cycle peaks and troughs are collectively known as:

(a) Turning Points

(b) Equilibrium Points'

(c) Real business cycle events'

(d) None of these

44. Fluctuation in economic activities according to Keynes are due to :

(a) Innovations

(b) changes in money supply

(c) Fluctuation in aggregate effective demand

(d) Fluctuation in government spending

45. Demand for Electricity is elastic because

(a) it is very expensive

(b) it has alternative uses

(c) it has a number of close Substitute.

(d) None of these

46. The effectiveness of fiscal policy is limited by:

a) Time lags in implementation

(b) Lack of flexibility in government expenditure

(c) Political constraints

(d) All of the above

47. Internal public debt refers to:

(a) Loans taken from international financial institutions

(b) Government borrowing from domestic sources

(c) Borrowing from foreign investors

(d) Foreign direct investment (FDI)

48. Redistribution of income by the government is primarily done through:

(a) Progressive taxation and social welfare programs

(b) Privatization of public enterprises

(c) Increase in indirect taxes

(d) Encouraging monopolistic practices

49. The Finance Commission is responsible for:

(a) Allocating financial resources between the Union and the States

(b) Preparing the Union Budget

(c) Controlling the Reserve Bank of India

(d) Regulating stock markets

50. Which of the following is NOT a function of NITI Aayog?

(a) Policy formulation and coordination

(b) Allocation of financial resources to states

(c) Promoting cooperative federalism

(d) Serving as a think tank for the government

51. Under Article 112, the Annual Financial Statement is presented in which house of Parliament first?

(a) Lok Sabha

(b) Rajya Sabha

(c) Joint Session of Parliament

(d) Finance Committee

52. Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?

(a) Increased inflation due to higher government expenditure

(b) Reduction in technological transfer to local industries

(c) Creation of employment opportunities and skill development

(d) Increased dependence on foreign companies for resources

53. According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:

(a) Require labour-intensive techniques if the country has a surplus of capital.

(b) Utilize abundant factors of production that the country has in large supply.

(c) Require advanced technology in which the country is technologically superior.

(d) Require high labor costs in a country with low wages.

54. Production of milk is included in which sector?

(a) Tertiary sector

(b) Service sector

(c) Primary sector

(d) Secondary sector

55. Which of the following is the primary objective of bilateral trade agreements?

(a) To create trade barriers between the two countries involved

(b) To establish free trade between two countries by eliminating tariffs and restrictions

(c) To focus on mutual military cooperation between the countries

(d) To standardize monetary policies between two countries

56. Agricultural goods markets depict characteristics close to:

(a) Perfect competition.

(b) Oligopoly.

(c) Monopoly.

(d) Monopolistic competition.

57. Monopsony means _____

(a) Where there are large firms

(b) There is a single buyer

(c) Small number of large buyers

(d) Single seller and single buyer

58. Which of the following in incurred first?

(a) Historical Cost

(b) Replacement Cost

(c) Realized Value

(d) None of these

59. The Great Depression occurred during:

(a) 1919-23

(b) 1929-33

(c) 1949-53

(d) 1901-05

60. The burden of long-term public debt fall on:

(a) Present generation

(b) Past generation

(c) Future generation

(d) All

61. The strategy of agricultural development in India before green revolution was

(a) High yielding varieties of seeds and chemical fertilizers to boost productivity

(b) Institutional reforms such as land reforms

(c) Technological up gradation of agriculture

(d) All the above

62. The transaction motive for holding money implies that money is held to:

(a) Make speculative investments in financial markets

(b) Provide liquidity for daily transactions and purchases

(c) Protect wealth against inflationary risks

(d) Save for future investment in assets

63. In the context of trade negotiations, the term “Most-Favoured-Nation (MFN)” status refers to:

(a) A preferential treatment granted to one country over others in trade agreements.

(b) The obligation to trade exclusively with a particular country.

(c) A policy that allows countries to impose tariffs on imports from specific nations.

(d) A requirement to offer the same trade terms to all trading partners.

64. Which of the following is the most important source of India’s foreign exchange earnings?

(a) Industrial exports

(b) Remittances from Indians working abroad

(c) Tourism

(d) Services exports, especially IT and software

65. Which of the following statements is correct regarding business cycles?

(a) Business cycles are contagious and international in character.

(b) Business cycles begin in one country and spread to other countries through trade relations.

(c) Business cycles have serious consequences on well-being of the societies.

(d) All of the above

66. Decrease in input demand _____.

(a) Doesn’t affect inputs prices

(b) Pushes inputs prices up

(c) Pulls inputs prices down

(d) Either (b) or (c)

67. During business cycles the opposite of a peak is _____.

(a) an inflation

(b) a hyperinflation

(c) a trend

(d) a trough

68. Nicholas Kaldor propounded _____

(a) Nocholas theory

(b) Kaldor Theory

(c) Cobweb theory

(d) Cobb-Douglas theory

69. Repercussions of business cycles get _____ felt on nearly all economic variables.

(a) alternatively

(b) simultaneously

(c) one by one

(d) All of the above

70. Different business cycles _____ in duration and intensity.

(a) differ

(b) similar

(c) consistent

(d) Can't say

71. Peak is the _____ stage of expansion.

(a) Later

(b) Earlier

(c) Either (A) or (B)

(d) None of the above

72. Which one of the following is not an internal cause of business cycles?

(a) Money supply

(b) Technology shocks

(c) Psychological factors

(d) Fluctuations in investment

73. Which of the following is a differentiated product?

(a) A hamburger

(b) A shirt

(c) An automobile

(d) All of the above

74. If the market demand curve for a commodity has a negative slope then the market structure must be:

(a) Perfect competition

(b) Monopoly

(c) Imperfect competition

(d) The market structure cannot be determined as the information is insufficient

75. The market demand curve for a perfectly competitive industry is: Qd = 12 – 2P and the market supply curve is: Qs = 3 + P. The market will be in equilibrium if

(a) P =6 and Q = 9

(b) P =5 and Q = 2

(c) P =4 and Q = 4

(d) P =3 and Q = 6

76. The short run supply curve of a perfectly competitive firm is equal to

(a) That portion of the short run marginal cost curve that is above the average variable cost curve

(b) That portion of the short run marginal cost curve that is above the average total cost curve

(c) That portion of the short run average total cost curve that is above the average variable cost curve

(d) None of the above is correct.

77. Marginal revenue is equal to the price under

(a) Monopoly market structure

(b) Oligopoly form of market

(c) Monopolistically competitive market

(d) Perfect competition

78. When demand increases and supply decreases,

(a) the equilibrium price and quantity both rise

(b) the equilibrium price and quantity both fall

(c) the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.

(d) the equilibrium quantity rises but nothing certain can be said about the change in equilibrium price.

79. Isoquant in the relevant range are:

(a) Convex to the Origin

(b) Negatively Sloped

(c) Cannot cross

(d) All of the Above

80. For Giffen good the angle Curve is :

(a) Vertical

(b) Horizontal

(c) Negatively Sloped

(d) Positively Sloped

81. Demand for a commodity with negative income elasticity indicates that as income falls the amount of the commodity purchased

(a) falls

(b) rises

(c) remain unchanged

(d) None of these

82. Normative economics can be explained through:

(a) Fairness to tax

(b) Incidence to tax

(c) Effect of tax on incentives to work

(d) None of these

83. Entry of new firm is monopoly is :

(a) Possible only in the long run

(b) Possible only in the short run

(c) Restricted at all times

(d) Both (a) and (b)

84. The market price cannot be influenced by a seller under :

(a) Monopolistic Competition

(b) Monopoly

(c) Perfect Competition

(d) All the above

85. There is an inverse relation between price and demand for the products of a firm under:

(a) Monopoly only

(b) Monopolistic Competition only

(c) Both Monopoly and Monopolistic Competition

(d) Perfect competition

86. Price elasticity of demand under monopoly is _____

(a) Infinity

(b) Equal to one

(c) Less than one

(d) None of these

87. Business Economics in its approach is

(a) Pragmatic

(b) Idealistic

(c) Normative

(d) None of these

88. Contraction of demand is the result of

(a) Decrease in the number of Consumers

(b) Increase in the price of the good concerned

(c) Price of related products

(d) None of these

89. The rate at which the consumer is prepared to exchange-good x and y is :

(a) Marginal rate of substitution

(b) Elasticity of Substitution

(c) Diminishing Marginal Utility

(d) None of these

90. Indifference Curve Analysis was proposed by _____

(a) J. R Hicks and R.G.D Allen

(b) Alfred Marshall

(c) Jeremy Bentham

(d) None of these

91. Which of the following statement is correct concerning the relationship among the firm's cost function:

(a) TC = TVC-TFC

(b) TFC = TC- TVC

(c) TC = TFC – TVC

(d) TVC = TFC- TC

92. The marginal utility from last unit consumed of commodity Y = 50 Units and MUm = 10. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y—

(a) 5

(b) 10

(c) 40

(d) None of these

93. The price in collusive oligopoly is decided by:

(a) firm

(b) price leader

(c) industry

(d) none of these

94. The Government offer minimum assured price to the farmers to purchase their output is called:

(a) market Price

(b) support Price

(c) equilibrium Price

(d) ceiling Price

95. What are the internal causes of business cycle?

(a) fluctuations in effective demand.

(b) macroeconomic policies

(c) money Supply

(d) All the above

96. The substitution effect will be stronger when:

(a) the goods are closer substitute

(b) there is lower cost of switching to the substitute good.

(c) there is lower inconvenience while switching to the substitute good.

(d) all the above

97. 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.

98. Which of these country is a purely socialist economy?

(a) USSR

(b) China

(c) Vietnam

(d) None of these

99. The Nature of Business Economics:

(a) Business Economics is a Science

(b) Incorporate elements of Macro Analysis

(c) Interdisciplinary in Nature

(d) All the above

100. The Book “The Wealth of Nations “is written by:

(a) Adam Smith

(b) Arthur Pigou

(c) Robinson

(d) Ragnar Nurske

Mock Test Paper - Series II: May, 2025

Date of Paper: 8th May, 2025

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. GDP includes:
   (a) neither intermediate nor final goods.
   (b) both intermediate and final goods.
   (c) intermediate, but not final, goods.
   (d) final, but not intermediate, goods.
2. If depreciation exceeds gross investment:
   (a) the economy's stock of capital may be either growing or shrinking.
   (b) the economy's stock of capital is shrinking.
   (c) the economy's stock of capital is growing.
   (d) net investment is zero.
3. By summing the values added at each stage in the production of some good we obtain:
   (a) the price of that good.
   (b) the total income generated by that good's production.
   (c) the total cost (including profits) of that product.
   (d) all the above.
4. The value of money in Fisher's equation is determined by:
   (a) Demand for money
   (b) Supply of money
   (c) Demand and supply of money
   (d) None of the above

5. Value of money is

   (a) Directly related to the price level

   (b) Inversely related to the price level

   (c) Proportionately related to the price level

   (d) All the above

6. Bank rate policy is not very effective because-

   (a) It requires a well-developed money market

   (b) It cannot operate effectively

   (c) All banks are not under the control of central bank

   (d) All the above

7. Inflation can be controlled by applying:

   (a) Monetary and fiscal policies

   (b) Monetary and labour policy

   (c) Fiscal and Commercial Policies

   (d) All of the above

8. What is Currency Deposit Ratio (CDR)?

   (a) Ratio of money held by the public in currency to that of money held in bank deposits

   (b) Ratio of money held by the public in bank deposits to that of money held by public in currency

   (c) Ratio of money held in demand drafts to that of money held in treasury bonds

   (d) None of the above

9. Open Market Operation is :

   (a) Buying and selling of government securities

   (b) Sale of government securities

   (c) Buying and selling of government cheques

   (d) All of the above

10. Which of the following is a qualitative or selective method of credit control by the central bank?

    (a) Bank rate or Discount Rate Policy

    (b) Open market operations

    (c) Cash Reserve Ratio

    (d) None of the above

11. The fiscal deficit excluding the interest liabilities for a year is called as ;

    (a) Revenue deficit

    (b) Capital deficit

    (c) Budget deficit

    (d) Primary deficit

12. Pump Priming is related with:

    (a) Monetary policy

    (b) Income policy

    (c) Price policy

    (d) Fiscal policy

13. The modern state is:

    (a) Laissez –faire state

    (b) Welfare state

    (c) Aristocratic state

    (d) Police state

14. Public Debt Management refers to :

    (a) Terms of new bonds

    (b) Proportion of different components of public debt

    (c) Maturity

    (d) All the above

15. Education is an example of :

    (a) Private good

(b) Public good

(c) Merit good

(d) Mixed good

16. The World bank normally gives:

(a) Short term loans

(b) Medium term loans

(c) Long term loans

(d) medium- and long-term loans

17. Balance of trade is a:

(a) Flow concept

(b) Stock concept

(c) Both (A) and (B)

(d) None of the above

18. Which is not an advantage of International Trade ?

(a) Export of surplus production

(b) Import of defence material

(c) Dependence on foreign countries

(d) Availability of cheap raw material

19. Which source of revenue is shared between the Centre and the States in India?

(a) Excise duty

(b) Corporation tax

(c) Income tax

(d) None of these

20. Which of the following is a capital receipt in the government budget?

(a) Income tax

(b) Interest on loans

(c) Borrowings

(d) None of these

21. Which policy tool can the government use to correct negative externalities?

(a) Subsidies

(b) Taxes

(c) Tariffs

(d) None of these

22. Business Economics is:

(a) Practical application of economic theory in business decision making.

(b) Incorporates tools from multiple decisions

(c) Both a & b

(d) None of these

23. Market demand is the sum total of :

(a) All quantities that producers can produce

(b) All quantities actually sold in the market

(c) All quantities demanded by individual household and consumers

(d) None of these

24. The demand for Scooter and petrol is an example of demand :

(a) Joint

(b) Composite

(c) Competitive

(d) Market

25. Goodwill, patent right, etc. are example of:

(a) Tangible capital

(b) Real capital

(c) Intangible capital

(d) None of these

26. The basic behavioural principle which apply to all market conditions:

(a) A firm should product only if its TR ≥ TVC

(b) A firm should produce at a level where its MC= MR

(c) MC curve cuts the MR curve from below

(d) All the above

27. When growth rate becomes negative & the level of National Income & expenditure declines rapidly, we observe:

(a) Recovery

(b) Expansion

(c) Trough

(d) None of these

28. Which item is excluded from the estimation of national income?

(a) Rent from property

(b) Salary of public servants

(c) Illegal income

(d) Profits of corporations

29. If the investment increases by ₹ 50 crores and the multiplier is 4, the change in income is:

(a) ₹ 200 crores

(b) ₹ 100 crores

(c) ₹ 250 crores

(d) ₹ 150 crores

30. Which of the following is included in M1 in India?

(a) Time deposits

(b) Currency with the public and demand deposits

(c) Bonds and shares

(d) Treasury bills

31. Which of the following is a quantitative instrument of monetary policy?
    (a) Moral suasion
    (b) Credit rationing
    (c) Bank Rate
    (d) None of these
32. If the RBI increases the Cash Reserve Ratio (CRR), it will lead to:
    (a) Increase in money supply
    (b) Decrease in money supply
    (c) No effect on money supply
    (d) Increase in inflation
33. Dumping refers to:
    (a) Reducing tariffs
    (b) Sale of goods abroad at a lower price, below their cost and price in their home market
    (c) Buying goods at low prices abroad and selling at higher prices locally
    (d) Expensive goods selling for low prices
34. Trade between two countries can be useful if cost ratios of goods are:
    (a) Undetermined
    (b) Decreasing
    (c) Equal
    (d) Different
35. Economic Survey is published by:
    (a) Ministry of finance
    (b) Planning commission
    (c) Govt. of India
    (d) Indian statistical institute
36. Which of the following combinations is correct?
    (a) NABARD – Industrial Loan

(b) IDBI – Short term Loans

(c) RBI – Long term Loans

(d) RRB – Agricultural Finance

37. Rolling plan is a plan for:

(a) One year

(b) Two year

(c) Three year

(d) Five year

38. Unemployment in a developing country is generally take place due to

(a) Switch over from one job to another.

(b) Lack of effective demand

(c) Seasonal factors.

(d) Lack of complementary factors of production.

39. Disguised unemployment is common in :

(a) Agricultural sector

(b) Industrial sector

(c) Service sector

(d) Non of these

40. Import quota is:

(a) Tariff

(b) Non-Tariff barrier

(c) Concession

(d) International Obligation.

41. The best indicator of economic development of any country is:

(a) Its agriculture

(b) Its transport

(c) Its gross production

(d) Its per capital income.

42. The regulatory body of mutual funds in India is ----------.

(a) RBI

(b) SEBI

(c) IRDA

(d) Government

43. A market for borrowing and lending funds for a period exceeding 14 days:

(a) Term money market

(b) Call money market

(c) Commercial bill market

(d) None of these

44. Which of the following are the instruments of money market?

(a) Call money

(b) Certificate of deposits

(c) Trade bills

(d) All of the above

45. Finance Commission:

(a) Is a Statutory Body

(b) Recommends the distribution of taxes between Union and States

(c) Cannot decide on principles related to Grants in Aid given by Union to States

(d) All of the above

46. Statutory Liquidity Ratio is:

(a) Banks have to keep deposits with RBI

(b) Certain percentage of deposits are to be kept by the bank in form of liquid assets

(c) It is the discount rate of the banks

(d) None of the above

47. Which of the following Budget documents is mandated by Fiscal Responsibility and Budget Management Act, 2003?

    (a) Annual Financial Statement (AFS)

    (b) Demand for Grants

    (c) Finance Bill

    (d) Macro-Economic Framework Statement

48. In a free market economy, the allocation of resources is determined by

    (a) Consumer Preferences

    (b) Voting done by consumers

    (c) The level of profit

    (d) None of these

49. The Heckscher-Ohlin model differs from the Ricardian model of Comparative Advantage in that the former:

    (a) has only two countries.

    (b) has only two products.

    (c) has two factors of production.

    (d) None of these

50. According to Musgrave the major functions of public finance are:

    (a) Allocative function

    (b) Distributive function c

    (c) Stabilisation function

    (d) All the above

51. In the case of relatively elastic demand, the money burden of tax is on:

    (a) More on seller

    (b) More on buyer

    (c) Entirely on seller

    (d) Entirely on buyer

52. One negative effect of high public expenditure is:
    (a) Decrease in government control
    (b) Increase in budget deficits and public debt
    (c) Increase in private sector growth
    (d) Reduction in social welfare
53. Law of demand is violated when:
    (a) Income effect is negative
    (b) Substitution effect is negative
    (c) Negative income effect is greater than the substitution effect
    (d) None of these
54. Elasticity is greater than utility for:
    (a) Luxuries
    (b) Necessaries
    (c) Complementary good
    (d) None of these
55. Which of the following is not studied in microeconomics?
    (a) Factor pricing
    (b) Location of Industry
    (c) Consumer Behaviour
    (d) External value of currency
56. The Characteristics of capitalist economics does not include?
    (a) Right to Private property
    (b) Freedom of economic choice
    (c) Absence of Consumer choice
    (d) Completion
57. Which of the following are within the scope of business economies?
    (a) Capital Budgeting

(b) Risk Analysis

(c) Business cycles

(d) All of the Above

58. The Substitution effect will be stronger when:

(a) The goods are closer substitution

(b) There is lower cost of switching to the substitute goods

(c) There is lower Inconvenience while switching to the substitute good

(d) All the above

59. In spite of the fact that the price of the television sets refrigerators, air conditions etc. have been continuously rising their demand does not stand any tendency to fact because they are

(a) Conspicuous goods

(b) Giffen goods

(c) Speculative goods

(d) Conspicuous necessities.

60. What are the determinants of price elasticity?

(a) Availability of substitutes

(b) Price range

(c) Position of a Commodity in the Consumer's budget.

(d) All the above

61. The turning point of business cycle is produced by when economic indicates :

(a) Coincident

(b) Lagging indicates

(c) leading Indicates

(d) All of the above

62. U Shaped average cost curve is based on:

(a) Law of variance proportions

(b) Law of increasing cost

(c) Law of decreasing cost

(d) None of these

63. The reason behind the upward sloping portion of the long run cost curve is:

(a) economy of scale

(b) diseconomy of scale

(c) diminishing marginal rate of substation

(d) None of these

64. Short run marginal cost of the firm will be increasing when:

(a) average cost is decreasing

(b) total fixed cost is increasing

(c) average fixed cost is decreasing

(d) None of these

65. Consumer is sovereign under:

(a) Free Economy

(b) Mixed Economy

(c) Controlled Economy

(d) Both (a) and (b)

66. Demand curve under Oligopoly is:

(a) Less Elastic

(b) Perfectly Elastic

(c) Highly Elastic

(d) Indeterminate

67. The substitution effect for a fall in the price of a commodity (ceteris paribus) is given by:

(a) a movement up a given indifference curve,

(b) a movement from a higher to a lower indifference curve,

(c) a movement down a given indifference curve, or

(d) any of the above.

68. Who gave the theory of price discrimination?

(a) Marshall

(b) Pigou

(c) Cournot

(d) Simon

69. At the shut-down point:

(a) P = AVC

(b) TR = TVC

(c) the total losses of the firm equal TFC

(d) all of the above.

70. Total utility is maximum when:

(a) marginal utility is zero

(b) marginal utility is at its highest point

(c) marginal utility is equal to average utility

(d) average utility is maximum

71. The consumer is in equilibrium at a point where the budget line :

(a) is above an indifference curve

(b) is below an indifference curve

(c) is tangent to an indifference curve

(d) cuts an indifference curve

72. An indifference curve slopes down towards right since more of one commodity and less of another result in:

(a) same satisfaction

(b) greater satisfaction

(c) maximum satisfaction

(d) decreasing expenditure

73. The consumer is in equilibrium when the following condition is satisfied:

(a) $\frac{MU_X}{MU_Y} > \frac{P_X}{P_Y}$

(b) $\frac{MU_X}{MU_Y} < \frac{P_X}{P_Y}$

(c) $\frac{MU_X}{MU_Y} = \frac{P_X}{P_Y}$

(d) None of the above

74. In the case of a Giffen good, the demand curve will be:

(a) horizontal

(b) downward-sloping to the right

(c) upward-sloping to the right

(d) vertical

75. Which of the following is not an essential condition of pure competition ?

(a) large number of buyers and sellers

(b) homogeneous product

(c) freedom of entry

(d) absence of transport cost

76 Which is the first order condition for the profit of a firm to be maximum?

(a) AC = MR

(b) MC = MR

(c) MR = AR

(d) AC = AR

77. In which form of the market structure is the degree of control over the price of its products by a firm very large?

(a) monopoly

(b) imperfect competition

(c) oligopoly

(d) perfect competition

78 Under which of the following forms of market structure does a firm have no control over the price of its product?

(a) monopoly

(b) monopolistic competition

(c) oligopoly

(d) perfect competition

79. The net value-added method of measuring national income is also known as:

(a) net output method

(b) production method

(c) industry of origin method

(d) all of the above.

80. Which of the following is incorrect?

(a) GDP at market price = GDP at factor cost plus net indirect taxes

(b) NNP at factor cost = NNP at market price minus indirect taxes

(c) GNP at market price = GDP at market price plus net factor income from abroad

(d) None of the above

81. Nearly _____ percent of working population is engaged in the service sector:

(a) 23 per cent

(b) 45 per cent

(c) 80 per cent

(d) 50 per cent

82. The industrial sector depends on the agricultural sector because:

(a) the agricultural sector provides food and other products for the consumption purposes of industrial sector

(b) the agricultural sector provides raw materials for the development of agro-based industries of the economy

(c) the agricultural sector provides market for the industrial products

(d) all of the above

83. The Indian industry faced the process of retrogression and deceleration because of:

(a) unsatisfactory performance of agriculture

(b) slackening of real investment in public sector

(c) narrow market for industrial goods, especially in rural areas

(d) all of the above.

84. Which of the following statements is incorrect?

(a) About 80 per cent of agricultural area has irrigation facilities

(b) About two third area is rain-fed in India

(c) Productivity per worker in agriculture is much lower than that in industry

(d) Cropping pattern is quite skewed in India.

85. We can say Indian agriculture has become modern since:

(a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc.

(b) there has been noticeable positive change in the attitude of farmers towards new techniques of production

(c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management

(d) all of the above.

86. Generally, an economy is considered underdeveloped if:

(a) the standard of living of people is low and productivity is also considerably low.

(b) agriculture is the main occupation of the people and productivity in agriculture is quite low

(c) the production techniques are backward

(d) all of the above

87. _____ is the apex bank for agriculture credit in India.

(a) RBI

(b) SIDBI

(c) NABARD

(d) ICICI

88. The major cause of unemployment in India is :

(a) underdevelopment

(b) defective manpower planning

(c) rapid population growth

(d) all of the above

89. The largest share of foreign aid in India has been used in the programme of :

(a) agriculture development

(b) industrial development

(c) education

(d) health

90. Before financial reforms, the banking system was characterised by all of the following except:

(a) administered interest rate structure

(b) quantitative restrictions on credit flow

(c) high revenue requirements

(d) keeping very less lendable resources for the priority sector

91. The demand curve facing an industrial firm under monopoly is a/an ____

(a) horizontal straight line

(b) indeterminate

(c) downward sloping

(d) upward sloping

92. The degree of monopoly power is measured in terms of difference between:

(a) Marginal cost and the price

(b) Average cost and average revenue

(c) Marginal cost and average cost

(d) Marginal revenue and average cost

93. A monopoly producer usually earns _____ even in the long run.
    (a) super normal profits
    (b) only normal profits
    (c) losses
    (d) none of the above
94. Price discrimination is not possible:
    (a) under monopoly situation
    (b) under any market form
    (c) under monopolistic competition
    (d) under perfect competition
95. Discriminating monopoly is possible if two markets have:
    (a) rising cost curves
    (b) rising and declining cost curves
    (c) different elasticities of demand
    (d) equal elasticities of demand
96. Consumer's surplus left with the consumer under price discrimination is:
    (a) maximum
    (b) minimum
    (c) zero
    (d) not predictable
97. A firm under monopolistic competition advertises:
    (a) as it has no control over the price of its product
    (b) to lower its cost of production
    (c) to increase its sales and profit
    (d) because it cannot raise price
98. 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, super normal profit or incur losses

99. In long run, all firms in monopolistic competition:

(a) earn super normal profits

(b) earn normal profits

(c) incur losses

(d) may earn super normal profit, normal profit or in incur losses

100. In terms of Ease of Doing Business in 2020 India ranks:

(a) 63

(b) 75

(c) 45

(d) None of these

Mock Test Paper - Series I: August, 2025

Date of Paper: 14th August, 2025

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Bank Rate is the rate:
   (a) At which RBI lends to the commercial banks
   (b) At which RBI rediscounts the bills of the commercial banks
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)
2. Which of the following is NOT an instrument of monetary policy?
   (a) Cash Reserve Ratio
   (b) Statutory Liquidity Ratio
   (c) Public Expenditure Management
   (d) Repo Rate
3. Reverse Repo Rate is:
   (a) Rate at which RBI borrows from commercial banks
   (b) Rate at which RBI lends to the commercial banks
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)
4. Fiscal deficit can be remedied by:
   (a) Borrowing money
   (b) Printing Currency
   (c) Both (a) and (b)
   (d) Neither (a) nor (b)
5. Which of the following Budget documents is mandated by Fiscal Responsibility and Budget Management Act, 2003?
   (a) Annual Financial Statement (AFS)

(b) Demand for Grants

(c) Finance Bill

(d) Macro-Economic Framework Statement

6. Non-Plan Grants are determined by:

(a) Planning Commission

(b) Finance Commission

(c) Central Government

(d) State Government

7. Public Debt Management refers to:

(a) Terms of new bonds

(b) Proportion of different components of public debt

(c) Maturity

(d) All the above

8. Public Expenditure increases:

(a) Interest rate

(b) Employment

(c) Exports

(d) Imports

9. Which of the following are the instruments of money market?

(a) Call money

(b) Certificate of deposits

(c) Trade bills

(d) All of the above

10. Who issues a treasury bill?

(a) Any nationalised bank

(b) Any private sector bank

(c) Reserve Bank of India

(d) All of the above

11. It is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.
    (a) Commercial bill
    (b) Commercial papers
    (c) Call money
    (d) None of the above
12. The Dumping word refers to:
    (a) Tariffs should be cut to make more money.
    (b) A lower-priced sale of goods abroad is below the cost and price of their home market.
    (c) Buying goods at low prices in another country and selling them at a higher price here.
    (d) Expensive goods are being sold at low prices.
13. The margin for a currency long term must be retained with the repository by:
    (a) The buyer
    (b) The seller
    (c) Both the buyer and the seller
    (d) None
14. Money cost is considered by:
    (a) Modern theory of trade
    (b) Comparative cost advantage
    (c) New Trade theory
    (d) Factor equalization theorem
15. Factor abundance is considered to be part of international trade:
    (a) Heckscher Ohlin theory of international trade
    (b) Comparative cost advantage theory
    (c) New Trade theory
    (d) Factor Equalization theorem
16. The most controversial topic in the Doha Agenda?
    (a) Agriculture

(b) Industry

(c) Service

(d) None of these

17. Hedging is indicated by:

(a) Transaction in odd amounts

(b) Presentation in documentary support

(c) Frequency of such transactions

(d) None of these

18. In the long run____ affect the exchange rate:

(a) Transaction in odd amount

(b) Presentation of documentary support

(c) Frequency of such transaction

(d) None of these

19. India's foreign exchange rate system is:

(a) Free Float

(b) Managed Float

(c) Fixed

(d) Fixed target of bank

20. Which of the following measures of money supply is known as Broad Money?

(a) M_1

(b) M_2

(c) M_3

(d) M_4

21. Which one is not true regarding the Market Stabilization Scheme (MSS)?

(a) It absorbs surplus liquidity of enduring nature arising out of large capital flows

(b) It absorbs surplus liquidity through sale of short, dated government securities and treasury bills

(c) Mobilised surplus liquidity is held in the MSS accounts with the RBI

(d) MSS account liquidity can be used for normal government expenditure of capital nature

22. Business Economics is:

(a) A normative science

(b) Interdisciplinary

(c) Pragmatic

(d) All the above

23. In the free market economy the 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

24. Unlimited ends and limited means together present the problem of _____

(a) Scarcity of Resources

(b) Distribution

(c) Choice

(d) None of these

25. When two goods are complementary to each other the cross elasticity between them is:

(a) Negative

(b) Positive

(c) Constant

(d) None of these

26. The Indifference curve analysis is superior to utility analysis:

(a) It dispenses with the assumption of measurability of Utility

(b) It studies more than one commodity at a time

(c) It segregate income effect from substitution effect

(d) All the above

27. Comfort lie between:

(a) Inferior goods and necessities

(b) Luxuries and Inferior good

(c) necessities and Luxuries

(d) None of the above

28. How would that budget line be affected if the price of both goods fell?

(a) The budget line could not shift

(b) The new budget line must be parallel to the old budget line

(c) The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion

(d) None of these

29. Exception to the law of demand includes _____

(a) Giffen goods

(b) Speculative goods

(c) Conspicuous necessities

(d) All the above

30. What are the Characteristics of labour?

(a) Labour is perishable

(b) Labour is an active

(c) Labour is mobile

(d) All the above

31. A consumer buys 80 units of a good at a price of ₹ 4 per unit. Suppose the price elasticity of demand is -4. At what prices will he buys 60 units.

(a) 4.2 per unit

(b) 3.8 per unit

(c) 4 per unit

(d) None of these

32. A vertical supply curve parallel to Y axis implies that the elasticity of supply is:

(a) Zero

(b) Infinity

(c) Equal to One

(d) None of these

33. In the third of three stages of Production:
    (a) The marginal Product curve had a positive slope
    (b) The marginal product curve lies completely below the average product curve
    (c) The Total Product Increases
    (d) None of these
34. Time element was conceived by:
    (a) Adam Smith
    (b) Alfred Marshall
    (c) Pigou
    (d) None of these
35. The Firm and the Industry are one and the same in:
    (a) Perfect Competition
    (b) Monopolistic Competition'
    (c) Monopoly
    (d) Oligopoly
36. A rational person does not act unless:
    (a) The action is ethical
    (b) The action produces marginal costs that exceed marginal benefit
    (c) The action makes money for the person
    (d) The marginal benefits that exceed marginal cost
37. The Structure of the Cold drink Industry in India is best described as:
    (a) Perfectly Competitive
    (b) Monopolistic
    (c) Oligopolistic
    (d) Monopolistically Competitive
38. In the long run equilibrium, the pure monopolist can make pure profits because of:
    (a) Blocked entry
    (b) The high price he charges

(c) The Low LAC Costs

(d) Advertising

39. Full capacity is utilized only when there is:

(a) Monopoly

(b) Perfect Competition

(c) Price discrimination

(d) Oligopoly

40. The Kinked demand hypothesis is designed to explain in the context of oligopoly:

(a) Price and output determination

(b) Price rigidity

(c) Collusion among rivals

(d) None of these

41. Which of the following is not a variable in the Index of leading indicators:

(a) New consumer good orders

(b) Prime rate

(c) New building permits

(d) None of these

42. The main thrust of New Industrial Policy is to invite greater participation of:

(a) Public sector

(b) Private sector

(c) Stock Holders

(d) Bank

43. Pump Priming should be resorted to at the time of:

(a) Inflation

(b) Deflation

(c) Reflation

(d) Stagflation

44. The expansion of the government debt could result in:

(a) A decline in savings

(b) An increase in interest

(c) A decline in Investment

(d) All the above

45. Psychological law of consumption is given by:

(a) Milton Friedman

(b) Pigou

(c) Tobin

(d) Keynes

46. One of the most important factors in trade reforms is to:

(a) Increase export duties

(b) Reduce import duties

(c) Keep export duties constant

(d) Keep import duties constant

47. Fiscal Policy relates to government decision in respect of:

(i) Taxation

(ii) Government spending

(iii) Government borrowing

(iv) Public debt

Codes

(a) iii and iv are correct

(b) ii, iii, iv

(c) i and ii are correct

(d) All the above are correct

48. An agreement between two countries to maintain a free trade area, a common external tariff free mobility of capital and labour and degree of unification in government policies and monetary policy is called:

(a) Common market

(b) Free Trade Area

(c) Economic Union

(d) Custom Union

49. Margin requirement specified under instrument of monetary policy:

(a) Variable reserve requirement

(b) Statutory liquidity requirement

(c) Selective credit control

(d) Open market operation

50. High growth of which Industry provide a positive signal for Industrial Growth in Future?

(a) Capital good industries

(b) Basic good industries

(c) Durable consumer good industries

(d) Intermediate good Industries

51. Even as fixed average cost continues to fall the average variable cost begins to rise because:

(a) return to factor start diminishing

(b) return to factor start rising

(c) input price start rising

(d) producer budget starts shrinking

52. Adverse Selection arises because of:

(a) Lack of information

(b) Wrong Information

(c) Asymmetrical Information

(d) Uncertainty of future

53. Which of the following is not used to measure inflation?

(a) Wholesale Price Index Number

(b) Consumer Price Index number

(c) Purchasing Power Parity Prices

(d) GDP deflator

54. Public goods are characterized by:

(1) Collective Consumption

(2) Divisibility

(3) Non-Exclusion

(4) Rival Consumption

Select the correct answer from the code given below:

(a) 1 & 2 are correct

(b) 1 & 3 are correct

(c) 1 &4 are correct

(d) 2 & 4 are correct

55. Giffen Paradox occurs when income effect is:

(a) Greater than the substitution effect

(b) Equal to the substitution effect

(c) Less than substitution effect

(d) Negative and is greater than substitution effect

56. In case of deficit budget when the deficit are covered through taxes that budget is called:

(a) Unbalanced budget

(b) Surplus budget

(c) Balanced budget

(d) None of these

57. Which of the following is credited with Introduction of LPG Model of economic development in India?

(a) Dr. C Rangarajan

(b) Dr. Montek Singh Ahluwalia

(c) Dr. Manmohan Singh

(d) None of these

58. In which of the following market situations/forms, firms are able to maximise profits?

(a) Price Leadership

(b) Cartel

(c) At the Kink Point

(d) Monopolistic Competition

59. The slope of aggregate demand becomes flatter?

(a) The more sensitive investment spending is to the rate of interest

(b) The more sensitive the demand for money is to the rate of interest

(c) The larger the nominal money supply

(d) None of these

60. When exchange rate is flexible a decrease in country B's taxes:

(a) Has no effect upon output in country B

(b) Causes output in country B to increase

(c) Results in an increase in country B's export

(d) None of these

61. Crowding Out occurs when _____

(a) A decrease in the money supply raises the rate of interest which crowds out interest sensitive private sector spending

(b) An increase in taxes for the private sector reduces private sector disposable income and spending

(c) A reduction in income taxes results in a higher interest rate which crowds out interest sensitive private sector spending

(d) None of these

62. A change in autonomous spending is represented by:

(a) A movement along (C+I+G) spending line

(b) A shift of a (C+I+G) spending line

(c) A change in the behavioural coefficient

(d) None of these

63. In mixed economy the feature include existence of:

(a) Private Sector

(b) Public Sector

(c) Combined Sector

(d) All of these

64. Which of the following is demerit of capitalism:

(a) There is precedence of property rights over human right

(b) It functions in a domestic framework

(c) High degree of operative efficiency

(d) None of these

65. Which of the following is included in study of Micro Economics:

(a) Product Pricing

(b) Factor Pricing

(c) Both (a) and (b)

(d) None of these

66. Scarcity definition is economics is given by:

(a) Lipsey

(b) Adam Smith

(c) J B Say

(d) Robinson

67. Snob effect is explained as:

(a) It is a function of consumption of others

(b) It is a function of price

(c) Both (a) and (b)

(d) None of these

68. Which of the following are the determinant of price elasticity of demand:

(a) Availability of substitutes

(b) Time period

(c) Tied demand

(d) All of these

69. If the cross elasticity is only- slightly below zero which of the following is correct?

(a) They are weak complements

(b) Negative and very high they are strong complements

(c) Both (a) and (b)

(d) None of these

70. Indifference Curve Analysis was proposed by _____

(a) J. R Hicks and R.G.D Allen

(b) Alfred Marshall

(c) Jeremy Bentham

(d) None of these

71. The rate at which the consumer is prepared to exchange-good x and y is:

(a) Marginal rate of Substitution

(b) Elasticity of Substitution

(c) Diminishing Marginal Utility

(d) None of these

72. Contraction of demand is the result of:

(a) Decrease in the number of consumers

(b) Increase in the price of the good concerned

(c) Price of related products

(d) None of these

73. Economic indicator required to predict the turning point of business cycle is:

(a) Leading Indicator

(b) Lagging Indicator

(c) Coincident Indicator

(d) All the above

74. Empirical evidence of liquidity trap is found during:

(a) COVID – 19

(b) Great Recession

(c) Global Financial Crisis

(d) None of the above

75. New Trade Theory was developed in:

(a) 1919

(b) 1970

(c) 2008

(d) 1991

76. Which one is included in National Income?

(a) Transfer Earnings

(b) Sale proceeds of Shares and Bonds

(c) Black Money

(d) None of the Above

77. The major reasons for market failure is:

(a) Market Power

(b) Externalities

(c) Incomplete Information

(d) All the above

78. Which of the following instrument is not FDI Compliant Instrument:

(a) Equity Shares

(b) Compulsorily Convertible Debentures

(c) Redeemable Preference Share

(d) None of the above

79. An expansionary fiscal policy is used for:

(a) Reduction in Inflation

(b) Increase in Exports.

(c) Appreciation of Currency

(d) Close recessionary gap

80. What is GDP Deflector?

(a) It is GDP of Base Year

(b) It is ratio of nominal GDP in a given year to real GDP of that year

(c) It is GDP at current price

(d) It is GDP of current year at base year price

81. An increase in the price of a commodity when demand is inelastic causes the total expenditures of consumers of the commodity to:

(a) Increase,

(b) Decrease,

(c) Remain unchanged,

(d) any of the above.

82. At the point of producer equilibrium:

(a) The isoquant is tangent to the isocost,

(b) The MRTSLK equals PL/PK,

(c) MPL/PL / MPK/PK,

(d) All of the above.

83. Price varies by attributes such as location or by customer segment is _____degree of price discrimination:

(a) First

(b) Second

(c) Third

(d) None of these

84. The Idea of _____in economics is that we have unlimited wants but limited resources:

(a) Opportunity Costs.

(b) Scarcity

(c) Marginal Analysis

(d) Specialization

85. Which of the following is a key assumption of the monopoly model?

(a) Barriers to entry

(b) A product with several substitutes

(c) Price-taking behavior

(d) Many identical producers

86. What is the full form of LIFE?

(a) Lifestyle for Economy

(b) Life for Everyone

(c) Lifestyle for Environment

(d) Living in Financial Equality

87. Which program was launched to promote organic farming?
    (a) MIDH
    (b) PMFBY
    (c) PKVY
    (d) None of these
88. Which of the following is a non-tariff barrier?
    (a) Ad valorem duty
    (b) Quotas
    (c) Countervailing duty
    (d) None of these
89. Most-Favoured Nation (MFN) principle under WTO means:
    (a) Preferential tariffs for allies
    (b) Equal treatment to all members
    (c) Protection to domestic producers
    (d) All of these
90. Which agreement replaced GATT and created WTO?
    (a) Doha Round
    (b) Tokyo Round
    (c) Uruguay Round
    (d) Marrakesh Protocol
91. What is a liquidity trap?
    (a) Money becomes illiquid due to inflation
    (b) Money supply becomes ineffective at zero interest rate
    (c) Interest rate becomes infinite
    (d) All the above
92. According to Friedman, the key determinant of money demand is:
    (a) Current Income
    (b) Future expectations only
    (c) Permanent Income

(d) Government Spending

93. According to Baumol, cash balances are kept to:

(a) Invest in stock

(b) Earn capital gains

(c) Minimize total transaction cost

(d) Hedge inflation

94. When demand increases and supply remains constant, what happens to equilibrium price?

(a) Falls

(b) Rises

(c) Remains same

(d) Cannot say

95. Mixed income of self-employed includes:

(a) Rent and Interest only

(b) Wages only

(c) Capital and Labour income that cannot be separated

(d) Only profit

96. The LAC curve is also known as:

(a) Shut down curve

(b) Expansion path

(c) Planning curve

(d) None of these

97. Fiscal federalism refers to:

(a) Sharing of political power

(b) Sharing of fiscal functions and resources

(c) Decentralization of planning

(d) None of these

98. The percentage of Central tax share for 2021–26 is:
    (a) 38%
    (b) 41%
    (c) 46%
    (d) Not decided
99. Liquidity Adjustment Facility (LAF) includes:
    (a) Only Repo
    (b) Repo and Reverse Repo
    (c) Only Reverse Repo
    (d) None of these
100. The Monetary Policy Committee Sets:
    (a) SLR
    (b) CRR
    (c) Repo rate
    (d) Bank rate

Mock Test Paper - Series II: August, 2025

Date of Paper: 29th August, 2025

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Which of the following mechanisms are used for Allocation of Resources in Public Financial Management:
   (a) Market Mechanism
   (b) Public Sector Units
   (c) Both (a) and (b)
   (d) Neither (a) nor (B)
2. Which of the following is/are a function of the government?
   (a) Allocation of Resources
   (b) Distribution of Income and Wealth
   (c) Economic Stabilization
   (d) All of Above
3. Which of the following is NOT an element of effective Government Budgeting?
   (a) Aggregate Fiscal Discipline
   (b) Maximization of Revenue
   (c) Allocative Efficiency
   (d) Operational Efficiency
4. Allocative efficiency can be improved by:
   (a) Strategic Planning and Medium-Term Fiscal Framework
   (b) Program Budgeting and Program Evaluation
   (c) Both (a) and (b)

(d) Neither (a) nor (b)

5. Information asymmetry with respect to factors that degrade the operational efficiency is defined as:

   (a) Service providers know more about outputs and costs than those who allocate resources

   (b) Spenders have incentives to use all the resources provided to them

   (c) Government lacks independent information on performance

   (d) Detailed ex-ante controls are costly and drive out initiative and variation

6. Which of the following statements is true about Open Market Operations?

   (a) Central Bank controls the flow of credit through the sale and purchase of securities in open market

   (b) It increases money supply with commercial banks and public

   (c) It will expand credit in the economy

   (d) All of the above

7. Statutory Liquidity Ratio is:

   (a) Banks have to keep deposits with RBI

   (b) Certain percentage of deposits are to be kept by the bank in form of liquid assets

   (c) It is the discount rate of the banks

   (d) None of the above

8. The difference between revenue deficit and grants for creation of capital assets is called:

   (a) Fiscal deficit

   (b) Budget deficit

   (c) Effective revenue deficit

   (d) Primary deficit

9. The Book “The Wealth of Nations” is written by:

   (a) Adam Smith

   (b) Arthur Pigou

(c) Robinson

(d) Ragnar Nurske

10. The Nature of Business Economics:

(a) Business Economics is a Science

(b) Incorporate elements of Macro Analysis

(c) Interdisciplinary in Nature

(d) All the above

11. Which of these country is a purely socialist economy?

(a) USSR

(b) China

(c) Vietnam

(d) None of these

12. 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.

13. The Substitution effect will be stronger when:

(a) The goods are closer substitute

(b) There is lower cost of switching to the substitute good.

(c) There is lower inconvenience while switching to the Substitute good.

(d) All the above

14. What are the Internal Causes of Business Cycle _____?

(a) Fluctuations in effective demand.

(b) Macroeconomic Policies

(c) Money Supply

(d) All the above

15. According to Hawtrey trade cycle is a _____

(a) Monetary Phenomenon

(b) Unplanned Phenomenon

(c) Fiscal Phenomenon

(d) All the above

16. Which of the following describe a typical Business Cycle?

(a) Economic Expansions are followed by Contraction's.

(b) Inflation is followed by rising Income and Unemployment.

(c) Economic Expansion are followed by economic growth and development.

(d) Stagflation is followed by Inflationary growth.

17. A Relative Price is:

(a) Price expressed in terms of money.

(b) The ratio of one money price to another

(c) Equal to money price.

(d) None of these.

18. In case of Substitute Product:

(a) The Demand Curve Slope upwards.

(b) The Demand Curve Slope downwards

(c) The Demand Curve is Perfectly Elastic

(d) None of these.

19. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?

(a) + 1.5

(b) -1.5

(c) 2.5

(d) None of these

20. When e = 0, elasticity of demand is :

(a) Perfectly elastic

(b) Unitary

(c) Inelastic

(d) Perfectly inelastic demand

21. A rise in Price will _____

(a) Increase in Consumer Surplus

(b) Decrease in Consumer Surplus

(c) No Change in Consumer Surplus

(d) None of these

22. Marginal Product is the slope of –

(a) Marginal product Curve

(b) Average Product Curve

(c) Total Product Curve

(d) Implicit Product Curve

23. Law of Production does not include _____

(a) Least Cost Combination of factors

(b) Law of variable proportion

(c) Law of diminishing returns to a factor

(d) None of these

24. What are the determinants of price elasticity?

(a) Availability of substitutes

(b) Price range

(c) Position of a Commodity in the Consumer's budget.

(d) All the above

25. Income elasticities _____ in the short run and long run

(a) differ

(b) Same

(c) Can't say

(d) Both (a) and (b)

26. Accounting costs are :

(a) Implicit cost

(b) Explicit Costs

(c) Economics Costs

(d) None of these

27. Telecom Industry is an example of :

(a) Monopoly

(b) Perfect Competition

(c) Oligopoly

(d) Monopolistic competition

28. On the basis of native of transaction the market is classified into :

(a) Regulated and Unregulated market

(b) Wholesale and Retail market

(c) Spot and future Market

(d) None of these

29. Total Revenue is maximised when total revenue is ____

(a) 1

(b) 0

(c) High

(d) None of these

30. Third degree Price discrimination can be explained through example of :

(a) Dumping

(b) Charging different Prices for domestic and commerce use

(c) Lower Price in ratioing for senior citizen

(d) All of the above.

31. Related goods are of _____ types.

(a) two

(b) three

(c) Four

(d) Five

32. The elasticity of supply at any point on a given supply curve passing through the origin point making angle of 35 degree with X-axis is _____

(a) Greater than one

(b) Less than one

(c) Equal to one

(d) Any of the above

33. Traditional approach of law of demand was propounded by_____

(a) Giffen

(b) Paul A Samuelson

(c) Alfred Marshall

(d) Pique

34. Which initiative aims to improve agricultural market infrastructure?

(a) PM Kisan

(b) E-NAM

(c) NDAP

(d) Shoonya

35. Which year marked the beginning of the Green Revolution?

(a) 1947

(b) 1956

(c) 1965

(d) 1991

36. What was the average GDP growth rate between 1950–80 (Hindu growth rate)?

(a) 2%

(b) 3.5%

(c) 5%

(d) 7%

37. Which state was NOT a major beneficiary of the Green Revolution?

(a) Punjab

(b) Haryana

(c) Bihar

(d) Western UP

38. Which sector contributed the most to India's GDP in 2022 ?

(a) Agriculture

(b) Industry

(c) Services

(d) Mining

39. Which initiative is aimed at reducing India’s oil import bill through alternative fuel?

(a) NDAP

(b) Methanol Economy Programme

(c) Shoonya

(d) E-Amrit

40. FDI is distinguished from FPI mainly because:
    (a) FDI is short-term
    (b) FDI is only financial
    (c) FDI involves ownership & control
    (d) FDI is speculative
41. Brownfield investment refers to:
    (a) Building new infrastructure
    (b) Investing in agriculture
    (c) Buying or leasing existing setups
    (d) foreign loans for farms
42. Which of the following best defines the real exchange rate?
    (a) The market rate for converting one currency into another
    (b) The rate at which a country trades goods/service for another
    (c) Rate fixed by central bank
    (d) The average of spot and forward rates
43. Which of the following effects real exchange rate directly?
    (a) Spot rate only
    (b) Domestic interest rate
    (c) Domestic and foreign price levels
    (d) Central bank reserves
44. Which of the following is a disadvantage of a floating exchange rate system?
    (a) Requires large forex reserves
    (b) Creates rigid monetary policy
    (c) Currency fluctuations create trade uncertainty
    (d) Fixed import/export prices

45. Absolute advantage theory assumes:

(a) Equal opportunity cost

(b) Fixed exchange rates

(c) Mobility of labour across countries

(d) Labour as the only input

46. Which of the following is a non-tariff barrier?

(a) Ad valorem duty

(b) Quotas

(c) Countervailing duty

(d) Export tax

47. Tariff Rate Quotas (TRQ) refer to:

(a) Export quotas only

(b) Prohibited tariffs

(c) Low tariff for a quota and high tariff beyond

(d) Elimination of tariff and quota

48. Which WTO agreement allows review of member trade policies?

(a) TBT Agreement

(b) SPS Agreement

(c) Trade Policy Review Mechanism

(d) Agreement on Agriculture

49. Escalated tariffs refer to:

(a) Uniform tariff structure

(b) Higher tariffs on final goods than raw materials

(c) Preferential tariffs

(d) Free trade policies

50. Which of the following protects against underpriced foreign goods?

(a) TRIMs

(b) Safeguards

(c) Anti-dumping duty

(d) Import subsidy

51. New Trade Theory emphasizes:

(a) No gains from trade

(b) Constant returns to scale

(c) Economies of scale and product variety

(d) No role for governments

52. The money multiplier is:

(a) (1 + c) / (r + e + c)

(b) (1 – c) / (r + e + c)

(c) (1 + r) / (c + e + r)

(d) None of the above

53. Money Supply (M) is equal to:

(a) M1 + M2

(b) CRR × SLR

(c) Money Multiplier × Base Money

(d) GDP ÷ Inflation

54. MSF is always:

(a) 0.5% above repo

(b) 2% above bank rate

(c) 1% above repo rate

(d) 1% below reverse repo

55. Which is a consequence of high money multiplier?

(a) High inflation risk

(b) Tight liquidity

(c) Increase in SLR

(d) Decline in GDP

56. What is a liquidity trap?

(a) Money becomes illiquid due to inflation

(b) Money supply becomes ineffective at zero interest rate

(c) Interest rate becomes infinite

(d) Bonds have negative yield

57. Which theory introduced the idea of interest rate influencing money demand?

(a) Fisher's theory

(b) Cambridge approach

(c) Keynesian theory

(d) Inventory theory

58. Which economist applied capital asset demand theory to money?

(a) Keynes

(b) Tobin

(c) Baumol

(d) Milton Friedman

59. The function of money that allows individuals to save purchasing power for the future is called:

(a) Medium of exchange

(b) Unit of account

(c) Store of value

(d) Standard of deferred payment

60. Which statement about the Finance Bill is correct?

(a) It authorizes public borrowing

(b) It includes details of tax proposals

(c) It gives expenditure estimates

(d) It is introduced in Rajya Sabha

61. Guillotine in budgetary procedure refers to:

(a) Cancelling debt

(b) Reducing tax rates

(c) Voting on all pending demands at once

(d) Cutting grants to states

62. Which department manages internal public debt in India?

(a) NITI Aayog

(b) Finance Commission

(c) RBI

(d) Economic Survey Cell

63. Which of the following reduces income inequality?

(a) Flat tax system

(b) Public expenditure on luxury goods

(c) Progressive taxation and targeted subsidies

(d) Tax holidays for MNCs

64. Outcome budgeting primarily links:

(a) Fiscal deficit with borrowing

(b) Policy and implementation

(c) Budget allocations with performance outcomes

(d) Revenue and capital expenditures

65. Keynes advocated increased government spending to tackle:

(a) Hyperinflation

(b) Balance of payments deficit

(c) Recession and unemployment

(d) Asset bubbles

66. Subsidy on goods with positive externalities leads to:

(a) Higher cost

(b) Higher price

(c) Lower price

(d) Inefficiency

67. In the consumption function $C = a + bY_c = a + bY_c = a + bY$, the term 'a' represents:

(a) Marginal Consumption

(b) Marginal Income

(c) Autonomous Consumption

(d) Autonomous Investment

68. What typically happens during the contraction phase?

(a) Employment increases

(b) Prices rise sharply

(c) Investment and demand decline

(d) GDP grows rapidly

69. Which sector is most vulnerable to business cycles?

(a) Agriculture

(b) Capital goods and durable goods

(c) Banking

(d) Education

70. Which of the following does not lead to a shift in demand?

(a) Change in income

(b) Change in population

(c) Change in price of the good

(d) Change in taste

71. Which market has infinite price elasticity of demand?

(a) Monopoly

(b) Monopolistic

(c) Oligopoly

(d) Perfect competition

72. What is the marginal revenue when price elasticity of demand is 1?

(a) Equal to price

(b) Equal to zero

(c) Equal to AR

(d) Maximum

73. AR and MR curves coincide in:

(a) Monopoly

(b) Monopolistic competition

(c) Perfect competition

(d) Oligopoly

74. Which of the following leads to Internal economies of scale?

(a) Technological progress in the industry

(b) Development of skilled labour in a region

(c) Bulk purchase of raw materials

(d) Government tax incentives

75. Which is an example of a sunk cost?

(a) Cost of raw material

(b) Cost of hiring temporary workers

(c) Advertising expenditure already incurred

(d) Salaries to be paid

76. Identify the items which is not a factor payment:

(a) free uniform to defence personnel.

(b) salaries to the members of Parliament.

(c) imputed rent of an owner-occupied building.

(d) scholarships given to the scheduled caste students.

77. Demand for final consumption arises in

(a) household sector only.

(b) government sector only.

(c) both household and government sector.

(d) neither household nor government sector.

78. The effect of increase CRR will be reduced or nullified if:

(a) Bank rate is reduced.

(b) Securities are sold in the open market.

(c) SLR is increased.

(d) People do not borrow from non-banking institutions.

79. Broad money refers to:

(a) M_1

(b) M_2

(c) M_3

(d) M_4

80. Which of the following is a lagging economic indicator?

(a) Consumer confidence index

(b) Stock market performance

(c) Unemployment rate

(d) New housing starts

81. Price Elasticity of Demand of a good is (-) 3. It shows that:

(a) When price falls by 1%, demand rises by 3%

(b) When price rises by 1%, demand falls by 3%

(c) Either (a) or (b)

(d) Neither (a) nor (b)

82. The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:

(a) Proportionately large fall in quantity demanded

(b) No change in quantity demanded

(c) Proportionately small fall in quantity demanded

(d) Infinite change in quantity demanded

83. Which of the following is not a reason for operation of increasing returns to a factor?

(a) Better utilisation of fixed factor

(b) Limitation of fixed factor

(c) Increase in efficiency of variable factor

(d) Indivisibility of fixed factor

84. At the Point of Inflexion:

(a) Total Product is maximum

(b) Average Product is maximum

(c) Marginal Product is maximum

(d) Marginal Product is zero

85. Cost function is a _____ concept:

(a) Economical

(b) Functional

(c) Financial

(d) Technical

86. According to Hawtrey trade cycle is a ___

(a) Monetary phenomenon

(b) Unplanned phenomenon

(c) Fiscal phenomenon

(d) All the above

87. Minimum assured prices to the farmers to purchase their output by the government is called:

(a) Market Price

(b) Equilibrium Price

(c) Support Price

(d) Ceiling Price

88. The income elasticity For Luxuries goods is:

(a) E > 1

(b) E < 1

(c) E = 0

(d) None of these

89. Unique supply curve is monopoly is not due to _____

(a) P > MC

(b) P < MC

(c) P = MC

(d) None of these

90. Which of the following involve a trade-off?

(a) Taking a nap

(b) Going to University

(c) Watching a football game on Saturday afternoon

(d) All of these

91. The Pure monopolist in the long run can make pure profit due to:

(a) High Selling Price

(b) Advertising

(c) Low LAC Cost

(d) Blocked entry

92. If the quantity demanded of mutton increases by 5 % when the price of chicken increases by 20%, the cross elasticity of demand between mutton and chicken is:

(a) -0.25

(b) 0.25

(c) -4

(d) 4

93. The Supply function is given as Q = -100 + 10P. Find the elasticity using point method when price is Rs 15

(a) 4

(b) 3

(c) -5

(d) None of these

94. The cobweb theory was propounded by ____

(a) Hawtrey

(b) Adam smith

(c) Nicolas Kaldor

(d) None of these

95. Find normal GDP if real GDP = 450 and price index= 120

(a) 540

(b) 640

(c) 500

(d) None of these

96. Suppose the Consumption of an economy is given by C = 20+ 0.6Y and Investment I = 10 + 0.2Y. What will be the equilibrium level of National Income.

(a) 150

(b) 200

(c) 350

(d) None of these

97. If commercial banks reduce their holdings of excess reserves:

(a) The money supply falls

(b) The money supply increases

(c) The monetary base falls

(d) None of these

98. Non – tariff barriers (NTBs) include all the following except:

(a) import quotas

(b) technical standards of products

(c) tariff

(d) None of these

99. Pure Oligopoly is based on the ____ products.

(a) Differentiated

(b) Homogeneous

(c) unrelated

(d) None of these

100. Under equation C = a + bY, b = 0.8, what is the value of 2 sector expenditure multiplier:

(a) 4

(b) 5

(c) 2

(d) None of these.

Mock Test Paper - Series I: December, 2025

Date of Paper: 22nd, December, 2025

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. What is the similarity between the Subprime Crisis and Greece Crisis?
   (a) High Financial Leverage
   (b) Low-Interest Rate
   (c) Credit Expansion
   (d) All of the above
2. In explaining the level of unemployment, Keynes emphasized, -
   (a) Changes in technology.
   (b) Aggregate demand.
   (c) Inflationary expectations.
   (d) Lending by financial institutions.
3. An increase in marginal propensity to consume will:
   (a) Lead to the consumption function becoming steeper.
   (b) Shift the consumption function upwards.
   (c) Shift the consumption function downwards.
   (d) Shift the savings function upwards.
4. Which is the main objective of a tax?
   (a) Increase in Consumption
   (b) Increase in Production
   (c) Raising Public Revenue
   (d) Reduction in Capital Formation
5. The value of which work is added in the calculation of GDP?
   (a) Housewive's works
   (b) A teacher teaching his own child

(c) The value of resale of old shares

(d) Construction of a new house by an artisan

6. The objective of the fiscal policy of the government should be:

(a) To increase production

(b) To reduce inequality of income and wealth

(c) To maintain economic growth

(d) All of the above

7. Quantitative restrictions refer to limits set by countries to curb:

(a) Imports

(b) Exports

(c) Imports & exports

(d) None of the above

8. Theory of Mercantilism propagates:

(a) Encourage exports and imports

(b) Encourage exports and discourage imports

(c) Discourage exports and imports

(d) Discourage exports and encourage imports

9. The quantity of dollars supplied will decrease if:

(a) imports into the United States increase.

(b) the expected future exchange rate falls.

(c) the interest rate in the United States falls.

(d) fewer U.S. residents travel abroad.

10. EVA digital assistance Robot of HDFC Bank is:

(a) An intermediate good

(b) A consumer good

(c) A capital good

(d) None of these

11. Gross investment refers to:

(a) private investment minus public investment.

(b) net investment plus replacement investment.

(c) net investment after it has been "inflated" for changes in the price level.

(d) net investment plus net exports

12. Which one of the following is NOT a function of Finance Commission in India?

(a) Devolution of Income Tax

(b) Devolution of Excise Duty

(c) Award of grants-in-aid

(d) Devolution of Trade Tax

13. Who is the chairman of the 16th Central Finance commission, Government of India?

(a) Mr. N.K. Singh

(b) Mr. Y.V. Reddy

(c) Mr. M. Govinda Rao

(d) Dr. Arvind Panagariya

14. Differentiated Products is a characteristic of:

(a) Monopolistic Competition only

(b) Oligopoly only

(c) Both Monopolistic Competition and Oligopoly

(d) Monopoly

15. Under which market form, the demand curve is steeper as compared to monopolistic competition?

(a) Monopoly

(b) Oligopoly

(c) Perfect Competition

(d) None of these

16. Which of the following cost curves is rectangular hyperbola?

(a) Average cost curve

(b) Marginal cost curve

(c) Average variable cost curve

(d) Average fixed cost curve

17. _____ cost refers to actual payment made by the entrepreneur to the providers of factor services.

    (a) Explicit

    (b) Implicit

    (c) Variable

    (d) Fixed

18. AVC can fall even when MC is rising, provided:

    (a) MC < AVC

    (b) MC > AVC

    (c) MC = AVC

    (d) None of these

19. Which of the following is not an essential condition of 'Pure Competition'?

    (a) Large number of Buyers and Sellers

    (b) Homogeneous Product

    (c) Freedom of entry

    (d) Absence of Transport Cost

20. Broad money refers to:

    (a) M_1

    (b) M_2

    (c) M_3

    (d) M_4

21. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:

    (a) uniform

    (b) different

    (c) less

    (d) zero

22. Markets fail because:

    (a) Externalities are not accounted for in pricing and quantity decisions of firms

(b) Most often the prerequisite of competition is unlikely to be present in an economy

(c) Prices fail to reflect the true costs and benefits to the society

(d) All the above

23. Business cycle emerge in ____.

(a) Socialist economy

(b) Free market economy

(c) Mixed economic system

(d) None of the above

24. The Reverse repo rate is:

(a) RBI borrows from the government

(b) Commercial banks lend money to RBI

(c) Commercial banks rediscount the bills of exchange with RBI

(d) RBI lends money to commercial banks

25. Which of the following does not enter into the calculation of national income?

(a) Exchange of previously produced goods

(b) Exchange of second-hand goods

(c) Exchange of stocks and bonds

(d) All the above

26. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?

(a) Shortages in the market

(b) Problem of allocation of limited supplies among large number of consumers.

(c) Black marketing

(d) All of the above

27. Which market sells both homogeneous as well as differentiated goods?

(a) Oligopoly

(b) Perfect competition

(c) Monopoly

(d) None of these

28. Government of India recently launched '**Make in India'** programme. What will be its impact on Aggregate Demand of India?

(a) Likely to increase

(b) Likely to fall

(c) No impact

(d) None of these

29. Which one of the following is the best example of agreement between oligopolists?

(a) GATT

(b) OPEC

(c) WTO

(d) UNIDO

30. TRIPs stand for:

(a) Trade Related Intellectual Property Rights

(b) Transaction Related Intellectual Property Rights

(c) Trade Related Intelligence Property Rights

(d) Trade Related International Rights

31. The 'substitution effect' takes place due to change in:

(a) Income of the consumer

(b) Prices of the commodity

(c) Relative prices of the commodities

(d) All of the above

32. Successful business firms spend considerable time, energy and efforts in analyzing the _____ for their products.

(a) Supply

(b) Price

(c) Demand

(d) None of these

33. By way of an optimal choice, a consumer tends to :

(a) save money

(b) purchase large quantity

(c) maximize satisfaction

(d) maximize satisfaction subject to constraints like tastes and preferences.

34. The economist's concept of demand is _____ as desire or need or choice or preference or order.

(a) the same thing

(b) not the same thing

(c) (A) or (B)

(d) None of these

35. The demand for labour in response to the wage rate is _____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____.

(a) Derived Demand, Direct Demand

(b) Direct Demand, Derived Demand

(c) Individual Demand, Market Demand

(d) Company Demand, Industry Demand

36. Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.

Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.

(a) (A) is true and (R) is false

(b) Both (A) and (R) are true & (R) is the correct explanation of (A)

(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)

(d) (A) is false and (R) is true

37. Which of the following groups of goods have inelastic demand?

(a) Salt, Smart Phone and Branded Lipstick

(b) School Uniform, Branded Goggles and Smart Phone

(c) Salt, School Uniform and Medicine

(d) Medicine, Branded Sports Shoes and Diamond ring

38. If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will _____

(a) Decrease

(b) Increase

(c) Remain same

(d) Can't Say

39. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____

(a) more of one of the goods

(b) less of at least one of the goods

(c) more of at least one of the goods and less of the other good.

(d) more of at least one of the goods and no less of the other good.

40. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is _____.

(a) more, inelastic demand

(b) less, elastic demand

(c) same, inelastic demand

(d) same, elastic demand

41. Money cost is considered by:

(a) Modern theory of trade

(b) Comparative cost advantage

(c) New Trade theory

(d) Factor equalization theorem

42. More expansion of foreign direct investment can boost _____ .

(a) Money circulation

(b) Demand

(c) employment

(d) unemployment

43. Which of the following is NOT a criterion for determining distribution of Central taxes among states for 2021-26 period:

(a) Demographic Performance

(b) Forest and Ecology

(c) Infrastructure Performance

(d) None of these

44. Which of the followings is not an element of good public expenditure management?

(a) Elasticity

(b) Economy

(c) Productivity

(d) Deficit

45. Computers and Computer software are_____

(a) Substitute goods

(b) Complementary goods

(c) Independent goods

(d) Normal goods

46. If the amounts of two commodities purchased both increase or decrease when the price of one change, the cross elasticity of demand between them is:

(a) Negative

(b) Positive

(c) Zero

(d) 1

47. Which aspect of taxation involves normative economics?

(a) The incidence of (i.e., who actually pays for) the tax

(b) The effect of the tax on incentives to work

(c) The “fairness” of the tax

(d) All of the above

48. According to British economist J. M. Keynes _____ was the main cause of massive decline in income and employment during Great Depression of 1930.

(a) Lower aggregate expenditure in the economy

(b) Banking crises and low money supply.

(c) Overdebtness

(d) Lower profits & pessimism

49. When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity, the demand curve is negatively sloped:

(a) Always

(b) Never

(c) Sometimes

(d) often.

50. Which one of the following is not an Internal economies of scale?

(a) Technical economies

(b) Financial economies

(c) Economies due to localization of industries

(d) Marketing economies

51. A mathematical relationship showing the maximum output that can be produced by each, and every combination of inputs is called _____.

(a) Production equation

(b) Production function

(c) Production schedule

(d) Production identity

52. In economics, generally the classification of the markets is made on the basis of:

(a) Time

(b) Geographic area

(c) Volume of business

(d) All of these

53. Peak is the _____ stage of expansion.

(a) Later

(b) Earlier

(c) Either (A) or (B)\

(d) None of the above

54. Repercussions of business cycles get _____ felt on nearly all economic variables.

(a) alternatively

(b) simultaneously

(c) one by one

(d) All of the above

55. In order to influence spending on the goods and services in the short run, _____ is directed at directly influencing interest rate.

(a) fiscal policy

(b) budgetary policy

(c) monetary policy

(d) economic policy

56. Consider the following statements and select the correct answer from the given options.

Assertion (A): In the short run under perfect competition, given the market demand and market supply the industry is in equilibrium at that price which clears the market.

Reason (R): In the long run all the firms in the industry earns profit.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true but (R) is false

(d) (A) is false but (R) is true

57. Which of the following is correct regarding long run cost?

1. It is least cost of producing each level of output
2. LAC curve is envelope of SAC curves.
3. LAC is U-shaped

(a) 1 & 2 only

(b) 2 & 3 only

(c) 1 & 3 only

(d) 1, 2 & 3

58. The elasticity of supply at any point on a given supply curve passing through the origin point making angle of 35 degree with X-axis is _____

(a) Greater than one

(b) Less than one

(c) Equal to one

(d) Any of the above

59. Management of the firm _____ control over macro-economic factors.

(a) has

(b) has no

(c) has partial

(d) None of these

60. Which of the following is a lagging economic indicator?

(a) Consumer confidence index

(b) Stock market performance

(c) Unemployment rate

(d) New housing starts

61. Which of the following is implication of fiscal deficit?

(a) Crowding- out

(b) Inflationary spiral

(c) Erosion of government credibility

(d) All of these

62. India's foreign exchange reserves has jumped high. The reason may be:

(a) Inflow foreign exchange

(b) Outflow of foreign exchange

(c) Autonomous payments over Autonomous Receipts

(d) All the above

63. Which of the following is the primary objective of economic planning in India?

(a) Abolition of poverty

(b) Removing unemployment

(c) Growth with social justice

(d) Reducing inequality of income

64. The programme of economic reforms in India was started on …….

(a) 26th July 1990

(b) 23rd July 1992

(c) 21st July 1991

(d) 24th July 1991

65. Impure Public goods are:

(a) Private goods

(b) Public goods

(c) A Package of Public and Private goods

(d) Harmful goods for the society

66. REER (Real Effective Exchange Rate) is:

(a) Weighted average of forward exchange rates

(b) Nominal rate adjusted for interest

(c) Nominal effective exchange rate adjusted for inflation

(d) None of these

67. Brownfield investment refers to:

(a) Building new infrastructure

(b) Investing in agriculture

(c) Buying or leasing existing setups

(d) None of these

68. FDI in India is encouraged through all EXCEPT:

(a) Tax holidays

(b) Ease of doing business

(c) Protectionists import bans

(d) SEZs

69. Which initiative focuses on sustainable lifestyle choices?

(a) NDAP

(b) Shoonya

(c) LiFE

(d) Make in India

70. Which policy ended the License Raj?

(a) Industrial Policy Resolution 1956

(b) New Industrial Policy 1991

(c) GST Act 2017

(d) PLI Scheme 2020

71. Which organisation launched India Policy Insights (IPI)?

(a) SEBI

(b) RBI

(c) NITI Aayog

(d) None of these

72. Which of these is NOT a public sector monopoly anymore?

(a) Atomic energy

(b) Railways

(c) Telecom

(d) Arms & ammunition

73. Non-tariff measures that affect product quality and standards are called:

(a) Quotas

(b) Technical barriers to trade (TBT)

(c) Tariff quotas

(d) None of these

74. GDP deflator is used to measure:

(a) Fiscal deficit

(b) Inflation

(c) Trade balance

(d) Saving rate

75. The income received but not earned is part of:
    (a) National Income
    (b) Personal Income
    (c) Factor Income
    (d) Disposable Income
76. Mixed income of self-employed includes:
    (a) Rent and Interest only
    (b) Wages only
    (c) Capital and Labour income that cannot be separated
    (d) Only profit
77. Moral hazard refers to:
    (a) Risk-taking due to insurance cover
    (b) Uninformed pricing
    (c) Externalities
    (d) High subsidies
78. Which exchange rate regime is adopted by highest no of IMF members
    (a) Hard Peg
    (b) Floating
    (c) Free Floating
    (d) Soft Peg
79. The 'U' shape of the short-run average cost curve is due to:
    (a) Fixed inputs
    (b) Increasing and then diminishing returns
    (c) Constant returns to scale
    (d) None of these
80. Which of the following costs is not considered while calculating accounting cost?
    (a) Rent paid
    (b) Salary paid
    (c) Interest on borrowed funds

(d) Normal profit

81. A trough in the business cycle indicates:
    (a) The highest level of economic activity
    (b) A period of zero unemployment
    (c) The lowest point of economic decline
    (d) None of these
82. In the four-sector model, which of the following is not a leakage from the circular flow?
    (a) Saving
    (b) Investment
    (c) Imports
    (d) None of these
83. When income increases and APC decreases, it indicates that:
    (a) Autonomous consumption is increasing
    (b) Marginal propensity to consume is increasing
    (c) Consumption is growing slower than income
    (d) Savings are falling
84. The formula for the investment multiplier (k) is:
    (a) 1 / MPC
    (b) 1 / APS
    (c) 1 / (1 - MPC)
    (d) 1 / (1 + MPC)
85. Subsidy on goods with positive externalities leads to:
    (a) Higher cost
    (b) Higher price
    (c) Lower price
    (d) Inefficiency
86. What is a liquidity trap?
    (a) Money becomes illiquid due to inflation
    (b) Money supply becomes ineffective at zero interest rate

(c) Interest rate becomes infinite

(d) Bonds have negative yield

87. Which one is not true about merit goods?

(a) Under-consumed

(b) Government promotes them

(c) Have negative externalities

(d) None of these

88. Which theory introduced the idea of interest rate influencing money demand?

(a) Fisher's theory

(b) Cambridge approach

(c) Keynesian theory

(d) None of these

89. Speculative demand becomes perfectly elastic when:

(a) Inflation is zero

(b) Interest rate is zero

(c) Bond prices fall

(d) None of these

90. Which tool is used to absorb liquidity by RBI?

(a) Reverse Repo Rate

(b) Repo Rate

(c) Bank Rate

(d) CRR

91. The Monetary Policy Committee sets:

(a) SLR

(b) CRR

(C) Repo rate

(D) Bank rate

92. CPI inflation target under current framework is:

(a) 5% ± 2%

(b) 4% ± 2%

(c) 3% ± 1%

(d) None of these

93. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?

(a) + 1.5

(b) -1.5

(c) 2.5

(d) None of these

94. Which of the following Statements is correct concerning the relationship among the firm's Cost Function:

(a) TC = TVC-TFC

(b) TFC = TC- TVC

(c) TC = TFC – TVC

(d) TVC = TFC- TC

95. When violation of law of demand occurs:

(a) Substitution effect is negative

(b) Income effect is negative

(c) Negative income effect is less than substitution effect

(d) Negative income effect is greater than substitution effect

96. Given TC = 2000 + 15Q – 6Q2 + Q3, how much is TFC at Q = 2000

(a) 2000

(b) 975

(c) 30,000

(d) Can't be determined

97. The market demand curve for a perfectly competitive industry is: Qd = 12 – 2P and the market supply curve is: Qs = 3 + P. The market will be in equilibrium if

(a) P =6 and Q = 9

(b) P =5 and Q = 2

(c) P = 4 and Q = 4

(d) P = 3 and Q = 6

98. In economics, we are concerned with:

(A) Value in use only

(B) Exchange value only

(C) Both value in use and exchange value

(D) None of the above

99. Which is the leading Country in respect of inflow of FDI to India?

(a) Singapore

(b) Mauritius

(c) Japan

(d) None of these

100. The elasticity of supply at any point on a given supply curve passing through the origin point making angle of 35 degree with X-axis is _____.

(a) Greater than one

(b) Less than one

(c) Equal to one

(d) Any of the above

Mock Test Paper - Series II: December, 2025

Date of Paper: 5th January, 2026

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. The Book "The Wealth of Nations "is written by:
   (a) Adam Smith
   (b) Arthur Pigou
   (c) Robinson
   (d) Ragnar Nurske
2. The Nature of Business Economics:
   (a) Business Economics is a Science
   (b) Incorporate elements of Macro Analysis
   (c) Interdisciplinary in Nature
   (d) All the above
3. 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.
4. What are the Internal causes of Business Cycle _____?
   (a) Fluctuations in effective demand.
   (b) Macroeconomic Policies
   (c) Money Supply
   (d) All the above

5. Hawtrey trade cycle is a _____.

   (a) Monetary Phenomenon

   (b) Unplanned Phenomenon

   (c) Fiscal Phenomenon

   (d) All the above

6. A Relative Price is:

   (a) Price expressed in terms of money

   (b) The ratio of one money price to another

   (c) Equal to money price.

   (d) None of these.

7. In case of Substitute Product:

   (a) The Demand Curve Slope upwards

   (b) The Demand Curve Slope downwards

   (c) The Demand Curve is Perfectly Elastic

   (d) None of these.

8. A rise in price will _____.

   (a) Increase in Consumer Surplus

   (b) Decrease in Consumer Surplus

   (c) No Change in Consumer Surplus

   (d) None of these

9. Law of Production does not include _____.

   (a) least Cost Combination of factors

   (b) Law of variable proportion

   (c) Law of diminishing returns to a factor

   (d) Return to scale

10. Which of the following statements is correct concerning the relationship among the firm's Cost Function:

   (a) TC = TVC-TFC

(b) TFC = TC- TVC

(c) TC = TFC – TVC

(d) TVC = TFC- TC

11. In the Cobb Douglas function the change in Output due to increase in one additional unit of an input is called?

(a) Elasticity

(b) Return to scale

(c) Total Product

(d) Marginal Revenue

12. The condition for Pure Competition to be fulfilled are _____.

(a) large numbers of buyers and sellers

(b) Products are homogeneous

(c) Firms are free from entry and exit from the market

(d) All the above

13. The opportunity cost of a good is:

(a) The loss of interest in using savings

(b) The time lost in finding it

(c) The quality of other goods sacrificed to get another unit of that good

(d) None of these

14. Which is not the Characteristics of Monopolistic Competition:

(a) Large number of sellers

(b) Homogeneous Product

(c) Freedom of entry and exit

(d) Non Price Discrimination

15. The Concept of Price rigidity in Sweezy's Model is related to which market form:

(a) Oligopoly market

(b) Perfect competition market

(c) Monopoly market

(d) Monopolistic market

16. Which of the following Statement is incorrect?

(a) There is no difference between a firm and an Industry

(b) The Monopolist may raise the price and restrict the output

(c) Heterogeneous product are offered for sale in Perfect Competition

(d) In Monopolistic competition product differentiation is peculiar.

17. The Relationship between AR, MR and Price Elasticity _____.

(a) MR = AR X e-1 divided by e

(b) AR = MR X e-1 divided by e

(c) AR – MR = e-1 divided by e

(d) None of these

18. The Price elasticity for Monopolistic Firm is:

(a) E >1

(b) E < 1

(c) E =1

(d) None of these

19. When a small change in price leads to a large change in demand the demand is:

(a) Inelastic

(b) Elastic

(c) Stagnant

(d) Fixed

20. The relationship between price and quantity supplied in law of supply is:

(a) Proportionate

(b) Homogenous

(c) Inverse

(d) Positive

21. Certain Benefit an Industry gets when it expands its scale of production is known as:
    (a) Internal Economies
    (b) Diseconomies
    (c) External economies
    (d) Profit
22. The Shape of TR Curve of the Monopolist is:
    (a) U Shaped
    (b) Inverted U Shaped
    (c) Downward sloping
    (d) None of these.
23. The Distinction between Selling Cost and Production cost was made by:
    (a) Chamberlin
    (b) Sweezy
    (c) Mrs. Joan Robinson
    (d) None of these
24. For Luxuries goods the Income Elasticity is:
    (a) $E > 1$
    (b) $E < 1$
    (c) $E = 0$
    (d) None of these
25. Long Run Average Cost (LAC) is:
    (a) U Shaped
    (b) Is also called envelope curve
    (c) Both a and b
    (d) None of These
26. Under Perfect Competition the Supply Curve is derived from:
    (a) MC Curve

(b) AC curve

(c) TC Curve

(d) None of these.

27. The Consumer is in equilibrium when:

(a) The budget line is tangent to the Indifference Curve

(b) Marginal rate of Substitution of one good for another must be equal to the Price ratio of the two goods

(c) Either a or b

(d) None of these

28. When average cost is equal to average revenue of a firm, it gets _____.

(a) Sub normal profit

(b) Normal profit

(c) Abnormal profit

(d) Super profit

29. The producer's demand for a factor of production is governed by the _____of that factor.

(a) Price

(b) Marginal Productivity

(c) Availability

(d) Profitability

30. The Slope of Isoquant is:

(a) Upward to the left

(b) Downward to the right

(c) Downward to the left

(d) Upward to the right

31. When the Output increases from 20 to 30 units and TR increases from ₹ 400 to ₹ 500 then MR is:

(a) 20

(b) 10

(c) 15

(d) None of these

32. Negative Return sets in at the stage when:

(a) MP is negative

(b) MP is diminishing

(c) MP is rising

(d) none of these

33. The Problem what to produce relates to:

(a) The Choice of goods and Services

(b) Distribution of Income

(c) The Choice of Technique

(d) market value of goods and services

34. Average revenue curve is more elastic under monopolistic competition than monopoly due to:

(a) Low degree of governmental control

(b) lack of close Substitute

(c) Availability of close Substitute

(d) None of these

35. The Government offer minimum assured price to the farmers to purchase their output is called:

(a) Market Price

(b) Support Price

(c) Equilibrium Price

(d) Ceiling Price

36. What affects supply elasticity the most?

(a) Consumer demand

(b) Ease of increasing production

(c) Brand value

(d) Import tariffs

37. Economic indicator of contraction and expansionary phase by measuring real GDP is:

(a) Business cycle

(b) Technical indicator

(c) Leading indicator

(d) Lagging indicator

38. The restaurant industry has a market structure that comes closest to:

(a) Monopolistic competition

(b) Oligopoly.

(c) Perfect competition.

(d) Monopoly.

39. If an input is owned and used by a firm, then its _____.

(a) Explicit cost is zero.

(b) Implicit cost is zero.

(c) Opportunity cost is zero.

(d) Economic cost is zero.

40. If the inflation rate starts to increase, a central bank most likely will:

(a) try to stimulate aggregate supply through open market purchases

(b) change short-term interest rates through open market sales

(c) increase short-term interest rates by buying government bonds

(d) send signals to financial markets about upcoming open market purchases

41. In a simple model with no government or foreign sector, the change in unplanned inventory at equilibrium is:

(a) dependent upon the amount of consumption

(b) equal to output minus consumption

(c) zero

(d) always positive

42. Positive economics means:

(a) Does not depend on market interactions,

(b) Only looks at the best parts of the economy.

(c) Examines how the economy works (as opposed to how it should work)

(d) Is very subjective.

43. A nation's gross domestic product (GDP):

(a) Can be found by summing C + I + G + Xn.

(b) Is the dollar value of the total output produced by its citizens, regardless of where they are living.

(c) Can be found by summing C + S + G + Xn.

(d) Is always some amount less than its NDP.

44. GDP data are criticized as being inaccurate measures of economic welfare because:

(a) They do not take into account changes in the amount of leisure.

(b) They do not take into account all changes in product quality.

(c) They do not take into account the adverse effects of economic activity on the environment.

(d) Of all of the above considerations.

45. What is the primary purpose of a government budget?

(a) Maximizing government revenue

(b) Controlling inflation

(c) Allocating resources efficiently

(d) Minimizing government spending

46. The concern regarding changing health consciousness of consumers highlights which limitation of economic theory in real-world decision making?

(a) Static nature of demand analysis

(b) Excessive reliance on normative assumptions

(c) Unrealistic ceteris paribus assumption

(d) Absence of marginal analysis

47. If the firm uses last ten years' data to forecast demand, the major economic risk involved is:

(a) Sampling bias

(b) Structural break in demand pattern

(c) Measurement error

(d) Price elasticity instability

48. In a socialist economy, the central planning authority is responsible for:

(a) Only taxation policies

(b) Only foreign trade

(c) Major economic decisions including what, when, and how much to produce

(d) Maintaining law and order only

49. Conspicuous goods are demanded more because of:

(a) Low price

(b) Necessity

(c) Prestige value

(d) Government subsidy

50. The 'bandwagon effect' in consumer behaviour leads to:

(a) Decrease in demand when others start consuming the product

(b) No change in demand pattern

(c) Increase in demand because others are also consuming the same commodity

(d) Perfectly inelastic demand

51. Which of the following is an assumption of the Law of Diminishing Marginal Utility?

(a) Change in income

(b) Continuous consumption

(c) Change in taste

(d) Availability of substitutes

52. Consumer surplus can be graphically represented as:

(a) The area above the demand curve and below the price line

(b) The triangular area below the demand curve and above the price line

(c) The total area under the demand curve

(d) The rectangular area formed by price and quantity

53. If the cost increase is temporary, supply in the long run is most likely to:

(a) Remain permanently lower

(b) Become perfectly inelastic

(c) Completely disappears

(d) Partially recover due to adjustment

54. Land is considered a unique factor of production because:

(a) Its supply is elastic

(b) It is a produced factor

(c) It has indestructible powers

(d) It earns wages

55. Decreasing returns to scale eventually occur primarily because of:

(a) Exhaustion of natural resources

(b) Increasing difficulties of management, coordination and control

(c) Labor becoming less skilled

(d) Technology becoming outdated

56. The efficient scale of production is the level of output at which:

(a) AFC is minimum

(b) AVC is minimum

(c) ATC is minimum

(d) MC is minimum

57. Normal price is determined in the:

(a) Very short period

(b) Short period

(c) Long period

(d) Market period

58. Which market structure is characterised by extreme product differentiation?

(a) Perfect competition

(b) Monopolistic competition

(c) Oligopoly

(d) Monopoly

59. In simultaneous opposite shifts of demand and supply, equilibrium quantity:

(a) Always increases

(b) Always decreases

(c) Remains constant

(d) Is uncertain

60. Match the Pairs

Column A	Column B
1. Market price above equilibrium	(a) Buyers bid up prices as they compete for limited supply
2. Market price below equilibrium	(b) Sellers lower prices to clear unsold inventory
3. Stable equilibrium	(c) New equilibrium established at point where new demand equals new supply
4. Shift in both demand and supply	(d) Any disturbance is self-correcting and original equilibrium is restored

(a) 1 – B, 2 – A, 3 – D, 4 - C

(b) 1 – A, 2 – B, 3 – D, 4 - C

(c) 1 – A, 2 – B, 3 – C, 4 - D

(d) 1 – D, 2 – A, 3 – C, 4 - B

61. Which event typically marks the start of recovery?

(a) Rising inventories

(b) Increasing pessimism

(c) Renewal of investment

(d) Peak inflation

62. The IT bubble burst illustrates failure of:

(a) Fiscal policy

(b) Demand forecasting

(c) Innovation theory

(d) Growth-over-profits strategy

63. According to the business cycle theory, which statement best explains the relationship between leading indicators and economic forecasting?

(a) Leading indicators move simultaneously with economic activity

(b) Leading indicators provide advance signals of economic turning points before they occur

(c) Leading indicators only reflect past economic performance

(d) Leading indicators are unreliable for economic prediction

64. The trough phase of a business cycle is characterized by:

(a) Peak employment levels

(b) Maximum aggregate economic activity

(c) Lowest point of aggregate economic activity

(d) Rapid economic expansion

65. In a three-sector economy, if C = 80 + 0.70Yd, I = 150, G = 200, T = 100 (lump sum), what is the equilibrium national income?

(a) ₹ 1,200 crores

(b) ₹ 1,333.33 crores

(c) ₹ 1,100 crores

(d) ₹ 1,433.33 crores

66. The Net Divisible Pool (NDP) consists of:

(a) Gross tax revenue including cesses

(b) Only direct taxes

(c) All union taxes excluding cesses and surcharges

(d) Only GST revenues

67. Which fiscal function is being overemphasized in this scenario?

(a) Allocation

(b) Stabilization

(c) Redistribution

(d) Resource mobilization

68. Which situation best illustrates adverse selection?

(a) Insured driver drives rashly

(b) Seller hides product defects before sale

(c) Consumer overuses subsidised healthcare

(d) Government fixes minimum prices

69. Which of the following expenditures is not subject to voting by Parliament?

(a) Defence expenditure

(b) Interest on public debt

(c) Education expenditure

(d) Health expenditure

70. Which of the following best represents discretionary fiscal policy?

(a) Progressive taxation

(b) Unemployment allowance

(c) Increase in public spending by budget decision

(d) Automatic tax adjustments

71. Automatic stabilisers operate:

    (a) Only after government approval

    (b) Without deliberate policy changes

    (c) Through monetary policy

    (d) Through foreign trade policy

72. In Fisher's equation of exchange, if technological innovation reduces transaction frequency without affecting real output, the immediate impact—ceteris paribus—would be on:

    (a) Price level only

    (b) Velocity of circulation only

    (c) Money supply only

    (d) Both velocity and price level

73. Which of the following situations best explains why speculative demand for money becomes perfectly elastic in a liquidity trap?

    (a) Transaction demand becomes interest elastic

    (b) Bond prices become constant

    (c) Expected capital losses on bonds dominate interest earnings

    (d) Income elasticity of money demand becomes zero

74. Which variable is explicitly absent from the Cambridge money demand function but central to Keynes' speculative demand?

    (a) Income

    (b) Price level

    (c) Interest rate

    (d) Velocity of money

75. Which statement correctly explains why high-powered money is called the base of the money supply?

    (a) It directly equals broad money

    (b) It alone determines velocity of circulation

(c) It supports multiple expansion of bank deposits

(d) It includes only currency in circulation

76. Credit multiplier differs from money multiplier mainly because credit multiplier assumes:

(a) No time deposits

(b) No excess reserves and no currency leakages

(c) Perfect capital mobility

(d) Fixed interest rates

77. If the central bank injects liquidity through open market purchases but banks choose to hold all additional reserves as excess reserves, the money supply will:

(a) Increase multiple times

(b) Increase only by the initial injection

(c) Decrease

(d) Become indeterminate

78. Under the Monetary Policy Framework Agreement, RBI is deemed to have failed if inflation:

(a) Deviates from target even once

(b) Breaches tolerance limits for two consecutive quarters

(c) Exceeds upper or lower tolerance limits for three consecutive quarters

(d) Deviates from WPI targets

79. Which of the following assumptions, if violated, most seriously undermines the practical applicability of Ricardo's theory of comparative advantage?

(a) Two-country, two-commodity framework

(b) Absence of transport costs

(c) Labour immobility between countries

(d) Labour as the sole factor of production

80. Which trade policy instrument results in price distortion without generating government revenue, while simultaneously creating economic rent for private agents?

(a) Import tariff

(b) Countervailing duty

(c) Import quota

(d) Export tax

81. A tariff-rate quota (TRQ) combines:

(a) Export subsidy with import licensing

(b) Import quota with ad valorem tariff

(c) Preferential tariff with MFN tariff

(d) Quantity restriction with differential tariff rates

82. A country experiences a persistent current account deficit along with a surplus in the capital account. This situation necessarily implies:

(a) Deterioration in terms of trade

(b) Net capital inflows financing excess absorption

(c) Depletion of foreign exchange reserves

(d) Overvaluation of domestic currency

83. An increase in the Real Effective Exchange Rate (REER), holding nominal exchange rate constant, necessarily implies that:

(a) Domestic inflation is lower than foreign inflation

(b) Domestic inflation exceeds foreign inflation

(c) Trade balance must improve

(d) Capital inflows will increase

84. Under a managed floating exchange rate regime, central bank intervention is most effective when it primarily influences:

(a) Trade volumes directly

(b) Inflation expectations alone

(c) Market expectations about future exchange rate movements

(d) Long-term capital formation

85. Foreign Portfolio Investment (FPI) is more likely than FDI to trigger a financial crisis in the host country because FPI:

(a) Is associated with technology transfer

(b) Is driven by expectations and speculative capital movements

(c) Enhances domestic productive capacity

(d) Requires managerial control

86. Which situation best illustrates crowding-out caused by FDI in a developing economy?

(a) Foreign firms export their entire output

(b) Foreign firms borrow heavily from domestic capital markets

(c) Foreign firms use imported capital goods

(d) Foreign firms reinvest profits locally

87. Which of the following describes the unique "unconventional experience" of India's post-reform growth trajectory?

(a) Direct shift from service-led to industry-led growth

(b) Complete reliance on agricultural exports for forex

(c) Bypassing the secondary sector in the shift from agriculture to services

(d) Transitioning from a closed economy to a socialist market economy

88. The "Hindu growth rate," referring to the modest 3.5% average annual GDP growth, occurred during which period?

(a) 1947–1964

(b) 1950–1980

(c) 1965–1981

(d) 1981–1991

89. In the context of 1991 reforms, the "Stabilisation Measures" were primarily intended to address which two issues?

(a) Unemployment and poverty

(b) Industrial stagnation and lack of technology

(c) Inflation and adverse balance of payments

(d) Rural-urban migration and literacy rates

90. Which committee's recommendations led to the reduction of reserve requirements (SLR and CRR) in the early 1990s?

(a) Kelkar Committee

(b) Narasimham Committee

(c) Chelliah Committee

(d) Gadgil Committee

91. Which specific NITI Aayog initiative is aimed at reducing India's oil import bill and converting coal reserves into cleaner fuel?

(a) Shoonya

(b) E-Amrit

(c) Methanol Economy

(d) Life

92. The Policy of "Broad banding" introduced in 1985 allowed firms to:

(a) Issue unlimited shares in the capital market

(b) Import raw materials without any tariffs

(c) Change their product mix within existing capacity without fresh licensing

(d) Merge with any public sector unit

93. According to New Trade Theory, a country may export a good even without comparative advantage due to:

(a) Government trade restrictions

(b) Increasing returns to scale and network effects

(c) Factor abundance reversal

(d) Perfect competition in global markets

94. Which of the following situations best demonstrates a market failure due to asymmetric information?

(a) A monopolist exploiting market power by reducing supply

(b) Consumers buying substandard products because they lack information about quality

(c) The government providing public goods like street lighting

(d) A natural monopoly where economies of scale drive market concentration

95. Which of the following factors does NOT directly affect the demand for money?

(a) Interest rates

(b) The level of income or output

(c) The price level in the economy

(d) The government's fiscal deficit

96. Which of the following is NOT a typical tool of monetary policy used by a central bank?

(a) Open market operations

(b) Changing the reserve requirements of commercial banks

(c) Adjusting the tax rates in the economy

(d) Changing the discount rate

97. Which of the following is a primary objective of India's Five-Year Plans?

(a) To regulate and control foreign trade

(b) To promote balanced economic growth across all regions

(c) To discourage the private sector in favor of public enterprises

(d) To ensure foreign aid and capital inflows into the country

98. The current account deficit (CAD) in India refers to the excess of:

(a) Imports over exports

(b) Exports over imports

(c) Total investment over savings

(d) Government expenditure over revenue

99. Which of the following is a major issue associated with the fiscal deficit in India?

(a) Increased foreign exchange reserves

(b) Higher government borrowing leading to inflation

(c) Reduced taxation leading to a decrease in government revenue

(d) Increase in foreign direct investments

100. Which of the following is the correct sequence of stages in the budget-making process?

(a) Presentation, Drafting, Execution, Approval

(b) Drafting, Presentation, Approval, Execution

(c) Execution, Presentation, Approval, Drafting

(d) Presentation, Approval, Execution, Drafting

Mock Test Paper - Series I: April 2026

Date of Paper: 20th April 2026

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

1. The role of price mechanism is weakest in which economy?
   (A) Capitalist
   (B) Mixed
   (C) Socialist
   (D) Free market
2. In capitalism, the decision on how to produce is based on:
   (A) Social welfare
   (B) Profit Maximisation
   (C) Cost minimisation and profit maximisation
   (D) Equal distribution goals
3. Market structure and pricing analysis is part of:
   (A) External issues
   (B) Internal scope
   (C) Economic policy formulation
   (D) National income accounting
4. Business Economics assists in decisions under risk and uncertainty by using:
   (A) Pure theory only
   (B) Analytical and quantitative tools like break-even analysis
   (C) Random guessing
   (D) Only macroeconomic policy
5. Consumer sovereignty in a socialist economy is generally:
   (A) Greater than in capitalism

(B) Operative only in private markets

(C) Largely limited by central planning

(D) Ensured through democratic choices

6. Why is Business Economics considered normative in nature?

(A) It prescribes what ought to be done in business decisions

(B) It analyses historical trends exclusively

(C) It avoids value judgments

(D) It describes only what is

7. Which of the following elements is *not* essential to economic demand?

(A) Willingness to buy

(B) Ability to pay

(C) Desire to buy

(D) Unlimited wants

8. An increase in demand due to a fall in price is called:

(A) Expansion of demand

(B) Change in demand

(C) Shift of demand curve

(D) Cross elasticity

9. For inferior goods, income elasticity of demand is generally:

(A) Positive

(B) Negative

(C) Zero

(D) Infinite

10. If the cross elasticity of demand between goods X and Y is positive, what does this imply?

(A) X and Y are complements

(B) X and Y are substitutes

(C) There is no relationship

(D) They are luxury goods

11. Advertisement elasticity of demand measures:
    (A) Change in supply due to advertising
    (B) Responsiveness of demand to advertisement expenditure
    (C) Price elasticity
    (D) Income elasticity
12. Which assumption is *not* necessary for the Law of Diminishing MU?
    (A) Homogeneous units of the commodity
    (B) Constant marginal utility of money
    (C) Consumer income changes frequently
    (D) Consumer tastes remain constant
13. Who originally introduced the concept of consumer surplus?
    (A) Adam Smith
    (B) Alfred Marshall
    (C) J.M. Keynes
    (D) Paul Samuelson
14. Which elasticity concept helps governments decide how the tax burden will be shared?
    (A) Cross elasticity
    (B) Price elasticity
    (C) Income elasticity
    (D) Advertisement elasticity
15. The term “effective demand” means:
    (A) Desire to buy with no money
    (B) Demand without willingness
    (C) Desire backed by purchasing power and willingness
    (D) Only planned purchases
16. A rightward shift of the supply curve accompanied by a leftward shift of the demand curve will definitely:
    (A) Increase equilibrium price
    (B) Decrease equilibrium price

(C) Increase equilibrium quantity

(D) Indeterminate change in quantity

17. Which of the following is the most comprehensive measure of a nation's income?

(A) GDP

(B) GNP

(C) NNP at Factor Cost

(D) Personal Income

18. India mainly uses which approach for national income estimation?

(A) Income method only

(B) Product method only

(C) Combination of product and income methods

(D) Expenditure method only

19. Real GDP is preferred over Nominal GDP for welfare comparison because it:

(A) Includes transfer payments

(B) Is measured at current prices

(C) Accounts for price level changes

(D) Excludes net exports

20. The Keynesian theory of national income was developed primarily to explain:

(A) Long-run full employment equilibrium

(B) Persistent unemployment and demand-deficient recessions

(C) Supply side shocks

(D) Classical price flexibility

21. When autonomous consumption rises, the Keynesian consumption function shifts:

(A) Downward

(B) Upward

(C) Leftward

(D) No change

22. The introduction of government spending in the three-sector model causes:

(A) Equilibrium income to fall

(B) No change in equilibrium

(C) Multiplier effect with additional income impact

(D) Only reduces taxes

23. Balanced budget multiplier equals:

(A) Zero

(B) One

(C) Greater than one

(D) Negative

24. Which of the following is a leakage in the Keynesian circular flow?

(A) Government spending

(B) Exports

(C) Savings

(D) Investment

25. A large underground economy will:

(A) Overstate national income

(B) Understate official national income

(C) Not affect GDP

(D) Increase government revenues

26. Which of the following fiscal functions primarily deals with correcting inefficiencies caused by market failure?

(A) Stabilization function

(B) Allocation function

(C) Redistribution function

(D) Debt management

27. Externalities are best described as:

(A) Effects of economic activity on third parties

(B) Internal costs of production

(C) Government expenditures

(D) Market equilibrium conditions

28. Public debt management focuses on:

    (A) Short-term loans only

    (B) Efficiency and cost minimization

    (C) Increasing tax rates

    (D) Reducing public goods

29. A government mandate requiring accurate product labelling primarily corrects which type of failure?

    (A) Public goods failure

    (B) Demerit goods only

    (C) Information failure

    (D) Market power failure

30. Automatic stabilizers include:

    (A) Progressive taxes

    (B) Tariffs

    (C) Export subsidies

    (D) Exchange controls

31. Which of the following are the stages of budget making?

    (A) Drafting, Implementation, Monitoring

    (B) Preparation, Enactment, Execution

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(B) Foreign Direct Investment inflow

(C) Repayment of external commercial borrowing

(D) Rise in remittances from abroad

73. Which of the following limits the effectiveness of fiscal policy?

(A) Flexible prices

(B) Time lag in implementation

(C) High tax compliance

(D) Balanced budget

CASE: In an economy, aggregate demand is lower than aggregate supply at the current level of income for Question No. 74 and 75.

74. This situation will lead to:

(A) Rise in output

(B) Increase in employment

(C) Fall in national income

(D) Full employment

75. The adjustment process will continue until:

(A) MPC becomes zero

(B) Prices rise

(C) AD equals AS

(D) Investment becomes zero

76. Which of the following expenditures is not subject to voting by Parliament?

(A) Defence expenditure

(B) Interest on public debt

(C) Education expenditure

(D) Health expenditure

77. If governments make it compulsory to avail insurance protection, it is because:

(A) Insurance companies need to be running profitably

(B) Insurance will generate moral hazard and adverse selection

(C) Insurance is a merit good and government want people to consume it

(D) None of the above

78. Suppose that at a price of ₹ 300 per month, there are 30,000 subscribers to cable television in Small Town. If Small Town Cablevision raises its price to ₹ 400 per month, the number of subscribers will fall to 20,000. Using the arc elasticity (midpoint) method for calculating the elasticity, what is the price elasticity of demand for cable TV in Small Town?

(A) 1.4

(B) 0.66

(C) 0.75

(D) 2.0

79. Which of the following statement is false?

(A) Majority of countries follow flexible exchange rate

(B) The term devaluation applies to fixed exchange rate

(C) RBI wants Indian companies to hedge their currency

(D) Dirty float is generally followed by countries with fixed exchange regime

80. Which of the following is considered a characteristic of Foreign Direct Investment (FDI)?

(A) Short-term investment

(B) Indirect investment in financial assets

(C) Control and management involvement

(D) Minimal risk exposure

81. According to Keynes, what can cause involuntary unemployment in an economy?
    (A) High interest rates
    (B) Insufficient aggregate demand
    (C) Government intervention
    (D) Excessive savings
82. The concept of "animal spirits" in Keynesian theory refers to:
    (A) The unpredictable behaviour of financial markets
    (B) Psychological factors influencing economic decisions
    (C) Government regulations affecting business confidence
    (D) The impact of interest rates on investment
83. In modern fiat money systems, the value of money is primarily based on:
    (A) Gold reserves
    (B) Government authority and public trust
    (C) Exchange rates
    (D) None of these
84. When the market quantity of a good is greater than the socially optimal quantity, it is a case of:
    (A) Positive externality
    (B) Negative externality
    (C) Public goods
    (D) None of these
85. Which of the following is a common solution to the problem of common resources being overused?
    (A) Government regulation
    (B) Privatization
    (C) Subsidies
    (D) None of these
86. Which of the following is an example of an automatic stabilizer in the budget?
    (A) Discretionary spending

(B) Progressive taxation

(C) Infrastructure investment

(D) Unemployment benefits

87. 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.

88. Which of the following will not be a consequence of an import tariff?

(A) An increase in the price of the product in the domestic market

(B) Reduced competitive pressure by foreign firms on the domestic producers

(C) Increased level of supply in the domestic market

(D) None of the above is correct.

89. Implicit cost is equal to:

(A) business profit minus economic profit.

(B) business profit plus economic profit.

(C) economic profit minus business profit

(D) economic profit minus explicit cost.

90. Which of the following marks the beginning of a contraction in the business cycle:

(A) Peak

(B) Expansion

(C) Recession

(D) Trough

91. ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?

(A) Joint Venture

(B) Brownfield Investment

(C) Greenfield Investment

(D) Licensing

92. If real exchange rate is high, it might lead to:

(A) Current account deficit

(B) fiscal deficit

(C) current account surplus

(D) Increase in foreign exchange reserves.

93. The parameters of economic reforms undertaken in an economy are:

(A) macroeconomic stabilisation

(B) macroeconomic structural adjustments

(C) both (a) and (b)

(D) none of these

94. The Price in Collusive Oligopoly is decided by:

(A) The Firm

(B) Price leader

(C) The industry

(D) None of these

95. In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called?

(A) Elasticity

(B) Return to scale

(C) Total Product

(D) Marginal Revenue

96. Demonstration effect, a term coined by _____

(A) Adam Smith

(B) James Duesenberry

(C) Alfred Marshall

(D) None of these

97. What is a Global Depository Receipt?

(A) It is a receipt issued by multinational banks on deposit of money.

(B) It is a receipt issued by stock exchange to bank clearing mechanism.

(C) It is a receipt issued by an overseas bank is lieu of shares of a domestic company.

(D) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

98. E - NAM is _____

(A) a pan-India electronic trading portal which networks the existing APMC mandis

(B) with the objective of creating a unified national market for agricultural commodities

(C) Both (A) & (B)

(D) None of these

99. Macro-Prudential Policy Measures can help to overcome:

(A) Systemic Risk

(B) Credit Risk

(C) Inflation risk

(D) None of these

100. Which of the following short-run cost curves declines continuously?

(A) Average total cost

(B) Marginal cost

(C) Average fixed cost

(D) Average variable cost

Mock Test Paper - Series I: April 2026

Date of Paper: 20th April 2026

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

1. The role of price mechanism is weakest in which economy?
   (A) Capitalist
   (B) Mixed
   (C) Socialist
   (D) Free market
2. In capitalism, the decision on how to produce is based on:
   (A) Social welfare
   (B) Profit Maximisation
   (C) Cost minimisation and profit maximisation
   (D) Equal distribution goals
3. Market structure and pricing analysis is part of:
   (A) External issues
   (B) Internal scope
   (C) Economic policy formulation
   (D) National income accounting
4. Business Economics assists in decisions under risk and uncertainty by using:
   (A) Pure theory only
   (B) Analytical and quantitative tools like break-even analysis
   (C) Random guessing
   (D) Only macroeconomic policy
5. Consumer sovereignty in a socialist economy is generally:
   (A) Greater than in capitalism

(B) Operative only in private markets

(C) Largely limited by central planning

(D) Ensured through democratic choices

6. Why is Business Economics considered normative in nature?

(A) It prescribes what ought to be done in business decisions

(B) It analyses historical trends exclusively

(C) It avoids value judgments

(D) It describes only what is

7. Which of the following elements is *not* essential to economic demand?

(A) Willingness to buy

(B) Ability to pay

(C) Desire to buy

(D) Unlimited wants

8. An increase in demand due to a fall in price is called:

(A) Expansion of demand

(B) Change in demand

(C) Shift of demand curve

(D) Cross elasticity

9. For inferior goods, income elasticity of demand is generally:

(A) Positive

(B) Negative

(C) Zero

(D) Infinite

10. If the cross elasticity of demand between goods X and Y is positive, what does this imply?

(A) X and Y are complements

(B) X and Y are substitutes

(C) There is no relationship

(D) They are luxury goods

11. Advertisement elasticity of demand measures:
    (A) Change in supply due to advertising
    (B) Responsiveness of demand to advertisement expenditure
    (C) Price elasticity
    (D) Income elasticity
12. Which assumption is *not* necessary for the Law of Diminishing MU?
    (A) Homogeneous units of the commodity
    (B) Constant marginal utility of money
    (C) Consumer income changes frequently
    (D) Consumer tastes remain constant
13. Who originally introduced the concept of consumer surplus?
    (A) Adam Smith
    (B) Alfred Marshall
    (C) J.M. Keynes
    (D) Paul Samuelson
14. Which elasticity concept helps governments decide how the tax burden will be shared?
    (A) Cross elasticity
    (B) Price elasticity
    (C) Income elasticity
    (D) Advertisement elasticity
15. The term “effective demand” means:
    (A) Desire to buy with no money
    (B) Demand without willingness
    (C) Desire backed by purchasing power and willingness
    (D) Only planned purchases
16. A rightward shift of the supply curve accompanied by a leftward shift of the demand curve will definitely:
    (A) Increase equilibrium price
    (B) Decrease equilibrium price

(C) Increase equilibrium quantity

(D) Indeterminate change in quantity

17. Which of the following is the most comprehensive measure of a nation's income?

(A) GDP

(B) GNP

(C) NNP at Factor Cost

(D) Personal Income

18. India mainly uses which approach for national income estimation?

(A) Income method only

(B) Product method only

(C) Combination of product and income methods

(D) Expenditure method only

19. Real GDP is preferred over Nominal GDP for welfare comparison because it:

(A) Includes transfer payments

(B) Is measured at current prices

(C) Accounts for price level changes

(D) Excludes net exports

20. The Keynesian theory of national income was developed primarily to explain:

(A) Long-run full employment equilibrium

(B) Persistent unemployment and demand-deficient recessions

(C) Supply side shocks

(D) Classical price flexibility

21. When autonomous consumption rises, the Keynesian consumption function shifts:

(A) Downward

(B) Upward

(C) Leftward

(D) No change

22. The introduction of government spending in the three-sector model causes:

(A) Equilibrium income to fall

(B) No change in equilibrium

(C) Multiplier effect with additional income impact

(D) Only reduces taxes

23. Balanced budget multiplier equals:

(A) Zero

(B) One

(C) Greater than one

(D) Negative

24. Which of the following is a leakage in the Keynesian circular flow?

(A) Government spending

(B) Exports

(C) Savings

(D) Investment

25. A large underground economy will:

(A) Overstate national income

(B) Understate official national income

(C) Not affect GDP

(D) Increase government revenues

26. Which of the following fiscal functions primarily deals with correcting inefficiencies caused by market failure?

(A) Stabilization function

(B) Allocation function

(C) Redistribution function

(D) Debt management

27. Externalities are best described as:

(A) Effects of economic activity on third parties

(B) Internal costs of production

(C) Government expenditures

(D) Market equilibrium conditions

28. Public debt management focuses on:

    (A) Short-term loans only

    (B) Efficiency and cost minimization

    (C) Increasing tax rates

    (D) Reducing public goods

29. A government mandate requiring accurate product labelling primarily corrects which type of failure?

    (A) Public goods failure

    (B) Demerit goods only

    (C) Information failure

    (D) Market power failure

30. Automatic stabilizers include:

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    (C) Export subsidies

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72. Which of the following transactions will improve the capital account balance but worsen the Net International Investment Position (NIIP)?

(A) Increase in exports of software services

(B) Foreign Direct Investment inflow

(C) Repayment of external commercial borrowing

(D) Rise in remittances from abroad

73. Which of the following limits the effectiveness of fiscal policy?

(A) Flexible prices

(B) Time lag in implementation

(C) High tax compliance

(D) Balanced budget

CASE: In an economy, aggregate demand is lower than aggregate supply at the current level of income for Question No. 74 and 75.

74. This situation will lead to:

(A) Rise in output

(B) Increase in employment

(C) Fall in national income

(D) Full employment

75. The adjustment process will continue until:

(A) MPC becomes zero

(B) Prices rise

(C) AD equals AS

(D) Investment becomes zero

76. Which of the following expenditures is not subject to voting by Parliament?

(A) Defence expenditure

(B) Interest on public debt

(C) Education expenditure

(D) Health expenditure

77. If governments make it compulsory to avail insurance protection, it is because:

(A) Insurance companies need to be running profitably

(B) Insurance will generate moral hazard and adverse selection

(C) Insurance is a merit good and government want people to consume it

(D) None of the above

78. Suppose that at a price of ₹ 300 per month, there are 30,000 subscribers to cable television in Small Town. If Small Town Cablevision raises its price to ₹ 400 per month, the number of subscribers will fall to 20,000. Using the arc elasticity (midpoint) method for calculating the elasticity, what is the price elasticity of demand for cable TV in Small Town?

(A) 1.4

(B) 0.66

(C) 0.75

(D) 2.0

79. Which of the following statement is false?

(A) Majority of countries follow flexible exchange rate

(B) The term devaluation applies to fixed exchange rate

(C) RBI wants Indian companies to hedge their currency

(D) Dirty float is generally followed by countries with fixed exchange regime

80. Which of the following is considered a characteristic of Foreign Direct Investment (FDI)?

(A) Short-term investment

(B) Indirect investment in financial assets

(C) Control and management involvement

(D) Minimal risk exposure

81. According to Keynes, what can cause involuntary unemployment in an economy?
    (A) High interest rates
    (B) Insufficient aggregate demand
    (C) Government intervention
    (D) Excessive savings
82. The concept of "animal spirits" in Keynesian theory refers to:
    (A) The unpredictable behaviour of financial markets
    (B) Psychological factors influencing economic decisions
    (C) Government regulations affecting business confidence
    (D) The impact of interest rates on investment
83. In modern fiat money systems, the value of money is primarily based on:
    (A) Gold reserves
    (B) Government authority and public trust
    (C) Exchange rates
    (D) None of these
84. When the market quantity of a good is greater than the socially optimal quantity, it is a case of:
    (A) Positive externality
    (B) Negative externality
    (C) Public goods
    (D) None of these
85. Which of the following is a common solution to the problem of common resources being overused?
    (A) Government regulation
    (B) Privatization
    (C) Subsidies
    (D) None of these
86. Which of the following is an example of an automatic stabilizer in the budget?
    (A) Discretionary spending

(B) Progressive taxation

(C) Infrastructure investment

(D) Unemployment benefits

87. 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.

88. Which of the following will not be a consequence of an import tariff?

(A) An increase in the price of the product in the domestic market

(B) Reduced competitive pressure by foreign firms on the domestic producers

(C) Increased level of supply in the domestic market

(D) None of the above is correct.

89. Implicit cost is equal to:

(A) business profit minus economic profit.

(B) business profit plus economic profit.

(C) economic profit minus business profit

(D) economic profit minus explicit cost.

90. Which of the following marks the beginning of a contraction in the business cycle:

(A) Peak

(B) Expansion

(C) Recession

(D) Trough

91. ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?

(A) Joint Venture

(B) Brownfield Investment

(C) Greenfield Investment

(D) Licensing

92. If real exchange rate is high, it might lead to:

(A) Current account deficit

(B) fiscal deficit

(C) current account surplus

(D) Increase in foreign exchange reserves.

93. The parameters of economic reforms undertaken in an economy are:

(A) macroeconomic stabilisation

(B) macroeconomic structural adjustments

(C) both (a) and (b)

(D) none of these

94. The Price in Collusive Oligopoly is decided by:

(A) The Firm

(B) Price leader

(C) The industry

(D) None of these

95. In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called?

(A) Elasticity

(B) Return to scale

(C) Total Product

(D) Marginal Revenue

96. Demonstration effect, a term coined by _____

(A) Adam Smith

(B) James Duesenberry

(C) Alfred Marshall

(D) None of these

97. What is a Global Depository Receipt?

(A) It is a receipt issued by multinational banks on deposit of money.

(B) It is a receipt issued by stock exchange to bank clearing mechanism.

(C) It is a receipt issued by an overseas bank is lieu of shares of a domestic company.

(D) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

98. E - NAM is _____

(A) a pan-India electronic trading portal which networks the existing APMC mandis

(B) with the objective of creating a unified national market for agricultural commodities

(C) Both (A) & (B)

(D) None of these

99. Macro-Prudential Policy Measures can help to overcome:

(A) Systemic Risk

(B) Credit Risk

(C) Inflation risk

(D) None of these

100. Which of the following short-run cost curves declines continuously?

(A) Average total cost

(B) Marginal cost

(C) Average fixed cost

(D) Average variable cost

Mock Test Paper - Series II: April 2026

Date of Paper: 29th April 2026

Time of Paper: 2.00 P.M. to 4.00 P.M.

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours **Marks: 100**

1. Which aspect of taxation involves normative economics?
   (a) the incidence of (i.e., who actually pays for) the tax
   (b) the effect of the tax on incentives to work
   (c) the "fairness" of the tax
   (d) all the above
2. What are functions of Government in economy?
   (a) Allocation Function
   (b) Redistribution Function
   (c) Stabilization Function
   (d) All of the above
3. The effect of increase CRR will be reduced or nullified if:
   (a) Bank rate is reduced.
   (b) Securities are sold in the open market.
   (c) SLR is increased.
   (d) People do not borrow from non-banking institutions.
4. Point elasticity is useful for which of the following situations?
   (a) The bookstore is considering doubling the price of notebooks.
   (b) A restaurant is considering lowering the price of its most expensive dishes by 50%.
   (c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100.
   (d) None of the above.

5. Which one of the following could explain a shift to the right of the supply curve for a good?

   (a) The imposition of a tax on the good

   (b) A new supplier entering the market

   (c) A rise in firms' wage costs

   (d) A rise in the price of the good

6. Which of the following is an economic activity?

   (a) Listening to music on the radio

   (b) Teaching one's own son at home

   (c) Medical facilities rendered by a charitable dispensary

   (d) A housewife doing household duties

7. The FRBM Act, 2003 emphasises on:

   (a) revenue-led fiscal consolidation

   (b) better expenditure outcomes

   (c) rationalisation of tax regime

   (d) all of the above

8. Stagflation:

   (a) means prices are falling and purchasing power is increasing

   (b) is in the form of a low rate of growth combined with the general price level increase

   (c) means high rate of growth combined with rise in the general price level

   (d) means that due to increase in the cost of products, prices of final products are increasing

9. The Law of Scarcity:

   (a) Does not apply to rich, developed countries

   (b) Does not apply to poor, underdeveloped countries

   (c) Implies only to socialist economies.

   (d) Implies that all consumer wants will never be completely satisfied.

10. Which of the following is not a part of Fiscal policy?

    (a) Subsidy under public distribution system

    (b) Control of population

    (c) Imposition of taxation

    (d) Issue of bonds by government

11. Administered Prices refer to:

    (a) Price determined by forces of demand and supply

    (b) Price determined by sellers in the market

    (c) Price determined by an external authority which is usually the government

    d) None of these

12. If the quantity demanded by mutton increases by 5 % when the price of chicken increases by 20% the cross elasticity of demand between mutton and chicken is:

    (a) -0.25

    (b) 0.25

    (c) -4

    (d) 4

13. With reference to Union Budget, which of the following is/are covered under Non-Plan Expenditure?

    1. Défense -expenditure

    2. Interest payments

    3. Salaries and pensions

    4. Subsidies

    Select the correct answer using the code given below.

    (a) 1 only

    (b) 2 and 3 only

    (c) 1, 2, 3 and 4

    (d) None

14. To obtain full benefits of demographic dividend, what should India do?

    (a) Promoting skill development

(b) Introducing more social security schemes

(c) Reducing infant mortality rate

(d) Privatization of higher education

15. If the interest rate is decreased in an economy, it will:

(a) decrease the consumption expenditure in the economy

(b) increase the tax collection of the Government

(c) increase the investment expenditure in the economy

(d) increase the total savings in the economy

16. The “Communist Manifesto” was published in:

(a) 1848

(b) 1905

(c) 1952

(d) None of these.

17. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:

(a) uniform

(b) different

(c) less

(d) zero

18. In the case of a Giffen good, the demand curve will be.

(a) Horizontal

(b) Downward sloping to the right

(c) Upward-sloping to the right

(d) Vertical

19. Firms cooperate with each other in determining price or output or both. It is a feature of:

(a) Pure Oligopoly

(b) Non-Collusive Oligopoly

(c) Imperfect Oligopoly

(d) Collusive Oligopoly

20. Which market sells both homogeneous as well as differentiated goods?

(a) Oligopoly

(b) Perfect competition

(c) Monopoly

(d) None of these

21. Which of the following measures of meeting deficit in a budget, leads to an increase in money supply in the economy?

(a) Disinvestment

(b) Loan form World Bank

(c) Deficit Financing

(d) All of these

22. If the income elasticity of demand is greater than 1, the commodity is:

(a) a necessity

(b) a luxury

(c) an inferior good

(d) a nonrelated good

23. Within the relevant range, isoquants:

(a) are negatively sloped

(b) are convex to the origin

(c) cannot cross

(d) All of the above

24. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve inter-sects the AVC curve and the AC curve at their lowest point. The above statements are both true.

(a) Always

(b) Never

(c) Often

(d) Sometimes

25. At the shut-down point:
    (a) P =AVC
    (b) TR = TVC
    (c) the total losses of the firm equal TFC
    (d) all of the above
26. If the monopolist incurs losses in the short run, then in the long run:
    (a) the monopolist will go out of business
    (b) the monopolist will stay in business
    (c) the monopolist will break even
    (d) any of the above is possible
27. In both the Chamberlin and the kinked demand curve models, the oligopolists:
    (a) recognize their interdependence
    (b) do not collude
    (c) tend to keep prices constant
    (d) all of the above
28. Opportunity cost is _____.
    (a) A cost that cannot be avoided.
    (b) The cost incurred in the past before we make a decision about what to do in the future
    (c) That which we forgo or give up when we make a choice or a decision
    (d) The additional benefit of buying an additional unit of a product
29. For substitutes, cross elasticity of demand is_____.
    (a) Positive
    (b) Negative
    (c) Zero
    (d) Always less than one
30. Law of diminishing returns to scale is relevant to-
    (a) short period

(b) long period

(c) market period

(d) None of these

A consumer spends her entire income on goods A and B. Suddenly, the price of good A doubles while income and price of B remain unchanged.

On the basis of above situation, answer the following questions (31 and 32)

31. The immediate effect on the budget line will be:

(a) Parallel inward shift

(b) Outward rotation

(c) Inward rotation towards A-axis

(d) No change

32. At the new equilibrium, the consumer is most likely to:

(a) Reach a higher indifference curve

(b) Reach a lower indifference curve

(c) Remain on same indifference curve

(d) Consume more of good A

33. The backward bending supply curve of labour occurs because:

(a) Labor becomes less productive over time

(b) Workers prefer more leisure than additional income beyond a certain wage level

(c) Wages decrease at higher employment levels

(d) Labor unions restrict working hours

34. The concept of vertical equity in fiscal federalism refers to:

(a) Equity among individuals

(b) Equity between regions

(c) Revenue sharing between centre and states

(d) Allocation of GST among consumers

35. Time element in market was conceived by:

(a) Alfred Marshall

(b) Pigou

(c) Allen

(d) None of these

36. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism is opined by___

(a) Pigou

(b) Keynes

(c) Hawtrey

(d) None of these

37. Taxation involves which aspects of normative economics:

(a) Incidence

(b) Fairness

(c) Incentive to work

(d) All of the above

38. Full Capacity is utilized in the which market condition:

(a) Perfect Competition

(b) Monopoly

(c) Oligopoly

(d) None of these

39. The difference between AR and MR in monopoly arises due to:

(a) Constant price

(b) Price elasticity

(c) Same price at all outputs

(d) Multiple sellers

40. Which feature of business cycles explains why the duration and intensity of cycles vary across time?

(a) International contagion

(b) Periodicity and variability

(c) Uniform causes

(d) Constant amplitude

41. Which factors most influences when a company should strategically plan to launch a new product?

(a) Inflation only

(b) Phase of business cycle

(c) Fixed costs

(d) Monopolistic competition

42. The immediate cause for the 1991 reforms was:

(a) Trade surplus

(b) Balance of payments crisis

(c) Political change

(d) Agricultural boom

43. A major difference between pre- and post-independence economy is:

(a) Drop in population after 1947

(b) Shift from service to agriculture dominance

(c) Move from colonial exploitation to planned development

(d) Removal of private sector

44. A country deciding to export goods that utilize its most abundant production factor reflects which theoretical proposition?

(a) Absolute Advantage Theory

(b) Comparative Cost Theory

(c) Factor Proportions Theory

(d) Opportunity Cost Theory

45. A key limitation of mercantilist trade theory is its focus on:

(a) Balance of trade rather than overall welfare

(b) Comparative cost differences

(c) International capital flows

(d) Factor proportions

46. The Doha Development Round primarily aims to:
    (a) Liberalise only developed economies
    (b) Address developing country concerns in global trade
    (c) Eliminate services trade
    (d) Restrict foreign investment
47. Which factor represents central bank policy influence?
    (a) Currency-deposit ratio
    (b) Reserve ratio
    (c) Income level
    (d) Price level
48. A liquidity trap in money demand occurs when:
    (a) Money demand is perfectly inelastic
    (b) Money demand is perfectly elastic
    (c) Interest rates are extremely high
    (d) Money supply is zero
49. According to the simple money multiplier formula, if the reserve ratio is 0.2, the money multiplier equals:
    (a) 2
    (b) 5
    (c) 20
    (d) 0.2
50. Which policy instrument is commonly used to correct negative externalities?
    (a) Subsidies
    (b) Price ceilings
    (c) Pigouvian taxes
    (d) Import quotas
51. Government intervention through subsidies and taxes is an example of:
    (a) Market deregulation
    (b) Monetary policy

(c) International trade policy

(d) Market correction

52. The “free-rider problem” is most associated with:

(a) Private goods

(b) Public goods

(c) Merit goods

(d) Demerit goods

53. The cost which is never zero even when production is stopped is known as:

(a) Supplementary Cost

(b) Prime Cost

(c) Explicit cost

(d) Implicit cost

54. Which of the following is true with respect to relationship between AC and MC?

(a) When MC> AC, AC falls

(b) AC curve intersects MC curve at minimum MC

(c) MC curve intersects AC curve at minimum AC

(d) When MC < AC, ATC rises

55. Cost function is a _____ concept:

(a) Economical

(b) Functional

(c) Financial

(d) Technical

56. The theory of monopolistic competition has been formulated in the United States of America by:

(a) Joseph Schumpeter

(b) Joan Robinson

(c) Edward Chamberlin

(d) John Bates Clark

57. Unlimited ends and limited means together present the problem of:
    (a) Choice
    (b) Distribution
    (c) Scarcity of resources
    (d) None of these
58. A vertical supply curve parallel to Y axis implies that the elasticity of supply is :
    (a) Infinity
    (b) Zero
    (c) Equal to one
    (d) None of these
59. Which of the following is an external economy of scale in Long Run?
    (a) Risk bearing economies
    (b) Financial Economies
    (c) Development of skill labour
    (d) All the above
60. Combination of Monopoly Market and Monopsony market is called as:
    (a) Duopoly market
    (b) Bilateral Monopoly Market
    (c) Monopolistic market
    (d) None of these
61. Find nominal GDP if real GDP = 450 and price index = 120
    (a) 450
    (b) 540
    (c) 240
    (d) None of these
62. Mixed Income of the self -employed means:
    (a) net profits received by self-employed people
    (b) Wages due to non-economics activities

(c) combined factor payments which are not distinguishable

(d) None of these

63. Which of the following is concerned with division of economic responsibilities between the central and state government of India?

(a) NITI Aayog

(b) Finance Commission

(c) Central bank

(d) none of these

64. Short term credit from the Reserve bank of India to state government to bridge temporary mismatches in cash flows is known as:

(a) Ways and Means Advance

(b) Commercial credit by RBI

(c) short term facility

(d) None of these

65. What does the fiscal deficit relate to under the government budget?

(a) Taxes shortfall

(b) Disinvestment shortfall

(c) Borrowings requirement

(d) None of these

66. According to Cambridge equation, the value of money depends upon:

(a) Demand for money

(b) Supply of money

(c) Demand for goods and services

(d) All of the above

67. High-powered money is also known as:

(a) Base money

(b) Reserve money

(c) Narrow money

(d) All of the above

68. Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants:

(a) V and T

(b) M and V

(c) M and P

(d) V and P

69. Which of the following is not a function of Central Bank?

(a) Enjoys monopoly of note issue

(b) Acts as the banker's bank

(c) Creation of credit

(d) Lender of the last resort

70. According to Keynes, inflationary gap is caused by:

(a) excess supply

(b) excess demand

(c) deficiency of demand

(d) deficiency of supply

71. Which theory considers bullion as a part of the international trade:

(a) Modern theory of trade

(b) Factor equalization theorem

(c) Comparative cost advantage theory

(d) Mercantilism

72. Foreign Exchange and Foreign currencies in India are governed by:

(a) RBI

(b) Banking Regulation Act

(c) FEMA Act

(d) SEBI Act

73. _____ promotes the development friendly integration of developing Countries into the world economy:

(a) UNCTAD

(b) IBRD

(c) IMF

(d) IDA

74. Quantitative restrictions refer to limit set by countries to curb:

(a) Imports

(b) Exports

(c) Imports & Exports

(d) None of the above

75. Industrial sector reforms under the New Economic Policy (NEP) comprised which of the following?

(a) Abolition of industrial licencing

(b) De-reservation of production areas

(c) Contraction of public sector

(d) All of these

76. Assertion (A): NITI Aayog is a policy think-tank of Government of India that aims to involve the states in economic policy making in India.

Reason (R): Planning commission was replaced on January 1, 2015, due to its traditional top-down approach.

(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).

(c) Both Assertion (A) and Reason (R) is false

(d) Assertion (A) is false but Reason (R) is true.

77. Keynesian analysis is:

(a) A short-run analysis

(b) Long-run analysis

(c) Both short and long-run analysis

(d) Neither short nor long-run analysis

78. What is the function of the GDP deflator?

(a) It evaluates inflation by utilizing the present production basket.

(b) It shows real GDP growth based on current production.

(c) The GDP deflator is in real terms while the CPI is in nominal terms.

(d) None of the above

79. As a part of WTO guidelines the Agreement on Agriculture (AOA) doesn't consider:

(a) Direct payments to farmers are permitted.

(b) Indirect assistance and support to farmers including R & D support by govt. are not permitted.

(c) Domestic policies which directly affect production and trade must be cut back.

(d) Least developed countries do not need to make any cuts.

80. When the U.S. exchange rate rises, foreign goods become _____ and U.S. imports _____.

(a) more expensive; decrease

(b) less expensive; decrease

(c) more expensive; increase

(d) less expensive; increase

81. Education is an example of:

(a) Public good

(b) Merit good

(c) Social good

(d) Club good

82. Which of the following is not a criterion for determining distribution of central taxes among the states for 2021-26:

(a) Demographic performance

(b) Tax and fiscal efforts

(c) Infrastructure performance

(d) None of these

83. An increase in marginal propensity to consume will:

(a) Lead to the consumption function becoming steeper.

(b) Shift the consumption function upwards.

(c) Shift the consumption function downwards.

(d) Shift the savings function upwards.

84. A recession is a decline in:

(a) The unemployment rate that lasts six months or longer

(b) Real GDP that lasts six months or longer

(c) Potential GDP that lasts six months or longer

(d) The inflation rate that lasts six months or longer

85. Which of the following industries is most likely to be monopolistically competitive?

(a) The automobile industry

(b) The steel industry

(c) The car repair industry

(d) The electrical generating industry

86. Countervailing duty shall not be levied unless it is determined that:

(a) The subsidy relates to export performance

(b) The subsidy relates to the use of domestic goods over imported goods in the export article

(c) The subsidy has been conferred on a limited number of persons engaged in the manufacture, production or export of articles

(d) All the above

87. What is a Global Depository Receipt?

(a) It is a receipt issued by multinational banks on deposit of money

(b) It is a receipt issued by stock exchange to bank clearing mechanism

(c) It is a receipt issued by an overseas bank is lieu of shares of a domestic company

(d) It is a receipt issued by stock exchange on investment by foreign portfolio investor

88. Some economists have suggested that oligopolists tend to maintain stable prices when there are changes in the demand for their products or in their costs of production. Which of the following models provides an explanation for this type of behaviour?

(a) Price leadership

(b) Centralized cartel

(c) Prisoners' dilemma

(d) Kinked demand curve

89. Money Supply is directly proportional to:

(a) Cash reserve ratio (r)

(b) Monetary base (H)

(c) Currency deposit ratio (k)

d) Money Multiplier (m)

90. Redemption of public debt means:

(a) Repayment of debt

(b) Repayment of FDI

(c) Additional borrowing

(d) Deficit financing

91. Pump Priming is related with:

(a) Monetary policy

(b) Income policy

(c) Price policy

(d) Fiscal policy

92. Fiscal Federalism refers to:

(a) Sharing of political power between centre and states

(b) Organising and implementing economic plans (

(c) Division of economic functions and resources among different layers of Govt.

(d) None of these

93. Third degree Price discrimination can be explained through example of:

(a) Dumping

(b) Charging different Prices for domestic and commerce use

(c) Lower Price in ratioing for senior citizen

(d) All of the above.

94. Which of the following assumptions is commonly used in classical trade theory?

(a) Increasing opportunity costs

(b) Imperfect competition

(c) Constant opportunity costs

(d) Government intervention

95. The General Agreement on Tariffs and Trade (GATT) aimed to:

(a) Promote protectionism worldwide

(b) Reduce tariffs among member nations

(c) Regulate only exchange rates

(d) Control foreign direct investment

96. Modes of FDI include:

(a) Export quotas only

(b) Joint ventures, mergers and greenfield investments

(c) Preferential tariffs

(d) Exchange rate controls

97. Which policy tool directly affects bank lending capacity?

(a) CRR

(b) Repo rate

(c) SLR

(d) All of the above

98. Primary deficit equals:

(a) Fiscal deficit – Interest payments

(b) Fiscal deficit + interest payments

(c) Revenue deficit – interest payments

(d) Capital deficit

99. The “free-rider problem” is most associated with:

(a) Private goods

(b) Public goods

(c) Merit goods

(d) Demerit goods

100. If a government increases spending and cuts taxes to fight recession, this is:

(a) Contractionary fiscal policy

(b) Expansionary fiscal policy

(c) Neutral policy

(d) Regulatory policy