PAPER – 4: BUSINESS ECONOMICS

All Question are compulsory.

Time: 2 Hours **Marks: 100**

1. The microeconomic theory mainly does not deal with which of the following issues:

   (A) Stage of business cycles

   (B) Demand analysis and forecasting

   (C) Production and Cost Analysis

   (D) Inventory management

2. Which of the following is not correct about business economics with reference to economics?

   (A) Business economics helps in proper decision making in a particular business entity.

   (B) Business economics has a narrow scope in comparison to economics.

   (C) Economics is an applied branch of business economics.

   (D) Business economics includes the analysis of micro level issues like demand, supply etc.

3. Command Economy is another name for:

   (A) Capitalist Economy

   (B) Socialist Economy

   (C) Mixed Economy

   (D) Macro Economy

4. Which of the following is not a merit of Capitalist Economy?

   (A) Faster economic growth

   (B) Collective ownership

   (C) High degree of operative efficiency

(D) Incentives for innovation and technological progress

5. An economy exists on which of the following two facts?

(A) Human wants are limited and the resources are unlimited.

(B) Human wants are limited and the resources are scarce.

(C) Human wants as well as resources are unlimited.

(D) Human wants are unlimited but the resources are relatively scarce.

6. Commodities for which the quantity demanded rises only up to a certain level of income and decreases with an increase in income beyond this level are called:

(A) Normal goods

(B) Inferior goods

(C) Essential goods

(D) Luxury goods

7. Highly priced goods are consumed by status seeking rich people to satisfy their need for conspicuous consumption. This is called:

(A) Demonstrative effect

(B) Bandwagon effect

(C) Snob effect

(D) Veblen effect

8. An expectation that price will fall in future will lead to:

(A) A downward movement along the same demand curve

(B) An upward movement along the same demand curve

(C) Rightward shift of demand curve

(D) Leftward shift of demand curve

9. A consumer buys 100 units of a goods at a price of 6 per unit. Suppose price elasticity of demand is-3. At what price will he buy 80 units?

(A) ₹ 5.8

(B) ₹ 6.2

(C) ₹ 6.4

(D) ₹ 6.75

10. If total revenue of goods increases with an increase in its price, demand for the goods is said to be:

(A) Elastic

(C) Inelastic

(B) Unit elastic

(D) Infinitely elastic

11. Which of the following statement is not true while determining price elasticity of demand?

(A) Goods which have close or perfect substitutes, have highly elastic demand curves.

(B) The greater the proportion of income spent on a commodity; generally the lesser will be its elasticity of demand.

(C) Necessities are generally price inelastic.

(D) The more possible uses of a commodity, greater will be its price elasticity.

12. When two goods are complementary, the cross elasticity between them is:

(A) Infinite

(B) Positive and large

(C) Zero

(D) Negative

13. When total utility is increasing at decreasing rate:

(A) Marginal utility is equal to total utility.

(B) Marginal utility is decreasing but remains positive.

(C) Marginal utility becomes negative.

(D) Marginal utility is equal to zero.

14. Due to an increase in price of product X from 100 to 110 quantity supplied increases from 150 units to 200 units. Calculate elasticity of supply using arc-elasticity method.

    (A) 2.3

    (B) 3

    (C) 3.33

    (D) 3.5

15. The rate at which a consumer is prepared to exchange goods X and Y, holding the level of satisfaction constant is called as _____.

    (A) Indifference curve

    (B) Marginal rate of substitution

    (C) Diminishing marginal utility

    (D) Consumer surplus

16. The form of capital which performs its function in production in a single use and is not available for further use is termed as:

    (A) Fixed capital

    (B) Circulating capital

    (C) Real capital

    (D) Intangible capital

17. Survival, growth and expansion come under which of the following objective of an enterprise?

    (A) Organic objective

    (B) Economic objective

    (C) Social objective

    (D) National objective

18. The minimum quantities of various inputs that are required to yield a given quantity of output is termed as:

    (A) Demand function

(B) Supply function

(C) Production function

(D) Investment function

19. Which of the following is not true about relationship between average product and marginal product?

(A) When average product rises as a result of an increase in the quantity of variable input marginal product is more than the average product.

(B) When average product is maximum, marginal product is equal to average product.

(C) When average product falls, marginal product is less than the average product.

(D) When average product is negative, marginal product becomes zero.

20. Total product starts declining in which stage of production?

(A) Stage 1: The stage of increasing returns

(B) Stage 2: The stage of diminishing returns

(C) Stage3: The stage of negative returns

(D) It may decline in any stage of production

21. Returns to scale refers to:

(A) Changes in output as a result of proportionate change in one of the variable factors of production.

(B) Changes in output as a result of proportionate change in all factors of production.

(C) Changes in output as a result of proportionate change in any two variable factors of production.

(D) Changes in output as a result of variation in factor proportions.

22. Linear Homogeneous Production function is another name for _____.

(A) Law of variable proportion

(B) Constant returns to scale

(C) Increasing returns to scale

(D) Decreasing returns to scale

23. Budget line or budget constraint line which shows the various alternative combinations of two factors which the firm can buy with given outlay is called:

(A) Isoquant

(B) Indifference curve

(C) Isocost line

(D) Iso-product curve

Use the following data to answer question 24-25:

Output (Q)	**0**	**1**	**2**	**3**	**4**	**5**
Total cost (TC)	₹ 200	₹ 310	₹ 410	₹ 500	₹ 604	₹ 710

24. The Average Fixed Cost of 2 units of output is:

(A) ₹ 85

(C) ₹ 110

(B) ₹ 100

(D) ₹ 205

25. Diminishing marginal returns start to occur between units:

(A) 1 and 2

(B) 2 and 3

(C) 3 and 4

(D) 4 and 5

26. Calculate Marginal Revenue (MR) when Average Revenue (AR) = 45 and price elasticity of demand (e) = 3.

(A) ₹ 15

(C) ₹ 30

(B) ₹ 25

(D) ₹ 135

27. Which of the following is not a feature of perfect competition market?
    (A) Very large number of sellers
    (B) Homogeneous products
    (C) Inelastic demand
    (D) Firms are price takers
28. A firm should not produce at all if:
    (A) AR is greater than minimum AVC
    (B) AR is equal to ATC
    (C) If its total variable costs are not met
    (D) AR is greater than ATC
29. Which type of markets allocates productive resources to producers and helps ensure that those resources are used efficiently?
    (A) Product markets
    (B) Factor markets
    (C) Local Markets
    (D) Retail markets
30. The firm will be making maximum profits by expanding output to the level where:
    (A) Marginal revenue is greater than marginal cost
    (B) Marginal revenue is equal to marginal cost
    (C) Marginal revenue is less than marginal cost
    (D) Marginal revenue is equal to average cost
31. What will happen to the equilibrium price and equilibrium quantity when demand increases and supply decreases?
    (A) The equilibrium price rises but change in equilibrium quantity is uncertain.
    (B) Both equilibrium price and equilibrium quantity falls.
    (C) Both equilibrium price and equilibrium quantity go up.

(D) The equilibrium quantity increases but the change in equilibrium price is uncertain.

32. Suppose that a sole proprietor is earning total revenue of 120,000/- and is incurring explicit cost of 95,000/-. If the owner could work for another company for 30,000/- a year, which of the following statement is false?

(A) The firm incurred an economic loss of ₹ 5,000/-

(B) The firm is having accounting profit of 25,000/-

(C) Total economic costs are 30,000/-

(D) The total accounting costs are ₹ 95,000/

Use the following data to answer question 33 and 34:

Quantity	**0**	**10**	**20**	**30**	**40**
Total Cost (in ₹)	100	220	320	410	510

33. What is the average variable cost when 20 units are produced?

(A) ₹ 5

(C) ₹ 11

(B) ₹ 10

(D) ₹ 16

34. Between 10 and 20 units, what is the marginal cost per unit?

(A) ₹ 10

(B) ₹ 20

(C) ₹ 100

(D) ₹ 220

35. Which of the following is not a feature of the monopoly market?

(A) Single buyer of the products

(B) Barriers to entry

(C) No close substitutes

(D) Market power

36. Which of the following is not a condition for price discrimination?

(A) The seller should have price setting power.

(B) The seller should be able to divide his market into two or more sub markets.

(C) The price elasticity of the product should be different in different sub markets.

(D) It should be possible for buyers of low-priced market to resell the product to the buyers of high-priced market.

37. Under second degree price discrimination, different prices are charged for

(A) Each individual consumer

(C) Customer segment

(B) Location

(D) Different quantities sold

38. Kinked demand curve model of oligopoly is also called:

(A) Sweezy's Model

(B) McKinsey's Model

(C) Oskar's Model

(D) Neumann's Model

39. Assume that when price is 30 the quantity demanded is 19 units and when price is 28 the quantity demanded is 20 units, what is the marginal revenue resulting from an increase in output from 19 units to 20 units ?

(A) ₹ 10

(B) - ₹ 10

(C) ₹ 20

(D) - ₹ 20

40. The oligopoly market in which few firms come to a common understanding with each other in fixing price or output or both is called:

(A) Pure Oligopoly

(B) Collusive Oligopoly

(C) Partial Oligopoly

(D) Syndicated Oligopoly

41. During the upswing phase of business cycle, the involuntary unemployment is _____.

(A) Highest

(B) Almost Zero

(C) Lowest

(D) Not affected

42. The level of national income and expenditure declines rapidly during which phase of the business cycle?

(A) Upswing

(B) Downswing

(C) Recovery

(D) Trough and Depression

43. In all kinds of businesses, the different phases of business cycle generally occurs as:

(A) Having perfectly timed cycles

(B) No fixed time cycles but are regular

(C) Boom have longer period than Depression

(D) Depression have longer period than Boom

44. An indicator which gives information about the rate of change of the expansion or contraction of an economy is called _____.

(A) Leading Indicator

(B) Lagging Indicator

(C) Both Leading and Lagging Indicator

(D) Co-incident Indicator

45. There is a war going between Country A and Country B for last two years. Now in the current year both countries have signed a peace agreement and war has come to an end. Now both countries have started to rebuild the losses caused due to war out of their own funds. Which type of cause of change in business cycle is this for Country A?

(A) Internal Cause

(B) External Cause

(C) Both Internal and External Cause

(D) This is not a cause of change in business cycle

46. Which of the following organisation is responsible for the compilation of National accounts statistics?

(A) Central Statistical Organisation (CSO)

(B) Directorate of Economics and Statistics (DES)

(C) Ministry of Finance of Central Government

(D) Reserve Bank of India (RBI)

47. Which of the following is not a significance and usefulness of the National Income estimates?

(A) Businesses use it to forecast the future demand of their products

(B) To identify the sector wise composition of national income

(C) To assist in making policies related to inflation

(D) To assist in making policies related to population growth

48. Considering the data given in the table below calculate the Inflation rate of year 3:

Year	Nominal GDP	Real GDP	GDP Deflator
0	900	900	100
1	1200	1000	120
2	1500	1200	125
3	1800	1250	144
4	2000	1600	125

(A) 13.19%

(B) 15.20%

(C) 19%

(D) -19%

49. Which of the following defines the Gross National Product (GNP) of a country under the concept of National Income?

(A) It is market value of all final economic goods & services produced within the domestic territory of a country including Net Factor Income from abroad.

(B) It is market value of all final economic goods & services produced within the domestic territory of a country excluding Net Factor Income from abroad.

(C) It is production cost of all final economic goods & services produced within the domestic territory including depreciation.

(D) It is production cost of all final economic goods & services produced within the domestic territory excluding depreciation.

50. The Gross Domestic Product at Factor Cost (GDP_{FC}) is calculated by which of the following formula (Here GDP_{MP} is Gross Domestic Product at market prices):

(A) $GDP_{FC} = GDP_{MP}$ + Net Factor Income from Abroad

(B) $GDP_{FC} = GDP_{MP}$ + Net Factor Income from Abroad - Depreciation

(C) $GDP_{FC} = GDP_{MP}$-Indirect Taxes + Subsidies

(D) $GDP_{FC} = GDP_{MP}$ + Indirect Taxes – Subsidies

51. Which of the following is true about the basic price in the determination of National Income?

(A) Basic Price = Factor Cost Subsidy Manufacturing Taxes + Manufacturing

(B) Basic Price = Factor Cost - Depreciation

(C) Basic Price = Factor Cost + Net Factor Income from Abroad

(D) Basic Price = Factor Cost + Production Tax + Production Subsidy

52. Which of the following is an indicator of the standard of living of a country under the concept of National Income?

    (A) Personal Income

    (B) Disposable Personal Income

    (C) Per Capita Income

    (D) GDP at factor cost

53. The amount of money in the hands of the individual that is available for their consumption or savings is known as

    (A) Private Income

    (B) Per Capita Income

    (C) Disposable Personal Income

    (D) Personal Income

54. Which of the following is included in the calculation of Personal Income under the concept of National Income?

    (A) Unemployment Compensation

    (B) Retained Earnings

    (C) Indirect Business Taxes

    (D) Contribution towards Social Security

55. Which of the following is true in relation with Private Income under the concept of National Income?

    (A) It is personal income adjusted by inflation rate.

    (B) It is personal income less personal income tax.

    (C) It is the income (both factor & transfer income) accrued to private sector from all sources within the country only.

    (D) It is income (both factor and transfer income) accrued to the private sector from all sources within and outside the country.

56. In the preparation of state income estimates, certain activities like railways, banking, insurance etc. that cut across state boundaries, and

thus their economic contribution assigned to more than one state are known as _____.

(A) Central Sectors of economy

(B) Supra Regional Sectors of economy

(C) Tertiary Sectors of economy

(D) Secondary Sectors of economy

57. Which of the following is not a sector to be included in the three sector model of Keynesian theory of Income determination?

(A) Household Sector

(B) Business Sector

(C) Foreign Sector

(D) Government Sector

58. Under the Keynesian theory of National Income determination, which of the following term is given to the demand for money?

(A) Investment multiplier

(B) Liquidity preference

(C) Aggregate demand

(D) Marginal Propensity

59. Under the Keynesian theory of determination of national income, the assumption is that the consumption increases with an increase in disposable income but the increase in consumption will be _____ the increase in disposable income.

(A) Equal to

(B) Opposite to

(C) Greater than

(D) Less than

60. Which of the following is true in respect of relation of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) as per the Keynesian theory of determination of National Income?

(A) MPC = MPS

(B) MPC+MPS = 1

(C) MPC+MPS = 0

(D) No relation exists between MPC and MPS

61. Which of the following is one of the key functions of fiscal policy and aims at eliminating the macroeconomic fluctuations arising from sub optimal allocation of resources?

(A) The Allocation Function

(B) The Redistribution Function

(C) The Stabilization Function

(D) The Utilisation Function

62. Which of the following statement is true in respect of Social cost?

(A) Social Cost = Private Cost + External Cost

(B) Social Cost = Private Cost + External Cost - Total Negative Externalities

(C) Social Cost = Private Cost + External Cost-Government Taxes

(D) Social Cost = Private Cost + Total Negative Externalities - Government Taxes

63. Which of the following is not a characteristic of Public Goods?

(A) Non-rival in consumption

(B) Indivisibility

(C) More vulnerable to externalities

(D) Excludable

64. What does the term "lemon" means in the model of "Lemons problem" developed by "George Akeil of" in relation to used car market:-

(A) Only good quality used cars

(B) Both poor and good quality used cars

(C) Average quality used cars

(D) Scrapped used cars

65. The statutory disclaimer that "Mutual Fund investments are subject to market risks please read the offer documents carefully before investing" is which of the following type of government intervention?

(A) Government intervention to correct externalities.

(B) Government intervention for equitable distribution.

(C) Government intervention to correct information failure.

(D) Government intervention in case of public goods.

66. Article 112 of Indian Constitution provides that in respect of every financial year the President shall cause to be laid before both houses of the parliament a statement of estimated receipts and expenditure of the government of India for that year. This statement is referred as:

(A) Budget

(B) Annual Financial Statement

(C) Statement of Income & Expenditure

(D) Interim Budget

67. Which of the following information regarding the receipts and expenditure of the Government is not presented in the budget documents?

(A) Budget estimates of Current financial year

(B) Budget estimates of the Ensuing financial year

(C) Revised estimates of the Ensuing financial year

(D) Actual expenditure and Income of Current financial year

68. Which of the following is the nodal department for overseeing the public financial management system in the Central Government?

(A) NITI Aayog

(B) Department of Revenue under Finance Ministry

(C) Department of Expenditure under Finance Ministry

(D) Reserve Bank of India

69. During the Budget proceedings, the speaker of Lok Sabha once the prescribed time is over, puts all the outstanding demand for grants, whether discussed or not, to the vote of the house, this process is known as:

(A) Cut Motion

(B) Presenting the appropriation bill

(C) Outcome Budget

(D) Guillotine

70. Which of the following is not true regarding the fiscal policy of Government?

(A) It is deliberate policy of Government.

(B) An economy producing full employment does not require Government action in the form of fiscal policy.

(C) Taxation policy is part of Fiscal policy.

(D) Fiscal Policy is supply side policy.

71. What is the term Y represent in the expression Md = k PY?

(A) Real National income

(B) Price level

(C) Money supply

(D) Interest rate

72. Banks availing Marginal Standing Facility Rate can use a maximum of how much percentage of Statutory Liquidity Ratio Securities?

(A) 1%

(B) 2%

(C) 3%

(D) 4%

73. Calculate currency with Public from following Data (₹ in lakhs)

Notes in Circulation	2,59,121
Coins in Circulation	23,345
Cash on hands with Banks	19,009
Coin on hands with Banks	909

(A) 3,02,384

(B) 2,62,548

(C) 2,53,876

(D) 2,15,858

74. Liquidity trap occurs when:

(A) Interest rates are high, and people prefer bonds over cash balances.

(B) Interest rates are near zero, and people prefer holding cash over bonds.

(C) Inflation rates are high, reducing purchasing power of money balances.

(D) Central banks increase CRR drastically.

75. What is the likely impact of an increase in the Time Deposit to Demand Deposit (TD/DD) ratio on the banking system and monetary expansion?

(A) It leads to higher availability of free reserves and consequent enlargement of volume of multiple deposit expansion and monetary expansion.

(B) It reduces the availability of free reserves, thereby restricting the process of monetary expansion.

(C) It has no impact on the banking system as time deposits and demand deposits are interchangeable.

(D) It directly reduces the money supply as time deposits are not considered part of the money supply.

76. Broad money includes currency deposits with an agreed maturity of up to _____ years, deposits redeemable at notice up to _____ months and repurchase agreements, money market fund shares/units and debt security up to _____ years.

(A) 3 years, 6 months, 3 years

(B) 2 years, 6 months, 2 years

(C) 3 years, 3 months, 3 years,

(D) 2 years, 3 months, 2 years

77. Which of the following is NOT included in MI?

(A) Currency with the public

(B) Demand deposits with banks

(C) Time (term) deposits with banks

(D) Other deposits with RBI

78. Which of the following is NOT one of the four determinants of the Friedman's demand for money?

(A) Nominal Demand for money is a function of total wealth.

(B) It is positively related to price level P, if price level rises the demand for money increases.

(C) Nominal demand for money falls if the opportunity costs of money holding declines.

(D) Nominal Demand for money is influenced by inflation.

79. Which of the following is NOT a quantitative tool of monetary policy?

(A) Cash Reserve Ratio (CRR)

(B) Statutory Liquidity Ratio (SLR)

(C) Open Market Operations (OMO)

(D) Liquidity Adjustment Facility (LAF)

80. Which of the following expressions is true?

(A) Reverse Repo Rate = Repo Rate - 1

(B) Reverse Repo Rate = Repo Rate + 1

(C) Repo Rate = Reverse Repo Rate - 1

(D) Repo Rate = 1- Reverse Repo Rate

81. In the Theory of Comparative Costs, which of the following statements are true?

I. It is based on money cost which is more realistic

II. It is Positive in Nature

III. It is Normative in nature

IV. Do not take into account the factor price differences

(A) I and II are correct

(B) III and IV are correct

(C) II and IV are correct

(D) I and IV are correct

82. The value of the product or service is enhanced as the number of individuals using it increases. What effect is this?

(A) Veblen Effect

(B) Bandwagon Effect

(C) Income Effect

(D) Snob Effect

83. What is the Ad valorem tariff?

(A) The fixed amount of money per physical unit or weight of commodity imported or exported.

(B) A fixed time period for tariff application per calendar year.

(C) The duty levied as a fixed percentage of the value of the traded commodity.

(D) A flat rate imposed regardless of the product's value.

84. A tariff that is set so high that no imports can enter is known as _____

(A) Prohibitive Tariff

(B) Bound Tariff

(C) Escalated Tariff

(D) Variable Tariff

85. Which of these countries is part of the USMCA Agreement?

(A) Mexico

(B) Malta

(C) Malaysia

(D) Mongolia

86. Which one of these is the main reason why GATT lost its relevance by 1980?

(A) Efforts at liberalising agricultural trade were successful.

(B) International investments did not expand substantially.

(C) GATT was a treaty.

(D) There were inadequacies in institutional structure and dispute settlement system.

87. The most controversial topic for Doha Development Agenda was

(A) The Labour Welfare

(B) World Peace

(C) Globalization

(D) Agriculture Trade

88. Match the following:

Table A	Table B
(a) Has a long term interest and is invested for long	(i) Foreign Portfolio Investment
(b) Speculative in Nature	(ii) Foreign Direct Investment

(c) Help developing countries benefit fully from global trading system	(iii) Free Floating exchange rate system
(d) Government and central banks do not participate in the market for foreign exchange	(iv) World Trade Organisation

(A) (a)(ii), (b) - (i), (c) - (iv), (d) - (iii)

(B) (a)(i), (b) (ii), (c) - (iv), (d) - (iii)

(C) (a)(ii), (b) - (i), (c) - (iii), (d) - (iv)

(D) (a)(i), (b) (ii), (c) - (iii), (d) - (iv)

89. An investment in which one investor establishes a business activity in a foreign country which is different from investor's main business activity but in some way supplements its major activity is called _____

(A) Horizontal direct investment

(B) Vertical investment

(C) Conglomerate type of FDI

(D) Two way direct foreign investment

90. An appreciation of currency or strong currency makes the domestic currency more _____ therefore it can be exchanged for a _____ amount of foreign currency.

(A) Weaker, smaller

(B) Valuable, larger

(C) Weaker, larger

(D) Valuable, smaller

91. Which of the following are fiscal reforms?

i. Ensuring better tax compliance

ii. Reinvestment of funds in more profitable options

iii. Encouraging private sector participation

iv. Thrust on curbing government expenditure

(A) Only i and iii

(B) Only i, ii, iii

(C) Only i, iii, iv

(D) Only i, ii, iv

92. Which of the following best describes the pre-British Indian economy ?

(A) Dependent on imports for goods

(B) Self-sufficient villages and cities which were centers of commerce

(C) Focus on industrial production

(D) Dominated by foreign trade

93. The trade policy reforms include _____.

(A) Inclusion of licensing restrictions for imports

(B) Removal of licensing procedure for imports

(C) Complication of tariffs.

(D) Inclusion of quantitative restrictions on imports and exports

94. Which initiative by NITI Aayog aims to promote electric vehicles?

(A) E-Amrit

(B) Shoonya Campaign

(C) Methanol Economy Program

(D) India Policy Insights (IPI)

95. The early liberalization and reforms started in India in _____.

(A) 1980s

(B) 1970s

(C) 1960s

(D) 1990s

96. What percentage of India's population depends on agriculture for livelihood as per latest estimates?

(A) 18%

(B) 25%

(C) 47%

(D) 60%

97. Which government scheme focuses on providing financial support to farmers suffering crop loss or damage?

(A) PM KISAN

(B) Pradhan Mantri Fasal Bima Yojana (PMFBY)

(C) Soil Health Card Scheme

(D) Paramparagat Krishi Vikas Yojana (PKVY)

98. Which regime replaced the Foreign Investment Promotion Board (FIPB)?

(A) SEBI

(B) FIF Portal

(C) NITI Aayog

(D) DPIHT

99. What was India's rank in 2022 as per Global Innovation Index?

(A) 81st

(B) 40th

(C) 63rd

(D) 25th

100. Which policy replaced the Merchandise Exports from India Scheme (MEIS) in 2021?

(A) NDAP

(B) GST

(C) PLI Scheme

(D) RoDTEP

ANSWERS

MCQ	Correct Option	MCQ	Correct Option	MCQ	Correct Option	MCQ	Correct Option
1.	**(A)**	26.	**(C)**	51.	**No correct option**	76.	**(D)**
2.	**(C)**	27.	**(C)**	52.	**(C)**	77.	**(C)**
3.	**(B)**	28.	**(C)**	53.	**(C)**	78.	**(C)**
4.	**(B)**	29.	**(B)**	54.	**(A)**	79.	**(D)**
5.	**(D)**	30.	**(B)**	55.	**(D)**	80.	**(A)**
6.	**(B)**	31.	**(A)**	56.	**(B)**	81.	**(B)**
7.	**(D)**	32.	**(C)**	57.	**(C)**	82.	**(B)**
8.	**(D)**	33.	**(C)**	58.	**(B)**	83.	**(C)**
9.	**(C)**	34.	**(A)**	59.	**(D)**	84.	**(A)**
10.	**(C)**	35.	**(A)**	60.	**(B)**	85.	**(A)**
11.	**(B)**	36.	**(D)**	61.	**(C)**	86.	**(D)**
12.	**(D)**	37.	**(D)**	62.	**(A)**	87.	**(D)**
13.	**(B)**	38.	**(A)**	63.	**(D)**	88.	**(A)**
14.	**(B)**	39.	**(B)**	64.	**(B)**	89.	**(B)**
15.	**(B)**	40.	**(B)**	65.	**(C)**	90.	**(B)**
16.	**(B)**	41.	**(B)**	66.	**(B)**	91.	**(C)**
17.	**(A)**	42.	**(D)**	67.	**(D)**	92.	**(B)**
18.	**(C)**	43.	**(B)**	68	**(C)**	93.	**(B)**
19.	**(D)**	44.	**(D)**	69	**(D)**	94.	**(A & B)**
20.	**(C)**	45.	**(B)**	70	**(D)**	95.	**(A)**
21.	**(B)**	46.	**(A)**	71.	**(A)**	96.	**(C)**
22.	**(B)**	47.	**(D)**	72.	**(A)**	97.	**(B)**
23.	**(C)**	48.	**(B)**	73.	**(B)**	98.	**(B)**
24.	**(B)**	49.	**(A)**	74.	**(B)**	99.	**(B)**
25.	**(C)**	50	**(C)**	75.	**(A)**	100.	**(D)**

PAPER – 4: BUSINESS ECONOMICS

All Question are compulsory.

Time: 2 Hours **Marks: 100**

1. Which of the following is NOT covered under Macro Economics?

   (A) Balance of Payment

   (B) The overall level of savings and investment

   (C) The level of employment

   (D) Behaviour of Firms

2. An ice cream company is planning to expand its business. Before making decisions, it studies various economic factors, such as consumer preferences, pricing strategies, employee wages and the ideal location for its outlets. Which level of the economy does the company analyze for expansion?

   (A) Macro Economy

   (B) Micro Economy

   (C) International Economy

   (D) National Economy

3. Which of the following statement is true in relation to the socialist economy?

   Statement-I: Relative inequality of income distribution in the society.

   Statement-II: Freedom from hunger is guaranteed, but consumers' sovereignty gets restricted.

   Statement-III: Market forces have a major role in the allocation of resources.

   Statement-IV: Buyers ultimately determine which goods and services will be produced and in what quantities.

   (A) Statement - II

(B) Statement-IV

(C) Statement- I

(D) Statement – III

4. The important feature of a mixed economy is the:

(A) Co-existence of both manufacturing and service sectors

(B) Co-existence of both agriculture and industries

(C) Co-existence of both private and public sectors

(D) Co-existence of both small and large industries

5. Which one of the following is not the characteristic of a capitalist economy?

(A) Profit motive

(B) Competition

(C) Freedom of enterprise

(D) Collective ownership

6. What will happen to demand when a larger proportion of people belong to older age groups relative to younger age groups?

(A) There will be increased demand for children's books.

(B) There will be increased demand for geriatric care services, spectacles and walking sticks etc.

(C) There will be increased demand for normal goods and services.

(D) There will be decreased demand for goods and services.

7. Under ____conditions, supply will be more than that under _____ conditions.

(A) Monopolized; Competitive

(B) Competitive; Monopolized

(C) Competitive, Oligopoly

(D) Oligopoly, Monopolized

8. Demand is said to be elastic, if:

   (A) Elasticity is one ($E\rho = 1$)

   (B) Elasticity is greater than one ($E\rho > 1$)

   (C) Elasticity is less than one ($E\rho < 1$)

   (D) Elasticity is zero ($E\rho = 0$)

9. The consumer is in equilibrium position at a point where the price line is:

   (A) cutting an indifference curve

   (B) below an indifference curve

   (C) tangent to an indifference curve

   (D) above an indifference curve

10. How does an increase in the income of consumers generally affect the demand for normal goods ?

   (A) It decreases the demand.

   (C) It increases the demand.

   (B) It has no effect on the demand.

   (D) It makes the demand more elastic.

11. If a company increases its advertisement expenditure by 20% and the quantity demanded increases by 40%, what is the advertisement elasticity of demand?

   (A) $E_a = 0$

   (B) $E_a = 1$

   (C) $E_a = 0.5$

   (D) $E_a = 2$

12. The condition for consumer equilibrium is given by:

   (A) $MU_X P_X = MU_Y P_Y$

   (B) $MU_X = MU_Y$

   (C) $MU_X/P_X = MU_Y/P_Y$

(D) $MU_X/MU_Y = P_Y/P_X$

13. Which of the following statements is true about Giffen goods?

(A) All Giffen goods are inferior goods.

(B) All inferior goods are Giffen goods.

(C) Giffen goods are inferior goods with close substitutes.

(D) Giffen goods follow the law of demand.

14. The concept of consumer surplus is closely related to the for a product. curve

(A) Supply

(B) Demand

(C) Cost

(D) Profit

15. The slope of the budget line is determined by the relative prices of the two goods and is equal to:

(A) Total expenditure of two goods

(B) The price ratio of two goods

(C) The income level of the consumer

(D) The marginal utility of the goods

16. When average product rises as a result of an increase in the quantity of variable input, marginal product is:

(A) less than the average product

(C) equal to the average product

(B) minimum

(D) more than the average product

17. Which of the following curve is known as 'plant curve'?

(A) Average total cost curve

(B) Average variable cost curve

(C) Short run average cost curve

(D) Long run average cost curve

Based on the information given in the following table, answer the Questions Nos. 18 to 20:

Product Schedule

Quantity of labour	Total Product (TP)	Average Product (AP)	Marginal Product (MP)
0	0	-	-
1	-	-	20
2	-	-	26
3	66	-	-
4	-	19	-
5	-	-	4

18. What will be the average product when the quantity of labour is 3?

(A) 22

(B) 24

(C) 20

(D) 18

19. What will be the total product when the quantity of labour is 5?

(A) 86

(B) 84

(C) 80

(D) 92

20. What will be the marginal product when the quantity of labour is 4?

(A) 26

(B) 20

(C) 10

(D) 19

21. If a firm adds more number of workers but total output starts to increase at a decreasing rate, the firm is experiencing:

    (A) Increasing Returns to Scale

    (B) Diminishing Marginal Returns

    (C) Constant Returns to Scale

    (D) Negative Marginal Returns

22. Which of the following statements are correct?

    Statement-I: A period will be considered short-run period if the amount of at least one of the inputs used remains unchanged during that period.

    Statement-II: The long run is a period of time in which all factors of production are variable.

    Statement-III: In the short run all inputs are fixed.

    Statement-IV: In the long run all inputs except one are fixed.

    (A) Statement I and IV

    (B) Statement II and III

    (C) Statement I and II

    (D) Statement III and IV

23. Which of the following factors or resources make it possible to produce goods and services?

    (A) Land, Labour, Industrial policy and Capital

    (B) Land, Labour, Fiscal policy and Capital

    (C) Land, Labour, Capital and Entrepreneurial ability

    (D) Land, Labour, Technology and Capital

24. In Cobb-Douglas production function, output is manufactured production and inputs used are:

    (A) Entrepreneur and land

    (B) Labour and capital

    (C) Land and Labour

    (D) Entrepreneur and capital

25. After identifying the market, the enterprise has to make decision regarding 4 P's namely:
    (A) Product, Promotion, Price and Purchase
    (B) Product, Promotion, Profit and Place
    (C) Product, Promotion, Price and Place
    (D) Product, Purchase, Price and Placement
26. Under which of the following forms of market structure a firm cannot influence the price of its product?
    (A) Monopoly
    (B) Oligopoly
    (C) Perfect competition
    (D) Monopolistic competition
27. What is the Average Variable Cost (AVC) when the quantity produced is 100 units, the total cost is ₹1,000, and the fixed cost is 200?
    (A) ₹ 5
    (B) ₹ 8
    (C) ₹ 10
    (D) ₹ 12
28. In an increase in supply with unchanged demand:
    (A) The equilibrium price will go down and the quantity demanded will go up.
    (B) The equilibrium price will go up and the quantity demanded will go down.
    (C) The equilibrium price will go up and the quantity demanded will remain constant.
    (D) The equilibrium price will go down and the quantity demanded will also go down.

29. Assuming that the supply of cars will remain constant and the prices of cars are expected to increase in future, then what will be its effect on Demand Curve?
    (A) Demand curve will shift to right.
    (B) Demand curve will shift to left.
    (C) Demand curve will remain unchanged.
    (D) Insufficient information to predict the effect on demand curve.
30. A competitive firm should shut down if:
    (A) Its total revenues are less than the total cost.
    (B) Its total revenues are less than the marginal revenues.
    (C) Its total revenues are less than the average variable cost.
    (D) Its total revenues are less than the fixed cost.
31. Aluminium industry is the example of:
    (A) Competitive oligopoly
    (B) Perfect oligopoly
    (C) Collusive oligopoly
    (D) Open oligopoly
32. Kinked Demand Curve is found under:
    (A) Monopoly
    (B) Monopsony
    (C) Duopoly
    (D) Oligopoly
33. Which one of the following is not the object of price discrimination?
    (A) To earn maximum profit
    (B) To enjoy economies of scale
    (C) To hold excess stock
    (D) To secure equity through pricing

34. Which of the following is a fundamental cause for the creation of a monopoly?

    (A) Barriers to entry

    (B) Low startup costs

    (C) High competition

    (D) Equal distribution of resources

35. A fast-food chain introduces a new burger with a unique sauce to differentiate itself from competitors. Although many similar burger options exist in the market, customers perceive this product as distinct. Which type of market structure has been represented in given scenario?

    (A) Perfect Competition

    (B) Monopoly

    (C) Monopolistic Competition

    (D) Oligopoly

36. Identify the correct formula for Marginal Revenue (MR) when there is a one-unit change in output.

    (A) $MR_n = TR_n – TR_n - 1$

    (B) $MR_n = TR_n + TR_n - 1$

    (C) $MR_n = TR_n \times TR_n - 1$

    (D) $MR_n = TR_n / TR_n - 1$

37. When both demand and supply decrease, the equilibrium quantity____ but the change in equilibrium price is _____.

    (A) decreases, uncertain

    (B) increases, constant

    (C) increases, uncertain

    (D) decreases, constant

38. Which type of firm has the market power to charge a price above marginal cost and earn a positive profit?

    (A) A perfectly competitive firm

    (B) A monopolistic competitive firm

(C) A monopoly firm

(D) A firm in an oligopolistic market

39. Suppose that the cost of producing 1,000 units of a product by a Firm is ₹ 15,000 The entrepreneur has invested ₹ 50,000 in the business and the normal rate of return in the market is 10%. What will be the implicit cost?

(A) ₹ 5,000

(B) ₹ 1,500

(C) ₹ 6,500

(D) ₹ 2,000

40. When there is a decrease in demand due to a fall in income, while supply remains the same, what happens to the demand curve?

(A) It will shifts to the right.

(B) It will remain unchanged.

(C) It will shifts to the left.

(D) It will become vertical.

Consider the following data and answer the Questions No. 41 to 43:

Financial Year (FY)	2020-21	2021-22	2022-23	2023-24
GDP Deflator	100	154.25	168.40	148.25

41. What will be the inflation rate in FY 2022-23 as compared to FY 2021-22?

(A) 9.54%

(B) 8.76%

(C) 9.17%

(D) 7.44%

42. In which FY the nominal GDP and real GDP are the same?

(A) FY 2021-22

(B) FY 2022-23

(C) FY 2020-21

(D) FY 2023-24

43. In which FY the price level has fallen?

(A) FY 2020-21

(B) FY 2023-24

(C) FY 2022-23

(D) FY 2021-22

44. If the consumption function C=10+0.5Y and Investment is ₹ 200, then what will be the equilibrium level of Income?

(A) ₹ 510

(B) ₹ 325

(C) ₹ 420

(D) ₹ 350

45. The maximum value of investment multiplier will be the infinity when the value of:

(A) MPC is 1.

(B) MPC is -1.

(C) APC is 1.

(D) MPS is-1.

46. Calculate the consumption of fixed capital (depreciation) from the following data:

Particulars	Amount (₹) in crores
GDP_{MP}	8,000
NNP_{MP}	5,600
Indirect tax	400
Subsidy	300
Net factor income from abroad	200

(A) ₹ 1,700 crores

(B) ₹ 5,200 crores

(C) ₹ 7,600 crores

(D) ₹ 2,600 crores

47. There are three different interlinked phases in a circular flow of income, namely:

(A) Production, consumption and disposition

(B) Production, consumption and investment

(C) Production, disposition and distribution

(D) Production, expenditure and disposition

48. Calculate the net factor income from abroad from the following data:

Particulars	**Amount (₹) in crores**
NDP_{MP}	10,000
NNP_{MP}	12,000
Net indirect tax	400
Depreciation	200

(A) ₹ 2,400 crores

(B) ₹ 2,000 crores

(C) ₹ 3,600 crores

(D) ₹ 1,800 crores

49. If the GDP deflator is greater than 100, it indicates that:

(A) Real GDP is greater than nominal GDP.

(B) Nominal GDP is greater than real GDP.

(C) Price levels are lower as compared to the base year.

(D) Real GDP is equal to nominal GDP.

50. Gamma Ltd., a South Korean company, earns profits from its manufacturing operations in India. How these profits will be reflected in the economic measures of both countries?

(A) They will be included in India's GDP and South Korea's GDP.

(B) They will be included in India's GDP but not in South Korea's GNP.

(C) They will be included in India's GDP and South Korea's GNP.

(D) They will be included only in India's GNP.

51. If national income increases from ₹ 500 crores to ₹ 2,500 crores due to an increase in investment of ₹ 200 crores, what will be the value of the Marginal Propensity to Consume (MPC)?

(A) 0.90

(B) 0.85

(C) 0.75

(D) 0.95

52. The slope of the consumption function represents _____.

(A) Average Propensity to Save (APS).

(B) Marginal Propensity to Consume (MPC).

(C) Marginal Propensity to Save (MPS).

(D) Average Propensity to Consume (APC).

53. Who are the economists credited with pioneering National Income Accounting?

(A) John Maynard Keynes and Milton Friedman

(B) Simon Kuznets and Richard Stone

(C) Adam Smith and David Ricardo

(D) Paul Samuelson and Joseph Schumpeter

54. If a country has the following economic data: GDP_{MP} ₹ 2,000 billion, indirect taxes = ₹ 250 billion and subsidies = ₹ 100 billion, what is its GDP at Factor Cost?

(A) ₹ 1,850 billion

(B) ₹ 2,100 billion

(C) ₹ 2,150 billion

(D) ₹ 2,000 billion

55. If the Average Propensity to Save (APS) of a household is 0.4, and their total income is ₹ 25,000, what is the total saving?

(A) ₹15,000

(B) ₹10,000

(C) ₹6,250

(D) ₹12,500

56. Which of the following is an anti-inflationary measure that puts downward pressure on aggregate demand, causing the economy to slow down?

(A) Reduction in government spending.

(B) Increase in government spending.

(C) Decrease in interest rates.

(D) Decrease in taxes.

57. The advent of mobile phones, which led to a boom in telecom industry, exemplifies which external cause of business cycles?

(A) Technology Disruptions

(B) Technology Shocks

(C) Technology Regulations

(D) Technology Limitations

58. Which of the following best describes the economic conditions during bad trade in a business cycle?

(A) Rising prices and low unemployment rate.

(B) Falling prices and high unemployment rate.

(C) High consumer confidence and rising wages.

(D) Increasing demand and production.

59. Business cycles typically consist of which of the following phases?

(A) Inflation, deflation, stagnation, growth

(B) Expansion, peak, contraction, trough

(C) Recession, depression, boom, stabilization

(D) Peak, decline, recovery, boom

60. Which of the following is true about the duration and intensity of business cycles?
    (A) Business cycles have a fixed duration and intensity.
    (B) Business cycles exhibit the same duration and intensity across all economies.
    (C) Business cycles varies in duration and intensity, but they share common features.
    (D) Business cycles do not vary in duration or intensity.
61. What does Article 275 of the Indian Constitution deal with?
    (A) Surcharge on certain duties and taxes for purposes of the union.
    (B) Statutory grants-in-aid from the union to certain states.
    (C) Grants for any public purpose.
    (D) Loans for any public purpose.
62. Who introduced the concept of 'collective consumption goods, which later came to be known as public goods?
    (A) Milton Friedman
    (B) John Maynard Keynes
    (C) Paul A. Samuelson
    (D) Adam Smith
63. If a government's revenue receipts for a year are ₹ 10,000 crore, capital receipts excluding borrowing are ₹ 2,000 crore, revenue expenditure is ₹ 12,000 crore and capital expenditure is ₹ 5,000 crore. What is the fiscal deficit?
    (A) ₹ 5,000 crore
    (B) ₹ 7,000 crore
    (C) ₹ 10,000 crore
    (D) ₹ 9,000 crore
64. Contractionary fiscal policy typically involves:
    (A) Increasing government spending and reducing taxes.
    (B) Reducing government spending and increasing taxes.

(C) Increasing government spending and increasing taxes.

(D) Reducing both government spending and taxes.

65. The government's use of proceeds from progressive taxes to supply essential food grains at highly subsidized prices to BPL households is an example of:

(A) Allocation Function

(B) Stabilization Function

(C) Redistribution Function

(D) Production Function

66. The Right of Children to Free and Compulsory Education Act, 2009, which mandates free and compulsory education for every child between the ages of six to fourteen years, is an example of:

(A) Government Intervention in the case of Merit Goods.

(B) Government Intervention in the case of Demerit Goods.

(C) Government Intervention in the case of Public Goods.

(D) Government Intervention to correct Externalities.

67. Alex has comprehensive car insurance, which covers the cost of repairs if his car is damaged in an accident. As a result, he drives more recklessly, knowing that his insurance will cover any damages, Over time, he gets into more accidents and files more insurance claims due to his careless driving. This scenario illustrates which of the following concepts?

(A) Moral Hazard

(B) Market Power

(C) Lemon's Problem

(D) Government Interventions

68. Under Article 266(1) of the Constitution of India, which of the following is used in relation to all fund flows where the government acts as a banker?

(A) Public Account

(B) Consolidated Fund

(C) Contingency Fund

(D) State Development Fund

69. _____ is defined as the excess of total estimated expenditure over total estimated revenue and is the difference between all receipts and expenditures, both revenue and capital.

(A) Fiscal Deficit

(C) Budgetary Deficit

(B) Revenue Deficit

(D) Primary Deficit

70. The situation when the market does not supply products at all despite the fact that such products and services are wanted by the people is known as:

(A) Temporary market failure

(B) Complete market failure

(C) Partial market failure

(D) Relative market failure

71. For initial deposit of ₹ 6,00,000, the credit creation is calculated at ₹ 50,00,000. What is Required Reserved Ratio (RRR)?

(A) 12%

(B) 10%

(C) 12.5%

(D) 8%

72. Which of the following is not a quantitative tool as used by RBI to control the money supply in the entire economy?

(A) Open Market Operations

(B) Statutory Liquidity Ratio

(C) Selective Credit Control

(D) Cash Reserve Ratio

73. Which of the following statements are true in relation to the Crypto currency?

Statement-I: These have achieved significant legislative recognition.

Statement-II: These are not legally recognized in India as currency.

Statement-III: These are not categorized as money.

Statement-IV: In India, it serves as a legitimate form of payment for goods and services in the same way as traditional money does.

(A) Statement I and IV

(B) Statement I and II

(C) Statement I and III

(D) Statement II and III

74. If the money supply is ₹ 1,000 billion and the monetary base is ₹ 200 billion, what is the money multiplier (m)?

(A) 5

(B) 2

(C) 10

(D) 0.2

75. What is the primary objective of monetary policy in most countries, including India?

(A) To ensure a high level of government spending.

(B) To maintain a balance between price stability and economic growth.

(C) To promote export-led growth.

(D) To control exchange rates at all costs.

76. Marginal Standing Facility (MSF) Rate is the penal rate at which the Central Banks lend money to Banks, over the rate available under the Repo Policy. Which of the following are the correct options to calculate MSF Rate ?

Option (1): MSF Rate Repo Rate + 1 MSF Rate

Option (2): MSF Rate-Repo Rate-1 MSF Rate

Option (3): MSF Rate = Repo Rate + 1

Option (4): MSF Rate Repo Rate - 1

(A) Option (1) and (4)

(B) Option (2) and (3)

(C) Option (1) and (3)

(D) Option (2) and (4)

77. According to Friedman, how does the price level, as a determinant, affect the nominal demand for money?

(A) It has no effect.

(B) It is negatively related to the demand for money.

(C) A rise in the price level increases the demand for money and vice versa.

(D) A rise in the price level decreases the demand for money.

78. When the speculative demand for money becomes perfectly elastic with respect to the interest rate, making the speculative money demand curve parallel to the X-axis, this situation is called a/an _____

(A) Inflationary gap

(B) Liquidity trap

(C) Monetary expansion

(D) Deflationary spiral

79. Calculate Broad Money (M3) from the following data:

Particulars	**(₹ in Crores)**
Currency with the public	2250
Demand Deposits with the banking system	630
Total post office deposits	478
Time deposits with banks	535
Savings deposits with Post office savings banks	312

(A) ₹ 3,415 crores

(B) ₹ 3,225 crores

(C) ₹ 3,260 crores

(D) ₹ 3,420 crores

80. Which monetary tool is used to check temporary liquidity mismatches in the market due to foreign capital flow?

(A) Cash Reserve Ratio (CRR)

(B) Statutory Liquidity Ratio (SLR)

(C) Open Market Operations (OMO)

(D) Marginal Standing Facility (MSF)

81. ABC Ltd., a company based in Country 'A', imports machinery from Country 'B'. Recently, Country 'A' introduced a measure that requires all importers to pay 25% of the total value of goods three months in advance before the goods arrive. Which measure has been adopted by Country 'A'?

(A) Financial Measures

(B) Price Control Measures

(C) Measures affecting Competition

(D) Government Procurement Policies

82. Which of the following consists of a group of countries that have a free trade agreement among themselves and may apply a common external tariff to other countries?

(A) Free-trade area

(B) Regional Preferential Trade Agreements

(C) Economic and Monetary Union

(D) Trading Bloc

83. Country 'X' has seen an increase in its Real Effective Exchange Rate (REER). As a result, Country 'X's goods are becoming more expensive for foreign buyers, and imports from other countries are becoming cheaper. What is the likely impact on Country 'X's economy?

(A) Exports from Country 'X' will increase.

(B) Imports to Country 'X' will become more expensive.

(C) Exports from Country 'X' will become less competitive.

(D) Imports to Country 'X' will decrease.

84. In which of the following forms of FDI, 100% investment is allowed under the automatic route for airport projects in India?

(A) Greenfield investment

(B) Brownfield investment

(C) Joint venture

(D) Subsidiary establishment

85. Who proposed that a country should export goods in which it has the greatest absolute advantage and import goods in which its absolute advantage is comparatively less?

(A) Adam Smith

(B) David Ricardo

(C) Eli Heckscher and Bertil Ohlin

(D) John Maynard Keynes

86. An anti-dumping duty is a protectionist tariff that a domestic government imposes on imports that it believes are priced below

(A) Production cost

(B) Export price

(C) Fair market value

(D) Import duty

87. Which of the following is NOT an example of Technical Barriers to Trade (TBT)?

(A) Eco-labelling

(B) Quality standards

(C) Import quotas

(D) Organic certification

88. A U.S. based cell phone service provider expands its operations in India by offering the same telecommunication services as it does in the U.S. This type of investment is an example of:

(A) Horizontal direct investment

(B) Vertical investment

(C) Conglomerate Investment

(D) Two-way direct foreign investment

89. The government of India has imposed tariff on steel product as under:

5% ad valorem or 800 per tonne, whichever is higher. It is an example of:

(A) Mixed Tariff

(B) Compound Tariff

(C) Ad valorem Tariff

(D) Bound Tariff

90. Which of the following is not the advantage of a fixed exchange rate regime?

(A) An increase in speculation on exchange rate movements.

(B) Enhances international trade and investment.

(C) Avoids currency fluctuations and eliminates exchange rate risks.

(D) Enhances the credibility of the country's monetary policy.

91. Which of the following was NOT the focus of the monetary and financial sector reforms?

(A) Reducing the burden of non-performing assets on government banks.

(B) Restricting foreign investment in banks.

(C) Introducing and sustaining competition.

(D) Deregulating interest rates.

92. What type of economy is described as prevalent in ancient and medieval India?

(A) A predominantly agricultural economy

(B) A self-reliant and prosperous economy

(C) A heavily trade-dependent economy

(D) A barter-based economy

93. Foreign Investment Promotion Board (FIPB) was abolished in May 2017 and which of the following replaced it?

(A) Foreign Investor Promotion Portal (FIPP).

(B) Foreign Investment Facilitation Portal (FIFP)

(C) Foreign Direct Investment Portal (FDIP)

(D) Foreign Direct Investment Promotion Portal (FDIPP)

94. The _____includes a stable and transparent tax structure, better tax compliance, reduction of subsidies and encouragement of private sector participation.

(A) Fiscal Reforms

(B) Capital Market Reforms

(C) Trade Policy Reforms

(D) Monetary and Financial Sector Reforms

95. Which of the following sectors has recently been included under the PLI Scheme?

(A) Automobiles

(B) Textiles

(C) White goods (Air conditioners and LED lights)

(D) Pharmaceuticals

96. Which facility was provided to industry groups to allow flexibility and rapid changes in their product mix without requiring a fresh license?

(A) Open General License (OGL)

(B) Broad-Banding

(C) Special Economic Zones (SEZs)

(D) Export Promotion Policy

97. Which scheme aims to increase water use efficiency at the farm level?

(A) Agricultural Mechanization

(B) Paramparagat Krishi Vikas Yojana (PKVY)

(C) Per Drop More Crop (PDMC)

(D) Agri Infrastructure Fund

98. What is the full form of PMI?

(A) Prime Management Index

(C) Purchasing Managers' Index

(B) Purchase Management Index

(D) Property Managers' Index

99. Which of the following is the aim of the National Manufacturing Policy?

(A) To increase the share of manufacturing in GVA to 27% by 2027.

(B) To increase the share of manufacturing in NDP to 27% by 2027.

(C) To increase the share of manufacturing in NNP to 25% by 2025.

(D) To increase the share of manufacturing in GDP to 25% by 2025.

100. The reason for introduction of 'Kisan Rail' is:

(A) For taking initiative towards transportation of perishable goods to market.

(B) For improvement in farm produce logistics.

(C) For creation of start-up eco system in agriculture and allied sectors.

(D) For taking initiative to formulate a comprehensive policy framework for logistics sector.

Answer Key

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

SUGGESTED ANSWERS JANUARY 2026

PAPER 4: BUSINESS ECONOMICS - FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS

All Question are compulsory.

Time: 2 Hours **Marks: 100**

1. Predominance of bureaucracy and the resulting inefficiency and delays which may lead to corruption, red tapism is a demerit of:

   (A) Capitalist economy

   (C) Consumer sovereignty

   (B) Socialist economy

   (D) Normative economy

2. Consumer surplus is:

   (A) What a consumer is ready to pay over what he actually pays

   (B) Necessaries and comforts needed by a consumer

   (C) Desire or wish to buy a commodity backed by adequate ability and willingness to pay

   (D) Actual demand by a consumer

3. Which of the following are types of measurement of supply-elasticity?

   I. Point elasticity

   II. Inelasticity

   III. Arc elasticity

   IV. Perfect elasticity

   (A) I only

   (B) II only

   (C) Both I and IV

   (D) Both I and III

4. The price of a product is 100 per unit. If price falls by 20% the quantity increases by 120 units. The price elasticity of demand is -1. The new quantity demanded due to fall in price is:

   (A) 480 units

   (C) 680 units

   (B) 600 units

   (D) 720 units

5. Other things being equal, the demand for a good and the price of its complement has:

   (A) Positive relationship

   (B) Direct relationship

   (C) Inverse relationship

   (D) Proportional relationship

6. Which of the following is the effect of non-price determinants on the Leftward Shift in Demand Curve?

   (A) Rise in the price of a substitute good

   (B) Rise in the price of a complement

   (C) An Increase in number of buyers

   (D) An expectation that the price will rise in the future

7. Which of the following is NOT a correct statement regarding opportunity cost?

   (A) Is always recorded in the books of account

   (B) Relates to sacrificed alternatives

   (C) Represents the value of foregone opportunity

   (D) Is a useful concept in long-term cost calculations

8. If cross-price elasticity between two products is zero, the goods are best described as:

   (A) Close substitutes

(B) Totally unrelated

(C) Perfect substitutes

(D) Complements to each other

9 What does the term entrepreneur in economics refers to:

(A) The person combining factors of production, bearing risk, and innovating

(B) The person who only owns land or property

(C) The head of the marketing department

(D) The investor in machinery and products

10. _____ capital performs its function in production in a single use and is not available for further use. Choose the correct option.

(A) Real

(B) Circulating

(C) Tangible

(D) Intangible

11. "Total Supply of land is perfectly inelastic from the point of view of the economy", it means:

(A) Its supply increases with increase in demand

(B) Its supply is unaffected with change in demand

(C) Its supply decreases with increase in demand

(D) Its supply decreases with decrease in demand

12. Markets where firms buy the resources they need like land, labour etc. are called:

(A) Product Markets

(B) Factor Markets

(C) National Markets

(D) Spot Markets

13. A curve which shows all the different combinations of inputs that can produce same level of output is known as:
    (A) Marginal Cost Curve
    (B) Isocost
    (C) Isoquant
    (D) Total product curve
14. Which of the following is core characteristic of an oligopoly?
    (A) Efficient allocation of resources
    (B) Lease advertising
    (C) Unique product
    (D) Interdependence between firms
15. If output increases from 60 units to 70 units, leading to an increase in total revenue from 100 to 120. What is the marginal revenue?
    (A) ₹ 10
    (B) ₹ 20
    (C) ₹ 100
    (D) ₹ 2
16. In a monopoly market if ATC > AR:
    (A) Firm will earn normal profits
    (B) Firm will earn super normal profits
    (C) Firm will earn abnormal profit
    (D) Firm will incur losses
17. The cross elasticity of demand for monopolist's product and any other product is:
    (A) 1
    (B) Less than 1
    (C) Greater than 1

(D) Zero or very small

18. Which of the following is not true for long run equilibrium of a perfectly competitive industry?

(A) All firms in the industry are in equilibrium.

(B) All firms are earning super normal profits.

(C) The price of the product is such that quantity supplied by the industry is equal to the quantity demanded by consumers.

(D) Plants are used to full capacity in the long run.

19. A market characterized by a small number of large buyers and is mostly relevant to factor market is termed as:

(A) Duopoly

(B) Monopsony

(C) Oligopsony

(D) Bilateral monopoly

20. Purchase of foreign currency contract at future rate from bank is a transaction involving:

(A) Forward Market

(B) Regulated Market

(C) Spot Market

(D) Retail Market

21. Which of the following is not a lagging economic indicator?

(A) Unemployment

(B) Corporate profits

(C) Labour cost per unit of output

(D) Changes in stock price

22. Refer to the following data:

Sales: 1,000 Crores

Depreciation: 70 Crores

Opening stock:100 Crores

Closing stock: 90 Crores

GST: 100 Crores

Intermediate consumption: ₹ 440 Crores

Based on the above data, compute the Gross Value Added at Market Price (GVA_{mp}).

(A) 380 crores

(B) 620 crores

(C) 480 crores

(D) 550 crores

23. Which of the following is not a characteristic of contraction?

(A) Fall in level of investments

(B) Fall in employment levels

(C) Decrease in input demand pulls input prices down

(D) Bank credit expands

24. Which item is not included when calculating national income using the income method?

(A) Compensation of employees

(B) Mixed income of self-employed

(C) Interest paid on consumption loans

(D) Rent

25. Calculate real GDP ifnominal GDP is 450 and price index is 120.

(A) 540

(B) 350

(C) 375

(D) 475

Use the following data to answer question 26 and 27:

Particular	₹ Crores
Operating surplus	2,500
Mixed income of Self Employed	1,500
Rent	680
Profit	720
Interest	1,100
Net indirect tax	400
Consumption of fixed capital	300
Compensation of employees	1,000

26. Calculate GDP_{MP}

(A) ₹ 5,700 crores

(B) ₹ 8,200 crores

(C) ₹ 5,000 crores

(D) ₹ 7,500 crores

27. Calculate GDP_{Fc}

(A) ₹ 5,000 crores

(B) ₹ 7,100 crores

(C) ₹ 7,500 crores

(D) ₹ 5,300 crores

28. Operating surplus includes:

(A) Rent, Interest and Compensation of employees

(B) Rent, Interest and Profit

(C) Rent, Profit and Compensation of employees

(D) Rent, Interest and Taxes

29. Governments redistribution function leads to dead weight losses because:

    (A) It leads to lower taxes on the rich for the government

    (B) It emphasizes on production of merit goods only

    (C) It acts as a disincentive to entrepreneurship and work

    (D) It decreases social security costs

30. Statement 1: During recession, the government increases its expenditure or cuts down taxes.

    Statement 2: Deficit budgets are expected to stimulate economic activity while surplus budget tends to slowdown economic growth.

    (A) Both statements (1) and (2) are correct

    (B) Statement (1) is correct while statement (2) is incorrect

    (C) Statement (1) is incorrect while statement (2) is correct

    (D) Both statements (1) and (2) are incorrect

31. Which of the following is not one of the three main macroeconomic goals for any nation:

    (A) Universal education to all

    (C) High level of employment

    (B) Economic growth

    (D) Price stability

32. Stagflation is:

    (A) Increased taxes leading to reduced disposable income

    (B) Economic situation where inflation and unemployment exist side by side

    (C) Easy transmission of economic instability from one country to other countries

    (D) Improved economic stability

33. GST is a:

    (A) Production based taxation system

(B) Income based taxation system

(C) Turnover based taxation system

(D) Consumption based taxation system

34. Which equation accurately represents the expanded version of the equation of exchange?

(A) P=MV

(B) P=M'V'

(C) PTMV + M'V'

(D) PTMV-M'V'

35. Speculative demand for money can be closely linked to which of the following situation?

(A) Unforeseen and unpredictable contingencies

(B) Current transaction for business exchange

(C) Mismatch between receipt of salary and household expenses

(D) Attractive investment opportunity

36. Which of the following is not a channel of monetary policy transmission?

(A) Saving and Investment channel

(C) Exchange Rate channel

(B) Cash-flow channel

(D) Open Market channel

37. Tobin, in his theory of liquidity preference function, framed the relationship between which of the following?

(A) Demand for money and supply of money

(B) Rate of inflation and demand for money

(C) Rate of interest and demand for money

(D) Rate of interest and disposable income

38. Given the required reserve ratio (RRR) is 8% and 12.5% for every 1,00,000 deposited in the banking system, compute the credit multipliers.

    (A) 12.5; 8

    (B) 8; 12.5

    (C) 12.5; 10

    (D) 8; 10

39. Which of the following is not a benefit of International Trade?

    (A) Provides greater stimulus to innovative services

    (B) Trade provides access to new markets and new materials

    (C) Underprivileged countries will be less vulnerable to exploitation by corporations operating globally

    (D) Improvement in the quality of output of goods and services for emerging economies

40. Which of the following is a combination of two policy instruments quotas and tariffs?

    (A) Tariff rate quotas

    (B) Compound tariffs

    (C) Mixed tariffs

    (D) Applied tariffs

41. Which of the following represents a technical measure within Non-Tariff Measures (NTMs)?

    (A) Custom formalities

    (B) Shipping requirements

    (C) Production Processes

    (D) Trade-related finance and Investment measures

42. Calculate the Nominal exchange rate considering the following data:

Real exchange rate	25
Domestic price index	14070

Foreign price index 70

Choose the correct answer from the following options:

(A) 50.0

(B) 12.5

(C) 40.0

(D) 35.0

43. Which initiative of the NITI Aayog is a one-stop destination for all information on electric vehicles?

(A) Shoonya Campaign

(B) E-Amrit

(C) Methanol economy

(D) Life

44. Make in India 2.0 focuses on

(A) 15 manufacturing and 12 service sectors

(B) 12 manufacturing and 15 service sectors

(C) 22 manufacturing and 18 service sectors

(D) 18 manufacturing and 22 service sectors

45. Which of the following industries is included in the eight core sectors assessed by the Index of Industrial Production (IIP)?

(A) Pharmaceuticals

(B) Textiles

(C) Coal

(D) Tourism

46. What does a Brownfield investment in Foreign Direct Investment (FDI) imply:

(A) Developing entirely new infrastructure

(B) Utilizing existing infrastructure by means of mergers, acquisitions or leasing

(C) Forming partnerships with foreign companies

(D) Establishing a new subsidiary in another country

47. Which sector accounts for the largest recipient of FDI inflows in India?

(A) Service

(B) Manufacturing

(C) Primary

(D) Secondary

48. Which of the following was not a major reform introduced during the 1980s in India?

(A) Industrial delicensing

(B) Formation of SEBI

(C) Currency demonetization

(D) Implementation of MODVAT

49. Which of the following is a normative statement?

(A) Public healthcare increases public expenditure

(B) Higher interest rates as set by the government's economic policy will reduce house prices

(C) If consumer income drops, consumers will have less money to spend

(D) The government should provide healthcare for all

50. Match the following:

Column A	**Column B**
(i) Capitalist Economy	(a) Command Economy
(ii) Socialist Economy	(b) High Degree of operative Efficiency
(iii) Mixed Economy	(c) Encourages enterprise and Risk taking

(A) (i)-(a), (ii)-(b), (iii)-(c)

(B) (i)-(b), (ii)-(c), (iii)-(a)

(C) (i)-(b), (ii)-(a), (iii)-(c)

(D) (i)-(c), (ii)-(a), (iii)-(b)

51. Which of the following is not covered in microeconomics?

(A) Product pricing

(B) Factor pricing

(C) The general price level and interest rates

(D) The economic conditions of a section of people

52. Precedence of property rights over human rights is a demerit of which type of economy?

(A) Micro economy

(C) Capitalist economy

(B) Macro economy

(D) Socialist economy

53. When even after increase in price, total revenue remains the same the demand is 53. said to be:

(A) Perfectly elastic

(C) Inelastic

(B) Elastic

(D) Unitary elastic

54. Which of these is the correct expression for Arc Elasticity?

(A) (P2-P)/(P2+P1) $(Q2+Q_1)/(Q2-Q)$

(B) (P2P) $(P2+P_1)/(Q2+Q1) \times (Q2-Q1)$

(C) $(P2+P_1)/(P2-P) \times (Q2-Q1)/(Q2+Q1)$

(D) (P2+P1) (P2-P1)/$(Q2-Q1) \times (Q_2+Q1)$

55. The product of price quantity ratio at a particular point on the demand curve and the reciprocal of the slope of the demand line is called:

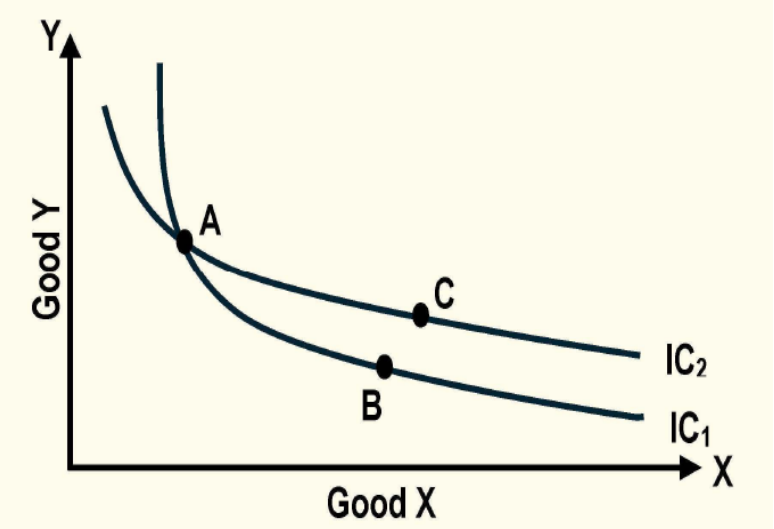
(A) Point elasticity

(B) Arc elasticity

(C) Total outlay method of elasticity

(D) Total revenue method of elasticity

56. Consider the indifference curves given below. What can you infer about the relationship between Good X and Good Y?



(A) Good X and Good Y are perfect substitutes of each other

(B) Good X and Good Y are perfect complements

(C) The relationship between Good X and Good Y is logically absurd

(D) Good X and Good Y are same

Use the table to answer questions 57 and 58:

Output	**0**	**1**	**2**	**3**	**4**	**5**	**6**
Total Cost (₹)	270	370	460	540	610	690	780

57. The average fixed cost of 3 units of output is:

(A) ₹ 90

(B) ₹ 100

(C) ₹ 150

(D) ₹ 180

58. Average variable cost for 4 units of output is:

(A) ₹ 150

(B) ₹ 125

(C) ₹ 100

(D) ₹ 85

59. Which of the following is not true with regard to stage of diminishing returns?

(A) Total product continues to decrease

(B) Both marginal product and average product of the variable factor are diminishing but are positive

(C) A rational producer will seek to produce within the range of this stage

(D) By the end of this stage, total product reaches its maximum

60. Which of the following factors does not lead to internal economies of scale:

(A) Specialisation of labour

(B) Use of superior techniques

(C) Use of by-products

(D) Supply of skilled labour

61. Relationship between inputs and outputs, when all inputs are changed in the same proportion are called:

(A) Law of variable proportion

(B) Returns to scale

(C) Isoquants

(D) Iso-cost lines

62. If the price elasticity of demand is 1, MR will be

(A) 0

(B) 1

(C) Positive

(D) Negative

63. Consider a monopolist selling in two markets. At a price of 60, the elasticity of demand in market A is 5 and in market B is 6. Calculate the marginal revenue in both markets and determine which market should receive more output.

(A) Market A, MR 48; Market B, MR 50, output to market B should increase

(B) Market A, MR 50; Market B, MR 48, output to market A should increase

(C) Both markets have equal MR

(D) Neither market should change output

64. Which characteristic is shared by monopoly and monopolistic competition, but NOT by perfect competition?

(A) Price equal to marginal cost

(B) Supernormal profits in long run

(C) Price higher than marginal cost

(D) No selling costs

65. First degree price discrimination in a monopolist market is based on:

(A) Attributes such as location

(B) Different quantities sold

(C) Each individual customer

(D) Different markets

66. In the kinked demand curve scenario for oligopoly, what happens when a firm raises its price above the prevailing level?

    (A) Competitors follow and raise prices

    (B) The demand becomes perfectly inelastic

    (C) The firm loses market share as competitors do not follow

    (D) The demand curve becomes horizontal

67. The slope of MR curve for a monopoly firm is AR curve. Choose the correct answer. that of the

    (A) Equal to

    (B) Twice

    (C) Three times

    (D) Half

68. In which phase of business cycle, actual demand stagnates?

    (A) Expansion

    (B) Peak

    (C) Contraction

    (D) Trough

69. According to Pigou, modern business activities are based on:

    (A) Innovations

    (B) Purely monetary phenomena

    (C) Anticipations /expectations of business community

    (D) Fluctuations in output and employment

70. What will be the impact on equilibrium price and equilibrium quantity when demand decreases and supply increases?

    (A) Both equilibrium price and equilibrium quantity falls

    (B) Both equilibrium price and equilibrium quantity will rise

(C) Equilibrium price falls but impact on equilibrium quantity is not certain

(D) Equilibrium quantity decreases but impact on equilibrium price is not certain

71. Which phase of business cycle is also called downswing?

(A) Expansion

(B) Contraction

(C) Trough

(D) Depression

72. National income of the economy which is either consumed or saved is equal to the:

(A) Aggregate supply

(B) Marginal propensity to consume

(C) Average supply

(D) Marginal propensity to save

73. Given the saving function S-20-0.5Y and autonomous investment I = 100 crores, what is the consumption?

(A) ₹ 240 crores

(B) ₹ 140 crores

(C) ₹ 340 crores

(D) ₹ 440 crores

74. Which of the following factor of production is not included in calculating the National Income?

(A) Pensions of retired workers

(B) Wages of labourers

(C) Employers' contribution to provident fund

(D) Interest on loans availed for productive services

75. If marginal propensity to consume is 0.6 and marginal propensity to import is 0.04, what is the value of the foreign trade multiplier?

    (A) 3.33

    (B) 2.27

    (C) 3.66

    (D) 2.54

76. If Net Factor Income from Abroad is negative:

    (A) GNP_{MP} Would be smaller than GDP_{MP}

    (B) Gross Income earned by country's citizen and companies abroad is negative

    (C) NNPMP would be greater than GNP_{MP}

    (D) Huge depreciation component in NNP_{MP}

77. All of the following are included in government final consumption expenditure except:

    (A) Government expenditure on defence

    (B) Government expenditure on education

    (C) Government expenditure on healthcare

    (D) Government expenditure on pensions

78. An autonomous increase in imports has _____ effect on equilibrium income.

    (A) Expansionary

    (B) Contractionary

    (C) Balanced

    (D) No

79. Which of the following is not listed as a common objective of fiscal policy?

    (A) Equitable distribution of income and wealth

    (B) Maintenance of price stability

(C) Promotion of exports and imports

(D) Achievement and maintenance of full employment

80. Which of the following is not an example of leakages from income stream?

(A) Progressive rates of taxation

(B) High liquidity preference

(C) Distributed profits of corporations

(D) Demand for imported goods

81. In National Accounts, which of the following is considered an 'economic bad' excluded from GDP?

(A) Traffic Congestion

(B) Volunteer services

(C) Rent from self-owned houses

(D) Consumption of fixed capital

82. What is Net Divisible Pool (NDP)?

(A) Total funds from which loans can be taken by various states

(B) Total loans recovered from IMF to be divided among center and states

(C) Distribution of total revenue of a nation among various sectors of the economy

(D) Portion of gross tax revenue which is distributed between the center and the states

Using below mentioned data, answer Question No. 83 and 84:

Revenue receipts	₹ 25,000 Cr.
Expenses on revenue account	₹ 30,000 Cr.
Expenses on capital account	₹ 30,000 Cr.
Estimated total expenditure	₹ 60,000 Cr.
Estimated total revenue	₹ 54,000 Cr.

83. Calculate the revenue deficit:

(A) ₹ 5,000 crores

(B) ₹ 12,000 crores

(C) ₹ 2,000 crores

(D) ₹ 8,000 crores

84. Calculate the budgetary deficit.

(A) ₹ 25,000 Crores

(B) ₹ 5,000 Crores

(C) ₹ 6,000 Crores

(D) ₹ 12,000 Crores

85. Laissez faire approach advocated:

(A) Minimum government interference in or regulation of economic activity

(B) Increase in government spending to combat the recessionary forces

(C) Having a more active fiscal policy

(D) Increasing taxes to curtail aggregate demand

86. When the RBI uses persuasion to convince banks to hold government securities instead of lending to certain sectors, it is called:

(A) Margin requirements

(B) Statutory Liquidity Ratio

(C) Market Stabilization Ratio

(D) Moral Suasion

87. The optimal average money holding is a negative function of which of the following?

(A) Income

(B) Nominal interest rate

(C) Transaction cost

(D) Price level

88. Who is responsible for determining the inflation target for the RBI under the Monetary Policy Framework?

(A) RBI independently

(B) The Central Government in collaboration with the RBI

(C) The Finance Ministry

(D) The Monetary Policy Committee

89. Which action does the central bank perform during Open Market Operations (OMO) to introduce high-powered money into the economy?

(A) Purchase of government securities

(B) Sale of corporate bonds

(C) Printing additional currency

(D) Raising interest rates

90. The money multiplier would be larger in which of the following scenarios?

(A) Smaller expenditure-deposit ratio

(B) Higher currency-deposit ratio

(C) Smaller currency-expenditure ratio

(D) Smaller currency-deposit ratio

91. Which of following taxes has not been replaced by the Goods and Service Tax? 91.

(A) VAT

(B) Income Tax

(C) Excise duty

(D) Service Tax

92. How many crops are mandated to receive price support through "Minimum Support Price" (MSP)?

(A) 22

(B) 21

(C) 23

(D) 24

93. In India, public sector is limited to which of the following sectors?

(A) Railway transport and arms and ammunition

(B) Railway transport and atomic energy

(C) Atomic energy and arms and ammunition

(D) Hazardous chemicals and narcotic drugs

94. Introduction of prudential norms of accounting in respect of classification of assets, disclosure of income and provisions for bad debts in case of commercial banks is related to which of the following reform measures?

(A) Fiscal reforms

(B) Monetary and financial sector reforms

(C) Capital market reforms

(D) Trade policy reforms

95. Which of the following is a unique feature in the growth trajectory of the Indian economy?

(A) Shift from services to the agricultural sector

(B) Shift from manufacturing to the services sector

(C) Shift from agricultural to the manufacturing sector

(D) Shift from agriculture to the services sector

96. Which of the following currency is often referred to as the vehicle currency, in the foreign exchange market?

(A) US Dollar

(B) Euro

(C) Russian Ruble

(D) INR

97. What is the primary purpose of countervailing duties charged in an importing country?

(A) To counteract low quality of goods in importing countries

(B) To neutralize artificially low prices charged by exporter resulting from export subsidies in their home country

(C) To prevent tariff evasion by importers

(D) To address variations in the quality of goods in importing country

98. When a foreign investor having no previous experience initiates a FDI in a business which is not related to its existing business in its home country and is usually in the form of a joint venture with a foreign firm operating in the industry, it is known as a _____.

(A) Two way FDI

(B) Vertical FDI

(C) Horizontal FDI

(D) Conglomerate FDI

99. Which of the following is not an objective of WTO?

(A) To set and enforce rules for international trade.

(B) To maintain secrecy of decision making.

(C) To resolve trade disputes.

(D) To provide a forum for negotiating and monitoring further trade liberalization

100. State policy aimed to protect domestic producers against foreign competition through the use of tariff, quotes and non-tariff policy instruments is called:

(A) Protectionism

(B) Distortions

(C) Safeguard

(D) Blanket cover

Answer Key

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

PAPER – 4: BUSINESS ECONOMICS

All Question are compulsory.

Time: 2 Hours **Marks: 100**

1. Articles of prestige value used by rich people as status symbol for increasing their social prestige and/or for displaying wealth is known as:

   (A) Speculative goods.

   (B) Conspicuous goods

   (C) Giffen goods

   (D) Inferior goods

2. For a household suppose the income elasticity of a commodity is arrived at 0.5; what can be assumed about the nature of the good?

   (A) It is a luxurious good

   (B) It is an inferior good

   (C) It has a zero income elasticity

   (D) It is a normal good and fulfils a necessity

3. Which of the following is not a set of complementary goods?

   (A) Car & Petrol

   (B) Electricity & Electrical Gadgets

   (C) Bread & Jam

   (D) Blazer & Jacket

4. Find the coefficient of price elasticity when the price of a product decreases from ₹ 10 to ₹ 6, and the quantity demanded rises from 10 units to 20 units.

   (A) 1.5

   (B) 0.5

   (C) 3.5

(D) -2.5

5. When the price of sugar is ₹ 60 per kg, its demand is 10 Kgs. Subsequently, if the price of coffee declines from ₹ 500 per kg to ₹ 450 per Kg, the usage of sugar rises from 10 kgs to 15 kgs. Calculate the cross price elasticity.

(A) -5

(B) 10

(C) -2.5

(D) 2.5

6. According to the theory of production and cost in business economics, cost can be of the following types.

(A) Fixed and variable

(B) Fixed and semi variable

(C) Fixed, variable and semi variable

(D) Variable and semi variable

7. To make the job contents interesting and challenging is a _____ objective of an organization.

(A) Social

(B) Organic

(C) National

(D) Human

8. Which factor of production is that part of the wealth of an individual or community, which may be used for further production of wealth?

(A) Land

(B) Labour

(C) Capital

(D) Entrepreneur

9. The maximum amount of output that can be produced with given quantities of inputs, under a given state of technical knowledge, is termed as:

   (A) Demand Function

   (B) Production Function

   (C) Supply Function

   (D) Investment Function

10. When a firm decides to change its product line, replace worn-out machinery, buy a new production facility, or acquire a new set of clients, it will have to incur_____.

   (A) Sunk costs

   (B) Incremental costs

   (C) Opportunity costs

   (D) Implicit costs

11. Which of the following represents variable cost in the short run?

   (A) Factory rent

   (B) Wages for factory labour

   (C) Accountant's salary

   (D) Factory insurance premium

12. Which from the following forms essential elements of a market?

   (I) Buyers and sellers

   (II) Product or service

   (III) Knowledge of market conditions

   (IV) Multiple prices for a product or service at a given time

   (A) (I), (II) and (III)

   (B) Both (1) and (III)

   (C) (I), (II) and (IV)

   (D) Both (III) and (IV)

13. The three stages of the law of variable proportion can be referred to as the stages of

    (A) Increasing returns, optimum returns & nil returns

    (B) Positive returns, diminishing returns & nil returns

    (C) Increasing returns, diminishing returns & negative returns

    (D) Negative returns, nil returns & positive returns

14. Complete the statement by selecting the correct option. A firm earns zero economic profit_____.

    (A) If price = Minimum ATC

    (B) If price > Minimum ATC

    (C) If price < Minimum ATC

    (D) If price < Average Variable Cost

15. When goods are sold, based on product differentiation, it is known as_____.

    (A) Collusive oligopoly

    (B) Imperfect oligopoly

    (C) Partial oligopoly

    (D) Syndicated oligopoly

16. Choose the correct statement about Duopoly from the following statements.

    (A) It is a special case for the Oligopoly market structure

    (B) It is a special case for the Monopsony market structure

    (C) It is a special case for the Monopoly market structure

    (D) It is a special case for the Imperfect Competition

17. A group of firms which explicitly collude to coordinate their activities in industries where there are a few firms, all of which are similar in size, may be referred to as _____.

    (A) Perfect competition

(B) Cartel

(C) Oligopsony

(D) Bilateral monopoly

18. The Theory of Games' which provided a different approach to the analysis of strategic behaviour of the oligopolists under uncertainty was developed by _____.

(A) Alfred Marshal

(B) Adam Smith

(C) Von Neumann & Oskar Morgentern

(D) Paul A Sweezy

19. Assume the cost of producing 500 units to be ₹ 25,000. Investment of the entrepreneur in his business is ₹ 1,50,000. Rate of normal market return is 10%. The selling price at which the firm will earn supernormal profit is:

(A) ₹ 78

(B) ₹ 80

(C) ₹ 82

(D) ₹ 76

20. Which phase of business cycle is charaterised by a rapid rise in output prices leading to increased cost of living and greater pressure on fixed income earners ?

(A) Contraction

(B) Prosperity

(C) Depression

(D) Downswing

21. Unemployment, corporate profit and labour cost per unit of output are examples of which type of economic indicators?

(A) Coincident

(B) Lagging

(C) Concurrent

(D) Leading

22. The difference between market price and factor cost for an aggregate like GDP is:

(A) Net exports (excluding subsidies)

(B) Net indirect taxes (indirect taxes minus subsidies)

(C) Depreciation

(D) Net factor income from abroad

23. Which of the following is not an internal cause of business cycle?

(A) Natural factors

(B) Psychological factors

(C) Variation in Government spending

(D) Macroeconomic policies

24. Which of the following is not an example of coincident economic indicator?

(A) Changes in stock prices

(B) Inflation

(C) Personal income

(D) Industrial production

25. There is an increase in the national income by ₹ 2,000 crores when there is an increase in investments by ₹ 1,600 crores. Calculate the marginal propensity to consume.

(A) 0.80

(B) 0.50

(C) 0.20

(D) 0.40

Use the following information for Q 26 and Q 27

Income (Y) in crore	Consumption (C) in crore
0	100
100	150
200	225
300	300
400	375
500	400

26. Calculate the marginal propensity to consume when the income changes from ₹ 300 crores to ₹ 400 crores.

(A) 1.00

(B) 0.50

(C) 0.75

(D) 0.25

27. Calculate the average propensity to save when the income is at ₹ 500 crores.

(A) 0.80

(B) 1.00

(C) 0.25

(D) 0.20

28. Which of the following pair of components is common to all sector-models of the economy?

(A) Government and household

(B) Rest of the world and Government

(C) Household and firms (Business)

(D) Firms (Business) and Government

29. Which of the following taxes does the State Government levy?

(A) Taxes on income

(B) Taxes on vehicles

(C) Customs duty

(D) Security transaction tax

30. During which phase of the business cycle is expansionary fiscal policy most appropriate?

(A) Stagflation

(B) Peak

(C) Expansion

(D) Contraction

31. Which of the following is not the responsibility of the Central Government but is associated with the State Government?

(A) Foreign affairs

(B) Foreign trade and exchange management

(C) Police protection

(D) Money and banking

32. Surcharge on certain duties and taxes for the purpose of the Union, are based on which of the following Articles of the Constitution?

(A) 271

(B) 269

(C) 293

(D) 268

33. Which of the following is not a criteria for distribution of central taxes amongst states for the period 2021 to 2026?

(A) Area

(B) Population (2011)

(C) Forest & ecology

(D) Adult literacy

34. Government spending that does not contribute to GDP because income is only redistributed from one group of people to another, without any direct contribution by the recipients is known as:

(A) Revenue expenditure

(B) Capital expenditure

(C) Transfer payments

(D) Public expenditure

35. Which of the following is the rate set by the Monetary Policy Framework Agreement (MPFA) and is the maximum tolerable rate that RBI should target to achieve price stability in India?

(A) Repo rate

(B) Inflation rate

(C) MSF rate

(D) Reverse repo rate

36. If the credit multiplier is 4, calculate the required reserve ratio.

(A) 40%

(B) 25%

(C) 20%

(D) 60%

37. Controlling credit by not lending to selective industries or speculative business is referred to as _____.

(A) Moral suasion

(B) Margin requirements

(C) Selective credit control

(D) Open market operations

38. If the money supply increases by ₹ 750 crores, when there is an injection of ₹ 250 crores, through the open market operations by the central bank of the country. Calculate the money multiplier.

(A) 2.00

(B) 0.33

(C) 3.00

(D) 0.50

39. Calculate the currency with the public from the under-mentioned data.

Circulation of rupee coins	₹ 25,550
Circulation of small coins	₹ 750
Notes in circulation	₹ 35,50,000
Cash on hands with banks	₹ 66,500

(A) ₹ 36,42,800

(B) ₹ 36,41,300

(C) ₹ 35,91,700

(D) ₹ 35,09,800

40. Which of the following is not an assumption of the Absolute Advantage Theory in international trade?

(A) Trade between two countries

(B) Existence of transportation cost

(C) Labour being mobile within a country but immobile between countries

(D) Two country and two commodity framework

41. Which form of tariff is a duty to bring the price of an imported commodity upto the level of the domestic support price of the commodity?

(A) Preferential tariff

(B) Bound tariff

(C) Applied tariff

(D) Variable tariff

42. Which type of non-technical measure is adopted in international trade in order to non-discriminatorily and temporarily limit imports of a product, if its domestic industry is injured or threatened with serious injury caused by a sudden rise in imports?

(A) Safeguard measures

(B) Embargo

(C) Government procurement policies

(D) Measures affecting competition

43. Which form of tariff is determined based on the specific contents of the imported goods?

(A) Specific tariff

(B) Ad valorem tariff

(C) Mixed tariff

(D) Technical tariff

44. Which of the following measures are usually aimed at restricting the quantity of goods that can be imported, irrespective of whether they originate from different sources or from one particular supplier?

(A) Government procurement policies

(B) Rules of origin

(C) Non automatic licencing and prohibitions

(D) Distribution restrictions

45. Interest rate liberalization and reduction in controls on banks in India by the Reserve Bank of India with regards to interest rates chargeable on loans and payable on deposits are closely associated with which of the following economic reforms:

(I) Fiscal reforms

(II) Monetary reforms

(III) Capital market reforms

(IV) Financial sector reforms

(A) Both (II) and (IV)

(B) Only (II)

(C) Only (1)

(D) Both (I) and (III)

46. Which of the following is a pan India electronic trading portal networking existing APMC mandis to create an integrated national market for agricultural commodities?

(A) E Amrit

(B) NDAP

(C) ENAM

(D) Niti Aayog

47. Which measure of the primary sector is designed to provide income support to farmers in India?

(A) PM KISAN

(B) Paramparagat Kisan Vikas Yojana

(C) Fixation of minimum support price

(D) Pradhan Mantri Fasal Bima Yojana

48. Which of the following policies is focused at the empowerment of Micro, Small and Medium enterprises?

(A) FAME India

(B) PM Gati Shakti National Master Plan

(C) Industrial Corridor Development Programme

(D) Udyami Bharat

49. Which of the following areas is related to macroeconomics?

(A) Consumer behaviour

(B) Factor pricing

(C) External value of currency

(D) Behaviour of firms

50. Which of the following factors does not relate to the central economic problem?

(A) What to produce

(B) How to produce

(C) When to produce

(D) For whom to produce

51. 'Consumer Sovereignty' is a feature related to which of the following economic system:

(A) Laissez Faire Economy

(B) Socialist Economy

(C) Mixed Economy

(D) Command Economy

52. Mixed economy in the real world comprise of _____.

(A) Only market

(B) Both market and government

(C) Both market and private individuals

(D) Only government

53. "The right to work is guaranteed, but the choice of occupation gets restricted."

Select the correct set of options which is related with the above statement.

(A) Absence of consumer choice, Capitalist economy

(B) Absence of consumer choice, Socialist economy

(C) Right to private property, Capitalist economy

(D) Right to private property, Socialist economy

54. If the price of a commodity reduces from ₹ 200 to ₹ 150, calculate the new quantity demanded assuming that price elasticity of demand is 2.5 and the original quantity demanded is 25 Kgs.

(A) 40.625Kgs

(B) 42.125 Kgs

(C) 40.250 Kgs

(D) 41.625 Kgs

55. The demand curve slopes upwards in case of which of the following scenarios?

(A) Conspicuous necessities

(B) Normal goods

(C) Unitary elasticity

(D) Elasticity greater than one

56. Calculate the arc elasticity if P1 = ₹ 15, P2 = ₹ 20, Q1 = 50 units, and Q2 = 75 units.

(A) 1.4

(B) 1.2

(C) 2.1

(D) 1.5

57. In which of the following conditions the demand curve touches the vertical axis and is horizontal at the price level?

(A) Elasticity being zero

(B) Elasticity>1

(C) Elasticity<1

(D) Elasticity is infinite

58. Choose the correct option from the following that is not a true property of an Indifference Curve (IC):

(A) IC slopes upwards to the right

(B) IC is always convex to the origin

(C) IC will not touch either axes

(D) IC can never intersect each other

Use the following information for Q 59, Q 60 and Q 61;

No. of units	Total Fixed Cost (₹)	Total Variable Cost (₹)
0	100	0
1	100	50
2	100	80
3	100	100
4	100	110
5	100	118

59. Calculate the marginal cost of the 5th unit of production.

(A) ₹ 8

(B) ₹ 23.60

(C) ₹ 43.60

(D) ₹ 118

60. Calculate the average variable cost when 3 units are produced.

(A) ₹ 36

(B) ₹ 33.33

(C) ₹ 66.67

(D) ₹ 100

61. Calculate the average total cost when 4 units are produced.

(A) ₹ 25

(B) ₹ 27.50

(C) ₹ 52.50

(D) ₹ 210

62. From the information below, calculate the marginal revenue of the 4th unit.

Units	Total Revenue (₹)	Average Revenue (₹)
1	100	100

2	180	90
3	240	80
4	300	75
5	330	66

(A) ₹ 75

(B) ₹ 80

(C) ₹ 66

(D) ₹ 60

63. The factors which determine the type of market are _____.

(A) Size of the commodity, size of the population and extent of demand

(B) Size of production, nature of commodity and extent of supply

(C) Extent of demand, nature of commodity and size of the population

(D) Size of production, extent of demand and nature of commodity

64. Calculate the AR, when MR = 15 and price elasticity of demand - 1.5

(A) 30

(B) 60

(C) 45

(D) 22.5

65. Markets dealing with homogeneous products, which are perfect substitutes referred to as ___.

(A) Monopoly

(B) Oligopoly

(C) Monopolistic Competition

(D) Perfect competition

66. The industry and the firm are identical in_____ type of market situation.

(A) Monopoly

(B) Perfect competition

(C) Monopolistic competition

(D) Oligopsony

67. Select the correct option from the following which represents market classification based on the volume of business.

(A) Spot market

(B) Regulated market

(C) Retail market

(D) Local market

68. Government needs to take steps to regulate and prevent formation of certain market forms that are exploitative and create undesirable outcomes in the economy. The market form is:

(A) Perfect competition

(B) Monopoly

(C) Oligopolistic competition

(D) Monopolistic competition

69. Which of the following is not a characteristic of the Oligopoly market?

(A) Strategic Interdependence

(B) Group behaviour

(C) No importance to advertising

(D) Importance to selling costs

70. A fall in the levels of investment and employment and supply exceeding demand to a great extent is predominant in _____ phase of business cycle.

(A) Upswing

(B) Boom

(C) Expansion

(D) Recession

71. Calculate the amount of subsidies, when the national income is ₹ 4,500 crore, Net National Product at Market Price is ₹ 4,800 crore and indirect taxes is ₹ 350 crore.

(A) ₹ 400 crore

(B) ₹ 650 crore

(C) ₹ 50 crore

(D) ₹ 100 crore

72. From the given options, select the method that measures national income through a summation of factor incomes paid out by all production units within the domestic territory of a country such as wages, salaries, rent, interest and profit, with the exception of transfer income.

(A) Value added method

(B) Expenditure method

(C) Disposal method

(D) Income method

73. Considering the Real GDP to be ₹ 4,500 crore and the Nominal GDP ₹ 6,750 crore, calculate the GDP deflator.

(A) 150

(B) 66.67

(C) 120

(D) 80.33

74. Calculate the NNP at MP when NNP at FC is ₹ 15,000 crore, indirect taxes ₹ 450 crore, direct taxes ₹ 175 crore and subsidies are ₹ 250 crore.

(A) ₹ 15,025 crore

(B) ₹ 15,200 crore

(C) ₹ 15,275 crore

(D) ₹ 15,525 crore

75. Calculate the equilibrium level of income, if the saving function is denoted by S = -20 + 0.25 Y and autonomous investment (I) = 100 crores.

(A) 320 crores

(B) 160 crores

(C) 480 crores

(D) 240 crores

76. National income is calculated as the consolidation of the production of each industry after reducing the intermediate purchases from all other industries in which of the following method?

(A) Industrial origin method

(B) Income method

(C) Disposal approach

(D) Expenditure approach

77. In economics, what distinguishes between 'National' and 'Domestic with regards to determination of national income?

(A) Depreciation

(B) Indirect taxes

(C) Subsidies

(D) Net factor income from abroad

78. The condition for national income equilibrium can be expressed through which of the following expressions?

(A) C-I = C+S

(B) C+1=C+S

(C) C+I = C-S

(D) C+1=S

79. Which of the following statements correctly explains the relationship between Marginal Propensity to Consume (MPC), Marginal Propensity to Save (MPS), and the value of the investment multiplier?

(A) Higher the MPC more will be the value of investment multiplier

(B) Higher the MPS more will be the value of investment multiplier

(C) Lower the MPC more will be the value of investment multiplier

(D) Lower the MPS less will be the value of investment multiplier

80. While determining national income, the income, which is not spent on, recently produced consumption goods and services may be referred to as out of the income stream.

(A) Inflation

(B) Depreciation

(C) Injection

(D) Leakage

81. Which of the following institutions is not responsible for public debt management in India?

(A) SEBI

(B) RBI

(C) Department of Economic Affairs

(D) Ministry of Finance

82. Which of the following is not a non-tax revenue under public finance?

(A) Interest receipts

(B) Receipts of union territories

(C) Dividend and profits from PSUs

(D) GST compensation cess

83. The act of undisciplined students shouting and making nuisance during a lecture session in a class and disrupting teachers from delivering their lectures is an example of

(A) Negative production externality

(B) Positive consumption externality

(C) Negative consumption externality

(D) Positive production externality

84. Calculate the fiscal deficit from the following data.

Revenue deficit	₹ 5,000 crores
Capital expenditure	₹ 45,000 crores
Capital receipts excluding borrowings	₹ 42,000 crores

Select the correct answer from options given below:

(A) ₹ 2,500 crores

(B) ₹ 12,500 crores

(C) ₹ 10,000 crores

(D) ₹ 7,500 crores

85. Which of the following is not a general characteristic of money?

(A) Perishable

(B) Effortlessly recognizable

(C) Possessing uniformity

(D) Easily transportable

86. According to Keynes, the transactions demand for money is a direct proportional and positive function of the level of income. Which of the Following equations correctly represents this relationship?

(A) Lr = Y - k

(B) Lr = k Y

(C) Lr = k + Y

(D) Lr = Y / k

87. The degree of adoption of banking habits by the public is measured by the:

(A) Credit-Deposit Ratio

(B) Reserve-Deposit ratio

(C) Investment-Deposit Ratio

(D) Currency-Deposit Ratio

88. What is the notified consumer price index inflation set by the Central Government as the target for the period August 5, 2016 to March 31, 2021?

(A) 3%

(B) 4%

(C) 8%

(D) 5%

89. The assumption that there are two media for storing value-money and an interest-bearing alternative financial asset is a central feature of which approach to the demand for money?

(A) Liquidity Preference Theory

(B) Restatement of Quantity Theory

(C) Inventory Theoretic Approach

(D) Classical Approach

90. Which of the following features is not a component of the Modern Theory in international trade?

(A) International trade is only a distinct case of inter-regional trade

(B) It is based on labour theory of value

(C) It considers factor price differences as the principal cause of commodity price differences

(D) It considers the relative prices of the factors which impacts the comparative costs of the good

91. Which sector in India has the highest labour productivity?

(A) Primary

(B) Service

(C) Secondary

(D) Manufacturing

92. What is the full form of ECLGS?

(A) Emergency Corporate Line Guarantee Scheme

(B) Emergency Credit Line Guarantee Scheme

(C) Emergency Credit Line Guarantee Subsidy

(D) Emergency Corporate Line Government Scheme

93. Which of the following features was not responsible for the launching of the radical economic reforms of 1991 in India?

(A) Severe strain on balance of payments

(B) Heavy internal and external debt

(C) High foreign exchange reserves

(D) Stringent conditions of IMF for availing further loans

94. What is the maximum limit of Foreign Direct Investment (FDI) permitted under the automatic route in the marketing of food products and food product e-commerce in India?

(A) 49%

(B) 74%

(C) 100%

(D) 51%

95. Which of the following industries is not considered as a core industry of the ICI in the Indian economy?

(A) Natural gas

(B) Fertilizer

(C) Steel

(D) Information and communication

96. Calculate the real exchange rate, considering nominal exchange rate 15, domestic Price Index = 250 and foreign Price Index = 200.

(A) 12.25

(B) 15.50

(C) 18.75

(D) 9.60

97. Which of the following scenarios docs not give rise to foreign direct investment?

(A) Acquiring a controlling interest in an existing foreign company

(B) External commercial borrowing

(C) Joint venture with a foreign company

(D) Merger and acquisition

98. The 'Gulf Cooperation Council' is an example of which regional trade agreement?

(A) A customs union

(B) Common market

(C) Economic and monetary union

(D) Regional preference trade agreement

99. Which of the following is not associated with exchange rate depreciation?

(A) Leads to output expansion

(B) Encourages economic activity

(C) Lowers the relative price of imports

(D) Improves balance of trade

100. Post-independence which philosophy in Indian economics is related to small scale and cottage industry and village republics?

(A) British philosophy

(B) Nehruvian philosophy

(C) East India Company philosophy

(D) Gandhian philosophy

ANSWERS

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

Foundation Paper 4

Question Paper Booklet No. 4752729

GENERAL INSTRUCTIONS TO CANDIDATES

1. Please do not open this Booklet till you are told to do so.
2. **If the Question Paper Booklet does not contain 100 questions or if it is not of the medium opted or Answer Sheet is not in good condition, ask for change immediately.**
3. Duration of the test is 2 hours.
4. Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.
5. Use HB pencil only to darken the circles for answers in the answer sheet.
6. After each MCQ, four options are given. Choose the correct or most appropriate option and darken the appropriate circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB Pencil.

Marking the Answers	
Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (**Correct Method**) 12 (A) (B) ● (D)	**Not as shown below (Wrong method) :** 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) ● ● (D)

7. Any answer marked in the question booklet will not be considered and no marks will be awarded.
8. If a candidate wants to change the answer already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
9. For each correct answer, one mark will be awarded. For each wrong answer, $1/4^{th}$ of the mark earmarked for each question will be deducted. If more than one circle is darkened for a question, it will be treated as wrong answer. For questions not answered i.e. blanks, a zero will be given.
10. Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only.
11. When you have completed, even before time, please remain in your seat. The Invigilator will come to you and collect your Answer Sheet against acknowledgement on the admit card. No candidate can leave the examination hall till the end of the test.
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Time : 2 Hours **Maximum Marks : 100**

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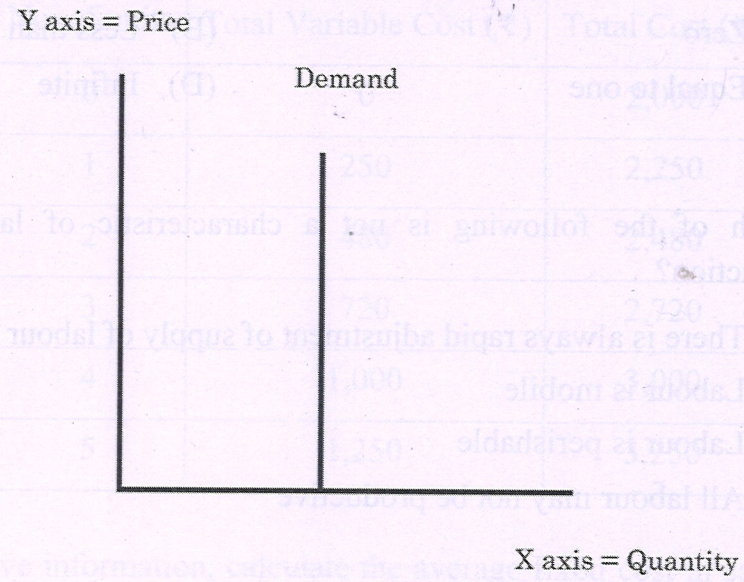
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LWA(H)

1. The demand curve as shown in the diagram below, is indicative of which of the following numerical value of elasticity of demand?



(A) $E_p = 0$ (B) E_p = Infinity
(C) $E_p = 1$ (D) $E_p > 1$

2. A consumer buys 120 units of a commodity at ₹ 10 per unit. If the price elasticity of demand is 1.25, how many units will he buy at ₹ 15 per unit of the same commodity?

(A) 45 (B) 75
(C) 55 (D) 60

3. When some people start investing money in share market then many other people start following those people without considering its advantages and disadvantages. This is the example of _____.

(A) Snob effect (B) Veblen effect
(C) Bandwagon effect (D) Marshal effect

4. The total revenue, when price increases, in case of inelastic demand, will _____.

(A) Increase (B) Decrease
(C) Remain the same (D) Become zero

5. In case of perfect elastic supply, the supply curve becomes horizontal. The elasticity of supply shall be _____.

(A) Zero
(B) Less than one
(C) Equal to one
(D) Infinite

6. Which of the following is not a characteristic of labour, as a factor of production?

(A) There is always rapid adjustment of supply of labour to the demand for it
(B) Labour is mobile
(C) Labour is perishable
(D) All labour may not be productive

7. Graphically, consumer surplus represents a _____ area below the demand curve and above the price line.

(A) Rectangular
(B) Triangular
(C) Square
(D) Oval

8. Which of the following is not a characteristic of land as a factor of production?

(A) Land is immobile
(B) Land is homogeneous
(C) Land is a passive factor
(D) Supply of land is fixed

9. Capital in the form of road and bridges etc. may be categorised into _____.

(A) Circulating capital
(B) Individual capital
(C) Human capital
(D) Social capital

On the basis of the following information answer Q.No. 10 and Q. No. 11 :

No. of units	Total Variable Cost (₹)	Total Cost (₹)
0	0	2,000
1	250	2,250
2	480	2,480
3	720	2,720
4	1,000	3,000
5	1,250	3,250

10. From the above information, calculate the average fixed cost in case of the fifth unit of output?

(A) ₹ 1000

(B) ₹ 400

(C) ₹ 2000

(D) ₹ 500

11. From the above information, calculate the marginal cost of the third unit of output.

(A) ₹ 240

(B) ₹ 250

(C) ₹ 230

(D) ₹ 280

12. For any particular level of output, which of the following relationship holds true? ($\sum$ = Summation)

(A) $TR = \sum MR$

(B) $MR = \sum TR$

(C) $TR = \sum AR$

(D) $MR = \sum AR$

13. In the context of changes in demand and supply, the supply curve shifting to the left indicates _____.

(A) An increase in demand

(B) An increase in supply

(C) A decrease in demand

(D) A decrease in supply

14. The trade policies of the Government, which may limit the trading of a commodity within the country, is the feature associated with which type of markets

(A) Local Markets

(B) Regional Markets

(C) National Markets

(D) International Markets

15. Under short run equilibrium of a competitive firm, where AR = ATC, which of the following situation may arise?

(A) The firm earns normal profits

(B) The firm earns maximum profits

(C) The firm earns super normal profits

(D) The firm earns no profit no loss

16. Which of the following expression depicts the relationship between Marginal Revenue (MR), Average Revenue (AR) and Price Elasticity of Demand (e)?

(A) $MR = AR \times \frac{(e+1)}{e}$ (B) $AR = MR \times \frac{(e+1)}{e}$

(C) $MR = AR \times \frac{(e-1)}{e}$ (D) $MR = AR \times \frac{e}{(e-1)}$

17. Total revenue will be maximum where elasticity is equal to _____.

(A) One (B) Zero

(C) Infinity (D) Negative

18. In which phase of business cycle, the actual demand stagnates. This is the end of expansion and it occurs when economic growth has reached a point where it will stabilise for a short time and then move in the reverse direction?

(A) Expansion (B) Peak

(C) Trough (D) Recovery

19. Bilateral monopoly is a combination of which of the following two markets?

(A) Monopoly and Monopsony

(B) Monopoly and Oligopsony

(C) Duopoly and Monopolistic competition

(D) Perfect competition and Oligopsony

20. Mobile telephones and internet service providers in India falls under which type of market classification?

(A) Monopoly (B) Monopolistic competition

(C) Oligopoly (D) Perfect competition

21. Which of the following is not a feature of business cycles?

(A) Business cycles do not exhibit the same regularity

(B) Business cycles are caused by varying factors

(C) The length of each business cycle phase is same

(D) Business cycles have serious consequences on the well-being of the society

22. Match the types of economic indicators in Column I with the most appropriate example in Column II:

Column-I	Column-II
(1) Leading indicator	(a) Unemployment, Corporate Profit etc.
(2) Lagging indicator	(b) New orders for consumer goods and plant & equipment
(3) Coincident indicator	(c) Gross Domestic Product (GDP)

Which of the following option is correct?

(A) (1)-(b), (2)-(a), (3)-(c)

(B) (1)-(a), (2)-(b), (3)-(c)

(C) (1)-(c), (2)-(b), (3)-(a)

(D) (1)-(b), (2)-(c), (3)-(a)

23. Which institution is primarily responsible for compilation of National Accounts Statistics in India?

(A) Reserve Bank of India (RBI)

(B) NITI Aayog

(C) Central Statistical Organisation (CSO) under MoSPI

(D) Ministry of Finance

24. National income or NNP at factor cost is equal to _____.

(A) Sum of domestic factor incomes only

(B) Sum of domestic factor incomes and net factor income from abroad

(C) GDP at market prices plus indirect taxes

(D) Gross national product at factor cost plus depreciation

25. Match the method of national income measurement in Column I with what it primarily measures in Column II:

Column-I	Column-II
(1) Value Added Method (Product Method)	(a) It shows the unduplicated contribution by each industry to the total output
(2) Income Method	(b) Aggregate final expenditure in an economy during an accounting year
(3) Income Disposal Approach	(c) Sum of factor incomes paid out by all production units within the domestic territory of a country

Which of the following option is correct?

(A) (1)-(a), (2)-(c), (3)-(b)

(B) (1)-(b), (2)-(a), (3)-(c)

(C) (1)-(c), (2)-(b), (3)-(a)

(D) (1)-(a), (2)-(b), (3)-(c)

26. Which one of the following correctly defines the Average Propensity to Consume (APC)?

(A) $APC = \Delta C/\Delta Y$

(B) $APC = C/Y$

(C) $APC = 1 - MPC$

(D) $APC = Y/C$

27. A deflationary or recessionary gap arises when _____.

(A) Aggregate demand at the full-employment level is greater than the output at full employment.

(B) Aggregate demand for an amount of output is less than the full-employment level of output.

(C) Equilibrium level of income exceeds the potential GDP.

(D) Aggregate demand equals aggregate supply at full employment.

28. An increase in investment by ₹ 150 Crores leads to increase in the national income by ₹ 600 Crores. What will be the value of marginal propensity to consume?

(A) 0.15

(B) 0.20

(C) 0.25

(D) 0.75

29. With reference to Keynes Theory of Determination of National Income, consumption expenditure is determined by _____.

(A) Amount of wages, rent and interest

(B) Disposable income

(C) Amount of Investments

(D) Government Taxes and Subsidies

30. Match the constitutional provision in List I with the corresponding description in List II :

List-I	List-II
(1) Article 246	(a) It provides for an institutional mechanism mainly the finance commission to facilitate such transfers
(2) Articles 268–281	(b) It demarcates the powers of Union and States
(3) Article 280	(c) It provides constitutional provisions relating to distribution of finances among states

Select the correct option from the following:

(A) (1)-(b), (2)-(c), (3)-(a)
(B) (1)-(c), (2)-(b), (3)-(a)
(C) (1)-(b), (2)-(a), (3)-(c)
(D) (1)-(a), (2)-(c), (3)-(b)

31. Consider the following statements about the redistribution function of the government :

1. It is concerned with the question 'for whom' should an economy produce goods and services.
2. It is implemented only through progressive taxation, and not through public expenditure.
3. It aims at providing equality of income, wealth and opportunities.

Which of the above statements are correct?

(A) 1 and 3 only
(B) 1 and 2 only
(C) 2 and 3 only
(D) 1, 2 and 3

32. Which of the following is not an objective of Fiscal Responsibility and Budget Management (FRBM) Act, 2003?

(A) Inter-generational equity and fiscal management

(B) Short run macroeconomic stability

(C) Better coordination between fiscal and monetary policy

(D) Transparency in fiscal operation of Government

33. The Theory of Public Finance (1959) introduced by Richard Musgrave is concerned with the following functions of Government:

(A) Resource allocation only

(B) Income redistribution and macro-economic stabilisation both

(C) Resource allocation and macro-economic stabilization both

(D) Resource allocation, income redistribution and macro-economic stabilization

34. The government budget of a country primarily serves which of the following purpose?

(A) It is only a legal record of past year's actual receipts and expenditures

(B) It is a policy instrument used to regulate and restructure a country's economic priorities

(C) It is merely a compilation of tax proposals for the next financial year

(D) It is a statement restricted to the receipts and expenditures of public sector enterprises only

35. In an economy, the total number of transactions are 1,500 Crores (T), average price level (P) is ₹ 4 and money supply (M) is ₹ 1000 Crores. According to Fisher's equation. Calculate the transaction velocity of circulation of money (V).

(A) 2
(B) 4
(C) 6
(D) 8

36. According to Tobin, holding a greater proportion of bonds and shares in a portfolio generally leads to _____.

(A) Lower return and lower risk
(B) Higher return and higher risk
(C) No return and no risk
(D) Lower liquidity only

37. Lower interest rates reduce the incentive for households to _____.

(A) Spend money
(B) Borrow loans
(C) Save money
(D) Buy houses

38. Mr. A keeps most of his money in savings deposits and withdraws small amounts of cash whenever needed for daily expenses. He does this, because bank deposits earn interest while cash does not. This situation is best explained in which of the following theory?

(A) Baumol's inventory approach
(B) Tobin's risk theory
(C) Quantity theory of money
(D) Fiscal deficit theory

39. The equation $M = m \times MB$ shows the relationship between which of the following?

(A) Inflation and unemployment
(B) Revenue and expenditure
(C) Imports and exports
(D) Reserve money and total money stock

40. Which was the most controversial topic in Doha Agenda?

(A) Intellectual property issues
(B) Service sector issues
(C) Agriculture trade
(D) Non-agriculture trade

41. An appreciation of currency raises the price of exports because of which _____.

(A) Imports decline and exports rise
(B) Imports rise and exports fall
(C) The quantity of exports will fall
(D) Inflation increases rapidly

42. Which one from following is not the guiding principle of WTO?

(A) Special treatment
(B) Transparency and binding
(C) Encouraging development and economic reform
(D) Promoting fair competition

43. Which type of exchange rate describes 'how many' units of a good or service in one country can be traded for 'one' unit of that good or service in a foreign country?

(A) Spot exchange rate
(B) Real exchange rate
(C) Nominal exchange rate
(D) Effective exchange rate

44. An Indian restaurant chain opening the same type of restaurant outlets in Canada is an example of _____.

(A) Horizontal direct investment
(B) Vertical direct investment
(C) Conglomerate foreign direct investment
(D) Two-way direct foreign investment

45. India faced an unusual challenging external environment following the Russia–Ukraine war due to which of the following factors?

I. Increased crude oil and commodity prices

II. Persistent global supply disruptions

III. Tighter financial conditions

IV. Release of inflationary pressures

Select the correct option from the following:

(A) I, II and III (B) II and IV

(C) I and IV (D) I, III and IV

46. Which one of the following is not the key initiative of NITI Aayog?

(A) E-Amrit

(B) Methanol Economy Programme

(C) Creation of start-up of Eco-system in agriculture and allied sector

(D) Shoonya Compaign

47. Which policy of the Government is introduced to facilitate data-based decisions related to integrated planning of multimodal infrastructure, thereby reducing logistics cost?

(A) Udyami Bharat

(B) Start-up India Programme

(C) Industrial Corridor Development Programme

(D) PM Gati Shakti National Master Plan

48. Considering the Ad valorem tariff to be 15% on imported cars. What will be the increase in tariff when the price of the imported cars increases from ₹ 60 Lakhs to ₹ 90 Lakhs?

(A) ₹ 3.00 Lakh
(B) ₹ 1.50 Lakh
(C) ₹ 6.00 Lakh
(D) ₹ 4.50 Lakh

Use the following information to answer Q.No.49, Q. No.50 and Q.No.51 :

Currency with public	₹ 10,000
Coins with public	₹ 10
Demand deposits with the banking system (Current and Savings)	₹ 5,000
Time deposits with the banking system	₹ 7,000
Other deposits with RBI	₹ 440
Total deposit with Post Office savings organisation (Excluding National Savings Certificates)	₹ 4,450

49. What is the correct value of M_3?

(A) ₹ 20,440
(B) ₹ 16,700
(C) ₹ 27,440
(D) ₹ 22,450

50. What is correct value of M_1?

(A) ₹ 15,450
(B) ₹ 15,440
(C) ₹ 22,440
(D) ₹ 16,700

51. What is the correct value of M_4?

(A) ₹ 26,500
(B) ₹ 15,710
(C) ₹ 26,900
(D) ₹ 20,710

52. A commercial bank has Net Demand and Time Liabilities (NDTL) of ₹ 1,800 Crores. The Reserve Bank of India raises the Cash Reserve Ratio (CRR) from 3% to 4.5%. What is the additional amount, the bank must mandatorily maintain with RBI?

(A) ₹ 54 Crores
(B) ₹ 81 Crores
(C) ₹ 18 Crores
(D) ₹ 27 Crores

53. Ideally, a society would not like to utilise all of its scare resources for the current consumption only but the future production should also be considered. This concept, where the society has to decide how much savings and how much investments has to be considered for the future progress, is primarily linked with which of the following central economic problem?

(A) What provisions (if any) are to be made for economic growth
(B) For whom to produce
(C) What to produce
(D) How to produce

54. Which of the following is not a major macroeconomic factor?

(A) Stage of business cycle
(B) Market structure and pricing policy
(C) Social and political environment
(D) The type of economic system

55. Absence of Government interference, is a feature of which form of economy?

(A) Mixed economy
(B) Capitalist economy
(C) Socialist economy
(D) Centrally planned economy

56. Which of the categories of business issues can be solved with the application of Micro Economics Theories?

(A) Internal or environmental issues
(B) External or environmental issues
(C) External or operational issues
(D) Internal or operational issues

57. Which of the following is not a characteristic of a Socialist economy?

(A) Collective ownership
(B) Economic planning
(C) Consumer choice
(D) Relatively equal income distribution

58. From the table provided below, when will the Total Utility be equal to the Marginal Utility?

Units	0	1	2	3	4
Total Utility	0	25	32	36	40

(A) 1 (B) 2

(C) 3 (D) 4

59. Which one of the following is not the main characteristic of Indifference curve?

(A) Indifference curves slope downward to the right

(B) Indifference curves are always convex to the origin

(C) Indifference curves can never intersect each other

(D) Indifference curves will always touch either axes

60. If cross price elasticity between two goods A and B is (–ve) 1.20 and the price of goods B rises by 25%, how will the demand for goods A change?

(A) (–ve) 25% (B) (+ve) 30%

(C) (+ve) 20% (D) (–ve) 30%

61. The price of a commodity rises from ₹ 50 to ₹ 60 per unit. Calculate the price elasticity of demand when the original demand is 25 units and the new quantity demanded is 15 units.

(A) – 0.50 (B) – 2.00

(C) + 1.00 (D) + 1.50

62. Initiating business enterprise and resource coordination is a function of which of the following factor of production?

(A) Capital
(B) Labour
(C) Entrepreneur
(D) Land

63. Which of the following costs (like wages, material, rent, interest, etc.) involving actual financial expenditure and are recorded in the books of accounts?

(A) Opportunity costs
(B) Economic costs
(C) Outlay costs
(D) Replacement cost

64. Training of young men as apprentices resulting into contribution in skill creation for economic growth and development, is related with which of the following enterprise's objective?

(A) Social
(B) Human
(C) National
(D) Organic

65. "An enterprise can survive only if it is able to produce and distribute products or services at a price which enables it to recover its costs". This statement is related with which of the following enterprise's objective?

(A) Economic objective
(B) Social objective
(C) Organic objective
(D) National objective

66. Under the Law of Variable Proportions, Stage III refers to _____.

(A) Stage of Diminishing Returns

(B) Stage of Negative Returns

(C) Stage of Increasing Returns

(D) Stage of Positive Returns

67. Which form of the market is called a free market where there are no stipulations on the transactions?

(A) Retail market (B) Unregulated market

(C) Whole sale market (D) Long period market

68. Prices of goods express their _____ value.

(A) Sale (B) Purchase

(C) Historic (D) Exchange

69. Regional markets are based on which type of market classification?

(A) Type of competition (B) Geographical area

(C) Nature of transaction (D) Regulation

70. Which type of market structure differs only in one respect to the situations where there are many sellers offering differentiated products to many buyers?

(A) Perfect competition (B) Monopoly

(C) Monopolistic competition (D) Oligopoly

71. Price elasticity of demand of a firm will be infinite under which type of market?

(A) Perfect competition
(B) Monopolistic competition
(C) Oligopoly
(D) Monopoly

72. Kinked demand curve hypothesis is based on which of the following assumptions?

(A) Each oligopolist believes that if it lowers the price below the prevailing level, its competitors will follow him and will accordingly lower the prices, whereas if it raises the price above the prevailing level, its competitors will not follow the increase in price.

(B) Each monopolist believes that if it lowers the price below the prevailing level, its competitors will follow and accordingly lower the prices, however if it raises the price above the prevailing level its competitors will not follow the increase in price.

(C) Each oligopolist believes that if it lowers the price below the prevailing level, its competitors will follow and accordingly lower the prices, similarly if it raises the price above the prevailing level its competitors will also follow and will increase their price.

(D) Market under perfect competition believes that if competitors lower the price below the prevailing level, other competitors will also follow and accordingly lower the prices. Similarly if it raises the price above the prevailing level its competitors will also follow and increase their price.

73. In which of the following market there is no wastage of resources?

(A) Oligopoly
(B) Monopolistic competition
(C) Monopoly
(D) Perfect competition

74. Which of the following is correctly identified as an internal (endogenous) cause of business cycles?

(A) Post-war reconstruction

(B) Technology shocks

(C) Fluctuations in effective demand

(D) Natural factors such as droughts and floods

75. Match the phases of the business cycle in Column I with their important characteristic in Column II :

Column-I	Column-II
(1) Expansion	(a) Extremely sluggish economic activities
(2) Contraction	(b) Increase in national output, employment, demand, capital and consumer expenditure etc.
(3) Depression (Trough)	(c) Employment increases and expansion takes place in the economic activity.
(4) Recovery	(d) There is a fall in the level of investment and employment and mismatch between demand and supply.

Which of the following option is correct?

(A) (1)-(b), (2)-(d), (3)-(a), (4)-(c)

(B) (1)-(c), (2)-(b), (3)-(d), (4)-(a)

(C) (1)-(b), (2)-(a), (3)-(d), (4)-(c)

(D) (1)-(d), (2)-(b), (3)-(a), (4)-(c)

76. If nominal GDP is higher than real GDP in a given year, which of the following will be true?

(A) GDP deflator is exactly 100

(B) GDP deflator is less than 100

(C) GDP deflator is greater than 100

(D) Nominal GDP and real GDP are equal in the base year only

On the basis of the following information, you are required to answer Q. No.77 and Q. No.78 :

Particulars	₹ in Crores
Opening Stock	1,800
Sales	7,200
Closing Stock	1,400
Gross Value Added (GVA_{MP})	5,800
Rent	480
Interest	360
Net indirect taxes	1,100
Consumption of fixed capital	620

77. Net Domestic Product at Market Price (NDP_{MP}) (in ₹ Crores) will be _____.

(A) ₹ 6,800 (B) ₹ 5,180

(C) ₹ 5,800 (D) ₹ 6,420

78. What will be the amount (in ₹ Crores) of Intermediate Consumption?

(A) ₹ 7,200 (B) ₹ 6,800

(C) ₹ 1,000 (D) ₹ 1,200

79. According to the Keynesian Theory of determination of national income, the equilibrium output occurs when _____.

(A) Planned investment equals actual investment only

(B) Government expenditure equals tax revenue

(C) The desired amount of output demanded by all the agents in economy exactly equals the amount produced in a given time

(D) Saving equals taxation

80. In a simple two-sector model of determination of national income, which of the following expression is fully correct in respect of circular flow?

(A) Household income = Household saving = Value of output

(B) Factor payments = Household income = Household expenditure = Total receipts of firms = Value of output

(C) Household income = Taxes = Government expenditure

(D) Investment = Saving = Government expenditure

81. What will be the value of average propensity to save when : C = 800 at Y = 4000?

(A) APS = 0.8

(B) APS = 0.2

(C) APS = 5

(D) APS = – 0.8

82. Which of the following statements about the value of the investment multiplier is correct?

(A) It is inversely related to the Marginal Propensity to Consume (MPC)

(B) It equals 1/MPC

(C) It equals 1/MPS

(D) It is unaffected by leakages such as saving and taxes

83. Fiscal policy is the deliberate policy of the Government under which it uses which of the following instruments:

(A) Bank rate, open market operations and changes in CRR to influence credit and money supply

(B) Public Expenditure, taxation and public borrowing to influence aggregate demand, output and employment

(C) Devaluation and revaluation of currency to influence exports and imports

(D) Wage and price controls imposed by the government to curb inflation

84. Given the consumption function $C = 12 + 0.75Y$, and Investment is ₹188, determine the equilibrium level of income?

(A) 620

(B) 750

(C) 820

(D) 800

On the basis of the following data for Country Y, you are required to answer Q. No. 85 and Q. No. 86 :

Particulars	Amount (₹ Crores)
Revenue Receipts	32,000
Revenue Expenditure	37,800
Capital Expenditure	24,500
Capital Receipts (excluding borrowings)	9,200
Borrowings	21,100
Interest Payments	4,600

85. How much is the Primary Deficit of Country Y?

(A) ₹ 16,500 Crores

(B) ₹ 21,100 Crores

(C) ₹ 25,500 Crores

(D) ₹ 20,900 Crores

86. How much is the Revenue Deficit of Country Y?

(A) ₹ 3,200 Crores

(B) ₹ 4,200 Crores

(C) ₹ 5,800 Crores

(D) ₹ 7,600 Crores

87. Match the items in List I with the appropriate categories in List II:

List-I	List-II
(1) Recoveries of loans and advances	(a) Non-debt capital receipt
(2) Dividends and profits from public sector enterprises	(b) Debt capital receipt
(3) Market loans for different purposes	(c) Tax revenue
(4) Corporation tax	(d) Non-tax revenue

Select the correct option from the following:

(A) (1)-(a), (2)-(d), (3)-(b), (4)-(c)

(B) (1)-(b), (2)-(a), (3)-(d), (4)-(c)

(C) (1)-(a), (2)-(c), (3)-(b), (4)-(d)

(D) (1)-(d), (2)-(b), (3)-(a), (4)-(c)

88. Consider the following data of a government.

Particulars		**Amount (₹ Crore)**
Total expenditure	=	1,45,000
Revenue receipts	=	78,000
Capital receipts (excluding borrowings)	=	22,000

Calculate the amount of fiscal deficit.

(A) ₹ 45,000 Crores (B) ₹ 67,000 Crores

(C) ₹ 1,22,000 Crores (D) ₹ 1,00,000 Crores

89. The tariffs that aim to offset the artificially low prices charged by exporters who enjoy export subsidies and tax concessions offered by the governments in their home country is known as _____.

(A) Free trade policy
(B) Countervailing duty
(C) Import quota
(D) Export restriction

90. **Assertion** (A) : Voluntary Export Restraints (VERs) are imposed by importing countries.

Reason (R) : VERs are formal legal quotas enforced through legislation.

Which of the following option is correct in respect of the above (A) and (R)?

(A) Both (A) and (R) are true
(B) (A) is false but (R) is true
(C) (A) is true but (R) is false
(D) Both (A) and (R) are false

91. The Monetary Policy Framework Agreement is an agreement between which of the following?

(A) RBI and commercial banks
(B) Government of India and RBI
(C) Government of India and SEBI
(D) RBI and IMF

92. Which of the following are Non-Technical Measures in international trade?

I. Import Quotas
II. Sanitary and Phytosanitary (SPS) Measures
III. Price Control Measures
IV. Embargo

Select the correct option from the following:

(A) I, II and III
(B) I, II and IV
(C) I, III and IV
(D) II and III

93. With substantial FDI in developing countries there is a strong possibility of emergence of a _____ with a developed foreign sector and under developed domestic sector.

(A) Circular economy
(B) Welfare economy
(C) Mixed economy
(D) Dual economy

94. A company is producing Trucks and starts manufacturing cars using the same production capacities without obtaining a new licence. This reform is referred to as _____.

(A) Liberalisation
(B) Privatization
(C) Disinvestment
(D) Broad-banding

95. The fragile political situation along with the crises in the economic front ballooned into what may be called as _____.

(A) Crisis of war
(B) Crisis of confidence
(C) Crisis of production
(D) Crisis of leadership

96. The status of Indian Economy during pre-independence period (1850-1947) was _____.

(A) Prosperous and self-reliant
(B) Like an under developed country
(C) Like a developing country
(D) Like a developed country

97. The economic reforms of 1991 were introduced in India under the government led by whom?

(A) P.V. Narasimha Rao
(B) Indira Gandhi
(C) Rajiv Gandhi
(D) Atal Bihari Vajpayee

98. Which programme is designed to ensure world class industrial infrastructure which would attract cutting age technology and boost FDI and local investment in the textile sector?

(A) PM MITRA

(B) Start-up India

(C) Foreign Investment Promotion Board (FIPB)

(D) Udyami Bharat

99. Under which scheme a manufacturing firm receives incentives to enhance India's manufacturing capabilities and export competitiveness in key sectors?

(A) Production Linked Incentive (PLI) Scheme

(B) Remission of Duties and Taxes on Export Products (RoDTEP)

(C) PM Gati Shakti

(D) FAME India Scheme

100. Which programme acts as the facilitator for ideas and innovation in the country?

(A) Industrial Corridor Development Programme

(B) Start-up India Programme

(C) National Logistics Policy

(D) Foreign Investment Facilitation Portal