

1. Which of the following statements is/are correct regarding business economics?

- (a) Business economics attempts to indicate how business policies are firmly rooted in economic principles.
- (b) Business economics uses micro economic analysis of the business unit and macro economic analysis of business environment.
- (c) Business economics takes a pragmatic approach towards facilitating an integration between economic theory and business practices.
- (d) All the above

2. Which of the following statements is correct?

- (a) Microeconomics is important for study of a particular household and a particular firm
- (b) Macroeconomics is important for study of economic conditions of a country
- (c) None of the above
- (d) Both a and b

3. In Economics, the central economic problem means:

- (a) Output is restricted to the limited availability of resources
- (b) Consumer do not have as much money as they would wish
- (c) There will always be certain level of unemployment
- (d) Resources are not always allocated in an optimum way

4. Which of the following is not one of the four central questions that the study of economics is supposed to answer?

- (a) Who produces what?
- (b) When are goods produced?
- (c) Who consumes what?
- (d) How are goods produced?

5. Which of the following statements is incorrect?

- (a) Business economics is normative in nature.
- (b) Business Economics has a close connection with statistics.
- (c) Business Economist need not worry about macro variables.
- (d) Business Economics is also called Managerial Economics.

6. Contraction of demand is the result of :

- (a) decrease in the number of consumers.

- (b) increase in the price of the good concerned.
- (c) increase in the prices of other goods.
- (d) decrease in the income of purchasers.

7. Identify the factor which generally keeps the price-elasticity of demand for a good low:

- (a) Variety of uses for that good.
- (b) Very low price of a commodity
- (c) Close substitutes for that good.
- (d) High proportion of the consumer's income spent on it.

8. If a good is a luxury, its income elasticity of demand is:

- (a) Positive and less than 1.
- (b) Negative but greater than -1.
- (c) Positive and greater than 1.
- (d) Zero.

9. Which of the following is an incorrect statement?

- (a) When goods are substitutes, a fall in the price of one (*ceteris paribus*) leads to a fall in the quantity demanded of its substitutes.
- (b) When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise
- (c) As the income of the consumer increases, the demand for the commodity increases always and vice versa.
- (d) When a commodity becomes fashionable people prefer to buy it and therefore its demand increases

10. Which one is not an assumption of the theory of demand based on analysis of indifference curves?

- (a) Given scale of preferences as between different combinations of two goods.
- (b) Diminishing marginal rate of substitution.
- (c) Diminishing marginal utility of money
- (d) Consumers would always prefer more of a particular good to less of it, other things remaining the same.

11. What will happen in the rice market if buyers are expecting higher rice prices in the near future?

- (a) The demand for rice will increase and the demand curve will shift to the right

- (b) The demand for rice will decrease and the demand curve will shift to the left
- (c) The demand for rice will be unaffected as it is a necessity
- (d) The demand for wheat will increase and the demand curve will shift to the right

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

- (a) Zero
- (b) Infinity
- (c) Equal to one
- (d) Greater than zero but less than infinity.

13. A relative price is

- (a) price expressed in terms of money
- (b) what you get paid for babysitting your cousin
- (c) the ratio of one money price to another
- (d) equal to a money price

14. With an increase in the price of diamond, the quantity demanded also increases. This is because it is a:

- (a) Substitute good
- (b) Complementary good
- (c) Conspicuous good
- (d) None of the above

15. In a very short period, the supply

- (a) can be changed
- (b) can not be changed
- (c) can be increased
- (d) none of the above

16. Which of the following statements is true?

- (a) Accumulation of capital depends solely on income of individuals.
- (b) Savings can be influenced by government policies.
- (c) External economies go with size and internal economies with location.
- (d) The supply curve of labour is an upward slopping curve.

17. To economists, the main difference between the short run and the long run is that:

- (a) In the short run all inputs are fixed, while in the long run all inputs are variable.
- (b) In the short run the firm varies all of its inputs to find the least-cost combination of inputs.

- (c) In the short run, at least one of the firm's input levels is fixed.
- (d) In the long run, the firm is making a constrained decision about how to use existing plant and equipment efficiently.

18. Diminishing returns occur:

- (a) when units of a variable input are added to a fixed input and total product falls.
- (b) when units of a variable input are added to a fixed input and marginal product falls.
- (c) when the size of the plant is increased in the long run.
- (d) when the quantity of the fixed input is increased and returns to the variable input falls.

19. Which one of the following is also known as planning curve?

- (a) Long run average cost curve.
- (b) Short run average cost curve.
- (c) Average variable cost curve.
- (d) Average total cost curve.

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

- (a) The production function.
- (b) The price of labour.
- (c) Taxes.
- (d) The price of the firm's output.

21. The positively sloped (i.e. rising) part of the long run average total cost curve is due to which of the following?

- (a) Diseconomies of scale.
- (b) Increasing returns.
- (c) The firm being able to take advantage of large-scale production techniques as it expands its output.
- (d) The increase in productivity that results from specialization.

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

- (a) up to six months from now.
- (b) up to five years from now.
- (c) as long as all inputs are fixed.
- (d) as long as at least one input is fixed.

23. An iso quant shows

- (a) All the alternative combinations of two inputs that can be produced by using a

given set of output fully and in the best possible way.

- (b) All the alternative combinations of two products among which a producer is indifferent because they yield the same profit.
- (c) All the alternative combinations of two inputs that yield the same total product.
- (d) Both (b) and (c).

24. Which of the following statements is true?

- (a) After the inflection point of the production function, a greater use of the variable input induces a reduction in the marginal product.
- (b) Before reaching the inevitable point of decreasing marginal returns, the quantity of output obtained can increase at an increasing rate.
- (c) The first stage corresponds to the range in which the AP is increasing as a result of utilizing increasing quantities of variable inputs.
- (d) All the above.

25. Implicit cost can be defined as

- (a) Money payments made to the non-owners of the firm for the self-owned factors employed in the business and therefore not entered into books of accounts.
- (b) Money not paid out to the owners of the firm for the self-owned factors employed in a business and therefore not entered into books of accounts.
- (c) Money payments which the self-owned and employed resources could have earned in their next best alternative employment and therefore entered into books of accounts.
- (d) Money payments which the self-owned and employed resources earn in their best use and therefore entered into book of accounts.

26. Assume that when price is ₹ 20, the quantity demanded is 9 units, and when price is ₹ 19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.

- (a) ₹ 20
- (b) ₹ 19
- (c) ₹ 10
- (d) ₹ 1

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

- (a) Large number of buyers and sellers

(b) Homogeneous product

(c) Freedom of entry

(d) Absence of transport cost

28. With a given supply curve, a decrease in demand causes

(a) an overall decrease in price but an increase in equilibrium quantity.

(b) an overall increase in price but a decrease in equilibrium quantity.

(c) an overall decrease in price and a decrease in equilibrium quantity.

(d) no change in overall price but a reduction in equilibrium quantity.

29. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

(a) Price will increase; quantity cannot be determined.

(b) Price will decrease; quantity cannot be determined.

(c) Quantity will increase; price cannot be determined.

(d) Quantity will decrease; price cannot be determined.

30. Oligopolistic industries are characterized by:

(a) a few dominant firms and substantial barriers to entry.

(b) a few large firms and no entry barriers.

(c) a large number of small firms and no entry barriers.

(d) one dominant firm and low entry barriers.

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

(a) Monopoly

(b) Monopolistic competition

(c) Oligopoly

(d) Perfect competition

32. The kinked demand curve model of oligopoly assumes that

(a) the response (of consumers) to a price increase is less than the response to a price decrease.

(b) the response (of consumers) to a price increase is more than the response to a price decrease.

(c) the elasticity of demand is constant regardless of whether price increases or decreases.

(d) the elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.

33. A purely competitive firm's supply schedule in the short run is determined by

(a) its average revenue.

(b) its marginal revenue.

(c) its marginal utility for money curve.

(d) its marginal cost curve.

34. A market structure in which many firms sell products that are similar but not identical is known as

(a) monopolistic competition

(b) monopoly

(c) perfect competition

(d) oligopoly

35. Time element was conceived by

(a) Adam Smith

(b) Alfred Marshall

(c) Pigou

(d) Lionel Robinson

36. Price discrimination is one of the features of \_ \_ \_ \_

(a) monopolistic competition

(b) monopoly

(c) perfect competition

(d) oligopoly

37. When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as

(a) first degree of price discrimination

(b) second degree of price discrimination

(c) third degree of price discrimination

(d) none of the above

38. Which of the following statements is incorrect?

(a) Under monopoly there is no difference between a firm and an industry.

- (b) A monopolist may restrict the output and raise the price.
- (c) Commodities offered for sale under a perfect competition will be heterogeneous.
- (d) Product differentiation is peculiar to monopolistic competition.

39. Natural Monopoly arises when

- (a) There is enormous goodwill enjoyed by a firm.
- (b) There are stringent legal and regulatory requirement.
- (c) There are very large Economies of Scale.
- (d) There are Business Combinations and Cartels.

40. Price varies by attributes such as location or by Customer Segment is \_\_\_\_ \_ degree of Price Discrimination.

- (a) First
- (b) Second
- (c) Third
- (d) Fourth

41. In the Keynesian model, equilibrium aggregate output is determined by

- (a) aggregate demand
- (b) consumption function
- (c) the national demand for labor
- (d) the price level

42. Keynes believed that an economy may attain equilibrium level of output

- (a) only at the full-employment level of output
- (b) below the full-employment level of output
- (c) only if prices were inflexible
- (d) a) and c) above

43. If the consumption function is expressed as  $C = a + bY$  then b represents

- (a) autonomous consumer expenditure when income is zero
- (b) the marginal propensity to consume.
- (c) the expenditure multiplier when consumption is increased
- (d) part of disposable income

44. If the consumption function is expressed as  $C = a + bY$  then a represents

- (a) autonomous consumer expenditure.



(b) the marginal propensity to consume.

(c) the consumption income relationship

(d) Non- linear consumption function

45. If the consumption function is  $C = 20 + 0.5Y_d$ , then an increase in disposable income by ` 100 will result in an increase in consumer expenditure by `-----

(a) 25

(b) 70

(c) 50

(d) 100

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

(a) level of full employment income.

(b) less than full employment level of income.

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

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

47. In a closed economy, aggregate demand is the sum of

(a) consumer expenditure, demand for exports and government spending.

(b) consumer expenditure, planned investment spending and government spending.

(c) consumer expenditure, actual investment spending, government spending and net exports.

(d) consumer expenditure, planned investment spending, government spending, and net exports.

48. Under equation  $C = a + by$ ,  $b = 0.8$ , what is the value of 2 sector expenditure multiplier?

(a) 4

(b) 2

(c) 5

(d) 1

49. Gross Domestic Product (GDP) of any nation

(a) excludes capital consumption and intermediate consumption

(b) is inclusive of capital consumption or depreciation

(c) is inclusive of indirect taxes but excludes subsidies

(d) None of the above

50. Read the following statements

I. 'Value added' refers to the difference between value of output and purchase of intermediate goods.

II. 'Value added' represents the contribution of labour and capital to the production process.

- (a) Statements I and II are incorrect
- (b) Statements I and II are correct
- (c) Statement I is correct and II is incorrect
- (d) Statement II is correct and I is incorrect

51. Which of the following enters into the calculation of national income?

- (a) The value of the services that accompany the sale
- (b) Additions to inventory stocks of final goods and materials
- (c) Stocks and bonds sold during the current year
- (d) (a) and (b) above

52. Gross National Product at market prices GNP MP is

- (a) GDP MP + Net Factor Income from Abroad
- (b) GDP MP - Net Factor Income from Abroad
- (c) GDP MP - Depreciation
- (d) GDP MP + Net Indirect Taxes

53. Choose the correct statement

- (a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these
- (b)  $NNPFC = \text{National Income} = FID \text{ (factor income earned in domestic territory)} - NFIA$ .
- (c) Capital goods and inventory investment are excluded from computation of GDP
- (d)  $NDPMP = GDPMP + \text{Depreciation}$

54. The basis of distinction between market price and factor cost is

- (a) net factor income from abroad
- (b) net indirect taxes (i.e., Indirect taxes - Subsidies)
- (c) net indirect taxes (i.e., Indirect taxes + Subsidies)
- (d) depreciation (consumption of fixed capital)

55. Which of the following is added to national income while calculating personal income?

- (a) Transfer payments to individuals

- (b) Undistributed profits of corporate
- (c) Transfer payments made to foreigners
- (d) Mixed income of self employed

56. The trough of a business cycle occurs when \_\_\_\_\_ hits its lowest point.

- (a) inflation in the economy
- (b) the money supply
- (c) aggregate economic activity
- (d) the unemployment rate

57. The lowest point in the business cycle is referred to as the

- (a) Expansion.
- (b) Boom.
- (c) Peak.

(d) Trough.

58. The four phases of the business cycle are

- (a) expansion, peak, contraction and trough
- (b) contraction, expansion, trough and boom
- (c) expansion contraction, peak, and trough
- (d) peak, depression, bust, and boom

59. The different phases of a business cycle

- (a) do not have the same length and severity
- (b) expansion phase always last more than ten years
- (c) last many years and are difficult to get over in short periods
- (d) none of the above

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

- (a) Industrial production
- (b) inflation
- (c) Retail sales
- (d) New orders for plant and equipment

61. The justification for government intervention is best described by

- (a) The need to prevent recession and inflation in the economy
- (b) The need to modify the outcomes of private market actions
- (c) The need to bring in justice in distribution of income and wealth
- (d) All the above

62. Read the following statements:

1. The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy
2. Market failures can at all times be corrected through government intervention
3. Public goods will not be produced in sufficient quantities in a market economy

Of the three statements above:

- (a) 1,2 and 3 are correct
- (b) 1 and 3 are correct
- (c) 2 and 3 are correct
- (d) 3 alone is correct

63. Which function does the government perform when it provides transfer payments to offer support to the underprivileged

- (a) Allocation
- (b) Efficiency
- (c) Distribution
- (d) None of the above

64. Which of the following is true in respect of centre and state government finances?

- (a) The centre can tax agricultural income and mineral rights
- (b) Finance commission recommends distribution of taxes between the centre and states
- (c) GST subsumes majority of direct taxes and a few indirect taxes
- (d) IGST is collected by the state governments

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

- (a) asymmetric information
- (b) moral hazard
- (c) free riding
- (d) (a) and (c) above

66. If an individual tends to drive his car in a dangerously high speed because he has a comprehensive insurance cover, it is a case of

- (a) free riding
- (b) moral hazard

(c) poor upbringing

(d) Inefficiency

67. Public debt management aims at

(a) An efficient budgetary policy to avail of domestic debt facilities

(b) Raising loans from international agencies at lower rates of interest

(c) Raising the required amount of funding at the desired risk and cost levels

(d) Management of public expenditure to reduce public debt

68. The railway budget is

(a) Part of the general budget, but is presented by the railway minister

(b) Part of the general budget from the budget for financial year 2017-18.

(c) Part of the general budget from the budget for financial year 2021-22

(d) Part of the general budget but presented on the next day of the general budget

69. An increase in personal income taxes

(a) reduces disposable incomes leading to fall in consumption spending and aggregate demand

(b) is desirable during inflation or when there is excessive levels of aggregate demand

(c) is to compensate the deficiency in effective demand by boosting aggregate spending

(d) both a) and b) are correct

70. While the government resorts to deliberate fiscal policy it may not attempt to manipulate

(a) Government expenditures on public works

(b) The rates of personal income taxes and corporate taxes

(c) Government expenditures on goods and services purchased by government

(d) The rate of interest prevailing in the economy

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

(a) Capitalism

(b) Socialism

(c) Mercantilism

(d) Laissez faire

72. Ricardo explained the law of comparative advantage on the basis of

(a) opportunity costs

- (b) the law of diminishing returns
- (c) economies of scale
- (d) the labour theory of value

73. A countervailing duty is

- (a) a tariff that aim to offset artificially low prices charged by exporters who enjoy export subsidies and tax concessions in their home country
- (b) charged by importing countries to ensure fair and market-oriented pricing of imported products
- (c) charged by importing countries to protect domestic industries and firms from unfair price advantage arising from subsidies
- (d) All the above

74. Which of the following is an outcome of tariff?

- (a) create obstacles to trade and increase the volume of imports and exports
- (b) domestic consumers enjoy consumer surplus because consumers must now pay only a lower price for the good
- (c) discourage domestic consumers from consuming imported foreign goods and encourage consumption of domestically produced import substitutes
- (d) increase government revenues of the importing country by more than value of the total tariff it charges

75. The essence of 'MFN principle' is

- (a) equality of treatment of all member countries of WTO in respect of matters related to trade
- (b) favour one, country, you need to favour all in the same manner
- (c) every WTO member will treat all its trading partners equally without any prejudice and discrimination
- (d) all the above

76. The World Trade Organization (WTO)

- (a) has now been replaced by the GATT
- (b) has an inbuilt mechanism to settle disputes among members
- (c) was established to ensure free and fair trade internationally.
- (d) (b) and c) above

77. An increase in the supply of foreign exchange

(a) shifts the supply curve to the right and as a consequence, the exchange rate declines

(b) shifts the supply curve to the right and as a consequence, the exchange rate increases

(c) more units of domestic currency are required to buy a unit of foreign exchange

(d) the domestic currency depreciates and the foreign currency appreciates

78. Currency devaluation

(a) may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries

(b) may reduce export prices and increase the international competitiveness of domestic industries

(c) may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services

(d) (a) and (c) above

79. Which is the leading country in respect of inflow of FDI to India?

(a) Mauritius

(b) USA

(c) Japan

(d) USA

80. An argument in favour of direct foreign investment is that it tends to

(a) promote rural development

(b) increase access to modern technology

(c) protect domestic industries

(d) keep inflation under control

81. The precautionary money balances people want to hold

(a) as income elastic and not very sensitive to rate of interest

(b) as income inelastic and very sensitive to rate of interest

(c) are determined primarily by the level of transactions they expect to make in the future.

(d) are determined primarily by the current level of transactions

82. Speculative demand for money

- (a) is not determined by interest rates
- (b) is positively related to interest rates
- (c) is negatively related to interest rates
- (d) is determined by general price level

83. considered demand for money is as an application of a more general theory of demand for capital assets

- (a) Baumol
- (b) James Tobin
- (c) J M Keynes
- (d) Milton Friedman

84. The nominal demand for money rises if

- (a) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$  , respectively- decline and vice versa
- (b) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$  , respectively- rises and vice versa
- (c) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$  , respectively remain constant
- (d) b) and c) above

85. Under the 'minimum reserve system' the central bank is

- (a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities.
- (b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities.
- (c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities.
- (d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of ` 350 crores

86. The primary source of money supply in all countries is

- (a) the Reserve Bank of India
- (b) the Central bank of the country
- (c) the Bank of England
- (d) the Federal Reserve



87. The supply of money in an economy depends on

- (a) the decision of the central bank based on the authority conferred on it.
- (b) the decision of the central bank and the supply responses of the commercial banking system.
- (c) the decision of the central bank in respect of high powered money.
- (d) both a) and c) above.

88. In India, the term 'Policy rate' refers to

- (a) The bank rate prescribed by the RBI in its half yearly monetary policy statement
- (b) The CRR and SLR prescribed by RBI in its monetary policy statement
- (c) the fixed repo rate quoted for sovereign securities in the overnight segment of Liquidity Adjustment Facility (LAF)
- (d) the fixed repo rate quoted for sovereign securities in the overnight segment of Marginal Standing Facility (MSF)

89. Reverse repo operation takes place when

- (a) RBI borrows money from banks by giving them securities
- (b) banks borrow money from RBI by giving them securities
- (c) banks borrow money in the overnight segment of the money market
- (d) RBI borrows money from the central government

90. An open market operation is an instrument of monetary policy which involves buying or selling of \_\_\_\_\_ from or to the public and banks

- (a) bonds and bills of exchange
- (b) debentures and shares
- (c) government securities
- (d) none of these

91. The first wave of liberalization starts in India

- (a) In 1951
- (b) In 1980's
- (c) In 1990
- (d) In 1966

92. The sequence of growth and structural change in Indian economy is characterized by

- (a) The historical pattern of prominence of sectors as agriculture, industry, services
- (b) The historical pattern of prominence of sectors as industry, services, agriculture

- (c) Unique experience of the sequence as agriculture, services, industry
- (d) All the above are correct

93. Merchandise Exports from India Scheme was replaced by -

- (a) Remission of Duties and Taxes on Export Products (RoDTEP) in 2021
- (b) National Logistics Policy (NLP) in 2020
- (c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019
- (d) None of the above

94. The Foreign Investment Promotion Board (FIPB)

- (a) a government entity through which inward investment proposals were routed to obtain required government approvals
- (b) no more exists as the same is replaced by a new regime namely Foreign Investment Facilitation Portal
- (c) no more exists as all inward investments are through automatic route and need no approval
- (d) is the body which connects different ministries in respect of foreign portfolio Investment

95. In terms of Ease of Doing Business in 2020 India ranks

- (a) 63
- (b) 77
- (c) 45
- (d) None of the above

96. E-NAM is -

- (a) An electronic name card given to citizens of India
- (b) National Agriculture Market with the objective of creating a unified national market for agricultural commodities.
- (c) a pan-India electronic trading portal which networks the existing APMC mandis
- (d) b) and c) above

97. Which of the following is not a policy reform included in the new economic policy of 1991 -

- (a) removing licensing requirements for all industries
- (b) Foreign investment was liberalized

(c) Liberalisation of international trade

(d) The disinvestment of government holdings of equity share capital of public sector enterprises

98. Imports of foreign goods and entry of foreign investments were restricted in India because -

(a) The government wanted people to follow the policy of 'Be Indian; Buy Indian'

(b) Because foreign goods were costly and meant loss of precious foreign exchange

(c) Government policy was directed towards protection of domestic industries from foreign competition

(d) Government wanted to preserve Indian culture and to avoid influence of foreign Culture

99. Which one of the following is a feature of green revolution -

(a) use of soil friendly green manure to preserve fertility of soil

(b) grow more crops by redistributing land to landless people

(c) High yielding varieties of seeds and scientific cultivation

(d) Diversification to horticulture

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

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

(b) Institutional reforms such as land reforms

(c) Technological up gradation of agriculture

(d) All the above