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CA FOUNDATION

Assignment

Business Economics

Business Cycles

1. How many phases are their in-business cycle?
 - (a) Four
 - (b) Five
 - (c) One
 - (d) Many

2. According to which economist trade cycle is a purely monetary for phenomenon
 - (a) Schumpeter
 - (b) Pigou
 - (c) Hawtrey
 - (d) Marshall

3. Rampant unemployment is found in:
 - (a) Boom
 - (b) Recovery
 - (c) Contraction
 - (d) Depression

4. Last stage of recession is called:
 - (a) Depression
 - (b) Recovery

(c) Slowdown

(d) All of these

5. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called

(a) Procyclical

(b) Counter cyclical

(c) A cyclical

(d) A leading variable

6. The world economy suffered the largest, deepest and most widespread depression of the 20th century during?

(a) 1934

(b) 1928

(c) 1930

(d) 1932

7. Business cycle is contagious andin character?

(a) Local

(b) Regional

(c) National

(d) International

8. According to some economists are the prime causes of business cycles

(a) Fluctuations in effective demand

(b) Fluctuations in investments

(c) Macroeconomic policies

(d) All of the above

9. Which of the following is not the phase of business cycles?

(a) Prosperity

(b) Upswing

(c) Reconstruction

(d) Depression

10. Boom and depression in business cycle are

(a) Turning points

(b) Equilibrium points

(c) Both (a) and (b)

(d) None of the above

11. "Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism, according to

(a) Pigou

(b) Keynes

(c) Hawtrey

(d) Schumpeter

12. Internal cases of depression include:

(a) Fluctuation in investments

(b) Money supply

(c) Psychological factors

(d) All of these

13.is the measurable economic factor that changes before economy starts to follow a particular pattern or trend.

(a) Leading indicator

(b) Lagging indicator

(c) Concurrent indication

(d) Coincident indicators

14. The Rhythmic fluctuations in aggregate economic activity over a period of time are called:

(a) Business cycles

(b) Trade cycles

(c) Both (a) and (b)

(d) None of these

15. Variables that change after real output changes are:

(a) Leading indicators

(b) Lagging indicators

(c) Coincident indicators

(d) None of these

16. Severe form of recession is called:

(a) Boom

(b) Depression

(c) Trough

(d) Recovery

17. Business cycles generally originate in:

(a) Free market economies

(b) Imperfect economies

(c) Developed nations

(d) Low growth economies

18. At the time of Great Depression of 1930. GDP fell around

(a) 14%

(b) 15%

(c) 20%

(d) 25%

19. When aggregate economic activity is declining, is the phase of:

(a) Expansion

(b) Contraction

(c) Recovery

(d) Trough

20. Internal Cause for Business Cycle include

- (a) Money Supply
- (b) Wars
- (c) Weather Cycles
- (d) Changing Technology

21. A significant decline in general economic activity extending over a period of time is

- (a) Business cycle
- (b) Contraction phase
- (c) Recession
- (d) Recovery

22. Research on the effects of recessions on the real level of GDP shows that

- (a) Recessions cause only temporary reductions in real GDP, which are counterbalanced by growth during the expansion phase.
- (b) Recessions cause large, permanent reductions in the real level of GDP.
- (c) Recessions cause both temporary and permanent declines in real GDP, but most of the decline is temporary.
- (d) Recessions cause both temporary and permanent declines in real GDP, but most of the decline is permanent.

23. The tendency of many different economic variables to have regular and predictable patterns across industries over the business cycle is called

- (a) Persistence.
- (b) Leading and lagging indicators
- (c) Periodicity
- (d) Recurrence

24. The trough of a business cycle occurs when _____ hits its lowest point.

- (a) Inflation
- (b) The money supply
- (c) Aggregate economic activity

(d) The unemployment rate

25. Increasing Prosperity and High standard's of living are the characteristics of

(a) Peak

(b) Contraction

(c) Expansion

(d) Trough

26. Choose the correct order of the phases of the business cycles:

(a) Peak, recession, trough and depression

(b) Peak, recession, trough and boom

(c) Peak, depression, trough and boom

(d) Peak, depression, burst and boom

27. Even with lower rate of interest, demand for credit declines in

(a) Expansion Phase

(b) Peak

(c) Contraction Phase

(d) Depression

28. Which of the following statements is true?

(a) An Economy grows endlessly

(b) An Economy Contracts endlessly

(c) It is easy to predict turning points of Business Cycle

(d) None of the above

29. In the long run, a reduction in labour supply would cause output to..... and the aggregate price level to

(a) Fall; rise

(b) Fall, fall

(c) Rise, fall

(d) Rise, rise

- 30.** Which of the following macro-economic variables would you include in an index of leading economic indicators?
- (a) Employment
 - (b) Inflation
 - (c) Real interest rates
 - (d) Residential investment
- 31.** Industries that are extremely sensitive to the business cycle are the
- (a) Durable goods and service sectors
 - (b) Non-durable goods and service sectors
 - (c) Capital goods and non-durable goods sectors
 - (d) Capital goods and durable goods sectors
- 32.** Which External Factor Affects the Business cycle?
- (a) Population growth
 - (b) Variation in government spending
 - (c) Money supply
 - (d) Macroeconomic policies
- 33.** Which Internal factors affect the Business cycle?
- (a) Fluctuations in investment
 - (b) Natural factors
 - (c) Technology shocks
 - (d) Population growth
- 34.** Whose statement out of these is false?
- (a) Hawtrey-"Trade cycle is purely Monetary phenomenon
 - (b) Keynes - "Fluctuations in aggregate Demand
 - (c) Pigou - "Fluctuations in investment
 - (d) Schumpeter-"Innovations
- 35.** When once peak is reached, increase in demand is halted, then phase begin

- (a) Trough
- (b) Contraction
- (c) Expansion
- (d) Trend

36. Fashion Retailer is business of?

- (a) Cyclical business
- (b) Sun rise business
- (c) Sluggish business
- (d) None of these

37. Economics activities will be declining in the phase of

- (a) Expansion
- (b) Depression
- (c) Contraction
- (d) Peak

38. Business Cycle occurs

- (a) Periodically
- (b) In different phases
- (c) Both (a) and (b)
- (d) None of the above

39. Which is not the characteristic feature of expansion phase in business cycle?

- (a) Increase in national output
- (b) Unemployment
- (c) Rise in price and costs
- (d) Boost in business confidence

40. During the slowdown of economy,

- (a) GDP is increasing at fast rate
- (b) GDP is increasing at slow rate

(c) GDP is decreasing at fast rate

(d) All of these

41. The economic boom is characterised as period when:

(a) Rising employment

(b) High demand of imported goods

(c) Increase in investments

(d) All of these

42. A decrease in government spending would cause

(a) The aggregate demand curve to shift to the right

(b) The aggregate demand curve to shift to the left

(c) A movement down and to the right along the aggregate demand curve

(d) A movement up and to the left along the aggregate demand curve.

43. Which of the following does not occur during an expansion?

(a) Consumer purchases of all types of goods tend to increase

(b) Employment increases as demand for labour rises

(c) Business profits and business confidence tend to increase

(d) None of the above

44. Which of the following best describes a typical business cycle?

(a) Economic expansions are followed by economic contractions

(b) Inflation is followed by rising income and unemployment

(c) Economic expansions are followed by economic growth and development

(d) Stagflation is followed by inflationary economic growth

45. The most probable outcome of an increase in the money supply is

(a) Interest rates to rise, investment spending to rise, and aggregate demand to rise

(b) Interest rates to rise, investment spending to fall, and aggregate demand to fall

(c) Interest rates to fall, investment spending to rise, and aggregate demand to rise

(d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

46. Which of the following is not a characteristic of business cycles

- (a) Business cycles have serious consequences on the wellbeing of the society.
- (b) Business cycles occur periodically, although they do not exhibit the same regularity.
- (c) Business cycles have uniform characteristics and causes.
- (d) Business cycles are contagious and unpredictable.

47. Economic recession shares all of these characteristics except.

- (a) Fall in the levels of investment, employment
- (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
- (c) Investor confidence is adversely affected, and new investments may not be forthcoming
- (d) Increase in the price of inputs due to increased demand for inputs

48. The different phase 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

49. 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

50. During recession, the unemployment rate _____ and output _____

- (a) Rises; falls
- (b) Rises; rises
- (c) Falls; rises
- (d) Falls; falls

ANSWER KEY

1.	A
2.	C
3.	D
4.	A
5.	B
6.	C
7.	D
8.	D
9.	C
10.	A
11.	A
12.	D
13.	A
14.	C
15.	B

16.	B
17.	A
18.	B
19.	B
20.	A
21.	C
22.	C
23.	B
24.	C
25.	C
26.	B
27.	D
28.	D
29.	A
30.	D

31.	D
32.	A
33.	A
34.	C
35.	B
36.	A
37.	C
38.	C
39.	B
40.	B
41.	D
42.	D
43.	D
44.	A
45.	C

46.	C
47.	D

48.	A
49.	D

50.	A
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