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TEST-2

QUESTION BOOKLET CODE: MKG

QUESTION PAPER BOOKLET NO. 2082023

SET-A

ROLL NO.

CA FOUNDATION

(27-08-2023 3:00 P.M. TO 5:00 P.M.)

Business Economics and Business and Commercial Knowledge

Topics covered:

Introduction to Business Economics, Demand, Supply, Production,

Cost and Market

Time allowed: 2 hours

Maximum Marks: 100

Instructions:

1. Answer to be given in OMR sheet
 2. Negative Marking Applies
-

1. The meaning of the word 'Economics' is most closely connected with the word –
 - (a) Extravagant
 - (b) Scarce
 - (c) Unlimited
 - (d) Restricted

2. The term 'Ends' refer to –
 - (a) Human Wants
 - (b) Resources
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)

3. The term 'Means' refer to –
 - (a) Human Wants
 - (b) Resources
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)

4. Which of the following is an example of economic activity?
 - (a) Listening to the music on the radio
 - (b) Teaching one's own son at home
 - (c) Medical facilities rendered by a Charitable Dispensary
 - (d) A Housewife doing household duties

5. Which of the following is not an economic activity?
 - (a) A Son looking after his ailing mother
 - (b) A chartered Accountant doing his own practice
 - (c) A Soldier serving at the border
 - (d) A Farmer growing Millets

6. Rational decision-making requires that –
 - (a) One's choice be arrived logically and without error
 - (b) One's choices never vary
 - (c) One's choice be consistent with one's goal
 - (d) One makes choices that do not involve trade-off

7. What is the “Fundamental Premise” of Economics?
- (a) Natural Resource will always be scarce
 - (b) Individuals are capable of establishing goals and acting in a manner consistent with achievement of those goals
 - (c) Individual choose the alternative for which they believe the net gains to be the greatest
 - (d) No matter what the circumstances, individual choice always involves a trade- off
8. The process of selecting the appropriate alternative, that will provide the most efficient means of attaining specified objectives, from two or more alternative course of action available is called:
- (a) Problem solving
 - (b) Decision making
 - (c) Economic analysis
 - (d) Managerial Expertise
9. _____ refer to the work area were surplus man power employed out of which some individuals how zero or almost zero marginal Productivity Such that is they are removed the total Level of Output remains unchanged
- (a) Voluntary
 - (b) Disguised
 - (c) Structural
 - (d) Technology
10. The degree of Market Power is determined by
- (a) Demand Analysis
 - (b) Production Analysis
 - (c) Market Structure Analysis
 - (d) Cost Analysis
11. Integration of Economic theory with business practice is called –
- (a) Managerial Economics
 - (b) Business Economics
 - (c) Applied Economics
 - (d) All of the above

12. Economics Theories are –

- (a) Accurate
- (b) Hypothetical
- (c) Real
- (d) Factual

13. Business Economics is a science because

- (a) It establishes a cause-and-effect relationship
- (b) Integrates the tools of decision
- (c) Science follows scientific methods and empirically tests the validity of the results
- (d) All of the above

14. Micro Economics deals with –

- (a) External Value of Money
- (b) Employment
- (c) Saving and Investment
- (d) Consumer Behaviour

15. Macro Economics deals with –

- (a) Study of Firms
- (b) General Price Level
- (c) Consumer Behaviour
- (d) Factor Pricing

16. Demand analysis means –

- (a) Technique of predicting future demand for goods and services
- (b) Study of behaviour of consumers in the market
- (c) Analysis of the Market Structure and extent of competition
- (d) Measurement and management of profits under conditions of uncertainty

17. Normative Economics is based on:

- (a) Ethical Considerations
- (b) Fact and Generalisation
- (c) What is?
- (d) All of the above

18. 'Economics is the science of choice making' it implies:

- (a) No choice is to be made
- (b) Choice to be made between alternative uses
- (c) Choice to be made between means and ends
- (d) None of the above

19. Economics which is concerned with welfare propositions is called

- (a) Socialistic economics
- (b) Capitalistic economics
- (c) Positive economics
- (d) Normative economics

20. Positive science only explains

- (a) What is?
- (b) What ought to be?
- (c) What is right or wrong?
- (d) None of the above

21. The Law of Scarcity –

- (a) Does not apply to rich, developed countries
- (b) Applies only to the less developed countries
- (c) Implies that consumers' wants will be satisfied in a socialistic system
- (d) Implies that consumers' wants will never be completely satisfied

22. Which of the following is the best general definition of the study of Economics?

- (a) Inflation and Unemployment in a growing economy
- (b) Business decision-making under foreign competition
- (c) Individual and Social Choice in the face of scarcity
- (d) The best way to invest in the stock market

23. What implication(s) does resource scarcity have for the satisfaction of wants?

- (a) Not all wants can be satisfied we will never be faced with the need to make choices
- (b) We must develop ways to decrease our individual wants
- (c) The discovery of new natural resources
- (d) Is necessary to increase our ability to satisfy wants

24. Consider the following and decide which economy, if any is without scarcity –
- (a) The pre-independent Indian economy, where most people were farmers
 - (b) A mythical economy where everybody is a rich person
 - (c) Any economy where income is distributed equally among its people
 - (d) None of the above
25. Business Decision making involves –
- (a) Whether the Firm has to make the components or buy the components?
 - (b) Whether the Firm has to shut down or continue in the business?
 - (c) What mix of debt and equity should the firm use?
 - (d) All of the above
26. Demand for a commodity refers to:
- (a) Desire of the commodity
 - (b) Need for the commodity
 - (c) Quantity demanded of that commodity
 - (d) Quantity of the commodity demanded at a certain price during any particular period of time
27. In case of inferior goods like bajra, a fall in its price tends to
- (a) Make the demand remain constant
 - (b) Reduce the demand
 - (c) Increase the demand
 - (d) Change the demand in any abnormal way
28. In case of a straight – line demand curve meeting the two axes, the price elasticity of demand at the mid-point of the line would be:
- (a) 0
 - (b) 1
 - (c) 1.5
 - (d) 2
29. What is the value of elasticity of demand, if the demand for the goods is perfectly elastic?
- (a) 0
 - (b) 1
 - (c) Infinity
 - (d) Less than 0
30. Law of demand is a
- (a) Quantitative statement
 - (b) Qualitative statement
 - (c) Both (a) & (b)
 - (d) Hypothetical

31. Giffen Paradox is an exception of

- (a) Demand
- (b) Supply
- (c) Production
- (d) utility

32. Demand for electricity power is elastic because

- (a) It is available at a very high price
- (b) It is essential for life
- (c) It has many uses
- (d) It has many substitutes

33. The commodity whose demand is associated with the name of Sir Robert Giffen?

- (a) Necessary good
- (b) Luxury good
- (c) Inferior good
- (d) Ordinary Good

34. Contraction of demand result due to

- (a) Increase in price of goods
- (b) Decrease in no. of producers
- (c) Decrease in output of sellers
- (d) Decrease in price of goods

35. Bricks for house is an example of which kind of demand?

- (a) Composite
- (b) Competitive
- (c) Joint
- (d) Derived

36. Expansion and contraction in demand are cause by:

- (a) Change in income of buyer
- (b) Change in taste and preference of buyer
- (c) Change in price of the commodity
- (d) Change in price of related goods

37. The demand for factors of production is

- (a) Fundamental demand
- (b) Derived demand
- (c) Market demand
- (d) Joint demand

38. Which amongst the following is the right formula for calculating price elasticity of demand using ratio method?
- (a) $(\Delta Q/\Delta P) \times (P/Q)$
 - (b) $(\Delta P/\Delta Q) \times (Q/P)$
 - (c) $(\Delta Q/\Delta P) \times (Q/P)$
 - (d) $(\Delta P/\Delta Q) \times (1/P)$
39. Change in the quantity demanded in response to the change in the price of same commodity is called:
- (a) Change in demand
 - (b) Change in quantity demanded
 - (c) Income demand
 - (d) Cross demand
40. Elasticity between two points:
- (a) Point elasticity
 - (b) Arc elasticity
 - (c) Cross elasticity
 - (d) None
41. Perishable commodities will have
- (a) Perfectly elastic curve
 - (b) Perfectly inelastic curve
 - (c) Elastic
 - (d) Inelastic
42. Method of demand forecasting does not include?
- (a) Mathematical Method
 - (b) Barometric method
 - (c) Expert opinion method Statistical method
 - (d) Delphi Technique
43. Forecasting method demand is the Art and Science of predicting?
- (a) Actual demand of a product at some future date
 - (b) Probable demand in future
 - (c) None of these
 - (d) All of these
44. Movement along the same demand curve shows
- (a) Expansion of demand
 - (b) Expansion of supply
 - (c) Expansion and contraction of demand
 - (d) Increase and decrease of demand

45. Which factor generally keeps the price – elasticity of demand for goods low:
- (a) Variety of uses for that goods
 - (b) Its low price
 - (c) Close substitutes for that goods
 - (d) High Proportion of the consumer’s income spent on it
46. If the price of any complement goods rises:
- (a) Demand curve shifts to left
 - (b) Demand curve shifts to right
 - (c) Demand curve moves downwards
 - (d) Demand curve moves upward
47. Other things remaining constant, if the price of the inferior goods decreases then what will be the effect?
- (a) Demand increases
 - (b) Demand decreases
 - (c) Quantity demanded increases
 - (d) Quantity demanded decreases.
48. Normal Goods have _____
- (a) Zero income elasticity
 - (b) Negative income elasticity
 - (c) Positive income elasticity
 - (d) Infinite income elasticity
49. A fall in price of normal goods leads to:
- (a) Shift in demand curve
 - (b) Fall in demand
 - (c) A rise in consumer’s real income
 - (d) A fall in consumer’s real income
50. Cross elasticity of demand between two perfect substitutes will be
- (a) Very high
 - (b) Very low
 - (c) Infinity
 - (d) Zero
51. In Economics, the term ‘market’ refers to a:
- (a) Place where buyer and seller bargain a product or service for a price
 - (b) Place where buyer does not bargain
 - (c) Place where seller does not bargain
 - (d) None of the above

52. Generally perishable goods like butter, eggs, milk and vegetables etc., will have
- (a) Regional market
 - (b) Local market
 - (c) National market
 - (d) None of the above
53. Under monopoly, the degree of control over price is:
- (a) None
 - (b) Some
 - (c) Very considerable
 - (d) None of the above
54. Under which of the following forms of market structure does a firm has no control over the price of its product
- (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic competition
 - (d) Perfect competition
55. Profits of the firm will be more at:
- (a) $MR=MC$
 - (b) Additional revenue from extra unit equals its additional cost
 - (c) Both of above
 - (d) None
56. What should firm do when Marginal revenue is greater than marginal cost?
- (a) Firm should expand output
 - (b) Effect should be made to make them equal
 - (c) Prices should be covered down
 - (d) All of these
57. Under monopoly price discrimination depends upon:
- (a) Elasticity of demand for commodity
 - (b) Elasticity of supply for commodity
 - (c) Size of market
 - (d) All of above
58. Firms in a monopolistic market are price _____
- (a) Takers
 - (b) Givers
 - (c) Makers
 - (d) Acceptors

59. Market which have two firms are known as:

- (a) Oligopoly
- (b) Duopoly
- (c) Monopsony
- (d) Oligopsony

60. MR of nth unit is given by

- (a) TR_n / TR_{n-1}
- (b) $TR_n + TR_{n-1}$
- (c) $TR_n - TR_{n-1}$
- (d) All of these

61. For a discriminating monopolist the condition for equilibrium is:

- (a) $MR > MC$
- (b) $MR_1 = MR_2$
- (c) $MR_a = MR_b = MC$
- (d) All of the above.

62. A firm will close down in the short period, if its AR is less than:

- (a) AC
- (b) AVC
- (c) MC
- (d) None of the above

63. The market for ultimate consumer is known as:

- (a) Wholesale market
- (b) Regulated market
- (c) Unregulated market
- (d) Retail market

64. A firm will close down in the long period, if its AR is less than:

- (a) AC
- (b) AVC
- (c) MC
- (d) None of the above

65. Marginal revenue can be defined as the change in total revenue resulting from the:

- (a) Purchase of an additional unit of a commodity
- (b) Sales of an additional unit of a commodity
- (c) Sale of subsequent units of a product
- (d) None of the above

66. In a very short period:

- (a) The supply is fixed
- (b) The demand is fixed
- (c) Demand and supply are fixed
- (d) None of the above

67. In the long-run equilibrium of a competitive market, firm operate at

- (a) Their efficient scale
- (b) Zero economic profit
- (c) The intersection of the marginal cost and marginal revenue
- (d) All of these

68. Secular period is also known as:

- (a) Very short period
- (b) Very long period
- (c) Long period
- (d) Short period

69. Stock exchange market is an example of:

- (a) Unregulated market
- (b) Regulated market
- (c) Spot market
- (d) None of the above

70. The market for the ultimate consumers of Medicines is known as:

- (a) Wholesale market
- (b) Regulated market
- (c) Unregulated market
- (d) Retail market

71. In Oligopoly, when the industry is dominated by one large firm which is considered as leader of the group. Then it is called:

- (a) Full oligopoly
- (b) Collusive oligopoly
- (c) Partial oligopoly
- (d) Syndicated oligopoly

72. Demand for a product is unitary elastic then

- (a) $MR=0$
- (b) $MR>0$
- (c) $MR<0$
- (d) None of the above

73. Total Revenue=

- (a) Money which a Firm realizes by selling certain units of a commodity
- (b) Revenue earned per unit of output
- (c) Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity
- (d) None of the above

74. Marginal Revenue is equal to –

- (a) The change in price divided by the change in output
- (b) The change in quantity divided by the change in price
- (c) The change in $P \times Q$ due to a one-unit change in output
- (d) Price, but only if the Firm is a price searcher

75. Price=.....

- (a) Total Revenue
- (b) Average Revenue
- (c) Marginal Revenue
- (d) Zero Revenue

76. Shows the overall output generated at a given level of input:

- (a) Cost function
- (b) Production function
- (c) ISO cost
- (d) Marginal rate of technical

77. The marginal product curve is above the average product curve when the average product is:

- (a) Increasing
- (b) Decreasing
- (c) Constant
- (d) None

78. Increasing returns to scale can be explained in terms of:

- (a) External and internal economies
- (b) External and internal dis economies
- (c) External economies and internal dis economies
- (d) All of these

79. An isoquant is _____ to an ISO cost line at equilibrium point:

- (a) Convex
- (b) Concave
- (c) Tangent
- (d) Perpendicular

80. _____ is the functional relationship between physical inputs (i.e. factors for production), and physical outputs (i.e. quantity of goods / services produced)

- (a) Input-Output Function
- (b) Demand-Supply Function
- (c) Production Function
- (d) Cost Function

81. Production Function specifies the _____ output that can be produced with given quantities of inputs, in the existing state of technology.

- (a) Minimum
- (b) Maximum
- (c) Average
- (d) Zero

82. _____ shows the overall cost generated at a given level in input.

- (a) Cost Function
- (b) Production Function
- (c) Marginal Rate of Substitution
- (d) Isocost and Isoquants

83. Increase in all input leading to less than proportional increase in output is called

- (a) Increasing returns to scale
- (b) Decreasing returns to scale
- (c) Constant return to scale
- (d) Both increasing and decreasing return to scale

84. Consider the following combination inputs and outputs:

This production technology satisfies

Labour	Capital	Output
5	10	1
6	12	2
7	14	3
8	16	4
9	18	5
10	20	6

- (a) Increasing return to scale
- (b) Decreasing returns to scale
- (c) Constant returns to scale
- (d) Both increasing and decreasing return to scale

85. Consider the following table:

Labour	Total Output	Marginal Product
5	10	1
6	12	2
7	14	3
8	16	4
9	18	5
10	20	6

What is the total output, when 2 labour are employed?

- (a) 7
- (b) 8
- (c) 9
- (d) 10

86. Who has given the concept of Innovative Entrepreneurship?

- (a) Robbins
- (b) Adam Smith
- (c) Schumpeter
- (d) Sweezy

87. If a firm's output is zero, then:

- (a) AFC will be positive
- (b) AVC will be zero
- (c) Both of (a) and (b)
- (d) None of (a) and (b)

88. In the long run, the quantity of factors of production

- (a) Remains constant
- (b) Changes
- (c) Is zero
- (d) Is infinity

89. If a firm's output is zero, then:

- (a) TFC will be positive
- (b) TVC will be zero
- (c) Both of (a) and (b)
- (d) None of (a) and (b)

90. Labour force wants more

- (a) Facility
- (b) Leisure
- (c) Benefit
- (d) All of the above

91. Increasing returns to scale occurs due to

- (a) Economies of scale
- (b) Specialization
- (c) Indivisibility of factors
- (d) All of these

92. The concepts of Returns to Scale is related with:

- (a) Very short period
- (b) Short period
- (c) Long period
- (d) None of above

93. A production function is defined as the relationship between _____ .

- (a) The quantity of physical inputs and physical output of a firm
- (b) Stock of inputs and stock of output
- (c) Prices of inputs and output
- (d) Price and supply of a firm

94. If a change in scale inputs leads to a proportional change in the output, it is a case of –

- (a) Increasing Returns to Scale.
- (b) Constant Returns to Scale.
- (c) Diminishing Return to Scale.
- (d) Variable Returns to Scale

95. The conclusion drawn from Cobb-Douglas production function is that labour contributed about about ____ and capital about ____ of the increase in the manufacturing production

- (a) $\frac{3\text{th}}{4}$, $\frac{1\text{th}}{4}$
- (b) $\frac{1}{2}$, $\frac{1}{2}$
- (c) $\frac{1\text{th}}{4}$, $\frac{3\text{th}}{4}$
- (d) None of the above

96. ISO quants are also known as:

- (a) Production possibility curves
- (b) Indifference curves
- (c) Production indifference curves
- (d) None of the above

97. In Economics, entire process of _____ is nothing but creation of utilities in the form of goods and services

- (a) Consumption
- (b) Production
- (c) Exchange
- (d) Distribution

98. At the point of inflexion, the marginal product is:

- (a) Increasing
- (b) Decreasing
- (c) Maximum
- (d) Negative

99. According to Cobb-Douglas production function, we get _____ returns to scalar?

- (a) Constant
- (b) Diminishing
- (c) Increasing
- (d) Any of the above

100. Which of the following statement is True? Production can be defined as –

- (a) Creation or addition of utility
- (b) Conversion of raw material into finished goods
- (c) An activity of making something immaterial
- (d) All of these

SPACE FOR ROUGH WORK