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TEST-3

QUESTION BOOKLET CODE: MKG

QUESTION PAPER BOOKLET NO. 3032022

CA FOUNDATION

(27-03-2022 3:00 P.M. TO 5:00 P.M.)

Business Economics and Business and Commercial Knowledge

Topics covered:

1. Introduction to Business Economics

2. Demand

3. Consumer Theory

4. Supply

5. Production

6. Cost

7. Market

8. Business Cycle 9. Introduction to BCK,

10. Business Environment and

11. Common Business Terminologies

Time allowed: 2 hours

Maximum Marks: 100

Instructions:

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

1. Ram: My corn harvest this year is poor.

Krishan: Don't worry. Price increase will compensate for the fall in quantity supplied.

Vinod: Climate affects crop yields. Some years are bad, other are good.

Madhu: The Governments ought to guarantee that our income will not fall.

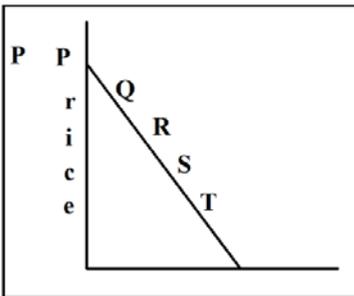
In this conversation, the normative statement is made by

- (b) Zero
- (c) Infinite
- (d) One

21. "High priced goods consumed by status seeking rich people to satisfy their need for conspicuous goods" is:

- (a) Veblen effect
- (b) Bandwagon effect
- (c) Snob effect
- (d) Demonstration effect

22. From the given diagram, choose the correct sequence of elasticity at the points mentioned on the straight-line linear curve.



- (a) Elasticity at point Q > 1, R = 1, S < 1 and T = 0
 - (b) Elasticity at point P is 0, Q < 1, R = 1, S > 1 and T = 0
 - (c) Elasticity at point P = 0, Q > 1, R = 1, S < 1 and T = 0
 - (d) None of these
23. Play station and X-box are substitutes. If the price of play station increases, the demanded for X-box will
- (a) Increase or decrease but the demand curve for play station will not change.
 - (b) Increase and the demand curve for X-box will shift rightwards.
 - (c) Not change but there will be a movement along the demand curve for X-box.
 - (d) Decrease and the demand curve for X-box will shift leftwards.
24. Identify the correct equation used for calculating equilibrium in case of two commodity.

- (a) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$
- (b) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
- (c) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$
- (d) $\frac{MU_x}{MU_y} \neq \frac{P_x}{P_y}$

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

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

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

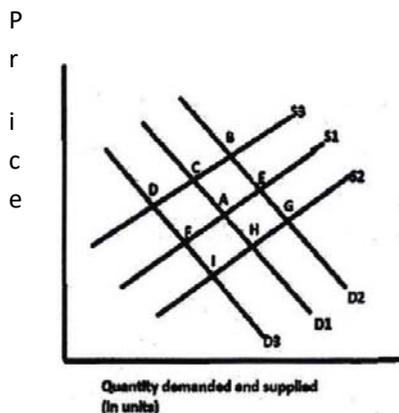
- (a) Convex
- (b) Concave
- (c) Tangent

- (d) Perpendicular
27. Increase in all input leading to less than proportional increase in output is called
- Increasing returns to scale
 - Decreasing returns to scale
 - Constant return to scale
 - Both increasing and decreasing return to scale
28. At the point of inflexion, the marginal product is:
- Increasing
 - Decreasing
 - Maximum
 - Negative
29. _____ Utility is created by making goods and services available at times when they are not normally available.
- Form Utility
 - Place Utility
 - Time Utility
 - Personal Utility
30. Entrepreneur is also called as –
- Organizer
 - Manager
 - Risk – Taker
 - All of the above
31. Change in Scale means that all Factors of Production are increased or decreased –
- In different proportions
 - In the same proportion
 - To infinity
 - None of the above
32. If Mangoes from Andhra Pradesh are available for Sale in Delhi, it refers to creation of –
- Form Utility
 - Place Utility
 - Time Utility
 - Personal Utility
33. In describing a given technology, the short run is best described as lasting –
- Up to six months from now
 - Up to five years from now
 - As long as all inputs are fixed
 - As long as at least one input is fixed
34. Cobb Douglas function is given by $Q = KL^{\alpha}C^{\beta}$
- If $\alpha + \beta > 1$, increasing returns
 - If $\alpha + \beta > 1$, increasing returns to scale
 - If $\alpha + \beta < 1$, diminishing returns
 - If $\alpha + \beta = 1$, decreasing returns to scale.
35. The Marginal Product of variable input is best described as –
- Total product divided by the number of units of variable input
 - The additional output resulting from a one unit increase in the variable
 - The additional output resulting from a one unit increase in the both the variable and fixed input.

- (d) The ratio of the amount of the variable input that is being used to the amount of the fixed input that is being used
36. In agriculture, the land area is taken as constant, while number of workers can be increased. If we apply the law of Variable Proportions in this situation, it means that the Variable Factor of Production is –
- Number of workers
 - Land
 - Both (a) and (b)
 - Neither (a) nor (b)
37. Generally perishable goods like butter, eggs, milk and vegetables etc., will have
- Regional market
 - Local market
 - National market
 - None of the above
38. Under monopoly price discrimination depends upon:
- Elasticity of demand for commodity
 - Elasticity of supply for commodity
 - Size of market
 - All of above
39. Marginal revenue can be defined as the change in total revenue resulting from the:
- Purchase of an additional unit of a commodity
 - Sales of an additional unit of a commodity
 - Sale of subsequent units of a product
 - None of the above
40. Total Revenue=
- Money which a Firm realizes by selling certain units of a commodity
 - Revenue earned per unit of output
 - Change in Total Revenue (TR) resulting from the sale of an additional unit of the commodity
 - None of the above
41. If Total Revenue= Rs.2,00,000 when 40,000 units are sold, then Average Revenue=
- Rs. 1,00,000
 - Rs. 20,000
 - Rs. 5
 - Rs. 1,20,000
42. Based on nature of transactions, a market may be classified into:
- Spot market and future market
 - Regulated market and unregulated market
 - Wholesale market and retail market
 - Local market and national market
43. If Marginal Revenue = MR, Average Revenue = AR, and Price Elasticity of Demand= 'e' which of the following is correct?
- $MR=AR \times \frac{e-1}{e}$
 - $AR=MR \times \frac{e-1}{e}$
 - $MR = AR \times \frac{e}{e-1}$
 - $AR=MR \times \frac{e}{e-1}$

44. Suppose consumer taste shifts in favour of mangoes. As a result, equilibrium quantity will _____ and equilibrium price will _____
- Increase, decrease
 - Decrease, increase
 - Increase, increase
 - Decrease, decrease

D1 and S1 are the original demand and supply curves. D2, D3, S2 and S3 are possible new demand and supply curves. Starting from initial equilibrium point (A), what point on the graph is most likely to result from each change given in Questions 45 to 48



45. Assume Z is a normal good. Holding everything else constant, assume that income rises and the price of a factor of production also increases. What point in the figure above is most likely to be the new equilibrium price and quantity?
- The new demand and supply of Z will meet at a point C
 - The new demand and supply of Z will meet at a point B
 - The new demand and supply of Z will meet at a point I
 - The new demand and supply of Z will meet at a point D
46. Assume We are analysing the market for good X. The price of a complement good, good Y, declines. At the same time, there is technological advancement in the production of good X. What point the figure above is most likely to be the new equilibrium price and quantity?
- The new demand and supply of X will meet at a point A
 - The new demand and supply of X will meet at a point F
 - The new demand and supply of X will meet at a point G
 - The new demand and supply of X will meet at a point H
47. Heavy rains in West Bengal during cyclone. Amphan caused havoc with the rice crop. What point in the figure above is most likely to be the new equilibrium price and quantity.
- Supply of rice falls; demand for rice falls; new equilibrium point will be D
 - Supply of rice falls; no change in demand; new equilibrium point will be C
 - Supply of rice increases; demand for rice falls; new equilibrium point will be H
 - Supply of rice falls; demand for rice increases; new equilibrium point will be B
48. Assume that consumers expect the prices of electrical appliances to significantly increase next year. What point in the figure above is most likely to be the new equilibrium price and quantity?
- Demand shifts to right; supply remains constant; new equilibrium point will be E

- (b) Demand shifts to left; supply remains constant; new equilibrium point will be C
- (c) Demand shifts to left; supply shifts to right; new equilibrium point will be I
- (d) Demand shifts to right; supply shifts to right; new equilibrium point will be G

**Suppose the demand and supply curves of commodity X are given as below:
Answer question# 49 and 50 using the given information. $Q_d = 1000 - P$**

$$Q_s = 700 + 2P$$

49. What is the equilibrium price and quantity?
- (a) Equilibrium Price = Rs. 50 and Equilibrium Quantity = 500 units
 - (b) Equilibrium Price = Rs.100 and Equilibrium Quantity = 900 units
 - (c) Equilibrium Price = Rs.150 and Equilibrium Quantity = 600 units
 - (d) Equilibrium Price = Rs.200 and Equilibrium Quantity = 800 units
50. What will be the new equilibrium price and equilibrium quantity, if the new supply curve is given as: $Q_s = 400 + 2P$?
- (a) Equilibrium Price = Rs. 250 and Equilibrium Quantity = 900 units
 - (b) Equilibrium Price = Rs. 100 and Equilibrium Quantity = 600 units
 - (c) Equilibrium Price = Rs. 200 and Equilibrium Quantity = 800 units
 - (d) Equilibrium Price = Rs. 350 and Equilibrium Quantity = 700 units
51. In the context of Oligopoly, the kinked demand hypothesis is designed to explain:
- (a) Price and output determination
 - (b) Price rigidity
 - (c) Price leadership
 - (d) Collusion among rivals
52. If oligopolist engage in collusion and successfully form a cartel, the market outcome is:
- (a) The same as if it were served by a monopoly
 - (b) The same as if it were served by a monopolistic firm
 - (c) The same as if it were served by a perfectly competitive firm
 - (d) Efficient because cooperation improves efficiency
53. Price discrimination is profitable only when:
- (a) Different markets are kept separate
 - (b) Distance between the consumer and the market is more
 - (c) Elasticity of demand in different markets is different
 - (d) The consumers are segregated on the basis of their purpose of use of the commodity.
54. When _____ there will be allocative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.
- (a) $MC = MR$
 - (b) $MC = AC$
 - (c) $MC = AR$
 - (d) $AR = MR$
55. Last stage of recession is called:
- (a) Depression
 - (b) Recovery
 - (c) Slowdown
 - (d) All of these
56. Business cycle is contagious andin character?

- (a) Local
 - (b) Regional
 - (c) National
 - (d) International
57.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
58. At the time of Great Depression of 1930. GDP fell around
- (a) 14%
 - (b) 15%
 - (c) 20%
 - (d) 25%
59. 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
60. Which Internal factor affect the Business cycle?
- (a) Fluctuations in investment
 - (b) Natural factors
 - (c) Technology shocks
 - (d) Population growth
61. The income of a profession is called
- (a) Fee
 - (b) Profit
 - (c) Wage
 - (d) Salary
62. In employment a person receives
- (a) Salary
 - (b) Dividend
 - (c) Profit
 - (d) Fee
63. Which of the following is not an economic objective of the firm?
- (a) Profits and return on investment
 - (b) Conservation of natural resources
 - (c) Sales growth
 - (d) Improvement in market share
64. Trading implies buying for the purposes of selling. Applying this criterion, tell which of the following activities would not qualify as trading?
- (a) Buying from the retailer for self-consumption
 - (b) Purchase of raw materials from the suppliers for further processing in the factory
 - (c) Purchase of goods in bulk quantity from the manufacturer and sale in smaller quantities to the retailers
 - (d) Buying from the wholesaler and selling it to the consumers

65. Which of the following occupations requires rendering of services based upon specialised knowledge and membership of an accreditation and assessment body?
- (a) Business
 - (b) Agriculture
 - (c) Employment
 - (d) Profession
66. The occupation in which people work for others and get remunerated in return is known as:
- (a) Profession
 - (b) Business
 - (c) Employment
 - (d) None of these
67. The capital of a company is divided into number of parts, each one of which is called
- (a) Interest
 - (b) Share
 - (c) Dividend
 - (d) Profit
68. The Indian Companies Act provides for the registration of:
- (a) Defunct Company
 - (b) Private Limited and Public Company
 - (c) One Person Company and Small Company
 - (d) All of the above
69. _____ is a feature of partner form of business.
- (a) Separate legal entity from the firm
 - (b) Limited scope for raising finance
 - (c) The liability of a partner is limited to contribution to capital
 - (d) Registration of partnership is compulsory
70. Which one of the following does not have perpetual succession?
- (a) Company
 - (b) Statutory Corporation
 - (c) Sole Proprietorship
 - (d) Co-operative Society
71. Which is not a feature of LLP?
- (a) Separate legal entity
 - (b) All LLP have existence for fixed period
 - (c) Partners in an LLP are required to turn into an agreement
 - (d) In an LLP, partners are not liable for the act of other partners
72. Gas Authority of India Limited is an example of:
- (a) Limited liability partnership
 - (b) Private limited company
 - (c) Public enterprise
 - (d) None of the above
73. Which one of the following is treated as a separate legal entity different from its members?
- (a) Sole proprietorship
 - (b) Hindu undivided family
 - (c) Partnership

- (d) Limited liability partnership
74. What is the liability of each partner under LLP?
- (a) Limited
 - (b) Unlimited
 - (c) Partially Limited
 - (d) None of the above
75. Which of the following is not a form of organisation?
- (a) Partnership
 - (b) Company
 - (c) Partners
 - (d) Sole Proprietorship
76. Which corporation has both characteristics i.e. of a partnership and of a separate legal entity?
- (a) Limited Liability Partnership (LLP)
 - (b) Company
 - (c) Partnership
 - (d) Statutory Body
77. What is Karta's liability in HUF?
- (a) Limited
 - (b) Unlimited
 - (c) Limited by guarantee
 - (d) None of these
78. The affairs of a company is overseen by:
- (a) Shareholders
 - (b) Employees
 - (c) Board of Directors
 - (d) Dividend Holders
79. Limited Liability Partnership is constituted under _____
- (a) The Companies Act, 2013
 - (b) Limited Liability Partnership Act, 2008
 - (c) Partnership Act, 1932
 - (d) None is applicable
80. The Companies Act, 2013 provides registration for
- (a) One-person company
 - (b) Small company
 - (c) Defunct Company
 - (d) All of the above
81. Which of the following is part of HUF?
- (a) Hindu and Sikh Family
 - (b) Pars! Family
 - (c) Both (a) and (b)
 - (d) None of the above
82. Which of the following is organic objective of business?
- (a) Fitness of Human Resources
 - (b) Community Service
 - (c) Effective waste handling and disposal
 - (d) Economic Value Added

83. Which of the following statement is correct with respect to HUF
- (a) HUF earns income from salary
 - (b) Four successive generations of an undivided family
 - (c) HUF enjoys a separate entity status under Income Tax Act, 1961
 - (d) All of the above
84. The attribute of a profession does not include
- (a) Certificate of service from government
 - (b) Self-imposed code of conduct
 - (c) Rendering of specialised nature of services
 - (d) All of the above
85. Organisations depend upon which environment for Input:
- (a) External Environment
 - (b) Legal Environment
 - (c) Technological Environment
 - (d) Social-Economic Environment
86. In which of the following basic categories can Business Environment be divided?
- (a) Internal and External
 - (b) Financial and Non-financial
 - (c) Local and Regional
 - (d) Regional and National
87. Internal factors affecting a business environment is also referred to as _____ factors.
- (a) Relevant
 - (b) Global
 - (c) Controllable
 - (d) uncontrollable factors
88. Which of the following does not characterize the Business Environment?
- (a) Uncertainty
 - (b) Relativity
 - (c) Methods of production
 - (d) Complexity
89. Who occupies the central position in the marketing environment?
- (a) Organisation
 - (b) Consumer
 - (c) Customer
 - (d) All of the above
90. SWOT analysis refers to –
- (a) Strength, weakness, Options and Traits
 - (b) Strength, Weakness, Options and Threats
 - (c) Strength, Weakness, Opportunities and Threats
 - (d) Strength, Weakness, Opportunities and Traits
91. Study of human population is called as _____ environment.
- (a) Global
 - (b) Economic
 - (c) Political
 - (d) Demographic
92. The immediate environment with which the firm operates is called –

- (a) External Environment
 - (b) Micro Environment
 - (c) Macro Environment
 - (d) Peripheral Environment
93. Relationship between organization environment can be described through:
- (a) Exchange of influence and power
 - (b) Exchange of information
 - (c) Exchange of resources
 - (d) All of the above
94. In the PEST framework for environmental analysis what does the letter E stand for?
- (a) Ethical
 - (b) Educational
 - (c) Ecological
 - (d) Economic
95. Generally the main reason behind starting a business is:
- (a) Social service
 - (b) Earning profits
 - (c) Earning name
 - (d) Spiritual reasons
96. An activity which is related with continuous and regular production and distribution of goods and services for satisfying human wants is called:
- (a) Production
 - (b) Distribution
 - (c) Service
 - (d) Business
97. PESTLE analysis does not include
- (a) Legal
 - (b) Economic
 - (c) Technology
 - (d) Policy
98. What is not a characteristic of business environment?
- (a) Static
 - (b) Complex
 - (c) Far reaching
 - (d) Multi-faced
99. The performance of business in the private sector is measured by:
- (a) Number of employees
 - (b) The salary of BOD
 - (c) Profitability
 - (d) Customer Satisfaction
100. Which is not any "M" as per 5 "M" of a business
- (a) Money
 - (b) Malware
 - (c) Material
 - (d) Method

SPACE FOR ROUGH WORK