



# PAPER – 4: BUSINESS ECONOMICS

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## QUESTIONS

1. In explaining the level of unemployment, Keynes emphasized:
  - (a) Change in Technology
  - (b) Aggregate demand
  - (c) Inflationary expectations
  - (d) Lending by financial institutions
2. When total demand for a commodity whose price has fallen increases it is due to:
  - (a) Price effect
  - (b) Income effect
  - (c) Substitution effect
  - (d) Complementary effect
3. Envelope curve is also called:
  - (a) Long Run Average Cost curve
  - (b) Short Run Average Cost curve
  - (c) Average Fixed Cost
  - (d) None of these
4. Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to:
  - (a) Price Discrimination

- (b) Perfect Competition
  - (c) Monopolistic Competition
  - (d) None of these
5. Coincident indicator is not indicated as:
- (a) Inflation
  - (b) Industrial Production
  - (c) Retail Sales
  - (d) New order for plant and equipment
6. The shape of the Cost curve depends upon:
- (a) Cost function
  - (b) Factor of Production
  - (c) Outlay
  - (d) None of these
7. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
  - (b) Prisoner dilemma for buyers
  - (c) To raise the price of the good they offer
  - (d) None of these
8. How to Produce is related to:
- (a) Product's Choice
  - (b) Choice of technique
  - (c) Either (a) or (b)
  - (d) None of these
9. Snob effect is explained as:
- (a) It is a function of consumption of others
  - (b) It is a function of price

- (c) Both (a) and (b)
  - (d) None of these
10. To influence spending the monetary policy is directed at directly influencing in the short run:
- (a) Interest Rate
  - (b) Unemployment
  - (c) Inflation Rate
  - (d) Growth Rate
11. A firm normal profit earned are included in \_\_\_\_
- (a) Explicit Cost
  - (b) Implicit Cost
  - (c) Variable Cost
  - (d) Fixed Cost
12. Isoquant in the relevant range are:
- (a) Convex to the Origin
  - (b) Negatively Sloped
  - (c) Cannot cross
  - (d) All of the Above
13. When Investment in an economy increases from ₹ 10000 crores to ₹ 14000 crores and as a result of this national income rises ₹ 80000 to ₹ 92000 crores, compute Investment Multiplier.
- (a) 3
  - (b) 4
  - (c) 5
  - (d) None of these
14. Which of the following is an example of market failure?
- (a) Externalities

- (b) Low prices
  - (c) Excess supply
  - (d) Excludable and rival goods
15. Which of the following is included in M2, a broader measure of money supply compared to M1?
- (a) Currency in circulation
  - (b) Savings deposits
  - (c) Demand deposits
  - (d) Traveler's checks
16. Which of the following is an example of an automatic stabilizer in the budget?
- (a) Discretionary spending
  - (b) Progressive taxation
  - (c) Infrastructure investment
  - (d) Unemployment benefits
17. FDI in telecom sector is raised to:
- (a) 49%
  - (b) 51%
  - (c) 100%
  - (d) None of these
18. 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

19. The new economic policy of 1991 manifest in:
- (a) State led industrialization and import substitution
  - (b) Rethinking the role of markets versus the state
  - (c) Emphasized the role of good governance
  - (d) None of these
20. Dumping refers to:
- (a) Reducing tariffs
  - (b) Sale of goods abroad at a lower price, below their cost and price in their home market
  - (c) Buying goods at low prices abroad and selling at higher prices locally
  - (d) None of these
21. The WTO was established to implement the final act of Uruguay round agreement of:
- (a) MFA
  - (b) GATT
  - (c) TRIP
  - (d) MNC
22. \_\_\_\_\_are also known as International Bank for Reconstruction and Development.
- (a) IMF
  - (b) ADB
  - (c) World Bank
  - (d) ECM
23. An important money market is instrument by the government to bridge the deficit between the revenue and expenditure in the budget.
- (a) T-bills
  - (b) Bonds

- (c) CDs
  - (d) CPs
24. Which of the statements gives a true picture of the effect of lowering the cash reserve ratio by the central bank of a country?
- (a) The lending capacity of commercial banks will increase
  - (b) The lending capacity of commercial banks will decrease
  - (c) The lending capacity of commercial banks may increase or decrease
  - (d) None of these
25. Which agency regulates the money supply in India?
- (a) The Government of India
  - (b) Commercial banks
  - (c) Reserve Bank of India
  - (d) None of the above



### SUGGESTED ANSWERS/HINTS

1.	<b>(b)</b>	2.	<b>(a)</b>	3.	<b>(a)</b>	4.	<b>(a)</b>	5.	<b>(d)</b>
6.	<b>(a)</b>	7.	<b>(c)</b>	8.	<b>(b)</b>	9.	<b>(a)</b>	10.	<b>(a)</b>
11.	<b>(c)</b>	12.	<b>(d)</b>	13.	<b>(a)</b>	14.	<b>(a)</b>	15.	<b>(b)</b>
16.	<b>(d)</b>	17.	<b>(c)</b>	18.	<b>(d)</b>	19.	<b>(b)</b>	20.	<b>(b)</b>
21.	<b>(b)</b>	22.	<b>(c)</b>	23.	<b>(a)</b>	24.	<b>(a)</b>	25.	<b>(c)</b>