

TOPIC: FULL BUSINESS ECONOMICS AND BUSINESS COMMERCIAL KNOWLEDGE

1. In an economy, people have the freedom to buy or not to buy the goods offered in the market place, and this freedom to choose what they buy dictates what producers will ultimately produce. This condition is called -
 - (a) Economic Power of Choice
 - (b) Consumer Sovereignty
 - (c) Positive Economy
 - (d) Producer Sovereignty
2. A book seller estimates that if the price of a book is increased from Rs. 60 to Rs. 67 the quantity of books demanded will decrease from 2,035 to 1,946. The Book's Price Elasticity of Demand is approximately –
 - (a) 0.4
 - (b) 0.8
 - (c) 1.0
 - (d) 2.5
3. Under Monopolistic Competition, in the short – run, if $AR > AC$ at the point when $MC = MR$, it means that the Firm is earning _____.
 - (a) Normal profits only
 - (b) Super Normal Profits
 - (c) Losses
 - (d) All of the above
4. Which of the following statements regarding short run and long run is true ?
 - (a) Firms plan for the long run but operate in the short run
 - (b) Firms plan in the short run but operate in the long run
 - (c) Firms operate and plan as well in the long run
 - (d) Firms operate and plan as well in the short run
5. 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
6. If the Supply of a commodity is perfectly inelastic, an increase in Demand will result in –
 - (a) Decrease in both Price and Quantity at equilibrium
 - (b) Increase in both Price and Quantity at equilibrium
 - (c) Increase in Equilibrium Quantity, Equilibrium Price remaining constant
 - (d) Increase in Equilibrium Price, Equilibrium Quantity remaining constant
7. Which of these is not a feature of Monopoly ?
 - (a) Single Seller
 - (b) Firm = Industry
 - (c) No substitutes
 - (d) Elasticity of Demand = 0
8. Isoquants
 - (a) Are concave to the origin
 - (b) Touch both the axis
 - (c) Are non – intersecting
 - (d) Are positively sloped
9. Where does “price mechanism” play an important role?
 - (a) Capitalist economy
 - (b) Socialist economy
 - (c) Both type of economies
 - (d) None of the above
10. If Δq = Change in Quantity Supplied, Δp = Change in Price, when Supply is perfectly inelastic, it means –
 - (a) $\Delta p = \text{Zero}$
 - (b) $\Delta q > \Delta p$
 - (c) $\Delta q < \Delta p$
 - (d) $\Delta q = \text{Zero}$
11. If Marginal Cost = MC, and Marginal Revenue = MR, then, for achieving equilibrium output _____
 - (a) MC Curve should have positive slope
 - (b) MC curve should have negative slope
 - (c) MC curve should be parallel to X Axis
 - (d) MC Curve should be parallel to Y Axis

12. Which of the following statements is not true about a discriminating Monopolist?
 (a) He operates in more than one market
 (b) He makes more profit because he discriminates
 (c) He maximizes his profits in each market
 (d) He charges different prices in each market
13. Consumer equilibrium condition is _____.
 (a) $MRS_{x,y} = \frac{MU_y}{MU_x}$ (b) $MRS_{x,y} = P_x - P_y$
 (c) $MRS_{x,y} = P_x + P_y$ (d) $MRS_{x,y} = \frac{MU_x}{MU_y}$
14. According to Keynes, Fluctuations in economic activity are due to fluctuations in
 (a) Aggregate effective demand (b) Price
 (c) Supply of resources (d) None of the above
15. Which of the following statements is true with regard to the elasticity of demand ?
 (a) The elasticity of demand remains same, both in short run and in long run
 (b) Demand is more elastic in the short run than in long run
 (c) Demand is more inelastic in the long run than in short run
 (d) Demand is more elastic in the long run than in short run
16. _____ save by way of Retained Earnings, i.e. Undistributed Profits.
 (a) Individuals or Households (b) Business Enterprises
 (c) Government (d) All of the above
17. Normally, in the short run, the supply curve of a perfectly competitive industry slopes _____.
 (a) Downward from left to right (b) Upward from right to left
 (c) Upward from left to right (d) Downward from right to left
18. Scientific way of estimating demand is called –
 (a) Demand analysis (b) Demand Testing
 (c) Demand Forecasting (d) Demand prediction
19. Which of the following is not a characteristic feature common to both Monopolistic Competition and Perfect Competition ?
 (a) Many Buyers and Sellers (b) Identical Products
 (c) Easy entry and exit of Firms (d) Firms take other Firm's prices as given
20. Which of the following statement show the stage of Diminishing marginal Returns under the Law of Variable Proportion ?
 (a) Marginal Product is negative (b) Marginal Product is falling and it is negative
 (c) Marginal Product is falling but it is positive (d) None of the above
21. Which of the following statements regarding Utility is not true ?
 (a) Utility is the psychological satisfaction that a consumer derives by using a particular product
 (b) Utility helps to understand how consumers make choice
 (c) Utility is always measurable
 (d) Utility is a purely subjective issue.
22. Which of the following statements is not true with respect to the long run ?
 (a) A Firm in a monopolistically competitive industry earns only normal profits in the long run
 (b) A Monopolist does not make losses
 (c) A Perfectly Competitive Firm earns only normal profits in the long run
 (d) Monopolistically Competitive Firms will be producing at minimum average cost
23. In Socialist Economies, the answer the fundamental questions – what, how, and for whom to produce, are obtained by –
 (a) Market Forces of Demand and Supply (b) Government Regulations
 (c) Cost Benefit Analysis (d) All of the above

24. According to Bertand's model _____ is the control variable.
 (a) price (b) output (c) advertisement (d) technology
25. Which of the following is true of the relationship between Marginal Cost and Average Cost Functions ?
 (a) If MC is greater than AC, then AC is falling
 (b) AC Curve intersects the MC Curve at minimum MC
 (c) MC Curve intersects the AC Curve at minimum AC
 (d) If MC is less than AC, then AC is increasing
26. 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
27. The concept of socialist economy was propounded by _____.
 (a) Smith and Hicks (b) Hicks and Aller
 (c) Marx and Ricardo (d) Marx and Engels
28. In the long – run, Firms will exit the market if the price of the good offered for sale is less than –
 (a) Marginal Revenue (b) Marginal Cost
 (c) Average Total Cost (d) Average Revenue
29. Indicators that move simultaneously with the level of economic activities is –
 (a) Coincidental Indicators (b) Leading Indicators
 (c) Lagging Indicators (d) All of the above
30. GDP is a
 (a) a leading indicator (b) a coincident indicator
 (c) a lagging indicator (d) a cyclical indicator
31. 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
32. If Cross Elasticity of Demand is Infinity, it means that the goods are –
 (a) Perfect Complementary Goods (b) Perfect Substitute Goods
 (c) Inferior Goods (d) Normal Goods
33. What is the cause for rise in investments ?
 (a) New inventions (b) profit expectations
 (c) Low interest rate in the economy (d) All of the above
34. How are prices determined under Perfect Competition ?
 (a) At the equilibrium price of Firm (b) At the equilibrium prices of Industry
 (c) At the point where $MR = MC$ (d) All of these
35. Use the following data to answer the following question:

Output (in units)	Total Cost (TC) (in Rs.)
0	240
1	330
2	410
3	480
4	540
5	610
6	690
7	840

Average Fixed Cost for 3 units of Output is –

- (a) 240 (b) 120 (c) 80 (d) 60

36. Which of the following method is not used for measuring elasticity of supply ?
 (a) Arc Method (b) Percentage Method
 (c) Total outlay Method (d) Point Method
37. If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of :
 (a) Constant Returns to Scale (b) Increasing Returns to Scale
 (c) Decreasing Returns to Scale (d) All of these
38. Normative Science is –
 (a) Descriptive (b) Prescriptive (c) Explanatory (d) None of the above
39. The Market for ultimate consumers is known as _____
 (a) Whole Sale Market (b) Retail Market
 (c) Unregulated Market (d) Regulated Market
40. Let Average Variable Cost = AVC, and Average Revenue = AR. If $AR < AVC$, it means that the Firm
 (a) Is earning Super – Normal Profits (b) Is earning Normal Profits
 (c) Is making Losses but need not shut – down (d) Has to shut – down
41. Under Monopolistic Competition, in the Short – run, the Firm will never shut – down. This statement is –
 (a) True (b) False (c) Partially true (d) None of the above
42. Total Expenditure of a Consumer increases if –
 (i) Demand is elastic and price rises
 (ii) Demand is elastic and price falls
 (iii) Demand is inelastic and price rises
 (iv) Demand is inelastic and price falls
 (a) Only (ii) (b) Only (iii) (c) Both (i) and (iii) (d) Both (ii) and (iii)
43. 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
44. Kinked demand curve model was propounded by _____.
 (a) J.M. Keynes (b) Paul Sweezy (c) Frank Knight (d) Joseph Schumpeter
45. In the concept of Consumer's Equilibrium and Consumer's Surplus, for the quantity purchased at the equilibrium level, Marginal Utility is –
 (a) Positive (b) Zero (c) Negative (d) Equal to Price
46. Which of the following statements regarding Output is false ?
 (a) Output is under the control of the Firm
 (b) Magnitude of the Output determines the Total Cost of Production
 (c) Change in output level determines the rate of change in the Total Cost of Production
 (d) Output has no role to play in determining the Cost Function
47. Macro Economics deals with –
 (a) Study of Firms (b) General Price Level
 (c) Consumer Behaviour (d) Factor pricing
48. Cellphone is _____ to price changes than Bread.
 (a) Less Elastic (b) Unit Elastic (c) More Elastic (d) Zero Elastic

49. Marginal Revenue (MR) _____.
- will have positive values only
 - Will have negative values only
 - Can be positive or zero, but not negative
 - Can be positive or zero or even negative.
50. When aggregate economic activity is declining, the economy is said to be in
- Contraction
 - an expansion
 - a trough
 - a turning point
51. The Law of Diminishing Marginal Returns –
- States that beyond some level of a variable input, the Average Product of that variable input begins to increase steadily.
 - Assumes that there is technological improvement over time.
 - States that beyond some level of a variable input, the Marginal Product of that variable input begins to decrease steadily.
 - Informs a Firm whether or not to use a factor input.
52. The Means for satisfying Wants are –
- Not available at all
 - Scarce
 - Unlimited
 - Not usable
53. In case of Contraction of Demand, there is a -
- Inward shift of the Demand Curve
 - Outward shift of the Demand Curve
 - Upward movement on the same Curve
 - Downward movement on the same Curve
54. The kinked Demand Hypothesis is designed to explain _____ in the context of Oligopoly.
- Price and Output Determination
 - Price Rigidity
 - Price Leadership
 - Collusion among Rivals
55. Severe form of recession is
- Contraction
 - Depression
 - Expansion
 - Peak
56. Generally, Supply of Labour and Wage Rates are directly related. However, at very high wage rates, there is a paradox of reduction in labour. This paradox is attributed to –
- Preference to earn more money
 - Preference to have more of rest and leisure
 - Preference to restrict Supply
 - None of the above
57. If Price is Rs. 15, quantity supplied is 150 units. If Price is Rs. 25, quantity supplied is 300 units. Compute Price Elasticity of Supply using Arc Method.
- 1.09
 - + 1.33
 - 0.98
 - + 0.98
58. The central problem in economics is that of
- Comparing the success of command versus market economies
 - Guaranteeing that production occurs in the most efficient manner
 - Guaranteeing a minimum level of income for every citizen
 - Allocating scarce resource in such a manner that society's unlimited needs or wants are satisfied as well as possible.
59. Agricultural Goods markets depict characteristics close to –
- Perfect Competition
 - Oligopoly
 - Monopoly
 - Monopolistic Competition
60. The end of expansion is termed as _____.
- Peak
 - Contraction
 - Trough
 - None of the above
61. Which of the following seeks to check monopolies ?
- RBI
 - CCI
 - SEBI
 - IRDA
62. Stock Market Players who raise the stock prices through building a buy pressure are called ?
- Bull
 - Bears
 - Cash Cows
 - None of the above

63. _____ represents all external forces, factors or conditions that exert some degree of impact on the business decisions, strategies and actions taken by the Firm ?
 (a) Business Location (b) Business Environment
 (c) Business Threat (d) Business Surrounding
64. Which information technology company began as an edible oil firm ?
 (a) Infosys (b) Microsoft (c) IBM (d) Wipro
65. Which of the following is an advantage of joint ownership ?
 (a) Quick Decisions (b) Pooling of Capital
 (c) Personal Interest (d) All of the above
66. A _____ emanates from decision and decision is taken in line with _____. Identify the right expression to fill in the blanks .
 (a) Policy; Goal (b) Budget; Plan
 (c) Plan; Budget (d) Goal; Plan
67. Macro Environment is also known as _____ ?
 (a) Internal Environment (b) Task Environment
 (c) General Environment (d) Both (a) and (b)
68. A security whose price is derived from one or more underlying assets is _____ ?
 (a) Blue Chip (b) Derivative (c) Hedge (d) Index
69. Which industrial category does Wipro Ltd. come under ?
 (a) Pharmaceuticals & Drugs (b) Diversified
 (c) Media (d) IT – Software
70. Which of the following is not true about HUF ?
 (a) There is uncertainty as to the fate of the HUF Entity as a Going Concern
 (b) Ownership in Family Business arises by birth or agreement
 (c) A HUF enjoys a Separate Entity Status under the Income Tax Act, 1961
 (d) HUF includes Jain or Sikh or Buddhist or Parsi Families
71. As the percentage of all sales within a market that is held by One brand/product or company is _____
 (a) Market Population (b) Market Potential
 (c) Market Share (d) None of the Above
72. The process of eliciting support for a company and its activities among its own employees, in order to encourage them to promote its goals is called ?
 (a) External Environment (b) Internal Environment
 (c) Competitive Environment (d) Both (a) and (c)
73. Identify which of these is not a function of the Central Bank ?
 (a) Clearing arrangements among Banks
 (b) Implementing Government's monetary policy
 (c) Specifying Income Tax Rates
 (d) Custody of Cash Reserves
74. What was India Tobacco Company called before ?
 (a) Imperial Tobacco Company (b) International Tobacco Company
 (c) Indonesia Tobacco Company (d) None of the above
75. Globalization can create problems for business because ?
 (a) It can result in more competition
 (b) It increases vulnerability to the political risk and uncertainty when operating abroad.
 (c) It means that they can increase price
 (d) All the options are correct
76. Partial or complete sale of a public sector enterprise is called ?
 (a) Liberalization (b) Privatization (c) Globalization (d) None of them

77. The value of share printed on the share certificate is called ?
 (a) Face Value (b) Market Value (c) Future Value (d) Current Value
78. The rate of interest at which banks borrow money for short periods from the Reserve Bank of India is called ?
 (a) Bank Rate (b) Repo Rate
 (c) Reserve Repo Rate (d) None of the above
79. Cipla operates in which industry ?
 (a) Food (b) Pharma (c) Hotels (d) All the above
80. Which of the following statement is not a factor influencing socio – cultural environment ?
 (a) Family structure and change in it, attitude towards and within the family, and family values
 (b) Educational levels, awareness and consciousness of rights, and work ethics of members of society.
 (c) Opportunities arising out of technological innovation
 (d) Role of women in society, position of children and adolescents in family and society
81. The method of FDI other than Automatic route is called :
 (a) NRI Route (b) Government Route
 (c) Institutional Route (d) Priority Route
82. Personal interest in business is more in _____.
 (a) HUF (b) Partnership (c) Sole Proprietorship (d) LLP
83. Which gas company owns India's largest pipeline network ?
 (a) GAIL (India) Ltd. (b) Bharat Petroleum Corporation Ltd.
 (c) Reliance Industries Ltd. (d) ONGC
84. Factors to be considered for analyzing Demographic Environment does no include :
 (a) Population Size (b) Family structure
 (c) Cultural composition (d) Income Distribution
85. Cipla was incorporated in ?
 (a) 1933 (b) 1935 (c) 1938 (d) 1939
86. Public Policies are classified as ---
 (a) Positive, Negative, Neutral
 (b) Regulatory, Facilitative, Restrictive and Distributive
 (c) Government driven, business driven and people driven
 (d) None of the above
87. After Independence, India followed a ?
 (a) Socialistic path of development (b) Commonwealth model of growth
 (c) Mixed economic path (d) Capitalistic model of development
88. Environment which is close to business and affect its capacity to work is known as _____ environment :
 (a) Micro (b) Macro (c) Internal (d) External
89. Which of the following is not a brand of Intel ?
 (a) Core (b) Atom (c) Pentium (d) MSN
90. In case of Maruti – Suzuki, the Union Government surrendered partial ownership and sold the majority stake to Suzuki of Japan in course of time. This is a case of :
 (a) Partial Disinvestment (b) Displacement
 (c) Delegation (d) Divestment
91. Which of the following is the monetary authority of a country ?
 (a) Government of the country (b) Banking System of the country
 (c) The Central Bank of the country (d) All of the above

92. Simultaneous purchase and sales of the same stock in two different markets is known as ?
(a) Basket Trading (b) Badla (c) Arbitrage (d) Margin Trading
93. "Bringing expensive medicine within reach" is a Philosophy of which company ?
(a) Dr. Reddy's (b) Cipla (c) Ranbaxy (d) None of the above
94. Which approach has the least resistance in responding to the Environment ?
(a) Confident Approach (b) Conservative Approach
(c) Cautions Approach (d) Careful Approach
95. Policies based on nature of economy is classified as –
(a) Developed Economy, Emerging Economy, Socialist and Communist States
(b) Monarchy, Aristocracy, and Democracy
(c) Urban, Rural and Semi – Urban
(d) None of the above
96. Which of the following is not a service of Retail Banking ?
(a) Cheque (b) DD (c) Loans (d) Trustee Services
97. Integration of nation economics into a world economy is known as ?
(a) Privatization (b) Globalization (c) Liberalization (d) all of them
98. _____ is a plan or course of action, of a Government, intended to influence and determine decision, actions, and other matters.
(a) Public policy (b) Business policy (c) Government policy (d) Trade policy
99. Age, family size, sex composition and other people relate elements are part of ?
(a) Political environment (b) economic environment
(c) demographic environment (d) natural environment
100. The roadmap of a company future is ?
(a) Mission (b) Vision (c) Business Module (d) None of the above