



CA FOUNDATION
SUBJECT- BUSINESS ECONOMICS AND
BUSINESS AND COMMERCIAL
KNOWLEDGE
Test Code – AJM 1066

(Marks - 50)

TOPIC : Nature and Scope of Business Economics , Theory of Demand and Supply , Business Cycles , Introduction of Business and Commercial Knowledge ,Business Environment and Business Organizations

1. In Economics, we use the term scarcity to mean;
 - (a) Absolute scarcity and lack of resources in less developed countries.
 - (b) Relative scarcity i.e. scarcity in relation to the wants of the society.
 - (c) Scarcity during times of business failure and natural calamities.
 - (d) Scarcity caused on account of excessive consumption by the rich.
2. The Law of demand was propounded by _____ in his book 'Principles of Economics'.
 - (a) Lord Keynes
 - (b) Adam Smith
 - (c) Dr. Alfred Marshall
 - (d) Ragnar
3. Which of the following is not an economic objective of the firm ?
 - (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) Conservation of natural resources
4. Which of the following statements is not correct ?
 - (a) Business Cycles are periodical
 - (b) Business cycles are regular
 - (c) Business Cycles vary in intensity
 - (d) Business Cycles vary in length
5. One of the important features of capitalist economy is_____
 - (a) Economic planning
 - (b) Price mechanism
 - (c) Economic equalities
 - (d) Social welfare
6. Effective use of social media for marketing is _____.
 - (a) Strength
 - (b) Weakness
 - (c) Opportunity
 - (d) Threat
7. The utility of a commodity is _____.
 - (a) Its accepted social value
 - (b) The extent to which it is of practical use
 - (c) The face that it is wanted by some people
 - (d) Its relatively scarcity
8. Which pharmaceutical company has the slogan 'caring for life'?
 - (a) Dr. Reddy's
 - (b) Lupin Ltd.
 - (c) Cipla Ltd.
 - (d) Sun Pharmaceutical Industries Ltd.
9. Increasing Prosperity and High standards of living are the characteristics of
 - (a) Peak
 - (b) Contraction
 - (c) Expansion
 - (d) Trough
10. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
 - (a) Macro – Economics.
 - (b) Descriptive Economics.
 - (c) Micro – economics.
 - (d) Normative economics.

11. A significant decline in general economic activity extending over a period of time is
(a) business cycle (b) contraction phase (c) recession (d) recovery
12. In the PEST framework for environmental analysis what does the letter E stand for ?
(a) Ecological (b) Economic (c) Ethical (d) Educational
13. Where are the headquarters of Walmart ?
(a) Arkansas, US (b) California, US
(c) Newyork, US (d) None of the above
14. Price-mechanism is an important feature of _____
(i) Market economy (ii) Regulated economy
(iii) Mixed economy (iv) Capitalist economy
(a) (i) and (ii) only (b) (iii) and (iv) only
(c) (i) and (iii) only (d) (i) and (iv) only
15. Which company is ranked 33rd in Forbes 2000 companies in 2016 ?
(a) Nestle (b) Walmart (c) IBM Corporation (d) RIL
16. External factors affecting a business environment is also referred to as _____ factors?
(a) Controllable (b) Relevant (c) Global (d) Uncontrollable
17. Contraction of demand is the result of :
(a) decrease in the number of consumers.
(b) increase in the price of the good concerned.
(c) increase in the prices of other goods.
(d) decrease in the income of purchasers.
18. Study of the problem of poverty denotes that economics is –
(a) A science (b) An art
(c) Both a science and an art (d) Neither a science nor an art
19. Changes in housing interest rate is a
(a) a leading indicator (b) a coincident indicator
(c) a lagging indicator (d) a cyclical indicator
20. There can not be partnership between :
(a) Natural persons (b) Partnership firms
(c) Artificial persons (d) Any combination of natural & artificial persons
21. A vegetable vendor sells 80 quintals of potatoes at a price of Rs 4 p.kg. The elasticity of supply of potatoes is known to be 2. How much quantity will he sell at Rs 5p.kg.?
(a) 100 quintals (b) 110 quintals (c) 120 quintals (d) 130 quintals
22. 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

23. Normative economics is _____ in nature
(a) Modern (b) Descriptive (c) Prescriptive (d) None of the above
24. Which of the following statements about price elasticity of supply is correct ?
(a) Price elasticity of supply is a measure of how much the quantity supplied of good responds to a change in the price of that good.
(b) Price elasticity of supply is computed as the percentage change in quantity supplied divided by the percentage change in price.
(c) Price elasticity of supply in the long run would be different from that of the short run.
(d) All the above.
25. Relationship between organisation and environment can be described through :
(a) Exchange of information (b) Exchange of resource
(c) Exchange of influence and power (d) All of the above
26. The different phases of a business cycle
(a) Do not have the same length and severity
(b) expansion phase always lasts more than ten years
(c) lasts many years and are difficult to get over in short periods
(d) None of the above
27. Sustainable development / businesses imply :
(a) Consistent economic performance (b) Attention to social problems
(c) Harmony with nature (d) All of the above
28. The lowest level of economic activity is called _____.
(a) contraction (b) trough (c) recovery (d) none of the above
29. The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is :
(a) elastic (b) inelastic
(c) unitarily elastic (d) perfectly elastic
30. Competition is beneficial to the competing firms besides benefiting the _____ ?
(a) Intermediaries (b) Customers
(c) Producers (d) Financiers
31. Indications in advance are given by _____
(a) Coincidental Indicators (b) Leading Indicators
(c) Lagging Indicators (d) All of the above
32. In the PEST framework for environmental analysis what does the letter E stand for ?
(a) Ecological (b) Economic (c) Ethical (d) Educational
33. The supply curve for perishable commodities is _____.
(a) elastic (b) inelastic
(c) perfectly elastic (d) perfectly inelastic

34. Which of the following occupations requires rendering of services based upon specialized knowledge and membership of an accreditation and assessment body ?
(a) Employment (b) Profession
(c) Business (d) Agriculture
35. Fall in the interest rate is a typical feature of _____
(a) Recovery (b) Boom (c) Depression (d) Peak
36. Which environmental factors regulate the values and beliefs, traditions and customs of society ?
(a) Political – legal factors (b) Technological factors
(c) Economic factors (d) Socio – cultural factors
37. When the price of Thumbs-up falls, other things being constant, buyers substitute Thumbs-up for Coca-Cola. This is called-
(a) Price Effect (b) Substitution Effect
(c) Income Effect (d) Veblen Effect
38. Which gas company owns India's largest pipeline network?
(a) GAIL(India) Ltd. (b) Bharat Petroleum Corporation Ltd.
(c) Reliance Industries Ltd. (d) ONGC
39. Which one is not an assumption of the theory of demand based on analysis of indifference curves ?
(a) Given scale of preferences as between different combinations of two goods.
(b) Diminishing marginal rate of substitution.
(c) Constant marginal utility of money.
(d) Consumers would always prefer more of a particular good to less of it, others things remaining the same.
40. Production of ___ goods fall during the war times
(a) Arms and ammunition (b) Non-durable and capital
(c) Capital and weapons (d) Capital and consumer
41. Which year was Cadburys' incorporated?
(a) 1824 (b) 1834 (c) 1844 (d) 1854
42. Cost of living increase when business cycle is _____
(a) Expanding (b) Contracting (c) At peak (d) At lowest point
43. In the book market, the supply of books will decrease if any of the following occurs except
(a) a decrease in the number of book publishers.
(b) a decrease in the price of the book.
(c) an increase in the future expected price of the book
(d) an increase in the price of paper used.
44. Business and technology are :
(a) Interrelated (b) Interdependent

- (c) Interrelated & Interdependent (d) None of the above
45. Replacement demand is an important component of total demand for which type of goods ?
- (a) producer's non – durable goods (b) consumer's non – durable goods
(c) consumer's durable goods (d) none of these
46. Which of the following is not a product of Bajaj Auto Limited ?
- (a) Avenger (b) Discover (c) Splendor (d) CT 100
47. Which of the following is not a feature of business cycle?
- (a) All phases of business cycles are of equal length
(b) Business cycles vary in intensity
(c) Business cycles vary in length
(d) Business cycles have no set pattern
48. Study of human population is called as _____ environment.
- (a) Political (b) Demographic
(c) Global (d) Economic
49. What is the Global banking platform by EdgeVerve Systems (Infosys) called?
- (a) Mana (b) Finacle (c) Skava (d) Panaya Cloud Suite
50. Suppose a consumer's income increases from Rs. 30,000 to Rs. 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs? (Use Arc Elasticity Method)
- (a) 0.5 (b) 1.0 (c) 1.5 (d) 2.0