



PAPER – 4: BUSINESS ECONOMICS



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