PAPER – 4: BUSINESS ECONOMICS

QUESTIONS

1. Which of the following refers to the study of the economic behaviour of individual decision-making units, such as individual consumers, resource owners, and business firms, in a free enterprise system?

   (A) Business economics

   (B) Microeconomics

   (C) Macroeconomic

   (D) Econometrics

2. Which of the following refers to the study of the total or aggregate level of output, income, employment, consumption, investment, and prices for the economy viewed as a whole?

   (A) Managerial economics

   (B) Microeconomics

   (C) Macroeconomics

   (D) Econometrics

3. Implicit cost is equal to:

   (A) business profit minus economic profit.

   (B) business profit plus economic profit.

   (C) economic profit minus business profit

(D) economic profit minus explicit cost

4. If the demand curve for a firm's output is perfectly elastic, then the firm:

   (A) a monopolist.

   (B) perfectly competitive.

   (C) an oligopolist.

   (D) monopolistically competitive.

5. Firms in an industry that produces a differentiated product:

   (A) are either monopolists or oligopolists.

   (B) are either monopolistically competitive or perfectly competitive.

   (C) are either monopolistically competitive or oligopolists.

   (D) are either perfectly competitive or oligopolists.

5. The type of industry organization that is characterized by recognized interdependence and nonprice competition among firms is called:

   (A) monopoly.

   (B) perfect competition.

   (C) oligopoly.

   (D) monopolistic competition.

6. Which of the following short-run cost curves declines continuously?

   (A) Average total cost

   (B) Marginal cost

   (C) Average fixed cost

   (D) Average variable cost

7. The restaurant industry has a market structure that comes closest to:

   (A) monopolistic competition

   (B) oligopoly.

(C) perfect competition.

(D) monopoly.

8. Economic indicator of contraction and expansionary phase by measuring real GDP is:

(A) Business cycle

(B) Technical indicator

(C) Leading indicator

(D) Lagging indicator

9. National income accountants can avoid multiple counting by:

(A) Counting both intermediate and final goods.

(B) Only counting final goods.

(C) Only counting intermediate goods.

(D) Including transfers in their calculations.

10. What does Article 246 of the Indian Constitution deal with?

(A) The distribution of revenue between the Centre and States

(B) The division of legislative powers between the Centre and States

(C) The establishment of Panchayati Raj institutions

(D) The powers of the President to make laws

11. Excessive and unplanned public expenditure may lead to:

(A) Economic stability

(B) Fiscal crisis and debt burden

(C) Reduction in money supply

(D) A decrease in inflation

12. Which of the following situations best demonstrates a market failure due to asymmetric information?

    (A) A monopolist exploiting market power by reducing supply

    (B) Consumers buying substandard products because they lack information about quality

    (C) The government providing public goods like street lighting

    (D) A natural monopoly were economies of scale drive market concentration

13. Which of the following is NOT a part of the money supply in an economy?

    (A) Currency held by the central bank

    (B) Demand deposits in commercial banks

    (C) Saving accounts in commercial banks

    (D) Time deposits in commercial banks

14. Which of the following is NOT a typical tool of monetary policy used by a central bank?

    (A) Open market operations

    (B) Changing the reserve requirements of commercial banks

    (C) Adjusting the tax rates in the economy

    (D) Changing the discount rate

15. According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:

    (A) Require labour-intensive techniques if the country has a surplus of capital.

    (B) Utilize abundant factors of production that the country has in large supply.

    (C) Require advanced technology in which the country is technologically superior.

(D) Require high labour costs in a country with low wages.

16. In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?

    (A) To increase tariffs and protect domestic industries

    (B) To reduce trade barriers and promote free trade

    (C) To restrict foreign competition through quotas

    (D) To enhance domestic subsidies for agricultural sectors

17. Which of the following is a primary objective of India's Five-Year Plans?

    (A) To regulate and control foreign trade

    (B) To promote balanced economic growth across all regions

    (C) To discourage the private sector in favour of public enterprises

    (D) To ensure foreign aid and capital inflows into the country

18. Which of the following is the most important source of India's foreign exchange earnings?

    (A) Industrial exports

    (B) Remittances from Indians working abroad

    (C) Tourism

    (D) Services exports, especially IT and software

19. The Green Revolution in India focused primarily on increasing the production of:

    (A) Oilseeds

    (B) Food grains, especially wheat and rice

    (C) Fruits and vegetables

    (D) Cash crops like cotton and sugarcane

20. According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:

    (A) Decrease

    (B) Increase proportionately

    (C) Stay the same

    (D) Increase, but unpredictably

21. Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession?

    (A) Increasing taxes and reducing government spending

    (B) Cutting taxes and increasing government expenditure

    (C) Reducing the public debt by increasing savings

    (D) Avoiding changes in taxes and government spending

22. If a country's currency is depreciating, it means that:

    (A) The domestic currency is increasing in value relative to foreign currencies.

    (B) The country's exports will become more expensive to foreign buyers.

    (C) The country's exports become cheaper for foreign buyers, potentially boosting trade.

    (D) The central bank is actively increasing the supply of money.

23. Diminishing marginal utility implies that the:

    (A) marginal utility of a good diminishes over time.

    (B) total utility is negative.

    (C) last unit of a good consumed will contribute most to the consumer's satisfaction.

(D) first unit of a good consumed will contribute most to the consumer's satisfaction.

24. Which one of the following is not an internal economy of scale?

(A) Technical economies

(B) Financial economies

(C) Economies due to localization of industries

(D) Marketing economies

25. If a firm's total revenue is not enough to make good even the _____________, it is better for firm to shut down.

(A) Total fixed cost

(B) Marginal cost

(C) Average fixed cost

(D) Total variable cost

SUGGESTED ANSWERS/HINTS

1.	**(A)**	2.	**(C)**	3.	**(D)**	4.	**(B)**	5.	**(C)**
6.	**(C)**	7.	**(B)**	8.	**(A)**	9.	**(B)**	10.	**(B)**
11.	**(B)**	12.	**(B)**	13.	**(A)**	14.	**(C)**	15.	**(B)**
16.	**(B)**	17.	**(B)**	18.	**(D)**	19.	**(B)**	20.	**(B)**
21.	**(B)**	22.	**(C)**	23.	**(D)**	24.	**(C)**	25.	**(D)**