



PAPER – 4: BUSINESS ECONOMICS



QUESTIONS

1. The introduction of the Goods and Services Tax (GST) in India primarily aimed to:
 - (a) Replace direct taxes with indirect taxes
 - (b) Unify various indirect taxes into a single system
 - (c) Increase the tax burden on lower-income groups
 - (d) Eliminate the taxation of services
2. Microeconomic theory studies how a free-enterprise economy determines:
 - (a) the price of goods
 - (b) the price of services
 - (c) the price of economic resources
 - (d) all of the above.
3. Within the relevant range, isoquants
 - (a) are negatively sloped
 - (b) are convex to the origin
 - (c) cannot cross
 - (d) are all of the above.
4. Which of the following is incorrect formula?
 - (a) $TC = AC \times Q$
 - (b) $\sum MC = TC$

- (c) $\sum MC = TVC$
 - (d) $\sum MC + TFC = TC$
5. The Substitution effect will be stronger when
- (a) The goods are closer substitution
 - (b) There is lower cost of switching to the substitute goods
 - (c) There is lower Inconvenience while switching to the substitute good
 - (d) All the above
6. Price discrimination to be profitable elasticity of demand in different submarket will be _____
- (a) Different
 - (b) Uniform
 - (c) Zero
 - (d) None of these
7. According to Hicks and Allen the demand curve slope downwards due to _____
- (a) Law of diminishing marginal utility
 - (b) Income effect and substitution effect
 - (c) Either (a) or (b)
 - (d) None of these
8. Full Capacity is utilized in the which market condition_____
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
9. 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
10. Coincident indicator is not indicated as:
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
11. Which of the following is NOT typically used as a fiscal policy measure to control inflation?
- (a) Increasing government expenditure
 - (b) Raising taxes
 - (c) Reducing public sector investments
 - (d) Increasing interest rates
12. In an economy, a change in the reserve ratio will directly affect the:
- (a) Level of interest rates in the market
 - (b) Supply of money in circulation
 - (c) Demand for money at different income levels
 - (d) Government's budgetary balance
13. Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?
- (a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.
 - (b) Resources are immobile between countries but mobile within a country.
 - (c) Trade occurs only due to differences in technology between countries.
 - (d) Both countries in trade can benefit even if one country is less efficient in producing both goods.

14. 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.
15. 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
16. The current account deficit (CAD) in India refers to the excess of:
- (a) Imports over exports
 - (b) Exports over imports
 - (c) Total investment over savings
 - (d) Government expenditure over revenue
17. Which of the following is a primary objective of India's monetary policy?
- (a) To reduce the overall level of taxation in the economy
 - (b) To control the money supply and curb inflation
 - (c) To promote export-led growth through currency devaluation
 - (d) To ensure a balanced budget for the government
18. 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
19. 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.
20. The concept of the "multiplier effect" in Keynesian economics refers to:
- (a) The impact of interest rates on investment
 - (b) The magnification of an initial change in spending throughout the economy
 - (c) The impact of taxes on consumer spending
 - (d) The role of exports in economic growth
21. What is the primary method for calculating National Income using the income approach?
- (a) Adding up all expenditures in the economy
 - (b) Summing up all factor incomes earned by households and firms
 - (c) Measuring the value added at each stage of production
 - (d) Calculating the difference between exports and imports
22. Which of the following is considered a component of M1, the narrowest definition of money supply?
- (a) Time deposits
 - (b) Currency in circulation
 - (c) Treasury bills
 - (d) Corporate bonds

23. 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
24. Which of the following is a factor income?
- (a) Profits
 - (b) Transfer payments
 - (c) Subsidies
 - (d) Indirect taxes
25. Which of the following is a common solution to the problem of common resources being overused?
- (a) Government regulation
 - (b) Privatization
 - (c) Subsidies
 - (d) Free-market competition


SUGGESTED ANSWERS/HINTS

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