



PAPER – 4: BUSINESS ECONOMICS



QUESTIONS

1. The indifference curve of two substitute will be:
 - (a) Straight line
 - (b) U- Shaped
 - (c) C Shaped
 - (d) L shaped
2. Which is not the External Causes of business cycle:
 - (a) Post War Reconstruction
 - (b) Technology Shocks
 - (c) Population Growth
 - (d) Money Supply
3. Under which market form, the demand curve is steeper as compared to monopolistic competition?
 - (a) Monopoly
 - (b) Oligopoly
 - (c) Perfect Competition
 - (d) None of these
4. Marginal Product is the slope of:
 - (a) Marginal product Curve
 - (b) Average Product Curve

- (c) Total Product Curve
 - (d) Implicit Product Curve
5. The opportunity cost of a good is:
- (a) The loss of interest in using savings
 - (b) The time lost in finding it.
 - (c) The quality of other goods sacrificed to get another unit of that good.
 - (d) None of these
6. Under which market form price discrimination cannot persist:
- (a) Oligopoly
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) Perfect competition.
7. Certain Benefit an Industry gets when it expands its scale of production is Known as:
- (a) Internal Economies
 - (b) Diseconomies
 - (c) External economies
 - (d) Profit
8. Suppose we are drawing a supply curve of a farmer which of the following will be held constant:
- (a) Price of Inputs
 - (b) Weather Conditions
 - (c) Technology
 - (d) The price of the Commodity under consideration
9. The substitution effect will be stronger when:
- (a) The goods are closer substitutes

- (b) There is lower cost of switching to the substitute good
 - (c) There is lower inconvenience while switching to the substitute good.
 - (d) All of these
10. Globalization indicate rapid ___ between countries:
- (a) Competition
 - (b) Investment
 - (c) Integration
 - (d) None of these
11. In order to influence spending on the goods and services in the short run, _____ is directed at directly influencing interest rate:
- (a) Fiscal policy
 - (b) Budgetary policy
 - (c) Monetary policy
 - (d) Economic policy
12. The law of consumer surplus is based on:
- (a) Indifference curve analysis
 - (b) Revealed preference theory
 - (c) Law of substitution
 - (d) The law of diminishing marginal utility
13. The four phases of the business cycle are:
- (a) Peak, recession, trough and boom
 - (b) Peak, depression, trough and boom
 - (c) Peak, recession, trough and recovery
 - (d) Peak, depression, bust and boom.
14. Information Technology bubble burst of 2000 is an example of:
- (a) Business Cycle

- (b) Consumer Sovereignty
 - (c) Freedom of choice
 - (d) None of these
15. The difference between gross domestic investment and net domestic investment is equal to:
- (a) Unwanted inventory changes
 - (b) The difference between NDP and national income
 - (c) The difference between GDP and NDP
 - (d) None of the above
16. Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?
- (a) Consumption will increase
 - (b) Net exports will increase
 - (c) Government purchases will increase
 - (d) Investment will increase
17. What is the similarity between the Subprime Crisis and Greece Crisis?
- (a) High Financial Leverage
 - (b) Low-Interest Rate
 - (c) Credit Expansion
 - (d) All of the above
18. Among the following canons of taxation which one has been given by Adam Smith?
- (a) Canon of Uniformity
 - (b) Canon of productivity
 - (c) Canon of diversity
 - (d) Canon of equity

19. The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because:
- (a) The consumer's real income has increased.
 - (b) The consumer's real income has decreased.
 - (c) The product is now relatively less expensive than before.
 - (d) Other products are now less expensive than before.
20. If the market demand curve for a commodity has a negative slope, then the market structure must be:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Imperfect competition
 - (d) The market structure cannot be determined as the information is insufficient
21. In economics, generally the classification of the markets is made on the basis of:
- (a) Time
 - (b) Geographic area
 - (c) Volume of business
 - (d) All of these
22. Which characteristic of money refers to its ability to hold value over time?
- (a) Divisibility
 - (b) Durability
 - (c) Portability
 - (d) Store of value
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. What is the primary purpose of an import quota?
- (a) To encourage domestic production.
 - (b) To reduce government spending.
 - (c) To limit the quantity of imports.
 - (d) To increase the trade deficit.
25. Which exchange rate regime is adopted by highest no of IMF members
- (a) Hard Peg
 - (b) Floting
 - (c) Free Floating
 - (d) Soft Peg



SUGGESTED ANSWERS/HINTS

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