

National management college-Perundurai**CA-Foundation – Business Economics****Max.Time: 60 minutes****30/11/2022****Total Marks : 50****Answer all the questions**

1. Charging high prices initially to build a brand conscious customer base is called?

- (a) Price Sensitivity (b) Price Skimming (c) Price Discrimination
(d) Price Margin Analysis

2. 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

3. All the following are the features of monopoly except

- (a) There is a single seller (b) The firm is a price taker
(c) The firm produces a unique product (d) The existence of some advertising

4. An economy achieves “productive efficiency” when:

- (a) The best quality goods are produced
(b) The highly skillful resources in the country are fully employed
(c) All resources are utilized, and goods and services are produced at least cost
(d) None of the above

5. Price discrimination will be profitable only if the elasticity of demand in different markets in which the

total market has been divided is:

- (a) uniform (b) different (c) less (d) zero

6. Monopolies are allocatively inefficient because:

- (a) They restrict the output to keep the price higher than under perfect competition.
(b) They charge a price higher than the marginal cost.
(c) Both (a) and (b) are correct. (d) Both (a) and (b) are incorrect

7. Excess capacity is not found under _____

- (a) Monopoly (b) Monopolistic competition
 (c) Perfect competition. (d) Oligopoly

8. The monopolistically competitive seller's demand curve will become more elastic, the

- (a) more significant the barriers to entering the industry.
 (b) greater the degree of product differentiation.
 (c) larger the number of competitors. (d) smaller the number of competitors

9. An industry comprised of a very large number of sellers producing a standardized product is known as

- (a) Monopolistic competition (b) Oligopoly
 (c) Pure monopoly (d) Pure competition

10. The greater the inequalities in the distribution of money incomes, the _____ the inequalities in the distribution of national output.

- (a) greater (b) lesser (c) (a) or (b) (d) None of these

11. Different business cycles _____ in duration and intensity.

- (a) differ (b) similar (c) consistent (d) Can't say

12. Which of the following is a differentiated product?

- (a) A hamburger (b) A shirt (c) An automobile (d) All of the above

13. If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long run resource mobility, then the firm is

- (a) A monopolist (b) An oligopolist (c) A perfect competitor
 (d) A monopolistic competitor

14. A monopolized market is in long run equilibrium when

- (a) Zero economic profit is earned by the monopolist
 (b) Production takes place where price is equal to long run MC and AC
 (c) Production takes place where long run MC is equal to MR and price is not below the long run average cost.
 (d) All of the above are correct

15. Which one of the following features of the term market is incorrect?

- (a) Market is the collection of buyers and sellers with the potential to trade.
- (b) A market need not be a formal.
- (c) A market need not to be held in a particular place.
- (d) A market must be formal or to be held in a particular place.

16. Value in exchange is also known as

- (a) Value in use (b) Economic value (c) Both (a) and (b)
- (d) None of these

17. A point of 'Kink' in the kinked demand curve indicates

- I. Price rigidity II. Quantity rigidity III. Price flexibility
- IV. Quantity flexibility

- (a) I & II are correct (b) II & III are correct
- (c) III & IV are correct (d) I & IV are correct

18. The buyers in the market include

- (a) Consumers (b) Businesses (c) Government (d) All of the above

19. The regulatory mechanism of the market system is-

- (a) Self-interest (b) Private property (c) Competition
- (d) Specialization

20. A leading indicator is

- (a) a variable that tends to move along with the level of economic activity
- (b) a variable that tends to move in advance of aggregate economic activity
- (c) a variable that tends to move consequent on the level of aggregate economic activity (d) None of the above

21. A decrease in government spending would cause

- (a) the aggregate demand curve to shift to the right.
- (b) the aggregate demand curve to shift to the left.
- (c) a movement down and to the right along the aggregate demand curve.
- (d) a movement up and to the left along the aggregate demand curve.

22. Which of the following best describes a typical business cycle?

- (a) Economic expansions are followed by economic contractions.
- (b) Inflation is followed by rising income and unemployment.
- (c) Economic expansions are followed by economic growth and development.
- (d) Stagflation is followed by inflationary economic growth.

23. Economic recession shares all of these characteristics except.

- (a) Fall in the levels of investment, employment
- (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
- (c) Investor confidence is adversely affected and new investments may not be forthcoming
- (d) Increase in the price of inputs due to increased demand for inputs

24. According to _____ trade cycles occur due to onset of innovations.

- (a) Hawtrey
- (b) Adam Smith
- (c) J M Keynes
- (d) Schumpeter

25. Business cycle generally originate in free market economies, what is a free market economy?

- (a) The economy where government is in possession of major assets
- (b) The economy where private firms control major assets
- (c) The economy where decisions of productions are taken by public sector undertakings
- (d) The economy where price is controlled by government.

26. A firm encounters its "shutdown point" when:

- (a) average total cost equals price at the profit-maximising level of output.
- (b) average variable cost equals price at the profit-maximising level of output.
- (c) average fixed cost equals price at the profit-maximising level of output.
- (d) marginal cost equals price at the profit-maximising level of output.

27. Which of the following statements is correct?

- (a) Price rigidity is an important feature of monopoly.
- (b) Selling costs are possible under perfect competition.
- (c) Under perfect competition factors of production do not move freely as there are legal restrictions.

(d) An industry consists of many firms.

28. When $e > 1$ then MR is

- (a) zero (b) negative (c) positive (d) one

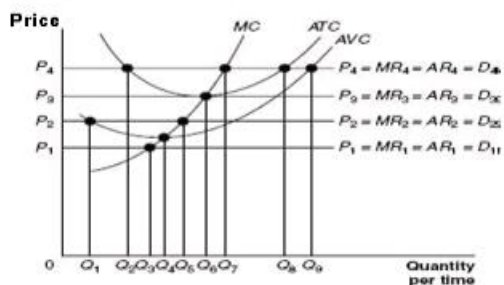
29. Under monopoly, the degree of control over price is:

- (a) none (b) some (c) very considerable (d) none of the above

30. Generally, perishable goods like butter, eggs, milk, vegetables etc., will have

- (a) regional market (b) local market (c) national market (d) none of the above

31. At price P_1 , the firm in the figure would produce



- (a) Zero output (b) Q_3 . (c) Q_5 . (d) Q_6

32. The condition for pure competition is

- (a) large number of buyer and seller, free entry and exist
 (b) homogeneous product (c) both (a) and (b)
 (d) large number of buyer and seller, homogeneous product, perfect knowledge about the product

33. Price discrimination is related to

- (a) time (b) size of the purchase (c) income (d) any of the above

34. If firms in the toothpaste industry have the following market shares, which market structure would best describe the industry?

Market share	(% of market)
Toothpaste	18.7
Dentipaste	14.3
Shinibright	11.6
I can't believe its not toothpaste	9.4
Brighter than white	8.8
Pastystuff	7.4
Others	29.8

- (a) Perfect competition. (b) Monopolistic competition.
 (c) Oligopoly. (d) Monopoly.

35. Assume that when Price is Rs.10, the quantity demanded is 5 units and when Price is Rs.12 the quantity demanded is 4 units .Based on this information, what is the Marginal Revenue resulting from increase in output from 4 units to 5 units.

- (a) Rs. -4 (b) Rs. 4 (c) Rs. -2 (d) Rs. 2

36. Average revenue is equal to.

- (a) The change in P & Q due to a one unit change in output.
 (b) Nothing but price of one unit of output.
 (c) The change in quantity divided by change in price.
 (d) Graphically it denotes the firm's supply curve.

37. Price discrimination is not possible:

- (a) under monopoly situation (b) under perfect competition
 (c) under monopolistic competition (d) under any market firm

38. In the case of monopoly:

- (a) MR curve cannot be defined (b) AR curve cannot be defined
 (c) the short run supply curve cannot be defined
 (d) none of the above

39. The kinked demand hypothesis is designed to explain in the context of oligopoly

- (a) Price and output determination (b) Price rigidity
 (c) Price leadership (d) Collusion among rivals

40. Which of the following is not a variable in the index of leading indicators?

- (a) New consumer goods orders (b) Delayed deliveries
 (c) New building permits (d) Prime rate

41. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?

- (A) Shortages in the market

(B) Problem of allocation of limited supplies among large number of consumer.

(C) Black marketing (D) All of the above

42. The size of a monopolist's plant and the degree of utilization of any given plant size depend entirely on the _____.

(A) Factor price (B) Price of good (C) Market demand (D) Market supply

43. Consider the following:

1. Large number of buyers and sellers
2. Firms produce differentiated products
3. Free entry & exit of firms
4. Perfect knowledge about technology

Which of the above are the characteristics of monopolistic competition?

(A) 1 & 3 (B) 2 & 3 (C) 2, 3 & 4 (D) 1, 2, 3 & 4

44. Match List I with List II and choose the correct answer using the codes given below.

List I		List II		
a.	Perfect competition	I.	Differentiated product	
b.	Imperfect competition	II.	Homogeneous or differentiated products	
c.	Oligopoly	III.	Homogenous product	
d.	Monopoly	IV.	Sharply differentiated products	
Codes:	a	b	c	d
(A)	I	II	III	IV
(B)	III	I	II	IV
(C)	IV	III	II	I
(D)	I	IV	III	II

45. Which of the following assumptions is correct in connection with oligopoly?

1. If an oligopolist increases his price his rivals will follow.
2. If an oligopolist increases his price his rivals will not follow.
3. If an oligopolist increases his price his rivals will lower their prices.
4. If an oligopolist decreases his price his rivals will not react.

(A) 1 only (B) 2 only (C) 4 only (D) 1 & 3 only

46. A purely competitive seller's average revenue curve coincides with

- (A) its marginal revenue curve only (B) its demand curve only
- (C) both its demand & marginal revenue curves
- (D) Neither demand nor marginal revenue curve

47. Business cycle emerge in _____.

- (A) Socialist economy (B) Free market economy
- (C) Mixed economic system (D) None of the above

48. Trade/Business cycles occur due to

List I	List II
i. Changes in money supply	a. Monopoly
ii. Innovations take place in the system	b. Oligopoly
iii. Waves of optimism or pessimism	c. Monopolist Competition
iv. Fluctuations in aggregate effective demand	d. Perfect Competition

Codes:

- (A) i-d, ii-c, iii-b, iv-a (B) i-a, ii-b, iii-c, iv-d (C) i-d, ii-a, iii-c, iv-b
- (D) i-c, ii-a, iii-d, iv-b

49. Cyclical business refers to

- (A) The business where demand fluctuates seasonally.
- (B) The business which keep on changing their product.
- (C) The business whose fortunes are closely related to the rate of economic growth. (D) All of the above

50. Suppose in an economy the population growth rate remained 6% during last 5 years while the economic growth rate during the same period was just 3%.

What will be the consequences of it? Select the right option from the options given below.

- (A) Lesser savings → Lower investment → Low income & employment → Low effective demand → Overall slowdown in economic activities
- (B) More consumption expenditure → more demand → more production → more employment & income → Overall boom in economic activities
- (C) Increase in labour supply → Lower wage rate → Low income → Low savings & investments → Low production → Overall slowdown in economic activities (D) None of the above

