



**PAPER – 4:
BUSINESS ECONOMICS**



QUESTIONS

1. Fiscal federalism primarily deals with:
 - (a) Distribution of financial resources among different levels of government
 - (b) Distribution of power between Legislature and Executive
 - (c) Relationship between Judiciary and Legislature
 - (d) Conduct of elections in a federal country
2. Under Article 112, the Annual Financial Statement is presented in which house of Parliament first?
 - (a) Lok Sabha
 - (b) Rajya Sabha
 - (c) Joint Session of Parliament
 - (d) Finance Committee
3. Which of the following is NOT a function of NITI Aayog?
 - (a) Policy formulation and coordination
 - (b) Allocation of financial resources to states
 - (c) Promoting cooperative federalism
 - (d) Serving as a think tank for the government

4. The Government offer minimum assured price to the farmers to purchase their Output is called
 - (a) Market Price
 - (b) Support Price
 - (c) Equilibrium Price
 - (d) Ceiling Price
5. The Price in Collusive Oligopoly is decided by :
 - (a) The Firm
 - (b) Price leader
 - (c) The Industry
 - (d) None of these
6. The Distinction between Selling Cost and Production cost was made by :
 - (a) Chamberlin
 - (b) Sweezy
 - (c) Mrs. Joan Robinson
 - (d) None of these
7. Which one of the following is not an internal economies of scale?
 - (a) Technical economies
 - (b) Financial economies
 - (c) Economies due to localization of industries
 - (d) Marketing economies
8. The share of the tax borne by seller will be larger
 - (a) If the demand for the product is less elastic.
 - (b) If the demand for the product is inelastic.
 - (c) If the demand for the product has greater elasticity.
 - (d) If the elasticity of supply of the product is larger.

9. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
10. Excess capacity is not found under ____
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect competition.
 - (d) Oligopoly
11. Information Technology bubble burst of 2000 is an example of :
- (a) Business Cycle
 - (b) Consumer Sovereignty
 - (c) Freedom of choice
 - (d) None of these
12. What is the limitation of Consumer Surplus:
- (a) Consumer surplus cannot be measured precisely
 - (b) The Consumer surplus derived from a commodity is affected by availability of substitute
 - (c) Both (a) & (b)
 - (d) None of these
13. Example of Third-Degree Price Discrimination:
- (a) Dumping
 - (b) Charging different prices for domestic and commercial uses
 - (c) Lower prices in railways for senior citizen
 - (d) All of the above

14. What activity is termed as activity of tertiary sector?
 - (a) Wheat production
 - (b) Mobile production
 - (c) Construction of a dam
 - (d) Fishing
15. FII helps to improve:
 - (a) Capital market
 - (b) Flow of equity capital
 - (c) Financial innovation and development
 - (d) All the above
16. Devaluation of Indian Rupee in terms of US Dollar was in the year.
 - (a) 2019
 - (b) 2000
 - (c) 1981
 - (d) 1991
17. Which of the following statements is true about the Indian monetary system?
 - (a) The Indian monetary system is based on the gold standard
 - (b) The Indian monetary system is based on the credit money standard
 - (c) The Indian monetary system is based on the paper standard
 - (a) None of these
18. Which of the following statements is true about the money supply?
 - (a) It is the total volume of money that is held by the government of a country
 - (b) It is the total volume of money that is held by the general public of a country over a time period

- (c) It is the total volume of money that is held by the general public of a country at a particular point in time
 - (d) All of the above
19. Which of the following statements is true about credit creation by banks?
- (a) Banks create credit on the basis of their total assets
 - (b) Banks create credit on the basis of their total deposits
 - (c) Banks create credit on the basis of their total securities
 - (d) None of these
20. The quantity demanded of money rises:
- (a) As the interest rises
 - (b) As the interest falls
 - (c) As the supply of money falls
 - (d) As the number of banks rises
21. Open market operation will become successful if there is a:
- (a) free-market economy
 - (b) developing economy
 - (c) well-developed bill and security market
 - (d) All of the above
22. According to Keynes, inflationary gap is caused by
- (a) excess supply
 - (b) excess demand
 - (c) deficiency of demand
 - (d) deficiency of supply
23. The effects of inflation on the price competitiveness of a country's products may be offset by:
- (a) An appreciation of the currency

- (b) A revaluation of the currency
 - (c) A depreciation of the currency
 - (d) None of the above
24. What is Currency Deposit Ratio (CDR)?
- (a) Ratio of money held by the public in currency to that of money held in bank deposits
 - (b) Ratio of money held by the public in bank deposits to that of money held by public in currency
 - (c) Ratio of money held in demand drafts to that of money held in treasury bonds
 - (d) None of the above
25. Find nominal GDP if real GDP = 450 and price index = 120
- (a) 500
 - (b) 450
 - (c) 540
 - (d) None of these



SUGGESTED ANSWERS/HINTS

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