

AJA Commerce Academy
CA - Foundation
Test Series – Economics

CA Foundation - Business Economics

Chapter 1 - *Nature & Scope of Business Economics (Introduction & Basic problems of an economy & role of price mechanism)*

Total Marks - 50

Instructions:

1. Question paper Consists of 50 Questions of 1 mark each
2. Select the Most appropriate answer from the choices given

Answering all the Questions is Compulsory:

1. The term Economics owes its origin to the greek word "Oikonomia" which means:
 - a. Foreign
 - b. Domestic
 - c. Household
 - d. Extensive
2. What is Economics:
 - a. Study of Processes by which the relatively scarce resources are allocated to satisfy the competing unlimited human wants & analyse wide range of economic issues
 - b. Study of Psychology of Money
 - c. Effective management of Strategies to achieve objectives
 - d. None of the above
3. Decision making in the context of Economics is considered as:
 - a. Simple & Straightforward
 - b. Highly Complex & Dynamix
 - c. Indecisive
 - d. All of the above
4. Scarcity of resources in every economic system is generally called:
 - a. "The Shortage of economic problem"
 - b. "The Abundance of economic problem"
 - c. "The Central economic problem"

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- d. "The State economic problem"
5. Economic System is broadly classified into:
- Capitalistic
 - Socialistic
 - Mixed
 - All of the above
6. The concept of Socialist economy was propounded by Karl Marx and Frederic Engles in their work----- published in 1848:
- Quarterly Journal of Economics
 - Value Price & Profits
 - Process of capital production
 - The Communist Manifesto
7. Business Economics scope is quite Wide. The two categories of Business issues are:
- Internal Issues
 - External Issues
 - Investment Issues
 - Employment Issues
- I & II
 - III & IV
 - I & III
 - II & IV
8. Capitalism is an economic system in which all means of production are Owned & Controlled by -----for Profits:
- Government
 - Private Individuals
 - Both Govt. & Private Individuals
 - Foreign Entities
9. Subject Matter of Economics is:
- Money, Supply & Demand
 - Microeconomics only
 - Macroeconomics only

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d. Both Micro & Macro Economics

10. Macroeconomics analyses the environment in which ----- has to function:

- a. Individual
- b. Business
- c. Government
- d. All of the above

11. The Main Task of Economics is to fulfil:

- a. Needs of Unemployed in specific
- b. Needs of Individuals in general
- c. Needs of Entities
- d. Needs of Individuals as well as Entities

12. Business Economics ignores other theories except:

- a. Income Theory
- b. Expenditure Theory
- c. Profit Theory
- d. Loss Theory

13. The Major Macro Economic factors relate to:

- a. Economic System & Stage of Business Cycle
- b. Social & Political Environment
- c. Government Economic policies
- d. All of the above

14. Business Economics is Interdisciplinary in nature as it incorporates tools from:

- a. Mathematics
- b. Operations Research
- c. Accounting & Finance
- d. All of the above

15. Success of any business depends on:

- a. Sound Decisions

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- b. Unsound Decisions
- c. Critical analysis
- d. Unbiased Opinions

16. The fundamental facts of economics revolves around:

- a. Human beings have limited wants & means to satisfy them are Scarce
- b. Human beings have unlimited wants & means to satisfy them are Abundant
- c. Human beings have No wants & Desires
- d. Human beings have Unlimited wants & means to satisfy them are scarce

17. Business Economics is essentially ----- :

- a. Applied Economics
- b. Managerial Economics
- c. Psychological Economics
- d. None of the above

18. Areas covered under macroeconomics are:

- a. National Income & Output
- b. General Price levels & Interest rates
- c. External value of currency & overall level of savings, Investments
- d. All of the above

19. Business Economics is ----- in its approach as it tackles practical problems which the firms face in the real world:

- a. Unrealistic
- b. Pragmatic
- c. Logical
- d. Imaginary

20. Economic Theory has developed along 2 Lines namely:

- a. Positive & Normative
- b. Negative & Descriptive
- c. Positive & Descriptive
- d. Negative & Normative

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21. The management of a business unit generally needs to make decisions that are:

- a. Strategic
- b. Tactical
- c. Operational
- d. All of the above

22. Economic environment represents the overall effect of the innumerable decisions made by millions of different:

- a. Distribution Channels
- b. Consumers & Producers
- c. Industry Competitors
- d. Government officials

23. Production analysis enables the firm to decide on the choice of appropriate technology and selection of least:

- a. Budget-Input Mix
- b. Cost-Output Mix
- c. Budget-Output Mix
- d. Cost-Input Mix

24. Inventory Management theories pertain to rules to minimise costs of maintaining inventory in the form of:

- a. Work-in-progress
- b. Raw Materials
- c. Finished Goods
- d. All of the above

25. Advanced Tools such as ----- enables the firm to arrive at the best course of action for optimum utilisation of available resources

- a. Regression analysis
- b. Linear Programming
- c. Statistical Research
- d. Analytical Progression

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26. Risk & Uncertainty analysis helps the business to arrive at efficient decisions & in formulating plans on the basis of:

- a. Past data only
- b. Future predictions
- c. Current Information
- d. All of the above

27. Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited a factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using:

- a. Micro Economics
- b. Macro Economics
- c. None of the above
- d. Both a & b

28. Socialist Economy includes:

- a. Collective ownership & Economic planning
- b. Absence of consumer choice & Equal Income distribution
- c. Minimum role of Price mechanism & No Competition
- d. All of the above

29. Combined Sector in which both government & the private entities have equal access to produce commodities & services leading to establishment of:

- a. Industrial Sectors
- b. Business Units
- c. Joint Sectors
- d. Competitive Units

30. Central Economic problems revolves around:

- a. What to produce?
- b. How to produce? & For whom to produce?
- c. What provisions are to be made for economic growth?

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d. All of the above

31. Capitalism preserves fundamental rights such as:

- a. Right to Freedom & Private Property
- b. Right to Practise any profession or occupation
- c. Right to association or union
- d. Right to Speech & Expression

32. Excessive materialism as well as conspicuous and unethical consumption leads to:

- a. Ecological imbalances
- b. Environmental Upgradation
- c. Natural Disasters
- d. Environmental Degradation

33. Inequalities reduce the aggregate economic welfare of the society as a whole and split the society into two classes:

- I. Haves
 - II. Have Nots
 - III. Employed
 - IV. Unemployed
- a. I & II
 - b. III & IV
 - c. I & III
 - d. II & IV

34. The erstwhile U.S.S.R was an example of -----economy from 1917 to 1990:

- a. Capitalist
- b. Socialist
- c. Mixed
- d. None of the above

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35. In Micro Economics Business manager is usually concerned about achievement of the organisation's objectives which are based on:

- a. Futuristic goals
- b. Predetermined objectives
- c. Situational assumptions
- d. Current scenarios

36. Producing cotton cloth using labour-intensive techniques or capital intensive techniques is an example for which of the following Central Economic Problems:

- a. What to produce?
- b. What provisions are to be made for economic growth?
- c. For whom to produce?
- d. How to produce?

37. Not only the society has to decide what goods are to be produced, it has to also decide on what _____ of goods to produce?

- a. Quality
- b. Prices
- c. Quantity
- d. Nature

38. An economic system refers to the sum total of arrangements for the:

- a. Production of goods in the society
- b. Distribution of goods in the society
- c. Production and Distribution of Services in the society
- d. Production and Distribution of Goods & Services in the society

39. Absence of Consumer choice is a feature of which economy:

- a. Capitalist
- b. Socialist
- c. Mixed
- d. None of the above

40. Price Theory explains determination of prices under different market conditions and assists the firm in framing suitable:

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- a. Business Policies
- b. Price Policies
- c. Economic Policies
- d. Legal Policies

41. Business Economics is not only valuable to business decision makers, but also useful for managers of:

- a. Doctors
- b. Lawyers
- c. Not-for-profit organisations (NGO's)
- d. Event Management

42. Consumption and Savings are done by ----- and Investments are done by ----- :

- a. Producers & Government
- b. Consumers & Entrepreneurs
- c. Local authorities & Public
- d. Banks & Accountants

43. Capitalism usually functions in:

- a. Democratic Framework
- b. Diplomatic Framework
- c. Demographic Framework
- d. Disciplinary Framework

44. In order to Set & achieve Socio-economic goals which authority is responsible:

- a. The Central Development authority
- b. The State Development authority
- c. The Central Planning authority
- d. The State Planning authority

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45. Price mechanism or market forces in a socialist economy has only:

- a. Primary role
- b. Secondary role
- c. Substitute role
- d. Complementary role

46. Which of the following would be considered a topic of study in Macroeconomics:

- a. The effect of increase in wages on the profitability of cotton industry
- b. The effect on steel prices when more steel is imported
- c. The effect of an increasing inflation rate on living standards of people in india
- d. The effect of an increase in the price of coffee on the quantity of tea consumed

47. In Economics, we use the term Scarcity to mean:

- a. Absolute Scarcity and lack of resources in less developed countries.
- b. Relative Scarcity i.e. scarcity in relation to wants of the society
- c. Scarcity during times of business failure and natural calamities
- d. Scarcity caused on account of excessive consumption by rich

48. The difference between positive & Normative Economics is:

- a. Positive Economics explains the performance of the economy while normative economics finds out the reasons for poor performance
- b. Positive Economics describes the facts of the economy, while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people
- c. Normative Economics describes the facts of the economy, while positive economics involves evaluating whether some of these are good or bad for the welfare of people
- d. Positive economics Prescribes, while Normative economics Describes

49. Which of the following statements is incorrect:

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- a. Business economics is normative in nature
- b. Business economics has a close connection with statistics
- c. Business economist need not worry about macro variables
- d. Business economics is also called Managerial Economics

50. The definition “Science which deals with wealth of Nation” was given by:

- a. Alfred Marshall
- b. A C Pigou
- c. Adam Smith
- d. J B Say

